TENNESSEE STATE FUNDING BOARD
MARCH 2, 2018
AGENDA

1. Call meeting to order

2. Approval of State Funding Board minutes from the December 19, 2017, meeting

3. Report from the Department of Economic and Community Development (ECD) for approval of funding for the following projects:

   - **Allied Dispatch Solutions, LLC – Sneedville (Hancock County)**
     FastTrack Job Training Grant $ 560,000

   - **DENSO Manufacturing Athens Tennessee, Inc. – Athens (McMinn County)**
     FastTrack Economic Development Grant $2,325,000

   - **England, Inc. – New Tazewell (Claiborne County)**
     FastTrack Economic Development Grant FastTrack $1,200,000
     Job Training Grant $ 800,000

4. Consideration and approval of amended Debt Management Policy

5. Consideration and approval of "A Resolution Authorizing and Providing for the Issuance and Sale of General Obligation Bonds of the State of Tennessee" and delegation of authority to the Comptroller to sell and fix the details of the bonds

6. Approval of assignment of contract for financial advisory services – PFM Financial Advisors LLC (PFMFA)

7. Adjourn

TENNESSEE STATE FUNDING BOARD
December 19, 2017

The Tennessee State Funding Board (the "Board") met on Tuesday, December 19, 2017, at 11:30 a.m., in the Tennessee State Capitol, Ground Floor, Executive Conference Room, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David Lillard, State Treasurer
Commissioner Larry Martin, Department of Finance and Administration

The following member was absent:

The Honorable Bill Haslam, Governor

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the November 20 and November 27 meetings. Commissioner Martin made a motion to approve the minutes. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Allen Borden, Assistant Commissioner of Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Advisor for Fiscal Policy, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Mr. VanderMeer reported that, as of the date of the last Board meeting on November 27, 2017, the FastTrack balance was $240,068,219.68. Since that time, $2,866,953.36 in funds were deobligated and returned to the FastTrack program; $4,963,929.00 in new grants had been approved and $76,421.82 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $237,894,822.22 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of $225,827,394.94, resulting in an uncommitted FastTrack balance of $12,067,427.28. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $15,512,500.00, and if these projects were approved, the uncommitted balance would be ($3,445,072.72) and the total commitments would be $241,339,894.94, which represented 101.4% of the FastTrack balance. Mr. Wilson noted that upon approval of the proposed loans, the FastTrack fund would be overcommitted; however, the Board's policy allows for ECD to be able to commit up to 120% of the available balance of the FastTrack appropriations because not all commitments get accepted.

Mr. Borden stated that the projects were being presented to the Board because state law required that FastTrack projects in amounts exceeding $750,000.00 per eligible business within any three-year period be reviewed and approved by the Board. Mr. Rolfe then presented the following FastTrack projects:

- **Hörmann LLC – Sparta (White County)**
  FastTrack Economic Development Grant $1,130,000.00
  FastTrack Infrastructure Development Grant $ 910,000.00

- **LG Electronics U.S.A., Inc. – Clarksville (Montgomery County)**
  FastTrack Infrastructure Development Grant $1,000,000.00

- **Philips Holdings USA – Nashville (Davidson County)**
  FastTrack Job Training Grant $7,400,000.00
  FastTrack Economic Development Grant $4,212,500.00

- **Apricity Resources, LLC – Nashville (Davidson County)**
  FastTrack Economic Development Grant $ 860,000.00

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Bob Rolfe, Commissioner of ECD. Mr. Wilson inquired if the information provided in the ECD packets was true and correct and Mr. Borden responded affirmatively. Mr. Wilson also inquired if the companies that had signed the incentive acceptance forms fully understood the agreements and Mr. Borden responded affirmatively. Mr. Hargett made a motion to approve the FastTrack projects that were presented. Mr. Lillard seconded the motion, and it was unanimously approved.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this _____ day of ____________________ 2018.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

FastTrack Report to State Funding Board

2/27/2018

1.	Previous FastTrack Balance, as of Last Report	237,894,822.22	
2.	+ New Appropriations:	0.00	
3.	+ Newly Deobligated Funds:	7,663,409.50	
4.	+ Funds Transferred to FastTrack:	5,974,045.73	
5.	- Funds Transferred from FastTrack:	0.00	
6.	- FastTrack Grants or Loans Approved Greater Than $750,000:	(15,501,718.00)	
7.	- FastTrack Grants or Loans Approved Less Than $750,000:	(5,335,087.00)	
8.	- FastTrack Administration	(219,745.71)	
9.	Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		230,475,726.74
10.	Total Amount of Commitments:	220,195,084.23	
11.	Uncommitted FastTrack:		10,280,642.51
12.	Percentage Committed:		95.5%
13.	Amount of Proposed Grants or Loans:	4,885,000.00	
14.	Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:		5,395,642.51
15.	Percentage Committed:		97.7%

See next page for explanations of the above questions.

I have reviewed the above and believe it to be correct:

Robert Rolfe

Commissioner of Economic and Community Development

Date: 2/28/18

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

March 2, 2018

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

The Department of Economic & Community Development (the "Department") seeks approval by the State Funding Board (the "Board") pursuant to T.C.A. § 4-3-717(a) authorizing FastTrack infrastructure, training, and economic development grants where there is a commitment by an eligible business to create or retain private sector jobs or engage in private investment or where the Commissioner of Economic and Community Development determines that such investment will have a direct impact on employment and investment opportunities in the future. The following projects meet the statutory requirements and the Department presents these projects to the Board pursuant to the mandates of T.C.A. § 4-3-717(e), which requires approval of grants and loans under the FastTrack Infrastructure Development Program, the FastTrack Job Training Assistance Program, and the FastTrack Economic Development Program that exceed $750,000 per eligible business within a three (3) year period.

1. Allied Dispatch Solutions, LLC – Sneedville (Hancock County)

Founded in 2014 and headquartered in Johnson City, Allied Dispatch Solutions, LLC is one of the nation's leading roadside assistance companies. The company operates 24/7 and handles in excess of 3 million inbound and outbound calls per year. Allied Dispatch Solutions, LLC has partnerships with several national brands and offers customized roadside assistance service.

For this project, Allied Dispatch Solutions, LLC plans to locate in a new facility in the Hancock County Industrial Park in Sneedville. Construction is scheduled to be completed in the fall of 2018. During the construction of the call center, Allied Dispatch Solutions, LLC plans to occupy a temporary location in Hancock County.

Allied Dispatch Solutions, LLC has committed to create 112 new jobs and make a $452,000 capital investment within five years. The company will have an average wage of $12.23 per hour for the new positions.

FastTrack Job Training Grant funds will be used to train the new workforce. **($560,000)**

Total FastTrack funds for this project - $560,000

2. DENSO Manufacturing Athens Tennessee, Inc. – Athens (McMinn County)

DENSO Manufacturing Athens Tennessee, Inc. is a tier one automotive supplier and a subsidiary of DENSO Corporation. DENSO Corporation, headquartered in Kariya, Aichi prefecture, Japan, is a leading global automotive supplier of various advanced technologies. Its customers include all the world's major carmakers, including GM, Ford, Mazda, Honda, Nissan, and Volvo.

DENSO Manufacturing Athens Tennessee, Inc. will expand in Athens, Tennessee to accommodate demand by adding four additional production lines.

DENSO Manufacturing Athens Tennessee, Inc. has committed to create 310 new jobs and make a $166,000,000 capital investment within five years. The company will have an average wage of $17.85 per hour for the new positions.

FastTrack Economic Development Grant funds will be used for building renovations and air quality improvements. **($2,325,000)**

Total FastTrack funds for this project - $2,325,000

3. England, Inc. – New Tazewell (Claiborne County)

England, Inc., an independent division of La-Z-Boy Incorporated, is a high-quality furniture manufacturer that has been located in New Tazewell since 1964. With over 500 fabric and leather options, England offers a broad selection of furniture to create unique and custom furniture for its customers.

England will add 87,000 square feet to its manufacturing facility in New Tazewell and construct a new 23,000 square foot corporate office space with this expansion. The manufacturing facility is set to be operational by January 2019 and the corporate office space will be operational by the spring of 2019.

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

England, Inc. has committed to create 202 new jobs and make a $31,800,000 capital investment within five years. The company will have an average wage of $12.32 per hour for the new positions.

FastTrack Economic Development Grant funds will be used for new construction, building improvements, and building expansion at the New Tazewell facility. **($1,200,000)**

FastTrack Job Training Grant funds will be used to train the new employees. **($800,000)**

Total FastTrack funds for this project - $2,000,000

Sincerely,

Robert Rolfe

Bob Rolfe

BR/js

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*	Allied Dispatch Solutions, LLC	$560,000	
	ECONOMIC DEVELOPMENT			
TOTAL			$560,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** **Allied Dispatch Solutions, LLC**

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No
   If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☒ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☒ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a or b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☐ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☐ Yes ☐ No

I have reviewed this document and believe it to be correct.

Robert Rolfe
Commissioner of Economic and Community Development

2/27/18
Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

February 2, 2018

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Allied Dispatch Solutions, LLC intends, in good faith, to create 112 private sector jobs in Sneedville, Hancock County and make a capital investment of $452,000 in exchange for incentives that will be memorialized in a grant agreement between Allied Dispatch Solutions, LLC and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Job Training Grant:	$ 560,000
Total ECD Commitment:	**$ 560,000**

Please sign your name in the space below to signify Allied Dispatch Solutions, LLC's acceptance of ECD's offer set forth above and return it by May 2, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee *(including ECD and the Department of Revenue) or the Company.* The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: Wayne Abney
(Authorized Representative of Company)

Date: 2/27/18

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*			
	ECONOMIC DEVELOPMENT	**McMinn County Government**	$2,325,000	
TOTAL			$2,325,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** DENSO Manufacturing Athens Tennessee, Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☐ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☐ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a or b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☒ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☒ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

Robert D. Rolfe
Commissioner of Economic and Community Development

2/27/18
Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

January 8, 2018

INCENTIVE ACCEPTANCE FORM

This form serves as notice that DENSO Manufacturing Athens Tennessee, Inc. intends, in good faith, to create 310 private sector jobs in Athens, McMinn County and make a capital investment of $166,000,000 in exchange for incentives that will be memorialized in a grant agreement between DENSO Manufacturing Athens Tennessee, Inc. and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	$ 2,325,000
Total ECD Commitment:	**$ 2,325,000**

Please sign your name in the space below to signify DENSO Manufacturing Athens Tennessee, Inc.'s acceptance of ECD's offer set forth above and return it by April 7, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: Takashi Nagasaka
(Authorized Representative of Company)

Date: 2/21/2018

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

March 2, 2018

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the McMinn County Government for the benefit of DENSO Manufacturing Athens Tennessee, Inc. in the amount of $2,325,000 to offset the costs that will be incurred in building renovations and air quality improvements. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. DENSO Manufacturing Athens Tennessee, Inc. has committed to create 310 new jobs and to make a $166,000,000 capital investment within five years. The company will have an average wage of $17.85 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Robert O. Rolfe

Bob Rolfe

State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars ($750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
	INFRASTRUCTURE			
	TRAINING*	England, Inc.	$800,000	
	ECONOMIC DEVELOPMENT	City of New Tazewell	$1,200,000	
TOTAL			$2,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

***ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** England, Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed *T.C.A. § 4-3-716(g)*? If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants). ☐ Yes ☒ No

2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs *T.C.A. § 4-3-716(g)*? ☐ Yes ☒ No

3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable *T.C.A. § 4-3-716(f)*? ☒ Yes ☐ No

4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund *T.C.A. § 4-3-716(h)*? ☒ Yes ☐ No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee *T.C.A. § 4-3-717(h)(1)(A)*? ☒

   b. Do more than half of the business' products or services enter into the production of exported products *T.C.A. § 4-3-717(h)(1)(B)*? ☐

   c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state *T.C.A. § 4-3-717(h)(1)(C)*? ☐

   d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state *T.C.A. § 4-3-717(h)(1)(D)*? If "yes," attach the commissioner's rationale. ☐

Applicant must answer "Yes" to a <u>or</u> b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment *T.C.A. § 4-3-717(a)*? If "yes," attach documentation. ☒

   b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future *T.C.A. § 4-3-717(a)*? If "yes," attach the commissioner's rationale. ☐

TRAINING

7. Will the grant support the training of new employees for locating or expanding industries *T.C.A. § 4-3-717(c)(1)*? ☒ Yes ☐ No

8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes *T.C.A. § 4-3-717(c)(2)*? ☐ Yes ☒ No

INFRASTRUCTURE

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? *T.C.A. § 4-3-717(b)(2-3)*? ☐ Yes ☐ No

10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☐ No

11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates *T.C.A. § 4-3-717(f)*? ☐ Yes ☐ No

Applicant must answer "Yes" to a or b.

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry *T.C.A. § 4-3-717(h)(2)*? ☐

b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state *T.C.A. § 4-3-717(h)(2)*? If "yes," attach the commissioner's rationale. ☐

ECONOMIC DEVELOPMENT

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds *T.C.A. § 4-3-717(d)(1)*? ☐ Yes ☒ No

15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business *T.C.A. § 4-3-717(d)(1)*? ☒ Yes ☐ No

16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community *T.C.A. § 4-3-717(d)(1)*? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact. ☒ Yes ☐ No

17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used *T.C.A. § 4-3-717(d)(2)*. Attach documentation. ☒ Yes ☐ No

I have reviewed this document and believe it to be correct.

Robert D. Rolfe
Commissioner of Economic and Community Development

2/27/18
Date

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

January 31, 2018

INCENTIVE ACCEPTANCE FORM

This form serves as notice that England, Inc. intends, in good faith, to create 202 private sector jobs in Tazewell, Claiborne County and make a capital investment of $31,800,000 in exchange for incentives that will be memorialized in a grant agreement between England, Inc. and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Job Training Grant:	$ 800,000
FastTrack Economic Development Grant:	$ 1,200,000
Total ECD Commitment:	**$ 2,000,000**

Please sign your name in the space below to signify England, Inc.'s acceptance of ECD's offer set forth above and return it by April 30, 2018 to:

Tennessee Department of Economic and Community Development
Attn: Jordan Taylor Sloan
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: Terry England
(Authorized Representative of Company)

Date: 2-1-2018

Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Haslam
Governor

March 2, 2018

Comptroller Justin Wilson
First Floor, State Capitol
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the City of New Tazewell for the benefit of England, Inc. in the amount of $1,200,000 to offset the costs that will be incurred in new construction, building improvements, and building expansion at the New Tazewell facility. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of jobs and significant capital investment. England, Inc. has committed to create 202 new jobs and to make a $31,800,000 capital investment within five years. The company will have an average wage of $12.32 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Robert J Rolfe
Bob Rolfe

Tennessee State Funding Board

Debt Management Policy

Prepared by

Office of State and Local Finance

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by governments, the debt issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the State of Tennessee (the "State") and the Tennessee State Funding Board (the "Board"): (1) identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year capital plan; (2) improves the quality of decisions concerning debt issuance; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the State is well-managed and able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the State to manage its debt program in line with those resources.

The debt program for the State includes general obligation debt issued by the State for which the State has pledged its full faith and credit for the payment of both principal and interest. The Board is the entity authorized to issue general obligation debt of the State and issues all general obligation debt in the name of the State pursuant to authorization by the General Assembly. The Board is comprised of the Governor, the State Comptroller of the Treasury, the Secretary of the State, the State Treasurer and the Commissioner of Finance and Administration.

The Office of State and Local Finance (the "OSLF") serves as staff to the Board. Both the Director of the OSLF and the Assistant to the Comptroller for Public Finance serve as the Assistant Secretary to the Board.

Goals and Objectives

The Board is establishing this Debt Management Policy (the "Policy") as a tool to ensure that financial resources are sufficient to fulfill the State's long-term capital plan. In addition, this Policy helps to ensure that financings undertaken by the Board satisfy certain clear objective standards designed to protect the State's financial resources and to meet its long-term capital needs.

A. The goals of this Policy

- To document responsibility for the oversight and management of debt-related transactions;
- To define the criteria for the issuance of debt;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define the appropriate uses of debt;
- To define the criteria for the refunding of debt or the use of alternative debt structures; and
- To minimize the cost of issuing and servicing debt.

B. The objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Board's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the State's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with Federal Regulations, laws of the state of Tennessee, and generally accepted accounting principles ("GAAP").

Debt Management/General

A. Purpose and Use of Debt Issuance

- Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State (including Title 9, Chapter 9, of the TCA and various bond authorizations enacted by the General Assembly of the State), pursuant to resolutions adopted by the Board.
- Debt may be issued for public purposes of respective State departments and institutions, among others, including without limitation to make grants to counties, metropolitan governments, incorporated towns, cities, special districts of the State, or government agencies or instrumentalities of any of them.
- Debt may be used to finance capital projects authorized by the General Assembly through Bond Acts, included in the Capital Budget and/or approved by the State Building Commission and to fund discount and costs of issuance, limited to 2.5% of the amount allocated in the bond authorizations.
- Debt may be authorized to fund highway improvements. Such authorization is used as a cash management tool and gives budget authority to enter into various contracts for highway capital improvements. The projects are not constructed until the current revenue is available to pay the State's share of the projects. Highway bond authorization is canceled once projects have been funded with current funds.
- Debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued.
- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs of projects as authorized by the bond authorization and a resolution of the Board.
- Bonds may be issued to refinance outstanding debt.

B. Debt Capacity Assessment

- The "debt service coverage" test (the "Test") shall be used to compute the maximum principal amount of bonds that the Board can issue after July 1, 2013. The first step of the Test is to calculate the amount necessary to pay the maximum annual debt service in the then current or any future fiscal year on all outstanding bonds and bonds proposed to be issued (the "Debt Service Amount"). The second and final step of the Test is compare the Debt Service Amount with the amount of total state tax revenue (as defined in Section 9-9-104, of the TCA) that was allocated to the general fund, debt service fund and highway fund for the immediately preceding fiscal year (the "Total Tax Revenue Amount"). If the Debt Service Amount is not greater than ten percent (10%) of the Total Tax Revenue Amount, then the bonds may be issued.
- If the Debt Service Amount is six percent (6%) or more of the Total Tax Revenue Amount, the Board shall cause a debt capacity study to be conducted on an annual basis until the Debt Service Amount drops below six percent (6%) of the Total Tax Revenue Amount.

C. Federal Tax Status

- **Tax-Exempt Debt** – The Board will use its best efforts to maximize the amount of debt sold under this Policy using tax-exempt financing based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints;
- **Taxable Debt –** The Board will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt. However, the Board may finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

- No debt obligation, except as shall be repaid within the fiscal year of issuance, shall be sold to fund the current operation of any state service or program.
- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized.
- Debt may only be issued under a bond authorization for which the General Assembly has appropriated sufficient funds to pay the first year's obligation of principal and interest, and when the Board has determined that such funds are available.
- No debt may be issued for a period longer than the useful life of the capital project it is funding.

Types of Debt

A. Bonds

Security – Pursuant to Section 9-9-105, of the TCA, the Board may issue general obligation bonds, which are direct general obligations of the State payable as to both principal and interest from any funds or monies of the State from whatever source derived. The full faith and credit of the State is pledged to the payment of principal of and interest on all general obligations bonds. Subject only to Section 9-9-104(a), all general obligation debt constitutes a charge and lien upon the entire fees, taxes and other revenues and funds allocated to the general fund, the debt service fund, and the highway fund.

These bonds may be structured as:

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond.
  - Serial Bonds
  - Term Bonds
- **Variable Interest Rate Bonds –** Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Capital Appreciation Bonds** – A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded interest rate until maturity, at which time the investor receives a single payment representing both the initial principal amount and the total investment return.

B. Short-Term Debt

Pending the issuance of the definite bonds authorized by the bond authorizations, the Board may issue short-term debt from time to time as needed to fund projects during the construction phase. Such debt shall be authorized by resolution of the Board. Short-term debt may be used for the following reasons:

- To fund projects with an average useful life of ten years or less. The Board may provide that the short-term debt issued may mature more than five years from the date of issue of the original short-term debt; provided, that an amortization schedule of principal repayment is established for the project funded by the short-term debt and provisions are made such that any short-term debt or renewal of short-term debt or bond refunding such short-term debt attributed to the financing of such project shall be redeemed or retired no later than the useful life of the project and no later than either twenty-five years from the date of such original short-term debt or twenty years from the date the project is completed and placed into full service, whichever is earlier.
- To fund projects during the construction phase of the projects.
- To fund cash flow deficits when repaid in the fiscal year in which the debt was issued.

Typically short-term debt is issued during the construction period to take advantage of the lower short-term interest rates and then refunded with bonds once projects are completed. The short-term debt may be structured as Bond Anticipation Notes (“BANs) or short-term obligations that will be repaid by proceeds of a subsequent long-term bond issue. The short-term debt may include:

- **Bond Anticipation Notes (“BANs”) –** BANs are short term obligations that will be repaid by proceeds of a subsequent long-term bond issue.
- **Commercial Pap**er (“CP”) – CP is a form of BANs that has a maturity up to 270 days, may be rolled to a subsequent maturity date. It can be issued incrementally as funds are needed.
- **Fixed Rate Notes –** Notes issued for a period of time less than three years at a fixed interest rate.

- **Variable Rate Notes –** Notes issued for a period of time less than three years which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Revolving Credit Facility –** A form of BANs involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rate shall be included in the authorizing credit agreement.
- **Tax and Revenue Anticipation Notes ("TRANs") -** TRANs are short term notes secured by a pledge of taxes and other general fund revenues in the current fiscal year of the State. TRANs, if issued, will constitute direct obligations of the State backed by the full faith and credit of the State. All TRANs will be redeemed in the same fiscal year in which they are issued.

Debt Management Structure

The Board shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Board's authorizing resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the bond debt should be limited to 20 years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier unless otherwise permitted by the Bond Act and approved by the Board in the Bond Resolution.

B. Debt Service Structure

Debt issuance shall be planned to achieve level principal over a twenty year period unless otherwise specified in the bond act. The Board shall avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements.

No debt shall be structured with other than at least equal principal repayment unless such structure is specifically approved by unanimous vote of the members of the Board.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call features should be structured to provide the maximum flexibility relative to cost. The Board will avoid the sale of long-term non-callable bonds absent careful evaluation by the Board with respect to the value of the call option.

D. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Board. The Board is authorized to sell bonds in amounts not to exceed 2.5% of the amount stated in the bond act for funding discounts.

Refunding Outstanding Debt

The Board may refinance outstanding bonds by issuing new bonds. The Board and the Board's staff with assistance from the Board's financial advisor (the "Financial Advisor") shall have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will conduct an analysis of all refunding candidates at least semiannually to identify potential refunding candidates from the outstanding bond maturities. The Board will consider the following issues when analyzing possible refunding opportunities:

A. Refunding Opportunities

The bonds will be considered for refunding when:

- In the case of an advance refunding:

  (1) ~~, t~~The refunding results in aggregate present value savings of at least 4% per series of refunding bonds as certified to the Board by the Financial Advisor to the Board, ~~and the savings of the bonds to be refunded must be equal to or greater than twice the cost of issuance;~~ or the option value per maturity of refunded bonds exceeds 70% as certified to the Board by the Financial Advisor to the Board; and

  (2) the aggregate present value savings must be equal to or greater than twice the cost of issuance allocable to the refunding series.~~.~~

- In the case of a current refunding:

  ~~(1)~~ The refunding results in aggregate present value savings ~~is~~ of at least [4%] per series of refunding bonds as certified to the Board by the Financial Advisor to the Board; or

  ~~(2) If the aggregate present value savings is less than 4%, the Board may consider option value as a percentage of total savings if the option value exceeds [70%] as certified to the Board by the Financial Advisor to the Board; or~~

  ~~(3)~~(1) the aggregate present value savings per series of refunding bonds is no less than [$1,000,000]; ~~or~~and

  (2) the aggregate present value savings must be equal to or greater than twice the cost of issuance allocable to the refunding series.~~.~~

  Any of the forgoing requirements for~~of~~ a current refunding can be waived by the Board after consultation with the Financial Advisor.

  - ~~the present value savings is equal to or greater than [twice] the cost of issuance~~

- The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or

- A project is sold while still in its amortization period.

If a decision to refund is based on savings, then the Board will issue the refunding debt only after receipt of a certified analysis from the Financial Advisor that the market conditions at the time of the sale will still accomplish cost savings to the public.

Present Value Savings Calculation

Unless otherwise agreed upon by the Office of State and Local Finance and the Financial Advisor, the p~~P~~resent value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by (i) comparing the debt service on ~~each series of~~ the refunding ~~Bonds~~

bonds to the remaining debt service on the ~~Bonds~~ bonds to be ~~Refunded~~ refunded thereby, present valued to the issue date of such refunding ~~Bonds~~ bonds at a discount rate equal to the arbitrage yield on such refunding ~~Bonds~~ bonds calculated (whether for ~~Tax~~tax-~~Exempt~~ exempt ~~Bonds~~ bonds or ~~Taxable~~ taxable ~~Bonds~~bonds) in the same manner as arbitrage yield is calculated for Federally tax-exempt bonds; provided, however, if a series of ~~Bonds~~ bonds is being issued for the purpose of refunding ~~Bonds~~ bonds to be ~~Refunded~~ refunded and for other purposes, only the portion of such ~~Bonds~~ bonds issued for the purpose of refunding ~~Bonds~~ bonds to be ~~Refunded~~ refunded (and related allocable costs of issuance) shall be included in such calculations. Percentage present value savings shall be expressed as a percentage of the par amount of such ~~Bonds~~ bonds to be ~~Refunded~~refunded.

Option Value Calculation

The Option Value analysis quantifies the projected value of the call option (ability to refund the bonds) in the future, based upon implied forward rates in the present day yield curve. The "efficiency" of a proposed refunding is determined by comparing the present value savings associated with refunding the bonds in the current market relative to the option (future) value associated with the refunded bonds.

B. Term of Refunding Issues

The bonds will have a term not extending beyond the fiscal year of the latest outstanding maturity of the originally issued debt. No backloading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Board shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Board will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities ("SLGS") are purchased directly from the Federal Government. The provider must guarantee the delivery of securities except for SLGs. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Board from its own account.

E. Arbitrage

The Board shall take all reasonable steps to optimize escrows and to avoid negative arbitrage in its refunding subject to 9-4-602 and 9-4-603, of the TCA. Any positive arbitrage will be rebated as necessary according to Federal guidelines (see also "Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage").

Methods of Sale

Pursuant to Section 9-9-205 and 9-9-207, of the TCA general obligation bonds issued by the Board shall be sold in such manner as may be determined and approved by the Board. Following each sale, the Office of State and Local Finance ("OSLF") with the assistance of the Financial Advisor shall provide a report to the Board on the results of the sale.

A. Competitive Sale

In a competitive sale, the Board's bonds are posted for auction sale and awarded to the bidder providing the lowest true interest cost as long as the bid conforms to the requirements set forth in the official notice of sale. The competitive sale is the Board's preferred method of sale.

B. Negotiated Sale

While the Board prefers the use of a competitive process, the Board recognizes some bonds are best sold through negotiation. The underwriting team will be chosen and the underwriter's fees negotiated prior to the sale. See section below titled "Selection of Underwriting Team (Negotiated Transaction)." In its consideration of a negotiated sale, the Board will assess the following factors:

- A structure which may require a strong pre-marketing effort such as a complex transaction;
- Volatility of market conditions and whether the Board would be better served by flexibility in timing a sale;
- Size of the bond sale which may limit the number of potential bidders;
- If legal or disclosure issues make it advisable in marketing the bonds;
- Credit strength;
- Whether or not the bonds are issued as variable rate demand obligations, and
- Tax status of the bond.

C. Private Placement

From time to time the Board have a need to consider privately placing its debt. Such placement shall be considered where the size is too small, the structure is too complicated for public debt issuance, the market of purchasers is limited, and/or will result in a cost savings to the Board relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Board shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals ("RFP") or in promotional materials provided to the Board or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Board with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Board. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Board or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Board with assistance from its staff and financial advisor shall select the senior manager(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Board;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Board's engagement;
- Financing ideas presented; and
- Underwriting fees.

B. Co-Managers

Co-managers will be selected on the same basis as the senior manager. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Board's bonds. The Secretary or Assistant Secretary to the Board will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Board may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Board at his or her discretion may make appointments to selling groups as the transaction dictates.

D. Underwriter's Counsel

In any negotiated sale of the Board's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager.

E. Underwriter's Discount

The Board will evaluate the proposed underwriter's discount in comparison to other issues in the market. If there are multiple underwriters in the transaction, the Board will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel fee will be established and communicated to all parties by the Board. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

F. Evaluation of Underwriter Performance

The Board's staff, with assistance of the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit.

Following each sale, the Board's staff shall provide a report to the Board (including the information contained in the paragraph above) on the results of the sale.

Credit Quality

The Board's debt management activities will be conducted to receive the highest credit ratings possible, consistent with Board's financing objectives. If the State's credit ratings are downgraded below the AAA rating, the capital funding and debt strategy will immediately be reviewed and necessary steps within the Board's authority taken to avoid additional downgrades and to restore the AAA rating.

The Office of the Comptroller of the Treasury through the OSLF will be responsible for the communication of information to the rating agencies and keeping them informed of significant developments throughout the year. The OSLF will schedule rating agency calls and/or visits prior to the issuance of General Obligation bonds.

The Board through the OSLF will engage the relevant rating agencies in advance, in the event that the Board decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Board shall apply for ratings from at least two of the three Statistical Rating Organizations (the "SRO"). The Board shall fully review the contract with the SRO and receive an engagement letter prior to submitting documentation for the rating.

Credit Enhancements

The Board will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The Board may consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Board may purchase bond insurance when such purchase by the Board is deemed prudent and advantageous. The primary consideration shall be based on whether such insurance is less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used and will be included in the bid for the bonds and will be paid for by the purchaser of the bonds. If the Board decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Board will select a provider whose bid is most cost effective and will consider the credit quality of the insurer and that the terms and conditions governing the guarantee are satisfactory to the Board.

B. Letters of Credit

The Board may enter into a letter-of-credit ("LOC") agreement when such an agreement is deemed prudent and advantageous. The Board will prepare and distribute an RFP to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the Board. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the State.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Board will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the State.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Board has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

The OSLF will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The OSLF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use

The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk

The risk that debt service payments cannot be made by the due date.

C. Liquidity Risk

The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing of short term debt.

D. Interest Rate Risk

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.

E. Rollover Risk

The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

F. Market Risk

The risk that in the event of failed remarketing of short term debt, the liquidity provider fails.

Transparency

The Board shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. All costs (including interest, issuance, continuing, and one-time) shall be disclosed to the citizens in a timely manner. Additionally, the Board will provide certain financial information and operating data by specified dates, and provide notice of certain enumerated events with respect to the bonds continuing disclosure requirements as required by the U.S. Securities and Exchange Commission ("SEC") Rule 15c2-12. The Board intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Board's website within two weeks of the closing of such sale;
- Preparing and filing with the OSLF a copy of the costs related to the issuance of a bond and other information as required by Section 9-21-151,of the TCA, within 45 days of the closing of such sale, and presenting the original of such document to the Board at its next meeting (see also "Debt Administration – B. Post Sale"); and
- Electronically submitting through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website the information necessary to satisfy the Board's continuing disclosure requirements for the bonds in a timely matter (see also "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Board requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Board. This includes "soft" costs or compensations in lieu of direct payments.

A. Issuer's Counsel

The Board will enter into an engagement letter agreement with each lawyer or law firm representing the Board in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee who serves as counsel to the Board or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the OSLF regarding Board matters.

B. Bond Counsel

Bond counsel shall be engaged through the OSLF and serves to assist the Board in all its general obligation debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through the OSLF and serves and assists the Board on financial matters under a written agreement. However, the Financial Advisor shall not be permitted to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care.

D. Dealer

The Board will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Board, to investors and other entities and individuals who would normally purchase commercial paper.

E. Issuing and Paying Agent

The Board covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Board will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

F. Credit/Liquidity Provider

The Board shall enter into a Credit/Liquidity Agreement with an appointed provider if deemed necessary or advisable for the CP. The provider shall be a bank, lending institution or the Tennessee Consolidated Retirement System ("TCRS") that extends credit to the Board in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

G. Refunding Trustee

The Refunding Trustee shall be appointed by resolution of the Board adopted prior to the issuance of any refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent or Registrar services.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Board shall be required to disclose to the Board existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include such information that is reasonably sufficient to allow the Board to appreciate the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

- Prior to submitting a bond resolution for approval, the Director of the OSLF (the "Director"), with the assistance of the Financial Advisor, will present to staff of the members of the Board information concerning the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and;
- In addition, in the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.
- The Director (with the assistance of staff in the OSLF), Bond Counsel, Financial Advisor, along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

- The Director (with the assistance of staff in the OSLF), Bond Counsel, and Financial Advisor, along with other members of the financing team will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- The Director will present a post-sale report to the members of the Board describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151,of the TCA, and also present the original at the next meeting of the Board, and file a copy with the OSLF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the Internal Revenue Service (IRS) all arbitrage earnings associated with the financing and any tax liability that may be owed.
- The Post-Issuance Compliance ("PIC") team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the OSLF) will, no less than annually, request confirmation from the responsible departments that there has been no change in use of tax-exempt financed facilities.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The OSLF will comply with arbitrage requirements on invested tax-exempt bond funds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Board will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Board currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Board will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Board must be invested per Section 9-9-110 of the TCA, subject to any restrictions required pursuant to any applicable bond issuance authorization. Compliance with Federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained.

Proceeds used to refinance outstanding long-term debt shall be placed in an irrevocable refunding trust fund with a Refunding Trustee. The investments (i) shall not include mutual funds or unit investments trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard and Poor's Global rating services and (iii) shall mature and bear interest at such times and such amounts as will be sufficient without reinvestment, together with any cash on deposit, to redeem the bonds to be refunded and to pay all interest coming due on the bonds to be refunded.

C. Disclosure

The Board will disclose on EMMA the State's audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year. The Board will timely disclose any failure to provide required annual financial information by January 31st. The Board will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of any of the following events relating to the bonds to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies
- Nonpayment-related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers or their failure to perform
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of such bonds or other material events affecting the tax status of such bonds
- Modifications to rights of bond holders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing the repayment of the bonds, if material
- Rating changes
- Bankruptcy, insolvency, receivership, or similar event of the State
- Consummation of a merger, consolidation, or acquisition of the issuer or sale of all or substantially all of the assets of the Board, other than in the course of ordinary 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
- Appointment of successor trustee or the change of name of a trustee, if material

D. Generally Accepted Accounting Principles (GAAP)

The Board will comply and prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the department of finance and administration when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Board maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieve the Board's goals.

This policy will be reviewed by the Board no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvement or clarification.

Adoption of the Policy

After a public hearing on August 24, 2011, the Board adopted the Policy on September 8, 2011, effective September 8, 2011.

After a public hearing on September 16, 2013, the Board adopted the amended Policy on September 16, 2013, effective September 16, 2013.

After a public hearing on May 11, 2017, the Board adopted the amended Policy on May 11, 2017, effective May 11, 2017.

Secretary

Tennessee State Funding Board

APPENDIX A

ANNUAL REVIEW

The Board has reviewed and accepted the Debt Management Policy on:

October 8, 2014

November 19, 2015

A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS OF THE STATE OF TENNESSEE

BE IT RESOLVED BY THE FUNDING BOARD OF THE STATE OF TENNESSEE:

SECTION 1. Findings and Determinations. (a) The State of Tennessee (the **"State"**), by various Public Acts of its General Assembly, has authorized, and is expected to authorize, the issuance of general obligation bonds of the State in the respective principal amounts and for public purposes of the respective State departments and institutions, among others, including without limitation to make grants to counties, metropolitan governments, incorporated towns, cities, special districts of the State, or government agencies or instrumentalities of any of them, all as set forth therein. General obligation bonds and bond anticipation notes have been issued against certain of such authorizations, and certain of such authorizations have been cancelled and rescinded.

(b) By resolutions adopted by the Funding Board of the State of Tennessee (the **"Funding Board"**) on August 23, 2000, October 15, 2001, July 30, 2002, June 27, 2003, July 26, 2004, August 5, 2005, June 27, 2006, July 23, 2007, June 30, 2008, March 24, 2009, August 5, 2009, July 15, 2010, June 30, 2011, June 6, 2012, June 25, 2013, June 18, 2014, June 23, 2015, June 9, 2016, and June 22, 2017, each entitled "A RESOLUTION AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE OF TENNESSEE" or "A RESOLUTION AUTHORIZING, AND AMENDING A RESOLUTION AUTHORIZING, THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE OF TENNESSEE" (collectively, the **"Bond Resolution"**), the Funding Board has authorized the issuance of general obligation bonds of the State (the **"General Obligation Bonds"**) under the provisions of certain of the Public Acts of the General Assembly referred to in subsection (a) above.

(c) Pursuant to a resolution adopted by the Funding Board on March 6, 2000, as amended and restated on August 5, 2009, entitled "RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF COMMERCIAL PAPER; AUTHORIZING AND PROVIDING FOR A STANDBY COMMERCIAL PAPER PURCHASE AGREEMENT; AND PROVIDING FOR CERTAIN OTHER MATTERS RELATING THERETO" (the **"Commercial Paper Resolution"**), the State authorized the issuance from time to time of bond anticipation notes constituting General Obligation Commercial Paper Series A (Tax-Exempt) and Series B (Federally Taxable) in an aggregate principal amount not to exceed $350,000,000 at any one time outstanding (the **"Commercial Paper"**) for the purposes set forth in the Commercial Paper Resolution, the Bond Resolution and the Public Acts of Tennessee referred to in the Bond Resolution.

(d) The outstanding Commercial Paper matures from time to time, and it is in the best interests of the State to pay at maturity a portion of the outstanding Commercial Paper (the **"Refundable Commercial Paper"**) by issuance of general obligation bonds of the State.

(e) Depending on market conditions, the refunding of certain currently outstanding General Obligation Bonds may accomplish cost savings to the public consistent with the Funding Board's Debt Management Policy (the **"Debt Management Policy"**) (such General Obligation Bonds, the **"Refundable Bonds"**).

(f) It is advisable and in the best interests of the State to provide at this time for the issuance of general obligation bonds as authorized by Section 2 hereof to refund Refundable Bonds, to refund Refundable Commercial Paper and to fund purposes in amounts authorized by Public Acts of the General Assembly and not heretofore funded by issuance of Commercial Paper.

(g) The Funding Board acknowledges that the Director of the Office of State and Local Finance has made a presentation to the staff of the Funding Board pursuant to and meeting the requirements of the Debt Management Policy under the subsection "Debt Administration – Planning for Sale".

SECTION 2. Authorization of Bonds; Delegation; Series Certificate. (a) There is hereby authorized to be issued and sold general obligation bonds of the State for the purposes set forth in Section 1 hereof (the **"Bonds"**). The Bonds may be issued (i) at one time or from time to time and (ii) as one or more series the interest on which is excluded from gross income for Federal income tax purposes (the **"Tax-Exempt Bonds"**) and/or in one or more series the interest on which is included in gross income for Federal income tax purposes (the **"Taxable Bonds"**).

(b) Prior to or simultaneous with the issuance of the Bonds for the purposes set forth in Sections 1(b) and (d) hereof, the Secretary or Assistant Secretary of the Funding Board shall certify as of the date of issuance (i) the purpose or purposes for which such Bonds are to be issued including reference to the Public Act or Acts of the General Assembly authorizing the issuance of general obligation bonds and bond anticipation notes therefor, (ii) the principal amount of such Bonds proposed to be issued for each such purpose, including the principal amount of Refundable Commercial Paper of each series to be refunded from proceeds of such Bonds, (iii) the principal amount of general obligation bonds and bond anticipation notes (including Commercial Paper) theretofore issued for each such purpose and (iv) that such principal amount of general obligation bonds and bond anticipation notes, together with the principal amount of such Bonds, will not exceed the aggregate principal amount of general obligation bonds and bond anticipation notes (unless, in the case of notes, such notes have been funded by issuance of bonds) authorized by such Public Act or Acts less any such authorization theretofore rescinded or cancelled or otherwise not in effect. The certification required by such clause (ii) may be amended from time to time subsequent to the date of issuance, but only if accompanied by the certifications required by such clauses (iii) and (iv) which shall reflect such amendment.

(c) The Funding Board hereby delegates to the Secretary or any Assistant Secretary of the Funding Board, the Secretary of State or the State Treasurer (each, an **"Authorized Officer"**) the power to determine, by means of a Series Certificate or Series Certificates (each, a **"Series Certificate"**), the following:

(i) the matters provided in this Section and Sections 3, 5, 6, 7 and 8 hereof, and

(ii) any other matters and provisions deemed advisable by such Authorized Officer and not materially in conflict herewith.

(d) The Series Certificate applicable to each series of refunding Bonds, issued for the purposes set forth in Section 1(e) hereof, shall specify the Refundable Bonds to be refunded by such refunding Bonds (the **"Bonds to be Refunded"**). Refunding Bonds shall not be issued unless (i) the issuance thereof and the refunding of the Bonds to be Refunded is consistent with the Debt Management Policy, including certifications to the Funding Board by the Financial Advisor to the Funding Board (the **"Financial Advisor"**), and (ii) an Authorized Officer, by execution of a Series Certificate, confirms the receipt of such certification of the Financial Advisor and, based in part thereon, determines that the refunding of the Bonds to be Refunded accomplishes cost savings to the public.

(e) Each Series Certificate shall be filed with the records of the Funding Board, whereupon it shall be deemed for all purposes of this Resolution to have been adopted by the Funding Board and to be a part of this Resolution as if set forth in full herein.

(f) The State (acting through the State Treasurer or the State Comptroller or both) initially shall be the paying agent and registrar for all Bonds. The Funding Board may at any time appoint an agent of the State for the purpose of making payments to registered owners of all or any of the Bonds of the principal of and redemption premium, if any, and interest on such Bonds, maintaining books of registry of the ownership of such Bonds and registering the ownership and transfer thereof, authenticating such Bonds, or performing such other duties of a paying agent and registrar as may be prescribed by the Funding Board.

SECTION 3. Details of Bonds. The following provisions set forth details of the Bonds, subject in each case (except subsection (a) of this Section) to any contrary specification in a Series Certificate.

(a) Amounts, Dates, Interest Rates, Etc. The Bonds shall (i) be in such aggregate principal amount, except in the case of Bonds to be issued for the purposes specified in Section 1(e) hereof, not to exceed $200,000,000, (ii) be dated and bear interest from such date or dates, (iii) be issuable in such form, (iv) be of such denominations, (v) be numbered and bear such other designations, (vi) mature on the dates (which shall not be later than 21 years after the date of issuance) and in the principal amounts, (vii) bear interest at the rates, not to exceed 5.00% in the case of the Tax-Exempt Bonds and 6.00% in the case of the Taxable Bonds, and be payable on the dates and in the manner, (viii) be serial bonds or term bonds, (ix) if term bonds, be subject to retirement by mandatory sinking fund redemption, and (x) be subject to redemption prior to maturity at the times (but initially not later than ten and one-half years from the date of initial delivery of the Bonds) and at a fixed redemption price or prices not to exceed 103% of the principal amount to be redeemed or, in the case of Taxable Bonds, at such a fixed redemption price or prices or at a make-whole price or prices, or a combination thereof, in each case plus accrued interest, or may be non-callable if (except for Tax-Exempt Bonds maturing not later than ten and one-half years from the date of initial delivery or for Taxable bonds) so determined by the Funding Board by further action pursuant to the Debt Management Policy subsection "Debt Management Structure – Call Provisions", all as provided in the respective Series Certificate.

(b) Payment, Transfer, Exchange, Etc. Principal of and redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of such payment is legal tender for the payment of public and private debts.

Principal of and redemption premium, if any, and interest on the Bonds shall be payable by check or draft mailed to each registered owner of such Bonds at the address of such owner as it appears in the books of registry maintained by or on behalf of the State, in the case of interest only to such owner and to such address as of the close of business on such day as shall be determined by Series Certificate, and in the case of principal and redemption premium only upon presentation and surrender to the State Treasurer in Nashville, Tennessee, or an agent of the State designated for the purpose; provided, however, that for so long as DTC (as defined in subsection (d) of this Section) or its nominee, or any substitute depository, or successor, is the registered owner of Bonds as Securities Depository (as defined in subsection (d) of this Section), payment of principal and sinking fund installments, if any, of and redemption premium, if any, and interest on such Bonds may be made in any manner agreed to by the State and DTC, or any substitute depository, or successor, as the case may be.

The Bonds will have all the qualities and incidents of a negotiable instrument. Bonds will be transferable only upon presentation and surrender to the State or an agent of the State designated in accordance with this Resolution, together with an assignment duly executed by the registered owner of the Bond or by his duly authorized representative in form satisfactory to the State or such agent and containing information required by the State or such agent in order to effect such transfer.

The State or any such agent may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to an exchange or transfer of a Bond, and may charge the person requesting such exchange or transfer a sum or sums sufficient to pay the cost of preparing each new Bond issued, which sum or sums shall be paid as a condition precedent to the exercise of the privilege of making such exchange or transfer.

The State and such agent shall not be obligated to make any such exchange or transfer of Bonds during the 15 days next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of the Bonds, during the 45 days next preceding the date of redemption.

In case any Bond shall become mutilated or be destroyed, stolen or lost, the State shall execute and deliver, or cause such agent to authenticate and deliver, a new Bond of like series, maturity, principal amount and interest rate as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and in substitution for the Bond destroyed, stolen or lost, upon filing with the State and such agent evidence satisfactory to the State and such agent that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the State with indemnity satisfactory to it and complying with such other reasonable regulations as the State may prescribe and paying such expenses as the State and such agent may incur. All Bonds so surrendered to the State or such agent shall be cancelled by it.

(c) Optional Redemption. The Bonds may be subject to redemption prior to their stated maturities, from any moneys available to the State for such purpose, as determined pursuant to Section 3(a)(x) hereof.

Notice of redemption shall be mailed, or delivered by physical or electronic means, not less than 30 days prior to the redemption date, to the registered owners of the Bonds which are to be redeemed in whole or in part at the mail, physical or electronic means addresses as shown in the bond register kept by the State or its agent as of the 45th calendar day preceding the redemption date, but the failure to receive any such notice shall not affect the sufficiency or the validity of the redemption of such Bonds. Such notice shall specify the designation, date, number, and maturity of the bonds to be redeemed, the principal amount to be redeemed if less than the entire principal amount thereof, the date and place fixed for such redemption and the redemption price payable upon such redemption. The provisions of this paragraph shall not apply if and to the extent otherwise provided in a Series Certificate.

Any notice of optional redemption may be made conditional upon the availability of sufficient moneys to pay the redemption price, plus interest accrued and unpaid to the redemption date.

Notice having been given in the manner provided, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date specified in such notice, subject to the foregoing conditional notice provisions. Upon presentation and surrender of the Bonds to be redeemed in whole or in part at the offices specified in such notice, together with, in the case of Bonds presented by other than the registered owner, a written instrument of transfer duly executed by the registered owner or by the registered owner's duly authorized representative, such Bonds or portions thereof so called for redemption shall be paid at the redemption price established above. If less than all of a Bond shall be redeemed, the State shall execute and deliver, or cause an agent of the State appointed for the purpose to authenticate and deliver, upon the surrender of such Bond, without charge to the registered owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, registered Bond(s) of like series, maturity and interest rate in authorized denominations. If, on the redemption date, moneys for the redemption of all of the Bonds or portions thereof of any like maturity to be redeemed, together with interest to the redemption date, shall be held so as to be available for purposes of redemption on said date and if notice of redemption shall have been given as required by this Resolution, then from and after the redemption date, interest on the Bonds or portions thereof of such maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption. The provisions of this paragraph shall not apply if and to the extent otherwise provided in a Series Certificate.

Notwithstanding the foregoing, so long as DTC or its nominee, or any substitute depository, or successor, is the registered owner of Bonds as Securities Depository (as defined in subsection (d) of this Section), notice of redemption may be given in the manner, and presentation and surrender of Bonds may be waived to the extent, agreed to by the State and DTC, or any substitute depository, or successor, as the case may be. Any failure of DTC or any substitute depository, or successor, or participant of any thereof, to notify a beneficial owner of a Bond of any redemption shall not affect the sufficiency or the validity of the redemption of such Bond.

(d) Book-Entry Only. The Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC is hereby designated the securities depository for the Bonds ("Securities Depository"), except as provided in subsection (f) of this Section. So long as DTC or its nominee is the registered owner of the Bonds as Securities Depository, individual purchases of beneficial ownership interests in the Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interests in Bonds will not receive physical delivery of Bond certificates representing the beneficial ownership interest purchased.

The State shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds or nominees thereof.

(e) Replacement Bonds. The State shall issue Bond certificates (the **"Replacement Bonds"**) directly to beneficial owners of the Bonds or to DTC, as specified by DTC procedures, but only in the event that (i) DTC determines to discontinue providing its services with respect to the Bonds, or (ii) the State discontinues use of DTC (or any substitute depository, or successor), subject to DTC procedures. The State shall be fully protected in relying upon information provided by DTC, DTC participants or other nominees of beneficial owners, or beneficial owners with respect to the names, addresses and amounts owned by the beneficial owners and other information supplied by them for the purpose of delivering Replacement Bonds.

(f) Substitute Securities Depository. Provisions similar to those contained in subsections (d) and (e) of this Section may be made by the State in connection with the appointment by the State of a substitute Securities Depository for the Bonds, or in the event of a successor to DTC, or to any substitute or successor of any thereof.

SECTION 4. Security for the Bonds. The Bonds shall be issued under Title 9, Chapter 9, Tennessee Code Annotated, and shall constitute direct general obligations of the State for the payment of the principal of and premium, if any, and interest on which there is pledged the full faith and credit of the State. The Bonds shall constitute a charge and lien upon the entire fees, taxes and other revenues and funds allocated to the general fund, the debt service fund, and the highway fund of the State; and, if necessary, upon the first such fees, taxes, revenues and funds thereafter received and allocated to such funds, except only such fees, taxes, revenues and funds as may be otherwise legally restricted. The State hereby covenants with the persons who now or may hereafter hold any Bonds that it will raise fees, taxes and other revenues sufficient, together with funds on hand derived from all sources, to pay the principal of and premium, if any, and interest on the Bonds as and when due and payable.

SECTION 5. <u>Sale and Issuance of Bonds; Preliminary Official Statement; Final Official Statement</u>. (a) If the Bonds are divided pursuant to Section 2(a) hereof, the Bonds of more than one series may be sold collectively or on a series-by-series basis.

(b) No Bonds shall be sold unless the debt service coverage test of Section 9-9-105(c), Tennessee Code Annotated, will be satisfied as of the date of issuance of such Bonds.

(c) The Bonds of each series may be sold at either a competitive or negotiated sale, the Bonds of any series may be sold by any such method, and the Bonds of any other series may be sold by any other such method, as determined in a Series Certificate.

(d) <u>If Sold by Competitive Sale</u>:

(1) There is hereby authorized a Notice of Sale relating to the Bonds sold at competitive sale, substantially in the form utilized in connection with the sale of the State's General Obligation Bonds, 2012 Series B and 2012 Refunding Series C (Federally Taxable), with such insertions, changes and additions to and omissions from said form as any Authorized Officer, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate (the **"Notice of Sale"**), the distribution of which as hereinafter authorized shall be conclusive evidence of such approval and consultation.

(2) Any Authorized Officer is hereby authorized to cause the Notice of Sale and Preliminary Official Statement (as defined in subsection (f) of this Section 5) to be distributed to prospective purchasers of such Bonds and/or published on any Internet platform. The use of any Internet platform as a communications medium to receive bids for the purchase of such Bonds, as may be provided in the Notice of Sale, also is hereby authorized.

(3) Any Authorized Officer may award the Bonds to the successful bidder or bidders therefor (the **"Competitive Sale Purchasers"**) determined in accordance with and otherwise complying with the Notice of Sale or, as permitted by the Notice of Sale, may reject any or all proposals received for the purchase of such Bonds or waive any irregularity in any proposal; ***provided***, however, that the true interest cost of such Bonds, determined as provided in the Notice of Sale by the Authorized Officer executing the related Series Certificate, which determination shall be conclusive, shall not exceed 5.00% for Tax-Exempt Bonds of each series and 6.00% for Taxable Bonds of each series, on a series-by-series basis. Such awards and determinations shall be confirmed in the related Series Certificate.

(e) <u>If Sold by Negotiated Sale</u>:

(1) The Bonds sold at negotiated sale are hereby authorized to be sold to such underwriters as may be named in the Bond Purchase Agreement authorized in paragraph (2) below (collectively, the **"Negotiated Sale Purchasers"** and, together with the Competitive Sale Purchasers, the **"Purchasers"**) upon the terms and conditions set forth in the Bond Purchase Agreement; ***provided,*** however, that the lead book-running underwriter and senior manager(s) thereunder shall be selected from among the following or any parent or affiliate thereof: Citigroup Global Markets Inc.; FTN Financial, JPMorgan Securities LLC; Morgan Stanley & Co., LLC; Piper Jaffray & Co.; Raymond James & Associates, Inc.; SunTrust Robinson Humphrey; and Wells Fargo Securities, LLC In consideration of Section 2(d) hereof

and paragraph (2) below, it is not necessary for the Funding Board to place any limitation on the purchase price payable by the Negotiated Sale Purchasers.

(2) Any Authorized Officer is hereby authorized to execute and deliver a Bond Purchase Agreement or Agreements, substantially in the form executed and delivered in connection with the issuance of the State's General Obligation Bonds, 2016 Series A, 2016 Refunding Series B and 2016 Refunding Series C (Federally Taxable), but reflecting details of the transactions contemplated by this Resolution, with such variations as the Authorized Officer executing such agreements, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate (each, a **"Bond Purchase Agreement"**), such execution and delivery to be conclusive evidence of such approval and consultation; ***provided***, however, that the true interest cost of such Bonds, determined by a Series Certificate, which determination shall be conclusive, shall not exceed 5.00% for Tax-Exempt Bonds of each series and 6.00% for Taxable Bonds of each series, on a series-by-series basis.

(f) The Funding Board hereby authorizes a Preliminary Official Statement relating to the Bonds, substantially in the form presented to the Members of the Funding Board in advance of the meeting at which this Resolution is adopted, with such insertions, changes and additions to and omissions from said form as any Authorized Officer, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate (the **"Preliminary Official Statement"**), the publication or distribution of which as hereinafter authorized shall be conclusive evidence of such approval and consultation; ***provided***, however, that a draft thereof shall be distributed to the members of the Funding Board prior to publication and distribution as hereinafter authorized. The Comptroller of the Treasury, as Secretary of the Funding Board, the Secretary of State or the State Treasurer is hereby authorized to cause the Preliminary Official Statement to be distributed to prospective purchasers of the Bonds and/or published on the Internet via any Internet platform, substantially in such form, with such necessary or appropriate variations, omissions and insertions as determined by such officer after consultation with counsel to the Funding Board. The Comptroller of the Treasury, as Secretary of the Funding Bond, the Secretary of State or the State Treasurer is authorized to (i) determine that the Preliminary Official Statement, as so modified, is "deemed final" as of its date for purposes of Securities and Exchange Commission Rule 15c2-12 except for omissions permitted by such Rule, subject to revision, amendment and completion in the final Official Statement as defined in such Rule, (ii) include such determination in the Notice of Sale and/or Preliminary Official Statement, and (iii) confirm such determination in a Series Certificate or Bond Purchase Agreement.

(g) The Comptroller of the Treasury, as Secretary of the Funding Board, is hereby authorized and directed to prepare or cause to be prepared, and to execute and deliver, an Official Statement relating to the Bonds substantially in the form of the Preliminary Official Statement, with such necessary or appropriate insertions, changes, additions and omissions as determined by the Comptroller after consultation with counsel to the Funding Board, which execution shall be conclusive evidence of such determination and consultation.

(h) The Funding Board hereby authorizes the use and distribution of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds.

(i) The Authorized Officers and other officers and employees of the Funding Board, and other officials and employees of the State, including those of the Office of State and Local Finance of the State, are hereby authorized and directed to carry out or cause to be carried out all obligations of the Funding Board under each Bond Purchase Agreement and to execute and deliver all documents and to perform such other actions not otherwise provided for by this Section as they, in consultation with counsel to the Funding Board, shall consider necessary or advisable in connection with the issuance, sale and delivery of the Bonds.

(j) All actions heretofore taken by the officers, employees and agents of the Funding Board in connection with the offering and sale of the Bonds are hereby ratified and confirmed.

SECTION 6. Form and Execution of Bonds. (a) The Bonds shall be in substantially the form set forth in Appendix A to this Resolution with necessary or appropriate insertions, changes, additions and omissions as are incidental to series, number, interest rate, CUSIP number and denomination or as are otherwise permitted or required by law or by this Resolution (including but not limited to such changes as may be provided in or to be consistent with the respective Series Certificate), or in such other form as may be specified by an Authorized Officer in the case of Bonds not held by a securities depository under a book-entry-only system of registration. The Bonds shall be executed in the name of the State by the manual or facsimile signature of the Governor, the Secretary of State, the State Treasurer, the Commissioner of Finance and Administration or the Comptroller of the Treasury, and countersigned by the manual or facsimile signature of one other of such officers, one of which signatures shall be manual (unless the Bonds shall be authenticated pursuant to subsection (b) below), with the Great Seal of the State of Tennessee, or a facsimile thereof, affixed thereto or impressed or imprinted thereon.

(b) The Bonds each may have endorsed thereon a certificate of authentication executed by the registrar therefor either by manual or facsimile signature. If any Bonds contain such an endorsement unless and until such certificate of authentication shall have been manually executed by an authorized officer of such registrar, no such Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit under the Resolution. Notwithstanding the foregoing, the provisions of this paragraph shall not apply to Bonds if the State is the registrar therefor.

SECTION 7. Application of Bond Proceeds and Other Moneys. (a) An amount of proceeds derived from the sale of each series of Bonds equal to the accrued interest, if any, paid by the Purchasers thereof shall be deposited in the Debt Service Fund and used to pay a portion of the interest on such Bonds coming due on the first interest payment date or dates therefor.

(b) An amount of proceeds derived from the sale of each series of Bonds, which may include a portion of any premium over the par amount of such Bonds paid by the Purchasers thereof, equal to any principal amount of the Refundable Commercial Paper to be paid from such proceeds, as provided in Sections 1(d) and 2(a) hereof, shall be deposited in the Capital Projects Fund and used solely for the purpose of paying such principal when due at maturity in accordance with the Commercial Paper Resolution.

(c) An amount of proceeds derived from the sale of each series of Bonds to be applied to the refunding of the Bonds to be Refunded, which may include a portion of any premium over the par amount of such Bonds paid by the Purchasers thereof, shall be deposited, held, invested and applied as provided in Section 8 hereof.

(d) The portion of any premium paid by the Purchasers for each series of Bonds which is not applied as described in subsection (b) or (c) above shall be used for purposes described in subsection (e) below or deposited in the Debt Service Fund and used to pay a portion of the interest on such Bonds coming due on the first interest payment date or dates therefor, or costs of issuing such Bonds.

(e) The balance, if any, of the proceeds derived from the sale of each series of Bonds shall be paid to the State Treasurer to be disbursed by the State Treasurer and other proper fiscal officers of the State as provided by general law and by the Public Acts of Tennessee referred to in Section 1(a) hereof, including but not limited to disbursement to pay costs of issuance of the Bonds. Without limiting the generality of the foregoing, such disbursements may be made in reimbursement of previous expenditures for such purposes.

(f) If and when any premium paid by the Purchasers is applied to the retirement of Commercial Paper as described in subsection (b) above or to pay costs of capital projects as described in subsection (e) above, the related bond authorizations shall be accounted for as issued to the extent of the amounts so applied.

SECTION 8. Refunding Agreements; Redemption of Bonds to be Refunded. (a) The Funding Board hereby authorizes any Authorized Officer to execute and deliver an agreement or agreements between the State, acting by and through the Funding Board, and a refunding trustee or escrow agent (which may be the State Treasurer) to be appointed by Series Certificate (the **"Refunding Trustee or Agent"**), substantially in the form of the Refunding Trust Agreement executed and delivered in connection with the issuance of the State's General Obligation Bonds, 2016 Refunding Series B and 2016 Refunding Series C (Federally Taxable), but reflecting the nature of the depositories and deposits and details of the transactions contemplated by this Resolution, with such variations as the Authorized Officer executing such agreement, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate (each, a **"Refunding Agreement"**), such execution and delivery to be conclusive evidence of such approval and consultation.

(b) The proceeds derived from the sale of Bonds to be applied to the refunding of the Bonds to be Refunded shall be deposited in one or more funds (each, a **"Refunding Fund"**) to be held by the Refunding Trustee or Agent under the related Refunding Agreement. There also may be transferred and/or deposited to the Refunding Funds other available moneys as shall be specified in the respective Refunding Agreements. If a Refunding Fund is held by the State Treasurer in trust or escrow, it may constitute part of a commingled fund and be accounted for separately.

(c) Each deposit of moneys in the Refunding Funds shall be and constitute an irrevocable deposit with the Refunding Trustee of said moneys solely for the payment of the principal of and redemption premium, if any, and interest on the respective Bonds to be

Refunded as provided in subsections (d) and (h) of this Section, and shall be used solely for such purpose except as provided in subsections (e) and (i) of this Section or the respective Refunding Agreement.

(d) Each Series Certificate relating to Bonds issued to refund Bonds to be Refunded shall specify whether such Bonds to be Refunded are to be called for redemption prior to maturity or paid at maturity, and may specify whether any such call for redemption shall be revocable and, with respect to any Bonds to be Refunded that are refunded to maturity, whether the right is reserved to later call any such Bonds to be Refunded for redemption prior to maturity. Any such reserved right may be sold for such price and upon such other terms and conditions as may be determined by an Authorized Officer.

Each designation of a Bond to be Refunded for redemption prior to maturity, unless initially made revocable, shall be, and is hereby made, irrevocable after the delivery of the respective Bonds to the Purchasers. Upon such delivery, such Bonds to be Refunded shall not be called for redemption in any other amount or on any other date.

(e) The moneys in the Refunding Funds shall be retained as cash or invested in Eligible Securities (defined below) so as to produce funds at least sufficient (A) to pay on the respective optional redemption date of each Bond to be Refunded that is called for redemption prior to maturity, the then applicable redemption price of and interest then due on such Bond to be Refunded, (B) to pay on the maturity date of each Bond to be Refunded that is not called for redemption prior to maturity the amount then due on such Bond to be Refunded, and (C) to pay the interest due on such Bonds to be Refunded on each interest payment date after the date of delivery of the respective Bonds and on and prior to their respective redemption or maturity dates.

"Eligible Securities" means and includes only bonds, notes and treasury bills of the United States, as permitted by Section 9-4-602, Tennessee Code Annotated.

(f) **The State shall deposit in the Refunding Funds any amounts that may be necessary for any reason (including but not limited to non-payment or non-timely payment under any Eligible Security) to enable the Refunding Trustee or Agent to make the payments specified in clauses (A), (B) and (C) of the first paragraph of subsection (e) of this Section and to make the transfers required by subsection (i) of this Section.**

(g) The State shall cause notices of the redemption of the Bonds to be Refunded to be given in accordance with the provisions of (A) the respective resolutions authorizing the issuance thereof and (B) the Refunding Agreements.

(h) Pursuant to the Refunding Agreements, the Refunding Trustee or Agent is directed to transfer moneys to the paying agents for the respective Bonds to be Refunded for payment of the principal of and redemption premium, if any, and interest on the respective Bonds to be Refunded when due, from the moneys and obligations deposited in the respective Refunding Funds under such Refunding Agreements. To facilitate such payment, the Refunding Trustee or Agent, if not the State Treasurer as paying agent for the Bonds to be Refunded, is hereby appointed as an additional paying agent for the Bonds to be Refunded.

(i) Any moneys or securities remaining in a Refunding Fund after the final payment of the respective Bonds to be Refunded, or upon the reservation in the respective Refunding Fund of sufficient moneys for the purposes as provided in subsection (e) of this Section, shall be remitted to the State Treasurer to be disbursed by the State Treasurer and other proper fiscal officers of the State, as provided by law.

(j) The Authorized Officers and other officers, employees and agents of the Funding Board, and other officials and employees of the State including those of the Office of State and Local Finance of the State, are hereby authorized and directed to take all actions as may be necessary or appropriate to effectuate the transactions contemplated by the Refunding Agreements, including but not limited to (A) executing subscriptions for the purchase of U.S. Treasury Securities–State and Local Government Series or otherwise acquiring securities for deposit in the Refunding Funds, whether prior to or simultaneously with the execution and delivery of the Refunding Agreements or at a later date, (B) causing the Bonds to be Refunded that are called for redemption prior to maturity to be redeemed on their respective redemption dates and (C) causing the principal of and redemption premium, if any, and interest on the Bonds to be Refunded to be paid when due.

SECTION 9. CUSIP Numbers. CUSIP identification numbers will be imprinted on each Bond to be delivered to DTC, but no such number shall constitute a part of the contract evidenced by the particular bond upon which it is imprinted; no liability shall attach to the State or the Funding Board or any officer, employee or agent of either of them, including any paying agent or registrar for the Bonds, by reason of such number or any use made thereof including any use thereof made by the State or the Funding Board or any such officer, employee or any such agent of either of them, or by reason or any inaccuracy, error, or omission with respect thereto, or in such use, and any inaccuracy, error, or omission with respect thereto shall not constitute cause for failure or refusal by the Purchasers to accept delivery of and pay for the respective Bonds in accordance with the terms of its bid or a Bond Purchase Agreement, as the case may be. All expenses in relation to the printing of such numbers on the Bonds will be paid by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid by the Purchasers. In addition, the Purchasers shall be responsible for applying for the CUSIP identification numbers.

SECTION 10. Continuing Disclosure. (a) The Secretary or Assistant Secretary of the Funding Board is hereby authorized to execute a Continuing Disclosure Undertaking or Continuing Disclosure Undertakings (each, a **"Continuing Disclosure Undertaking"**) substantially in the form executed and delivered in connection with the issuance of the State's General Obligation Bonds, 2016 Series A, 2016 Refunding Series B and 2016 Refunding Series C (Federally Taxable), and as described in the Preliminary Official Statement, with such variations as the signatory thereof, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such determination and consultation. Execution of the Continuing Disclosure Undertaking as aforesaid and delivery of the same to the Purchasers shall be a condition precedent to the obligations of the Purchasers to purchase the respective Bonds.

(b) The State covenants with the holders from time to time of the Bonds that it will, and hereby authorizes the appropriate officers and employees of the State to, take all action necessary or appropriate to, comply with and carry out all of the provisions of the respective Continuing Disclosure Undertaking as amended from time to time. Notwithstanding any other provision of this Resolution, failure of the State to perform in accordance with any Continuing Disclosure Undertaking shall not constitute a default or an event of default and shall not result in any acceleration of payment of any Bonds, and any rights and remedies provided by this Resolution and applicable law upon the occurrence of such a default or an event of default shall not apply to any such failure, but such Continuing Disclosure Undertaking may be enforced only as provided therein.

SECTION 11. Tax Covenants. The State, through the Funding Board, hereby covenants that it will not use, or permit the use of, any proceeds of the Tax-Exempt Bonds in a manner that would cause the Tax-Exempt Bonds to be subjected to treatment under Section 148 of the Internal Revenue Code of 1986, as amended (the **"Code"**), and applicable regulations thereunder, as each is then in effect, as an "arbitrage bond", and to that end the State shall comply with applicable regulations under said Section 148. The State further covenants with the registered owners from time to time of the Tax-Exempt Bonds that it will, throughout the term of the Tax-Exempt Bonds and through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Code, comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Tax-Exempt Bonds shall be and continue to be excluded from gross income for federal income tax purposes under said Section 103.

SECTION 12. Public Hearing. The Assistant Secretary of the Funding Board or her designee is authorized to publish notice of and conduct any public hearing required by Section 147(f) of the Code with respect to any project to be financed by any Tax-Exempt Bonds.

SECTION 13. Resolution a Contract. In consideration of the acceptance of the Bonds by those who shall own the same from time to time and for the benefit of the registered owners of the Bonds, each of the obligations, duties, limitations and restraints imposed upon the State, acting through the Funding Board, by this Resolution shall be deemed to be a covenant between the State and every registered owner of the Bonds, and this Resolution and every provision and covenant hereof shall be deemed to be and shall constitute a contract between the State and the registered owners from time to time of the Bonds.

All terms, provisions, conditions, covenants, warranties and agreements contained in this Resolution shall constitute a valid contractual obligation of the State and, except as provided in the Continuing Disclosure Undertaking, shall inure to the benefit of the registered owners of the Bonds.

SECTION 14. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Resolution on the part of the State, the Funding Board or any officer or employee of either thereof to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Resolution.

SECTION 15. Effect of Headings of Sections. The headings of the sections of this Resolution are for convenience of reference only, and shall not affect the meaning, construction or interpretation of this Resolution.

SECTION 16. Repealer. All previous authorizations of general obligation bonds of the State to refund general obligation bonds of the State previously issued, to the extent such refunding bonds have not been issued as of the date of adoption of this Resolution, are hereby repealed and rescinded.

SECTION 17. Effectiveness of this Resolution. This Resolution shall be in full force and effect from and after its passage.

Adopted this 2nd day of March, 2018.

____
Justin P. Wilson, Secretary
Funding Board of the State of Tennessee

APPENDIX A

Form of Bonds

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

UNITED STATES OF AMERICA
STATE OF TENNESSEE
GENERAL OBLIGATION BOND
2018 [REFUNDING] SERIES __ [(FEDERALLY TAXABLE)]

Registered
R18__-[maturity]-[number]

Registered
$____________

BOND DATE	INTEREST RATE	MATURITY DATE	CUSIP
_________ __, 2018	____%	_________ __, ____	880541 ___

Registered Owner: Cede & Co.

Principal Sum:

THE STATE OF TENNESSEE (the "State") hereby acknowledges itself indebted, and for value received hereby promises to pay to the Registered Owner hereof named above, or registered assigns, the Principal Sum specified above on the Maturity Date specified above (unless this bond shall be subject to redemption prior to maturity, shall have been duly called for prior redemption and payment of the redemption price shall have been duly made or provided for), upon presentation and surrender hereof to the State Treasurer in Nashville, Tennessee, or other agent of the State appointed for the purpose, and to pay interest on the Principal Sum on ____________, 20__, and semi-annually thereafter on ____________ and _____________, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to each registered owner of this bond as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective stated due date for such interest. Principal of and redemption premium, if any, and interest on this bond are payable in any coin or currency of the United States of America, which at the time of such payment is legal tender for public and private debts.

The bonds of the issue of which this bond is one (the "Bonds") maturing on or after _________________, shall be subject to redemption prior to their stated maturities at any time on and after _________________, at the option of the State, in installments of $5,000 or any integral thereof, as a whole, or in part from time to time in any order of maturity determined by the State [and by lot within a maturity], [at a redemption price equal to the principal amount or portion thereof to be redeemed, plus interest accrued on such principal amount or portion thereof to the date fixed for redemption.] [at the redemption prices (expressed as percentages of the principal amount or portion thereof to be redeemed) set forth below, plus interest accrued on such principal amount or portion thereof to the date fixed for redemption:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Prices
____________, ____ through ____________, ____	____%
____________, ____ through ____________, ____	____
____________, ____ and thereafter	____]

[Make-Whole Optional Redemption. Prior to _______, 20___, the Bonds are subject to redemption prior to their stated maturities at the option of the State, at any time as a whole or in part, from time to time, in any order of maturity as determined by the State, at a redemption price equal to the Make-Whole Redemption Price (as defined below).

The "Make-Whole Redemption Price" of any Bonds to be redeemed is an amount equal to the greater of

(a) (i) 100% of the principal amount of such Bonds or

(b) (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted on a semiannual basis to the date on which such Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below)

plus _________ (___) basis points; plus, in each case, accrued and unpaid interest on such Bonds on such redemption date.

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

The Make-Whole Redemption Price (and, if necessary, such substitute source of market data) shall be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Funding Board of the State to calculate such redemption price (the "Calculation Agent"). The determination by the Calculation Agent of the redemption price shall be conclusive and binding on the State and the holders of the Bonds.

The Bonds maturing on ____________, ____ and ____________, ____ constitute term bonds and shall be subject to mandatory sinking fund redemption prior to their stated maturities on and after ____________, ____ and on and after ____________, ____, respectively, and by lot within a maturity, in installments of $5,000 or any integral multiple thereof, at a redemption price equal to the principal amount to be redeemed, plus accrued interest on such principal amount to the date fixed for redemption, in the respective amounts specified pursuant to the resolution of the Funding Board of the State of Tennessee hereinafter mentioned.

If this Bond (or a portion hereof in installments of $5,000 or any integral multiple thereof) is redeemable and shall be called for redemption, notice of the redemption hereof, specifying the designation, date, number, and maturity of this Bond, the date and place fixed for its redemption, principal amount to be redeemed if less than the entire principal amount hereof, and the redemption price payable upon such redemption, shall be given not less than 30 days prior to the redemption date by mail, or delivered by physical or electronic means, to the Registered Owner of this bond at the mail, physical delivery or electronic means address of the Registered Owner as shown in the bond register as kept by the State or its agent as of the 45th calendar day preceding the redemption date. Any notice of optional redemption may be made conditional upon the availability of sufficient moneys to pay the redemption price, plus interest accrued and unpaid to the redemption date. Notice having been given in the manner provided, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date specified in such notice, subject to such conditional notice provisions. If such notice shall have been given and payment hereof duly made or provided for, interest hereon shall cease to accrue and become payable from and after the date so specified for the redemption hereof. Upon presentation and surrender of this Bond at the office specified in such notice, together with, in the case this bond is presented by other than the Registered Owner, a written instrument of transfer duly executed by the Registered Owner or the Registered Owner's duly authorized representative, this Bond, or portions hereof, so called for redemption shall be paid at the redemption price set forth above. If less than all of this Bond shall be redeemed, the State shall execute and deliver, upon the surrender of this Bond, without charge to the Registered Owner hereof, for the unredeemed balance of the principal amount of this Bond so surrendered, a new registered Bond or Bonds of like maturity in authorized denominations.

[If fewer than all of the Bonds of like maturity are called for prior redemption, the particular Bonds or portions of Bonds to be redeemed will be selected by the State Treasurer or an agent of the State designated for such purpose ***pro rata*** as nearly as practicable in proportion to the principal amounts of the Bonds owned by each registered owner, subject to the authorized denominations applicable to the Bonds. In such event, if a single person or entity is the registered owner of more than one Bond, the particular Bond or Bonds to be redeemed will be determined by the State Treasurer or such agent in such manner as the State Treasurer or such agent in its discretion may deem fair and appropriate.]

Notwithstanding the foregoing, so long as The Depository Trust Company or its nominee ("DTC"), or any substitute depository, or successor, is the Registered Owner of this Bond as securities depository under the resolution hereinafter mentioned, notice of redemption may be given in the manner, and presentation and surrender of this Bond may be waived to the extent, agreed to by the State and DTC, or any substitute depository, or successor, as the case may be.

This Bond shall have the qualities and incidents of a negotiable instrument. This bond shall be transferable only upon the bond register kept by the State or its agent, by the Registered Owner or Registered Owner's duly authorized representative in writing, upon presentation and surrender to the State or its agent of this Bond together with a written instrument of transfer satisfactory to the State duly executed by the Registered Owner or the Registered Owner's duly authorized representative but only in the manner, subject to the limitations and upon payment of the charges, if any, as provided in the resolution of the Funding Board of the State of Tennessee authorizing the issuance of the Bonds, and upon surrender hereof for cancellation. Upon the transfer of this Bond, the State shall authenticate and deliver in the name of the transferee a new registered Bond or Bonds of the same series, aggregate principal amount, interest rate and maturity as this Bond.

The State may treat the person in whose name this Bond is registered on the registry books as the absolute owner of this Bond for all purposes, including payment, notwithstanding any notice to the contrary.

This Bond is one of an issue of Bonds aggregating $__________ of like date, issued under and pursuant to and in full compliance with the Constitution and laws of the State, including but not limited to various Public Acts of Tennessee and Title 9, Chapter 9, Tennessee Code Annotated, and a resolution adopted by the Funding Board of the State of Tennessee on March 2, 2018, including as a part thereof a Series Certificate executed and delivered on __________, 2018 (collectively, the "Resolution"), [for public purposes of various State departments and institutions][and][to provide for the payment at maturity of a portion of the State's outstanding general obligation bond anticipation notes constituting commercial paper] [and] [to refund certain outstanding general obligation bonds of the State]. Reference is made to the Resolution, to all of the provisions of which the Registered Owner, by acceptance hereof, hereby assents, for all terms and provisions of this Bond not set forth herein.

This Bond and the issue of which it is one constitute direct general obligations of the State for the payment of the principal and premium, if any, of and interest on which there is pledged the full faith and credit of the State. The Bonds shall constitute a charge and lien upon the entire fees, taxes and other revenues and funds allocated to the general fund, the debt service fund, and the highway fund of the State; and, if necessary, upon the first such fees, taxes, revenues and funds thereafter received and allocated to such funds, except only such fees, taxes, revenues and funds as may be otherwise legally restricted. The State hereby covenants with the persons who now or may hereafter hold any Bonds that it will raise fees, taxes and other revenues sufficient, together with funds on hand derived from all sources, to pay the principal of and premium, if any, and interest on the Bonds as and when due and payable.

[This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Resolution until the certificate of authentication hereon shall have been duly executed by the Paying Agent and Registrar.]

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State, and that the amount of this Bond, together with all other indebtedness of the State, does not exceed any constitutional or statutory limitation thereon, and that this bond is within every constitutional and statutory limitation.

IN WITNESS WHEREOF, the Funding Board of the State of Tennessee has caused this Bond to be executed in the name of the State by the manual or facsimile signature of the Governor, the Secretary of State, the State Treasurer, the Commissioner of Finance and Administration or the Comptroller of the Treasury of the State of Tennessee, and countersigned by the manual or facsimile signature of one other of such officers, one of which signatures shall be manual [(unless this Bond shall be authenticated by the Paying Agent and Registrar)], with the Great Seal of the State of Tennessee, or a facsimile thereof, attached hereto or impressed or imprinted hereon, and this bond to be dated as of the Bond Date specified above.

STATE OF TENNESSEE

(SEAL)

By: ___________________________________
Authorized Officer

Countersigned:

By: ___________________________________
Authorized Officer

[**Certificate of Authentication]**

This will certify that this bond is one of the Bonds described in the within-mentioned Resolution.

[PAYING AGENT AND REGISTRAR],
as Paying Agent and Registrar

Date of Authentication:

____________________________________ By:__________________________________]

Authorized Signatory

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto

Please insert social security or other tax identifying number of assignee

____________________________ ____

(name and address of assignee)

____

the within-mentioned bond and hereby irrevocably constitutes and appoints ____, attorney-in-fact, to transfer the same on the bond register in the office of the Comptroller of the Treasury of the State of Tennessee or an agent of the State appointed for the purpose, with full power of substitution in the premises.

Date: ____________________

____

(name of assignor)

____

(address of assignor)

Signature Guaranteed:

____

____

NOTE: The signature to this assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration, enlargement or any change whatsoever.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

NEW ISSUES **BOOK-ENTRY ONLY**

STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
$__________* 2018 SERIES A
$_______* 2018 REFUNDING SERIES B

Dated: Date of Delivery **Due: As shown on the inside cover**

This Official Statement has been prepared by the State of Tennessee (the "State") to provide information relating to the State's General Obligation Bonds, 2018 Series A (the "Series A Bonds"), and 2018 Refunding Series B (the "Series B Bonds", and collectively with the Series A Bonds, the "Bonds") . Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read the Official Statement in its entirety.

The Bonds	Interest on the Bonds is payable semi-annually __ 1 and __ 1, commencing __ 1, 2018. Interest rates and reoffering yields as shown on inside front cover. Fully registered bonds issued in denominations of $5,000 or any integral multiple thereof. See "THE BONDS" herein.
Redemption	See "THE BONDS – Redemption" herein
Security	Direct general obligations; pledge of full faith and credit. See "SECURITY FOR THE BONDS" herein.
Ratings	Fitch: ___ Moody's: ___ S&P: ___. See "RATINGS" herein.
Book-Entry Only System	The Depository Trust Company will act as securities depository for the Bonds. See "THE BONDS" and "Appendix D – Book-Entry Only System" herein.
Tax Exemption	Interest on the Bonds is excluded from gross income for Federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. The principal of and interest on the Bonds are exempt from Tennessee taxes, subject to certain exceptions. See "TAX MATTERS" herein.
Issuer's Bond Counsel	Hawkins Delafield & Wood LLP, New York, New York.

The Bonds are offered when, as and if issued and received by the Purchasers subject to certain conditions, including the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the State of Tennessee. Certain legal matters in connection with the Bonds are subject to the approval of the Attorney General and Reporter of the State of Tennessee, as counsel to the State Funding Board. The Bonds are expected to be available through the facilities of The Depository Trust Company on or about _______.

____, 2018

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*Preliminary; Subject to change

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

STATE OF TENNESSEE

GENERAL OBLIGATION BONDS
$________ *2018 SERIES A

Due	Amount	Interest Rate	Yield	CUSIP** 880541	Due	Amount	Interest Rate	Yield	CUSIP** 880541

GENERAL OBLIGATION BONDS
$_______* 2018 REFUNDING SERIES B

Due	Amount	Interest Rate	Yield	CUSIP** 880541	Due	Amount	Interest Rate	Yield	CUSIP** 880541

*Preliminary; Subject to change

**These CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee, and are included solely for the convenience of the Bondholders. Neither the Underwriters nor the State of Tennessee is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

THE FUNDING BOARD OF THE STATE OF TENNESSEE

Bill Haslam, Governor, *Chairman*
Justin P. Wilson, Comptroller of the Treasury, *Secretary*
Tre Hargett, Secretary of State
David H. Lillard, Jr., State Treasurer
Larry B. Martin, Commissioner of Finance and Administration

STAFF

Sandra Thompson, Director, Office of State and Local Finance, *Assistant Secretary*
Ann V. Butterworth, Assistant to the Comptroller for Public Finance, *Assistant Secretary*
Cindy Liddell, Program Accountant, Office of State and Local Finance
Michael Mercer, Program Accounting Analyst, Office of State and Local Finance

ISSUER'S COUNSEL

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

ISSUER'S BOND COUNSEL

Hawkins Delafield & Wood LLP, New York, New York

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Memphis, Tennessee

This Official Statement does not constitute a contract or agreement between the State or the P.urchasers or holders of any of the Bonds, or an offering of any security other than the Bonds specifically offered hereby. No dealer, broker or other person has been authorized by the State 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 State. 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 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 State. Certain other information set forth herein has been obtained by the State from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. 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 State since the date hereof. In making an investment decision, investors must rely on their own examination of the State and the terms of the offering, including the merits and risks involved.

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

IN CONNECTION WITH THIS OFFERING, THE PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE RESPECTIVE 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 BONDS HAS BEEN FILED WITH THE SECURITIES EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AGENCY. THE 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.

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STATE OF TENNESSEE

GENERAL OBLIGATION BONDS
$______* 2018 SERIES A
$______* 2018 REFUNDING SERIES B

INTRODUCTION

This Official Statement, which includes the cover page and the inside cover page hereof, and the Appendices hereto, including the financial information incorporated by reference in Appendix A and the statistical information incorporated by reference in Appendix B, is provided for the purpose of presenting information relating to the State of Tennessee (the "State") in connection with the issuance of the State's $_____* General Obligation Bonds, 2018 Series A (the "Series A Bonds"), $________* General Obligation Bonds, 2018 Refunding Series B (the "Series B Bonds", and collectively with the Series A Bonds, the "Bonds").

The Bonds will be issued pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and laws of the State, including Title 9, Chapter 9, Tennessee Code Annotated, and various bond authorizations enacted by the General Assembly of the State, and pursuant to a resolution (the "Bond Resolution") adopted by the State Funding Board of the State on March 2, 2018. The Series A Bonds are being issued to (i) fund certain capital projects of the State, (ii) provide for the retirement at maturity of a portion of the State's outstanding general obligation commercial paper ("CP") issued to fund certain capital projects of the State, and (iii) fund certain costs of issuance of the Series A Bonds. The Series B Bonds are being issued to (i) refund certain of the State's outstanding general obligation bonds and (ii) fund certain costs of issuance of the Series B Bonds. See "APPLICATION OF BOND PROCEEDS AND PLAN OF REFUNDING".

The Bonds are direct general obligations of the State for which the State has pledged its full faith and credit for the payment of principal, premium, if any, and interest; and have a charge and lien upon all fees, taxes and other revenues and funds allocated to the State's general fund, debt service fund, and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes. See "SECURITY FOR THE BONDS".

THE BONDS

Description

The Bonds will be dated the date of their delivery. The Bonds will mature as shown on the inside cover page and will bear interest payable semi-annually on ____ 1 and _____ 1 of each year, commencing ____ 1, 2018, at the rates per annum as shown on the inside cover page. Interest will be payable to registered owners as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective stated due date for such interest. The Bonds will be issuable as fully registered bonds in denominations of $5,000 or integral multiples thereof.

Book-Entry Only System

Upon initial issuance, the Bonds will be available only in book-entry form. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of the Bonds of each series bearing interest at each interest rate, each in the aggregate principal amount of such maturity and bearing interest at such rate, will be registered in the name of Cede & Co. (DTC's partnership nominee) and deposited with DTC. Beneficial owners of Bonds will not receive physical delivery of bond certificates, except under limited circumstances.

For a description of DTC and its book-entry only system, see "Appendix D – BOOK-ENTRY ONLY SYSTEM".

*Preliminary; Subject to change

Redemption*

Optional Redemption. At the option of the State, the Bonds maturing on or after ____ 1, 20__ are subject to redemption prior to their respective stated maturities, from any monies that are available to the State for such purpose, at any time on and after ____ 1, 20__ as a whole, or in part from time to time in any order of maturity determined by the State, at a redemption price of par, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption: The Series __ Bonds maturing on ____ 1, __, shall constitute term bonds subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on ___1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest to the redemption date.

Year	Amount

Selection of the Bonds to be Redeemed. If less than all of the Bonds of a maturity of a series are to be redeemed, the particular Bonds or portions thereof of such maturity to be redeemed shall be selected by the State by lot. For so long as a book-entry only system is in effect with respect to such Bonds and DTC or a successor securities repository is the sole registered owner of such Bonds, in the event of a redemption of less than all of the Bonds of a maturity of a series, the particular ownership interests of the Bonds of such maturity to be redeemed shall by selected by DTC and Direct DTC Participants and Indirect DTC Participants (all as defined in Appendix D hereto), or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption, DTC's rules and procedures 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 any other intermediary, to make such selection, or to make or fail to make any such selection in any particular manner, will not affect the sufficiency or the validity of the redemption of the Bonds. See "Book-Entry-Only System" and Appendix D Book-Entry-Only System.

Notice of Redemption; Conditional Notice. Written notice shall be mailed to registered owners of the Bonds to be redeemed, at least thirty (30) days prior to the redemption date, 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. While DTC or its nominee is the registered owner of the Bonds, the State will give notice of redemption of the Bonds to DTC or its nominee or its successor and shall not be responsible for mailing notices of redemption to Direct DTC Participants, to Indirect DTC Participants or to the beneficial owners of the Bonds. Any failure of DTC or its nominee or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a beneficial owner of a bond of any redemption will not affect the sufficiency or the validity of the redemption of such bond. See "Appendix D – Book-Entry Only System". The State can give no assurance that DTC or its successor, the Direct DTC Participants or the Indirect DTC Participants will distribute such redemption notices to the beneficial owners of the Bonds, or that they will do so on a timely basis.

APPLICATION OF BOND PROCEEDS AND PLAN OF REFUNDING

The Series A Bonds are being issued to (i) fund certain capital projects of the State, (ii) provide for the retirement at maturity of a portion of the State's outstanding CP issued to fund certain capital projects of the State, and (iii) fund certain costs of issuance of the Series A Bonds.

*Preliminary; Subject to change

The Series B Bonds are being issued to (i) refund certain of the State's outstanding general obligation bonds, as indicated in the table below (the "Refunded Bonds") and (ii) fund certain costs of issuance of the Series B Bonds. The refunding is being undertaken to realize debt service savings.

Series B Refunded Bonds

Series	Maturity Date	Outstanding Principal Amount	Redemption Date	Redemption Price
2010 B	8/1/2019	$ 7,645,000	8/1/2018	100%
	8/1/2020	7,535,000	8/1/2018	100
	8/1/2021	7,415,000	8/1/2018	100
	8/1/2022	7,310,000	8/1/2018	100
	8/1/2023	7,230,000	8/1/2018	100
		$ 37,135,000		

Upon initial delivery of the Series B Bonds, the State Funding Board will enter into an agreement (the "Refunding Agreement") with the State Treasurer with respect to the Refunded Bonds. The Refunding Agreement will create an irrevocable fund (the "Refunding Fund") to be held by the Refunding Trustee for the payment of the Refunded Bonds. The Refunding Fund need not be held as a trust fund and may be held by the State Treasurer as part of a commingled fund if accounted for separately. The State will deposit proceeds of the Series B Bonds and other available monies, if required, with the State Treasurer for deposit in the Refunding Fund in amounts that will be held as cash or used to acquire direct general obligations of the United States of America (the "Government Obligations") maturing in amounts and bearing interest at rates sufficient without reinvestment, together with cash on deposit, to redeem the Refunded Bonds on their respective redemption dates and at their redemption prices and to pay all interest coming due on the Refunded Bonds on and prior to their respective redemption dates. The Government Obligations will be purchased directly from the Treasury Department of the United States of America and in the open market through a competitive bidding process. For those Government Obligations purchased in the open market, such Government Obligations may be purchased from one or more of the Purchasers or affiliates of the Purchasers. The Refunding Fund, including the interest earnings on the Government Obligations, in the amounts needed to pay the redemption prices of and interest on the Refunded Bonds, will be pledged solely for the benefit of the holders of the Refunded Bonds. The State is required to deposit in the Refunding Fund any additional amounts that may be necessary for any reason to enable the State Treasurer, as the paying agent for the Series B Bonds, to pay the redemption price of and interest on the Refunded Bonds.

Upon issuance of the Bonds, the Refunded Bonds will be irrevocably designated for redemption on the respective redemption dates and at the respective redemption prices as stated in the table above, plus accrued interest to the redemption dates, and provision will be made by the State in the Refunding Agreement for the giving of notice of redemption of the Refunded Bonds. Written notice of any such redemption shall be mailed to the registered owners of the Refunded Bonds to be redeemed not less than (30) days prior to the redemption date. While DTC or its nominee is the registered owner of the Refunded Bonds, such notices will be sent to DTC and the State shall not be responsible for mailing notices of redemption to Direct DTC Participants or Indirect DTC Participants or to the Beneficial Owners of the Refunded Bonds.

SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied on the date of issue of the Bonds in the amounts as follows:

Sources of Funds:	**Series A Bonds**	**Series B Bonds**	**Total**
Par Amount			
Original Issue Premium (Discount)			
Total	$ -	$ -	$ -
Uses of Funds:			
Retirement of CP (approx.)			
Capital Projects Fund (approx.)			
Deposits to Refunding Trust Fund			
Costs of Issuance			
Underwriter's Discount			
Total	$ -	$ -	$ -

SECURITY FOR THE BONDS

Sources of Payment and Security

The Bonds (as with all other State general obligation bonds and notes) constitute (a) direct general obligations of the State for the payment of the principal of and premium, if any, and interest on which there is also pledged the full faith and credit of the State; and (b) a charge and lien upon all fees, taxes and other revenues and funds allocated to the State's general fund, debt service fund, and highway fund and, if necessary, upon the first fees, taxes, revenues and funds thereafter received and allocated to such funds, unless such fees, taxes, revenues and funds are legally restricted for other purposes.

The charge and lien on fees, taxes and other revenues in favor of the Bonds is subject to the specific pledge of "Special Taxes" in favor of State general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of: (i) the annual proceeds of a tax of five cents (5¢) per gallon upon gasoline; (ii) the annual proceeds of a special tax of one cent (1¢) per gallon upon petroleum products; (iii) one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and (iv) the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. The Total Special Taxes collected, as reported for each year in the June monthly Statement of Revenue Collections (prepared on a cash basis) were as follows:

	Fiscal Year Ended			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Special Taxes	$ 1,144,503,000	$ 1,113,976,000	$ 1,012,030,000	$ 1,010,572,000

Source: TN Department of Revenue

The final maturity of general obligation bonds issued prior to July 1, 2013 is October 1, 2032. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013) this pledge of Special Taxes will expire. The Bonds (as with all other State general obligation bonds issued after July 1, 2013, and notes) will not benefit from this specific pledge of Special Taxes.

The State covenants with the holders of the Bonds (and all persons who hold State general obligation bonds or notes) that it will raise fees, taxes and other revenues sufficient, together with funds on hand derived from all sources, to pay the principal of and premium, if any, and interest on the Bonds and all other general obligation bonds and notes of the State as and when due and payable. The State has also covenanted with the holders of State general obligation bonds outstanding as of July 1, 2013, not to decrease by legislative action the Special Taxes unless the State Funding Board certifies that the State is not in default in the payment of any outstanding debt and that Special Taxes at the decreased rates specified by the State Funding Board in such year or years (not to exceed two (2) years) will be sufficient to make all payments required to be made therefrom by the State on all of its obligations during the period that such decrease will be in effect.

The State is permitted by the State Constitution to levy ad valorem taxes on all of the taxable property within the State for the payment of the principal of and interest on the State's general obligation indebtedness; however, the State does not currently levy such a tax and has no current intent to do so.

All general obligation indebtedness of the State is secured on parity with all other general obligation indebtedness of the State, except that the Special Taxes secure only general obligation bonds outstanding on July 1, 2013. The State may issue, and currently is issuing as CP, general obligation bond anticipation notes, for the payment of which the full faith and credit of the State, but not Special Taxes, is pledged. See "STATE INDEBTEDNESS – Commercial Paper Program". In addition, the State is authorized to issue general obligation tax revenue anticipation notes, for the payment of which the full faith and credit of the State, but not Special Taxes, is pledged; however, the State has not heretofore issued any such notes and has no current intent to do so. See "STATE INDEBTEDNESS – Tax Revenue Anticipation Notes".

See "STATE INDEBTEDNESS" for the amounts of outstanding debt. For a table of annual debt service requirements for all general obligation bonds, see "STATE INDEBTEDNESS – Outstanding General Obligation Bonded Indebtedness".

Appropriations for Payment of General Obligation Debt Service

Pursuant to Section 9-9-103, Tennessee Code Annotated, there is a continuing appropriation of a sum sufficient for payment of debt service (principal, interest and premium, if any) on general obligation bonds and notes from any funds in the State treasury not otherwise legally restricted, independent of an appropriation bill otherwise required by State law.

Section 67-6-103(a)(5), Tennessee Code Annotated, currently provides that 0.9185% of the sales and use tax collections is appropriated to the State Funding Board for the payment of principal and interest on the State's general obligation bonds. This statutory provision subsequently may be changed or eliminated. The total sales and use tax collections and the amounts allocated to debt service for the last five fiscal years as reported in the State's Annual Financial Reports were as follows (amounts have been rounded):

	Total Sales and Use Tax Collections (Accrual Basis)	Allocation to Debt Service (Modified Accrual Basis)
June 30, 2017	$ 8,547,149,000	$ 60,699,000
June 30, 2016	8,258,134,000	58,746,000
June 30, 2015	7,713,695,000	54,662,000
June 30, 2014	7,276,443,000	51,634,000
June 30, 2013	7,018,128,000	49,709,000

In accordance with the Governmental Accounting Standards Board's Statement 44 "Economic Condition Reporting: The Statistical Section," the total sales and use tax collections are reported on an accrual basis instead of on a modified accrual basis. However, the calculation of 0.9185% of the sales and use tax collections for allocation to debt service continues to be reported on a modified accrual basis. For a history of total sales and use tax collections and rates since Fiscal Year 2006, see the statistical data incorporated by reference in Appendix B.

Remedies and Rights of Bondholders

Each Bond when duly issued will constitute a contract between the State and the registered owner of the Bond. The State Funding Board shall certify to the Commissioner of Finance and Administration from time to time, but not less than annually, the amount necessary, together with funds on hand derived from all sources, to enable the State Funding Board to provide for the payment of the principal of and premium, if any, and interest on all general obligation indebtedness as and when the same shall become due and payable. Under Section 9-9-105(a), Tennessee Code Annotated, such indebtedness shall constitute a charge and lien upon the entire fees, taxes and other revenues and funds allocated to the general fund, the debt service fund and highway fund, and, if necessary, the first monies thereafter received and allocated to the general fund, the debt service fund and the highway fund, except only such fees, taxes, revenues and funds as may be otherwise legally restricted, subject to the pledge of Special Taxes to general obligation bonds outstanding on July 1, 2013. Under Section 9-9-111, Tennessee Code Annotated, a holder of any general obligation bonds, including the Bonds, and notes has a vested right in the performance of the covenants and pledges contained in Title 9, Chapter 9, Tennessee Code Annotated, and the performance of the duties imposed on any officer or agency of the State by the provisions of Chapter 9 may be enforced by the holder of any general obligation bond or note by appropriate proceedings, provided that no holder of obligations issued after July 1, 2013, shall have any such rights with respect to the pledge of Special Taxes described above.

Under the State Constitution, public money may be expended only pursuant to appropriations made by law. See "STATE FINANCES." Such expenditures include, but are not limited to, the payment of debt service. Continuing appropriations exist under current law for the payment of debt service on the State's general obligation bonds, including the Bonds, from a specified percentage of sales and use taxes as discussed above. Furthermore, Section 9-9-103, Tennessee Code Annotated, appropriates to the State Funding Board on a direct and continuing basis a sum sufficient for payment of debt service (principal, interest and premium, if any) on outstanding general obligation bonds and other debt obligations (including notes) from any funds (including, with respect to bonds outstanding on July 1, 2013, Special Taxes) held in the State treasury not otherwise legally restricted, independent of an appropriation bill otherwise required by State law.

The State has not generally waived immunity from suit or extended its consent to be sued, although specific actions may be authorized, such as is described in the second preceding paragraph. Current state law provides that monetary claims against the State for breach of its contractual obligations and certain other causes may be heard and determined exclusively in the forum of the Tennessee Claims Commission, an administrative tribunal, where the State may be liable only for actual damages and certain costs. Whether a continuing appropriation exists for the payment of a claim in the Tennessee Claims Commission for unpaid debt service, if necessary, in addition to other available remedies, is not clear. In any event, sovereign immunity and other legal principles may bar actions to compel the General Assembly to appropriate monies for such payments.

Additional Bonds Test

The State, by Section 9-9-105(c), Tennessee Code Annotated, covenants with the persons who now or may hereafter hold any State general obligation bonds that no general obligation bonds shall be issued after July 1, 2013, unless the following debt service coverage test is satisfied: the amount necessary to pay the maximum annual debt service payable in the then current or any future fiscal year is not greater than ten percent (10%) of the amount of total state tax revenue allocated to the general fund, to the debt service fund, and to the highway fund for the immediately preceding fiscal year. For purposes of satisfying this test, "state tax revenues" are defined as those taxes, licenses, fees, fines, and permits collected by the department of revenue and allocated to the general fund, the debt service fund, and the highway fund excluding the portion of those taxes shared with local governments. "Debt service", for this purpose, means and includes the aggregate of the principal of and interest on all outstanding general obligation bonds and the general obligation bonds then proposed to be issued; provided, any outstanding bonds the payment of which has been fully provided for by funds or securities (including expected income therefrom), or both, set aside for that purpose are excluded in determining the outstanding bonds.

The State will comply with that additional bonds test as a condition of issuing the Bonds, as demonstrated by the following table:

(a)	Maximum annual debt service			$ 240,692,778 (1)
(b)	State tax revenue allocated for FYE June 30, 2017 to:			
	General Fund	$ 11,771,970,000	* (1) (2)	
	Debt Service Fund	410,390,000	* (1) (2)	
	Highway Fund	730,511,000	* (1) (2)	
(c)	Total of State tax revenue allocated for FYE June 30, 2017			$ 12,912,871,000
(d)	(a) divided by (c) expressed as a percentage (must be no greater than 10%)			1.86%

* Source: Tennessee Department of Revenue and Tennessee Department of Finance and Administration

(1) Unaudited.

(2) Includes actual tax revenues collected on a cash basis for Fiscal Year 2017 (July 2016 - June 2017) net of amounts apportioned to cities and counties as State shared taxes.

STATE INDEBTEDNESS

General

The State Constitution forbids the expenditure of the proceeds of any debt obligation for a purpose other than the purpose for which it was authorized. Under State law, the term of bonds authorized and issued cannot exceed the expected life of the projects being financed. Furthermore, the amount of bonds issued cannot exceed the amount authorized by the General Assembly.

The procedure for funding State debt is provided by Chapter 9 of Title 9, Tennessee Code Annotated. The State Funding Board of the State of Tennessee is the entity authorized to issue general obligation indebtedness of the State. The State Funding Board is composed of the Governor, the State Comptroller of the Treasury, the Secretary of State, the State Treasurer, and the Commissioner of Finance and Administration. The State Funding Board issues all general obligation indebtedness in the name of the State pursuant to authorization by the General Assembly without concurrence or approval by any other governmental agency or by the electorate. Although the State Funding Board determines the terms of general obligation indebtedness, the interest rate on the general obligation indebtedness cannot exceed the Formula Rate which is defined in Section 47-14-102(6), Tennessee Code Annotated, as generally the lesser of (i) the average prime loan rate published by the Federal Reserve System plus 4% or (ii) 24%.

Termination of Existence

The Governmental Entity Review Law provides for the termination of various governmental entities on specified dates. That date for the State Funding Board 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.

Bonds

State law provides that the State may issue general obligation bonds for one or more purposes authorized by the General Assembly of the State. As of February 28, 2018 the State had $1,778,290,000 (unaudited) of outstanding general obligation bonds, excluding the Bonds and including the Refunded Bonds.

Commercial Paper Program

Bond anticipation notes may be issued for purposes for which bonds have been authorized, if the notes are also authorized by legislative act. Notes have been authorized to be issued for the purposes of all existing bond authorizations.

In March 2000, the State instituted a commercial paper program for authorized capital projects. Commercial paper ("CP") has been and will be issued under the Commercial Paper Resolution, adopted by the members of the State Funding Board of the State on March 6, 2000, as amended, in a principal amount outstanding at any one time not to exceed $350,000,000. CP constitutes bond anticipation notes and is a direct general obligation of the State for the payment of which, as to both principal and interest, the full faith and credit of the State, but not Special Taxes, are pledged.

The State has entered into a Standby Commercial Paper Purchase Agreement (the "Standby Agreement") with the Tennessee Consolidated Retirement System ("TCRS") under which TCRS is obligated to purchase newly issued CP, issued to pay the principal of other CP, subject to suspension or termination upon the occurrence of certain events. The Standby Agreement requires that the principal amount of CP maturing on any day shall not exceed $100,000,000 or such greater principal amount as agreed upon by the State and TCRS.

CP may have varying maturities of not more than 270 days from their respective dates of issuance; provided, however, that no CP shall mature on a business day that will permit rollover purchased CP to be issued and mature on a business day that is not later than one business day prior to the stated expiration date of the Standby Agreement without regard to any early termination of the Standby Agreement. Currently, this date is July 1, 2021. CP is not subject to redemption prior to maturity.

As of February 28, 2018, $265,176,000 (unaudited) principal amount of CP was outstanding under this program. The Series A Bonds are expected to retire approximately $200,000,000 of CP.

Tax Revenue Anticipation Notes

The State is authorized to issue general obligation tax revenue anticipation notes ("TRANs") in anticipation of the receipt of tax revenues in the then current fiscal year of the State. The State Constitution prohibits the issuance of debt for operating purposes maturing beyond the end of a fiscal year. Accordingly, any TRANs issued in a fiscal year must be repaid by the end of the same fiscal year. TRANs, if issued, will constitute direct obligations of the State for the payment of which, as to principal and interest, the full faith and credit of the State, but not Special Taxes, are pledged. See "SECURITY FOR THE BONDS". The State has not heretofore issued TRANs and has no current intent to do so.

Outstanding General Obligation Bonded Indebtedness

As of February 28, 2018, there were $1,778,290,000 (unaudited) State general obligation bonds outstanding, excluding the Bonds and including the Refunded Bonds.

The annual debt service requirements for the outstanding general obligation bonded indebtedness following the issuance of the Bonds and the refunding of the Refunded Bonds are as follows:

GENERAL OBLIGATION BONDED DEBT SERVICE

Fiscal Year Ending (6/30)	Outstanding Debt Service *			Less Refunded Debt Service			Plus Debt Service on the Bonds			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	160,370,000	80,322,778	240,692,778							160,370,000	80,322,778	240,692,778
2019	151,465,000	73,341,165	224,806,165							151,465,000	73,341,165	224,806,165
2020	148,490,000	66,715,578	215,205,578							148,490,000	66,715,578	215,205,578
2021	141,670,000	60,145,698	201,815,698							141,670,000	60,145,698	201,815,698
2022	141,910,000	53,655,805	195,565,805							141,910,000	53,655,805	195,565,805
2023	133,910,000	47,317,568	181,227,568							133,910,000	47,317,568	181,227,568
2024	131,245,000	41,762,635	173,007,635							131,245,000	41,762,635	173,007,635
2025	123,815,000	36,670,058	160,485,058							123,815,000	36,670,058	160,485,058
2026	121,605,000	31,526,110	153,131,110							121,605,000	31,526,110	153,131,110
2027	114,550,000	26,624,688	141,174,688							114,550,000	26,624,688	141,174,688
2028	109,760,000	22,017,709	131,777,709							109,760,000	22,017,709	131,777,709
2029	101,275,000	17,494,030	118,769,030							101,275,000	17,494,030	118,769,030
2030	76,925,000	13,493,337	90,418,337							76,925,000	13,493,337	90,418,337
2031	65,785,000	10,215,920	76,000,920							65,785,000	10,215,920	76,000,920
2032	57,910,000	7,408,688	65,318,688							57,910,000	7,408,688	65,318,688
2033	35,655,000	5,280,875	40,935,875							35,655,000	5,280,875	40,935,875
2034	28,650,000	3,743,250	32,393,250							28,650,000	3,743,250	32,393,250
2035	28,650,000	2,310,750	30,960,750							28,650,000	2,310,750	30,960,750
2036	23,100,000	1,017,000	24,117,000							23,100,000	1,017,000	24,117,000
2037	8,790,000	219,750	9,009,750							8,790,000	219,750	9,009,750
	$1,905,530,000	$601,283,390	$2,506,813,390	$ -	$ -	$ -	$ -	$ -	$ -	$1,905,530,000	$601,283,390	$2,506,813,390

* As of July 1, 2017

Authorized and Unissued Bonds

The State had authorized as of February 28, 2018, $1,318,856,040 of general obligation bonds that have not been issued, including the Series A Bonds and excluding an additional amount not to exceed 2.5% of certain authorized amounts to be used for funding discounts and the cost of issuance at the discretion of the State Funding Board. Of such authorized and unissued amount, $639,000,000 is for highway improvements. In addition, $87,900,000 of the authorized and unissued amount is allocated to the Tennessee transportation infrastructure improvement bond program, which is for the repair, replacement or rehabilitation of bridges. Bonds for highway improvements and for the Tennessee transportation infrastructure improvement program are authorized for contractual purposes and authorizations are canceled when construction projects are completed. No general obligation bonds or CP have been issued for these purposes since 1977 and the State does not currently anticipate issuing general obligation bonds or CP for these programs; however, the State can give no assurance that this practice will continue.

Rate of Debt Retirement

The following table sets forth the rate of scheduled debt retirement of the State on all outstanding general obligation bonds as of June 30, 2017, excluding the Bonds and including the Refunded Bonds.

Principal Amount Due Within	Principal Amount	% of Total
5 Years	$ 743,905,000	39.04%
10 Years	1,369,030,000	71.85%
15 Years	1,780,685,000	93.45%
20 Years	1,905,530,000	100.00%

STATE FINANCES {TO BE UDPATED}

The Budget Process

The State of Tennessee Budget for the appropriate fiscal year originates in the executive branch with the Governor's annual budget recommendation to the General Assembly (the "Recommended Budget"). Initially, budget preparation instructions are issued by the Department of Finance and Administration to all State agencies and departments. These instructions describe the Administration's guidelines related to continuing the current level of service (baseline budget) and proposed cost increase requests. The instructions are to be used by agencies and departments in preparing their department budgets for submission to the Department of Finance and Administration in October of each year.

During the fall, each department's budget request is reviewed, and requests for cost increases are analyzed by the Department of Finance and Administration. Conferences are held with departmental and agency representatives, the Director of Budget, and the Department of Finance and Administration staff to determine which, if any, of the proposals should be recommended.

During the 1997 legislative session, the Office of Legislative Budget Analysis was created to enable the General Assembly to strengthen its expertise in governmental budgeting and financing and in making public policy decisions. The office was created as an independent department of the legislature working for both the Senate and the House of Representatives and charged with reviewing and analyzing the State's budget and overall financial condition. The staff summarizes and analyzes the Governor's budget proposal for members of the General Assembly, secures budget justification data from the various state agencies, provides recommendations on budget proposals and provides assistance on financial matters to the standing committees, as directed.

Under State law, the Governor submits the Recommended Budget to the General Assembly at the start of the legislative session. The Recommended Budget must be presented to the General Assembly prior to February 1 of each year, except that a Governor in the first year of a four-year term of office must present a budget prior to March 1 of that year. However, the General Assembly may extend these deadlines by joint resolution. Subsequently, the Governor submits a General Appropriation Bill and bond authorization bills containing appropriations and general obligation bond authorizations required to finance the program levels and capital outlay proposed in the Recommended Budget. Throughout the legislative session, the Finance, Ways and Means Committees and appropriate standing committees of the House and Senate hold budget hearings for each department to determine if changes should be made to the General Appropriation Bill and general obligation bond authorizations. After review and consideration, the Finance, Ways and Means Committees report on the General Appropriation Bill and bond authorization bills, with any committee amendments, to the House of Representatives and Senate for action.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorization is the General Appropriation Act as approved by the General Assembly and signed by the Governor. These appropriations are generally limited to a one-year period of availability. The General Appropriation Act requires both a simple majority vote of the House and a simple majority vote of the Senate. Approval of the General Appropriation Bill usually occurs during the last week of the legislative session. Once signed by the speaker of each House of the General Assembly, the General Appropriation Act is sent to the Governor for signature. If the Governor does not act within ten days, excluding Sundays, the General Appropriation Act becomes law without signature. The Governor may reduce or eliminate specific line items in the General Appropriation Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a vote of a majority of the members elected to each House of the General Assembly.

Appropriations also may be included in legislation other than the General Appropriation Act. Individual bills containing appropriations must be heard by the Finance, Ways and Means Committee, and may be heard by the relevant standing committee, in each House of the General Assembly. After all relevant committees recommend passage, bills containing appropriations must be approved by a majority vote in each House of the General Assembly and must be acted upon by the Governor. Bills of this character are also subject to reduction or elimination by individual line-item veto by the Governor, subject to further override by the General Assembly as described above.

Budgets and appropriations may be revised and amended from time-to-time during a fiscal year for a variety of reasons, including to assure that the fiscal year ends with a balanced budget. Consequently, there can be no assurance that any budget document will not be subsequently amended.

Funds necessary to meet an appropriation need not be in the Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Development of Revenue Estimates

The development of the general fund revenue estimates begins with a forecast of national economic activity for the State budget period. The State currently contracts with The University of Tennessee's Boyd Center for Business and Economic Research (the "Boyd Center" formerly known as "UT-CBER") to prepare an annual Economic Report to the Governor containing short-term business cycle-sensitive forecasts as well as longer-term or trend forecasts for the year and to prepare quarterly updates throughout the year. The Boyd Center subscribes to the macroeconomic forecasting services of Global Insight. The Global Insight forecast becomes the principal input to the Tennessee Econometric Model which is utilized to develop a forecast of similar indicators of in-state activity.

At least annually, the State Funding Board secures from the Boyd Center the estimated rate of growth of the State's economy as measured by the forecasted change in Tennessee personal income. The State Funding Board reviews the estimated rate of growth in Tennessee personal income and reports to the General Assembly its comments relating to the reasonableness of the estimate, including any different estimate deemed necessary.

The State Funding Board is further directed by statute to conduct public hearings to develop consensus ranges of estimates of State revenue for the current fiscal year and the next succeeding fiscal year. At the hearings, representatives of state higher education institution business centers, including the Boyd Center, present revenue estimates and economic forecasts. The State Funding Board also hears from representatives from the Department of Revenue and the Fiscal Review Committee of the State. On December 1, or as soon thereafter as practical, the State Funding Board presents its consensus ranges of State revenue estimates, and a summary of the economic forecast on which the estimates are based, to the Governor and the Chairs of the Senate and House Finance, Ways and Means Committees. Although not mandated prior to final legislative action on the budget, the State Funding Board may receive updated estimates and forecasts at public hearings in the spring and may forward any revision to prior estimates and the reasons therefor to the Governor and Chairs of the Senate and House Finance, Ways and Means Committees. Pursuant to Section 9-4-5104, Tennessee Code Annotated, the Commissioner of Finance and Administration has the responsibility for preparing the revenue estimates presented in the Recommended Budget.

Reserve for Revenue Fluctuations

In 2013, the General Assembly enacted legislation re-determining the allocation goal for the reserve for revenue fluctuations (the "Reserve" or "Rainy Day Fund") to be eight percent of estimated State tax revenues to be allocated to the general fund and education trust fund. Beginning with the budget for the Fiscal Year 1998-1999 the allocation goal had been five percent. Until the redetermination funding level is achieved, the Governor is to budget an allocation to the Reserve in an amount at least equal to ten percent of the estimated growth in estimated State tax revenues to be allocated to the general fund and education trust fund. Amounts in the Reserve may be utilized to meet State tax revenue shortfalls. Subject to specific provisions of the general appropriations bill, an amount not to exceed the greater of $100 million or one-half (1/2) of the amount available in the Reserve may be used by the Commissioner of Finance and Administration to meet expenditure requirements in excess of budgeted appropriation levels. Prior to using any amounts in the Reserve for this purpose, the Commissioner shall notify the Secretary of the State Funding Board and the Chairs of the Finance, Ways and Means Committees of the Senate and the House of Representatives that the Reserve funds are to be used for this purpose. The Commissioner shall report information concerning the need to utilize these funds to the various committees.

The Reserve balance at the end of each of fiscal years 2011 through 2015, the estimated balance for fiscal year 2016 and the projected balance at the end of the 2017 fiscal year, respectively, are as follows:

Fiscal Year Ended	Balance
June 30, 2011	$ 283,600,000
June 30, 2012	306,000,000
June 30, 2013	356,000,000
June 30, 2014	456,000,000
June 30, 2015	491,500,000
June 30, 2016	568,000,000 *
June 30, 2017	668,000,000 **

* Estimated and unaudited
**Budgeted

The Reserve is estimated to have increased by $76.5 million for the fiscal year ending June 30, 2016 and budgeted to increase by an additional $100.0 million for the fiscal year ending June 30, 2017. The statutory goal is for the Reserve to be eight percent of estimated State tax revenues to be allocated to the general fund and education trust fund. The State can give no assurance that the budgeted increase in the Reserve for the fiscal year ending June 30, 2017 will be achieved. See "STATE FINANCES - Financial Information and Budget Summary for Fiscal Years 2015-2016 and 2016-2017".

Budgeting for Authorized and Unissued Debt

The State's current practice is to annually budget for five percent of all authorized and unissued general obligation bonds, including bonds authorized and not expected to be issued as described in "Authorized and Unissued Bonds" above, to account for assumed principal redemption (on the basis of an assumed 20-year, level-principal issue), plus an amount for assumed interest currently at a rate of six percent annually. The State cannot offer any assurance that it will continue this practice in the future.

Financial Control Procedures

The State Constitution requires, for current operations, that expenditures for any fiscal year not exceed the State's revenues and reserves, including the proceeds of any debt obligation, for that year.

Generally, the executive branch controls the expenditure of State funds for the operation of State government. Two important concepts are involved in the execution of the General Appropriation Act: preparation of work programs and development of allotment controls. Analysts of the Division of Budget, Department of Finance and Administration, and fiscal personnel in the various State departments and agencies have the responsibility of reconciling the General Appropriation Act, as approved, with the submitted Recommended Budget. State law requires that administrative agencies prepare a work program for each fiscal year. These work programs indicate separate annual spending requirements for payroll and other operating expenses necessary to carry out agency programs. The head of any agency may revise the work program during the fiscal year because of changed conditions and submit such revision for approval. If the Commissioner of Finance and Administration and the Governor approve the revision, then the same procedure for review, approval and control is followed as in making the original allotments. The aggregate of all allotments after the revision cannot exceed the total appropriations made to the agency for the fiscal year in question.

All expenditures of State administrative agencies are processed through the Department of Finance and Administration and are measured against work program allotments. Savings which may occur as a result of the difference between the amounts provided in the work program allotments for payroll and other operating expenditures and the amounts actually spent for those expenditures accumulate throughout the fiscal year unless a work program is revised to re-allot unspent amounts. Likewise, departmental revenue surpluses cannot be spent until approved by the Commissioner of Finance and Administration and, in some cases, reviewed by the Finance, Ways and Means Committees of the General Assembly. Such central spending control offers executive flexibility relative to any anticipated surplus or shortfall in the budget.

The Governor may effect spending reductions to offset unforeseen revenue shortfalls or unanticipated expenditure requirements for particular programs. These spending reductions can take the form of deferred equipment purchases, hiring freezes, and similar cutbacks. If necessary, the Governor may reduce portions of administrative budgets prior to allotment. Furthermore, the Governor is authorized to call special sessions of the General Assembly at any time to address financial or other emergencies.

TRANs may be issued to fund operating expenses. However, the State has not heretofore issued TRANs and has no current intent to do so. See "STATE INDEBTEDNESS - Tax Revenue Anticipation Notes" above for a description of restrictions on issuance of TRANs for this purpose.

Financial Information and Budget Summary for Fiscal Years 2015-2016 and 2016-2017

Financial Information

The fiscal year 2016-2017 Recommended Budget, as presented by the Governor to the General Assembly on February 1, 2016, projected recurring growth in total taxes of $386.2 million, or 3.00%, and recurring growth in the general fund of $348.9 million, or 3.25%, above fiscal year 2015-2016 estimates.

As discussed under "Development of Revenue Estimates" above, the State Funding Board periodically reviews and revises revenue estimates for budgeting purposes. The State Funding Board met on November 13, 2015, to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2015-2016 and to project revenue estimates for fiscal year 2016-2017. The State Funding Board reconvened on November 23, 2015, and adopted the following revised consensus tax revenue recurring growth projections for the 2015-2016 fiscal year (growth measured against actual results for the 2014-2015 fiscal year, as set forth in the following table) and for the 2016-2017 fiscal year (recurring growth measured against the potential range of results for the 2015-2016 fiscal year, as set forth in the following table):

		Fiscal Year 2014-2015 Results	Fiscal Year 2015-2016		Fiscal Year 2016-2017	
			Low	**High**	**Low**	**High**
Total State Taxes	$	12,439,377,000	2.80%	3.30%	2.50%	3.00%
General Fund Only	$	10,382,963,600	2.90%	3.40%	2.75%	3.25%

The fiscal year 2016-2017 Recommended Budget was based on these consensus revenue estimates.

The State Funding Board is scheduled to convene in November or December 2016 to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2016-2017 and to project revenue estimates for fiscal year 2017-2018. The Board may schedule additional meetings at its discretion.

On an accrual basis, June is the eleventh month of fiscal year 2015-2016. Total state tax collections for the eleven months (August through June) were $911.2 million above the July 1, 2015 budgeted estimate, and collections for the general fund were $841.1 million above the budgeted estimates. Collections for the four other funds that share tax revenue proceeds were $70.1 million more than the July 1, 2015 budgeted estimates. Collections are unaudited and subject to final accrual adjustments. The Rainy Day Fund balance is estimated to be $568.0 million at June 30, 2016 and projected to be $668.0 million at June 30, 2017. See "STATE FINANCES – Reserve for Revenue Fluctuations".

Fiscal Year 2016-2017 Budget Summary

As shown in the Recommended Budget, the fiscal year 2016-2017 budget is based on a recurring growth rate in total taxes of 3.00%. General Fund recurring cost increases total $721.2 million, much of which is used to fund salary and benefits, program and inflationary growth in TennCare, the Basic Education Program, Higher Education, capital improvements, and capital maintenance. For the 2016-2017 Recommended Budget to remain balanced, State programs are reduced by an average of 0.7% for a total of $38.0 million. Recurring appropriations are funded by recurring revenues. The Rainy Day Fund balance is budgeted to increase to $668 million after an additional deposit of $100 million. For a further description of the 2016-2017 Recommended Budget, see "Budgetary Sources and Uses" section below.

The capital budgets as amended and approved by the General Assembly for fiscal year 2015-2016 and the Recommended Budget for fiscal year 2016-2017 are as follows:

	Fiscal Year	
	2015-16	2016-17
State Current Funds	$ 135,361,200	$ 355,926,600
Federal Funds	9,872,500	12,891,500
General Obligation Bonds (excl. Hwy. Imp.)	437,600,000	0
Highway Improvement Bonds	83,800,000	87,700,000
Other Miscellaneous Funds	69,990,500	60,411,000
Facilities Revolving Fund	200,920,000	152,220,000
Total	$ 937,544,200	$ 669,149,100

Bonds have not been issued for highway improvements or for the Tennessee transportation infrastructure improvement program since 1977, and there is no current intent to do so; however, there can be no assurance that this practice will continue. Bonds for these purposes are authorized for contractual purposes and authorizations are canceled when construction projects are completed.

TennCare Program

The TennCare Medicaid expansion program was launched in 1994. The TennCare program operates under a Section 1115 waiver from the Centers for Medicare and Medicaid Services ("CMS") in the United States Department of Health and Human Services as a managed care program. Medicaid waiver programs are time-limited. The waiver under which TennCare is now operating began on July 1, 2002, and has been extended through June 30, 2016. An extension request is pending with CMS to extend the waiver through June 30, 2021.

TennCare services are offered through managed care entities. Medical, behavioral and long-term care services are covered by "at risk" Managed Care Organizations ("MCO") in each region of the State. Enrollees have their choice of MCOs serving the areas in which they live, except that some enrollees are assigned to TennCare Select. TennCare Select is a managed care plan for certain populations such as children in State custody and enrollees who may be living temporarily out-of-state. In addition to the MCOs, there is a pharmacy benefits manager for coverage of prescription drugs and a dental benefits manager for provision of dental services to children under age 21 and some persons over 21 that have an intellectual or developmental disability (beginning July 1, 2016). Coordination of care is the responsibility of the enrollee's primary care provider in his or her MCO. Long-term care services are provided in nursing facilities for elderly persons and in intermediate care facilities for persons with intellectual or developmental disabilities, as well as by home and community based services providers. These services had been "carved out" of TennCare and paid for by the State through a fee-for-service arrangement. However, in 2010, the State implemented the TennCare "CHOICES in Long-Term Care Program" which brought long-term care services for persons who are elderly and physically disabled into the managed care program.

The Bureau of TennCare within the Tennessee Department of Finance and Administration is the State agency charged with the responsibility for administering the TennCare program. In addition to overseeing the contracts with the managed care entities and overseeing the long-term care program, the Bureau of TennCare is responsible for payment of Medicare premiums, deductibles, and/or coinsurance for certain low-income Medicare beneficiaries.

The TennCare program currently has approximately 1.5 million enrollees consisting of approximately 880,000 children and approximately 620,000 adults. For fiscal year 2016-2017, the State budgeted additional funds to recognize the increases in enrollment since January 2014. The 2016-2017 TennCare budget is $10.85 billion, including federal funds, and is 31.2% of the total 2016-2017 Recommended Budget. Excluding federal funds, the cost of the TennCare program is budgeted to be 21.6% of the total State tax collections.

In fiscal year 2015-2016, the TennCare Reserve is anticipated to be $193.9 million and is equal to 5.7% of the State funds contributed to the TennCare program. Historically, the TennCare Reserve was $267.7 million in fiscal year 2014-2015; $306.9 million in fiscal year 2013-2014; $306.9 million in fiscal year 2012-2013; $115.6 million in fiscal year 2011-2012; $234.7 million in fiscal year 2010-2011; and $442 million in fiscal year 2009-2010. The TennCare Reserve is not statutorily required and there can be no assurance that the TennCare Reserve will be available for use in the TennCare program.

Federal Funding of Certain Programs

Approximately 38% of the State budget is funded by federal aid. The U.S. Budget Control Act of 2011 (U.S. Public Law 112-25) (the "Budget Control Act") established mechanisms to restrain federal spending and decrease the projected federal deficit through the year 2021. Automatic across-the-board reductions in federal programs originally were scheduled to occur on January 2, 2013, but were delayed until March 1, 2013, by the American Taxpayer Relief Act of 2012 (U.S. Public Law 112-240). Some major programs are held harmless and not subject to the across-the-board reduction. The held-harmless programs include Medicaid (TennCare), Children's Health Insurance program (CoverKids), Temporary Assistance for Needy Families, Supplemental Nutritional Assistance program (formerly Food Stamps), and various food and nutrition programs, foster care and adoption assistance, and various highway and transportation programs. An estimated 87% of federal aid to the State of Tennessee was not subject to the across-the-board reduction. In the 13% of federal aid that was subject to reduction, the State reduced budgeted expenditures from federal aid sources by $71.8 million in 242 programs. Of the $71.8 million reduced, 51% of the reduction occurred in K-12 Education ($36.3 million). The Department of Health was reduced $12.7 million (18% of the total). The balance of the reductions occurred in other departments. In all instances, State funds were not used to replace a reduction in federal funding. To maintain a balanced budget, program budgets were adjusted accordingly. The Bipartisan Budget Act of 2015 (U.S. Public

Law 114-74) raised the discretionary program spending caps in federal fiscal years 2016 and 2017 while also extending the imposition of sequestration spending caps beyond 2021 to federal fiscal year 2025. As a result, there are no additional sequestration reductions of federally funded programs in state fiscal years 2015-2016 or 2016-2017. The State will continue to monitor Congressional action on federal aid appropriations to assess fiscal impacts to the State budget.

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Budgetary Sources and Uses of Funds

The following tables compare budgetary sources and uses of funds for fiscal years 2015-2016 and 2016-2017:

2016-2017 Budget Document
2015-2016 Estimated Budget Compared to
2016-2017 Estimated Budget
Sources of Funds

	Estimated Budget FY 2015-2016		Estimated Budget FY 2016-2017		Difference
Tax Revenue - Revised Estimate					
Sales and Use Taxes	$ 8,008,200,000		$ 8,280,100,000		$ 271,900,000
Other Taxes - Department of Revenue	4,878,500,000		4,966,000,000		87,500,000
2016 Department of Revenue Tax Legislation	-		(23,065,900)		(23,065,900)
Other Miscellaneous Revenues	1,985,058,000		1,999,023,000		13,965,000
Tobacco Funds	144,600,000		143,800,000		(800,000)
Lottery for Education Funds	346,200,000		339,800,000		(6,400,000)
Debt Service Fund Transfer	102,500,000	*	-		(102,500,000)
Reserve Transfers and Adjustments	55,444,754	*	685,060,300	*	629,615,546
Reversion - Overappropriation	86,807,800	*	89,838,100	*	3,030,300
Rainy Day Fund Transfer	(76,500,000)	*	(100,000,000)	*	(23,500,000)
Sub-Total	**$ 15,530,810,554**		**$ 16,380,555,500**		**$ 849,744,946**
Federal Funds	$ 12,792,948,400		$ 13,222,725,100		$ 429,776,700
Current Services and Other Revenues	3,335,600,300		3,323,403,800		(12,196,500)
Tuition and Student Fees	1,769,235,800		1,769,235,800		-
Bonds	521,400,000		87,700,000		(433,700,000)
Total	**$ 33,949,995,054**		**$ 34,783,620,200**		**$ 833,625,146**
* Reserves, Transfers and Reversion[1]	$ 168,252,554		$ 674,898,400		$ 506,645,846

[1] Reserves are funds transferred to the general fund as authorized by the General Appropriations Act. Reserves also includes funds reserved for appropriation in the following fiscal year. Transfers are funds transferred to the general fund for specific purposes. Reversion is the estimated budget surplus remaining at the end of a fiscal year.

2016-2017 Budget Document
2015-2016 Estimated Budget Compared to
2016-2017 Estimated Budget
Uses of Funds

	Estimated Budget FY 2015-2016	Estimated Budget FY 2016-2017	Difference
General Government	$ 1,035,402,600	$ 1,218,297,700	$ 182,895,100
Education	10,020,343,000	10,413,273,900	392,930,900
Health and Social Services	15,427,902,100	15,848,353,400	420,451,300
Law, Safety, and Correction	1,690,170,554	1,720,602,000	30,431,446
Resources and Regulation	950,237,800	933,666,100	(16,571,700)
Business and Economic Development	632,853,900	594,936,100	(37,917,800)
Total General Fund	**$ 29,756,909,954**	**$ 30,729,129,200**	**$ 972,219,246**
Transportation	$ 1,805,134,400	$ 1,877,981,400	$ 72,847,000
Debt Service Requirements	408,600,000	425,054,000	16,454,000
Capital Outlay Program	652,824,200	429,229,100	(223,595,100)
Facilities Revolving Fund	324,726,500	296,026,500	(28,700,000)
Cities and Counties - State Shared Taxes	1,001,800,000	1,026,200,000	24,400,000
Total State Budget All Programs	**$ 33,949,995,054**	**$ 34,783,620,200**	**$ 833,625,146**

Investment Policy

The State Funding Board is charged with the establishment of policy guidelines for the investment of State funds. The State Treasurer is responsible for the management of the State Pooled Investment Fund (the "SPIF") (which includes the State's cash, various dedicated reserves and trust funds of the State, and the Local Government Investment Pool) and the Intermediate Term Investment Fund (the "ITIF"), a longer term investment option.

The primary investment objective for the SPIF is safety of principal, followed by liquidity and yield. No investments may be purchased with a remaining maturity of greater than 397 calendar days, the weighted average maturity cannot exceed 60 days, and the weighted average life cannot exceed 120 days. Investment instruments authorized by the Investment Policy for the SPIF approved by the State Funding Board pursuant to Section 9-4-602, Tennessee Code Annotated, for purchase by the SPIF include (1) bonds, notes and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; (2) repurchase agreements for obligations of the United States or its agencies; (3) certificates of deposit in banks and savings and loan associations recognized as state depositories pursuant to Section 9-4-107, Tennessee Code Annotated; provided, however, certificates of deposit shall be collateralized in accordance with the provisions of Tennessee Code Annotated; (4) prime commercial paper that is rated in the highest category by at least two nationally recognized commercial paper rating agencies; (5) prime bankers' acceptances that are eligible for purchase by the Federal Reserve System; and (6) securities lending agreements whereby securities may be loaned for a fee; provided, however, eligible collateral as defined in Section 9-4-103, Tennessee Code Annotated, whose market value is at least equal to one hundred two percent (102%) of the market value of the borrowed securities shall be required for each loan and for purposes of this provision, eligible collateral shall include cash collateral, which shall be equal to at least one hundred percent (100%) of the market values of the borrowed securities. For each type of investment, certain terms and conditions must be met. All securities purchased are held by a custodian pursuant to a custodian agreement.

The ITIF portfolio is intended to be a longer-term investment option to the SPIF. The ITIF is actively managed and is designed to invest in longer-term instruments in order to benefit from the normal steepness of the yield curve. The dollar weighted average maturity of the ITIF shall not exceed 3 years. An appropriate amount of the fund is maintained in short term investments to cover emergency withdrawals. No security will be purchased with a remaining life of over five years. Investment instruments authorized by the Investment Policy for the ITIF approved by the State Funding Board pursuant to Section 9-4-602, Tennessee Code Annotated, for purchase by the ITIF include: (1) bonds, notes and treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies; (2) obligations guaranteed as to principal and interest by the federal home loan mortgage corporation, federal national mortgage association, student loan marketing association and other United Stated government-sponsored corporations; (3) repurchase agreements for obligations of the United States or its agencies; (4) prime commercial paper that is rated in the highest category by at least two nationally recognized commercial paper rating agencies; and (5) prime bankers' acceptances that are eligible for purchase by the Federal Reserve System. For each type of investment, certain terms and conditions must be met. All securities purchased are held by a custodian pursuant to a custodian agreement.

In addition to the funds in the SPIF and the ITIF, TCRS (a pension trust fund), the Baccalaureate Education System Trust (a private-purpose trust), and the Chairs of Excellence Trust (a permanent fund) are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, and real estate subject to the approval of the applicable boards of trustees. See "Appendix A - Financial Statements" - Note 5A "Deposits and Investments".

Accounting Standards

The Governmental Accounting Standards Board ("GASB") is the body responsible for promulgating accounting and financial reporting standards that are followed by state and local governments desiring to present financial statements in accordance with generally accepted accounting principles ("GAAP"). The State adheres to GASB rules and issues audited financial statements in conformity with GAAP.

Other Post-Employment Benefits

In 2004, GASB issued Statements Nos. 43 and 45 that provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB").

State employees and teachers who meet specified criteria receive pension benefits provided to retirees through a defined benefit plan administered by TCRS. In addition to retirement benefits, certain qualified retirees may continue participation in health insurance sponsored by the State. Retirees who are not yet eligible for Medicare have access to the same benefits as current employees and pay monthly premiums that vary by years of service at retirement. The State has the flexibility to adjust the benefits and premium sharing provisions provided by insurance plans on an annual basis. After age 65, retirees may participate in a Medicare supplemental plan. The State's financial support to this supplemental plan is a fixed amount based on years of service.

The current actuarial valuation of post-employment medical benefits, as of July 1, 2013, was completed during fiscal year 2014. These and the previous studies were conducted using a projected unit credit actuarial cost method and focused on individual employers within each plan. The State's obligations resulting from the July 1, 2013 study are summarized below. The annual required contribution ("ARC") consists of the normal cost (the portion of the actuarial present value for OPEB benefits which is allocated to a valuation year by the actual cost method) and an amortization of the unfunded actuarial liability.

	As of June 30, 2017 (unaudited) (expressed in thousands)	
	Unfunded Actuarial Liability	**ARC**
State Employee Group Plan		
State obligation for employees		
(including Component Units)	$ 1,167,410	$ 126,235
Local Education Employee Group Plan		
State obligation on behalf of teachers	274,798	29,680
Tennessee Plan (Medicare Supplement)		
State obligation for employees		
(including Component Units)	163,699	12,687
State obligation on behalf of teachers	145,417	10,260
Total State Obligation	$ 1,751,324	$ 178,862

The actuary reports may be reviewed at: http://www.tn.gov/finance/article/fa-accfin-opeb. The State has contracted with Gabriel Roeder Smith and Company to provide biennial OPEB valuations for the State Employee Group, Teacher Group, Local Government Group and Medicare Supplement plans for fiscal years ended June 30, 2014 through June 30, 2018. The next valuation, as of July 1, 2015, that will cover fiscal years 2015-2016 and 2016-2017, is expected to be received in late summer.

This data was reported in the State's Comprehensive Annual Financial Report ("CAFR") for fiscal year 2014-2015. For fiscal year 2014-2015, the State did not fund any actuarially determined OPEB liability and expects to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the current fiscal year. Both active employees and pre-age 65 retirees are offered the same health care plan options. The State has the flexibility to adjust the various plan options on an annual basis. It will continue to analyze the cost of the choices available to current employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

During the 2015 Legislative Session, the General Assembly enacted Public Chapter 426, which, among other things, established an investment trust or trusts (the "Trust") for the purpose of pre-funding other post-employment benefits accrued by employees of the State, to be paid as they come due in accordance with arrangements between the State, the plan members and their beneficiaries. The trustees (the "Trustees") of the 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. The Trustees must adopt, in writing, an investment policy or policies authorizing how assets in the Trust may be invested. The Trust may invest in any security or investment in which TCRS is permitted to invest; provided, that investments by the Trust shall be governed by the investment policies and guidelines adopted by the trustees. By statute, the state treasurer has the responsibility to invest and reinvest Trust funds in accordance with the policies and guidelines established by the Trustees and to administer the Trust. The initial funding for the Trust is to be from moneys appropriated by the General Assembly for such purpose. As of the date of this Official Statement, no such appropriation has been made.

Financial Reporting and Budgeting Awards

The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded Certificates of Achievement for Excellence in Financial Reporting to the State for its comprehensive annual financial report for the fiscal years ended June 30, 1979 to June 30, 2008, thirty consecutive years. The State did not receive the award for the fiscal year ended June 30, 2009 due to the implementation of a new accounting system that delayed the report but did receive the award again for fiscal years ended June 30, 2010 to June 30, 20__. TCRS was also awarded a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the fiscal year ended June 30, 20__. This was the twenty-eighth consecutive year that TCRS received this award. To be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the content of which conforms to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The GFOA also presented its Distinguished Budget Presentation Award to the State for its annual budget for the fiscal years ended June 30, 1992 through June 30, 1995 and June 30, 1998 through June 30, 20__. To receive this award, a governmental unit must publish a Budget Document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TCRS)

Introduction

The Tennessee Consolidated Retirement System ("TCRS") was established in 1972 as a trust to provide a defined benefit pension plan that covers three large groups of public employees - State employees (including higher education employees), public school teachers of grades K-12 (including teachers employed by public charter schools) ("Teachers"), and employees of participating local governments.

State and higher education employees (with limited exceptions described in the section "General Information") hired on or before June 30, 2014 are members of a legacy closed defined benefit plan (the "Closed Plan") and do not make contributions to the Closed Plan. Since July 1, 1981, all contributions made on behalf of members of the Closed Plan have been made by members' employers in amounts determined by actuarial valuations.

State and higher education employees (with limited exceptions described in the section "General Information") hired on or after July 1, 2014 are members of a hybrid retirement plan that provides both a defined benefit plan and a defined contribution plan (the "Hybrid Plan").

The State is ultimately responsible for the financial obligation of the benefits provided by TCRS to State and higher education employee members of the Closed Plan to the extent such obligation is not covered by employer contributions and investment earnings. Although the State's liability for its financial obligations under the Closed Plan is uncapped, the Hybrid Plan was designed so that the State's liability is limited to a total maximum annual employer cost of nine percent (9%) of an employee's salary. The plan provisions of the Closed Plan and the Hybrid Plan are described in "General Plan Provisions."

The State is not directly responsible for the pension benefits provided to Teachers or local government employees. However, the State does provide funding to the local school systems, which are referred to as Local Education Agencies ("LEAs"), to assist in the funding of a system of education in Tennessee. Funds provided by the State to LEAs may be used to finance the employer pension contributions of LEAs to TCRS.

TCRS is governed by a Board of Trustees (the "Board") that is responsible for the general administration and operations of TCRS within the requirements and provisions of State statutes. The Board is composed of nine ex-officio members (of which two are non-voting), nine representatives of the active TCRS membership, and two representatives for retirees. The ex-officio members include the chair and vice-chair of the legislative Council on Pensions and Insurance (as nonvoting members), the Commissioner of Human Resources, the Commissioner of Finance and Administration, the Comptroller of the Treasury, the Secretary of State, the Administrative Director of the Courts, the State Treasurer (sits as the Chair), and the Director of TCRS (sits as the Secretary). The employee representatives consist of three Teachers (one from each grand division of the State who are selected for three-year terms by the Speaker of the Senate and the Speaker of the House of Representatives), two State employees from departments other than those represented by ex-officio members (elected by State and higher education employees for three-year terms), one public safety officer (appointed by the Governor for a three-year term), three representatives of local governments (appointed by the Tennessee County Services Association, the Tennessee Municipal League, and the County Officials Association of Tennessee for two-year terms), a retired Teacher (appointed by the Speaker of the House of Representatives for a three-year term), and a retired State or higher education employee (appointed by the Governor for a two-year term). All employee representatives must be vested members of TCRS.

By statute, an actuarial valuation of TCRS is to be conducted at least once in every two-year period. However, pursuant to the funding policy adopted by the Board on September 26, 2014, an actuarial valuation is conducted annually as of each June 30th for both accounting purposes and funding purposes. The latest actuarial valuation was performed as of June 30, 2016, and an actuarial valuation as of June 30, 2017 is underway. The Board certifies to the Governor each year the amount necessary to fund the Actuarially Determined Contribution ("ADC") for State and higher education employees, and by statute the General Assembly is required to appropriate such amount. Thus, for each year since 1972, the State has paid to TCRS 100% of the ADC for State and higher education employees. The ADC represents the amount necessary to fund the normal cost (the cost of current service being accrued), the amortized amount of the unfunded accrued liabilities, and the cost of the administration of TCRS pursuant to the actuarial methodology described herein. The State has not generally waived immunity from suit or extended its consent to be sued, and sovereign immunity and other legal principles may bar actions to compel the General Assembly to appropriate moneys in the future for such purposes. Beginning July 1, 2014, the term ADC replaced the term annual required contribution ("ARC") but ADC is essentially the same as the ARC.

The total pension liability of the Closed Plan in excess of its fiduciary net position (net assets), or net pension liability, at June 30, 2016 measurement date, was $1,824,565,232. The Closed Plan fiduciary net position as a percentage of the total pension liability, or funded ratio, was 87.96% at June 30, 2016, calculated in accordance with GASB Statement No. 68 ("GASB 68"). The funded ratio was 91.26% at June 30, 2015. Before 2014, the funded ratio was calculated using the actuarial value of assets as determined in an actuarial valuation with such amount then divided by actuarial accrued liability. Historical funded ratios were 89.4% for 2013, 88.30% for 2011, 86.32% for 2009, 90.93% for 2007, and exceeded 99% for the years 2005, 2003 and 2001. In most years before 2014, the funded ratio would have been lower if based on market value of assets.

The Hybrid Plan is a legally separate agent plan pursuant to State statute and a separate set of accounting and actuarial records is maintained for this plan. At June 30, 2016, the funded ratio of the Hybrid Plan was 130.56% with fiduciary net position exceeding total pension liability by $8,424,477.

The amounts and percentages set forth in this section relating to TCRS are based upon numerous demographic and economic assumptions, including investment return rates, inflation rates, salary increase rates, cost of living adjustments, post-employment mortality, active member mortality and rates of retirement. Prospective purchasers of the Bonds are cautioned to review and carefully assess the reasonableness of the assumptions set forth in the documents that are cited as the sources for the information in this section. In addition, prospective purchasers of the Bonds are cautioned that such sources and the underlying assumptions are reflective as of their respective dates and are subject to change. Prospective purchasers of the Bonds should also be aware that some of the information presented in this section contains forward-looking statements and the actual results of TCRS may differ materially from the information presented herein.

General Information

TCRS was established effective July 1, 1972 by Public Chapter 814, Acts of 1972. Tennessee Code Annotated Section 8-34-202 provides that TCRS has the powers, privileges and immunities of a corporation and that all of its business shall be transacted, all of its funds invested, and all of its cash and other property held in trust for the purpose for which received. By statute, the general administration and responsibility for the proper operation of TCRS are vested in the Board. 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 both the Closed Plan and the Hybrid Plan, in accordance with State statute and in accordance with the policies, rules, and regulations established by the Board.

State and higher education employees must become members of TCRS except that higher education employees exempt from the Federal Fair Labor Standards Act may waive membership in TCRS and elect to participate in the Optional Retirement Program, a defined contribution plan described in the section "Other Retirement Programs."

Teachers are members of TCRS. The more than 142 LEAs are responsible on a cost sharing basis for the financial obligation of the benefits provided by TCRS to Teachers to the extent such obligations are not covered by their employee contributions and investment earnings. The obligation is funded by LEA employer contributions as determined by an actuarial valuation. LEAs do not have taxing authority. The local governing body of an LEA and the State provide funding to LEAs to finance the cost of providing a system of education for the children of the State. The State's education funding formula includes an amount to be used toward some, but not all, of an LEA's pension cost (LEA's employer contributions to TCRS). For TCRS purposes, the Teacher group includes certificated Teachers and does not include non-teaching personnel such as bus drivers, cafeteria workers, maintenance employees, custodians, and secretaries.

Local governments may join TCRS as a participating employer in order to provide pension benefits for their employees. However, each local government is responsible for the financial obligation of the benefits provided by TCRS to their employees to the extent such obligations are not covered by their employee contributions and investment earnings. The State is not responsible for the liability associated with local governments participating in TCRS. Local governments participating in TCRS include cities, counties, special school districts, utility districts, emergency communication districts, and other political subdivisions of the State. As of June 30, 2017 there were 525 local governments in the TCRS plan. Employees of local governments could include general employees, non-teaching employees of a school system, transportation department employees, public safety employees, utility employees, and employees of other departments of the local government.

State employees and higher education employees are combined for actuarial and financial obligation purposes, and the State is considered an agent employer group pursuant to GASB. Since the State is financially responsible for State and higher education employees in the Hybrid Plan, up to the point where cost controls occur, as described in the section "Cost Controls and Unfunded Liability Controls of the Hybrid Plan", separate accounting and actuarial records are maintained for this group. LEAs are combined into a teacher cost-sharing group for actuarial and financial obligation purposes. Since LEAs are financially responsible for Teachers in the Hybrid Plan up to the point where cost controls occur, as described in the section "Cost Controls and Unfunded Liability Controls of the Hybrid Plan", separate accounting and actuarial records are maintained for this Teacher group. Each participating local government in TCRS is maintained separately for actuarial and financial obligation purposes and is considered an agent employer for financial purposes. However, the assets of all public employee groups participating in TCRS are commingled for investment purposes with each group receiving its pro rata share of investment gains and losses.

It has been TCRS' practice to conduct an actuarial audit every ten years, the last audit being completed effective with the 2009 valuation. The current funding policy continues this practice. By statute, an actuarial experience study shall be conducted at least once every six years to establish demographic assumptions (pattern of retirement, turnover, mortality, etc.) and economic assumptions (investment earnings rate, salary, retiree cost of living, etc.). Pursuant to the funding policy adopted by the Board, an actuarial experience study is conducted every four years. The most recent experience study was conducted in 2016. As mentioned above, actuarial valuations are required every two years but by policy are conducted annually.

TCRS issues audited financial statements on an annual basis. By statute, an independent audit is conducted by the Comptroller of the Treasury, an office established by the State's Constitution. The Comptroller of the Treasury is a part of the legislative branch of State government and is accountable to the General Assembly. The financial statements are prepared in conformity with generally accepted accounting principles in the United States of America.

The Comptroller of the Treasury performed the audit of the most recent financial statements of TCRS as of June 30, 2017. The latest actuarial valuations for funding and accounting purposes (as of June 30, 2016), and actuarial experience study (also as of June 30, 2016) were performed by the actuarial and consulting firm of Bryan, Pendleton, Swats, & McAllister, LLC. The latest actuarial audit (as of July 1, 2009) was performed by the actuarial and consulting firm of Gabriel, Roeder, Smith, & Company. Such reports are available on the Tennessee Treasury website at www.treasury.tn.gov/tcrs.

As of June 30, 2017 the membership in TCRS was as follows:

	Active Employees	Inactive Employees or Beneficiaries Currently Receiving Benefits	Inactive Employees Entitled to but not yet Receiving Benefits	Total
State & Higher Education Employees				
Closed Plan	43,867	39,544	56,160	139,571
Open Plan	15,706	6,280	2	21,988
Total	59,573	45,824	56,162	161,559
Teachers				
Closed Plan	62,320	50,230	30,762	143,312
Open Plan	15,608	2	3,378	18,988
Total	77,928	50,232	34,140	162,300

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

General Plan Provisions

Closed Plan

The description under this section applies to employees hired on or before June 30, 2014; the Closed Plan was closed to new membership on June 30, 2014. Employees, whether vested or non-vested, as of June 30, 2014, continue to accrue benefits under these benefit provisions.

State employees, higher education employees and Teachers are vested upon completing five years of employment. Eligibility for a retirement benefit is either age sixty (60) and vested or at any age after thirty (30) years of service credit. A reduced benefit is available at age fifty-five (55). Disability benefits are available after five (5) years of employment if the member is totally and permanently disabled and cannot engage in gainful employment. Death benefits are available under certain conditions.

The benefit provided by TCRS is a mathematical formula that uses a member's highest consecutive five year average salary and a member's years of creditable service. The formula is a multi-step calculation that provides a benefit that, stated in a simplified manner, is between one and five-tenths percent (1.5%) and one and sixth-tenths percent (1.6%) of the member's five (5) year average salary multiplied by years of service. For example, a thirty (30) year employee will receive approximately forty-eight percent (48%) of his or her five (5) year average salary.

Retirees are entitled to Cost of Living Adjustments ("COLA") after retirement. As required by Tennessee Code Annotated Section 8-36-701, cost of living adjustments are made every July 1 for retirees who have been retired at least twelve (12) months and if the consumer price index (all items-United States city average as published by the U.S. Department of Labor) increases by more than five-tenths of one percent (0.5%). If the consumer price index increases between five-tenths of one percent (0.5%) and one percent (1.0%), the increase granted is one percent (1.0%). Otherwise, the adjustment is the actual increase in the consumer price index except that the COLA is capped at a maximum of three percent (3.0%).

State employees and higher education employees hired on or before June 30, 2014, are non-contributory, i.e., they do not contribute a portion of their salary. The five percent (5.0%) employee contribution is made on their behalf by their employers. Teachers contribute five percent (5.0%) of salary. Separate accounting and actuarial records are maintained for each group.

There are no cost controls or unfunded liability controls for the Closed Plan.

Defined benefit pension plan for employees hired on or after July 1, 2014 as a component of the Hybrid Plan

Employees hired on or after July 1, 2014 are members of the Hybrid Plan which consists of two components, a defined benefit plan and a defined contribution plan. The defined contribution component is described in the section "Other Retirement Programs." The defined benefit component description follows.

State employees, higher education employees and Teachers are vested upon completing five (5) years of employment. Eligibility for a retirement benefit is either age sixty-five (65) and vested or under the rule of ninety (90) where a combination of age and service credit totals ninety (90). An actuarially reduced benefit is available at age sixty (60) or the rule of eighty (80). Disability benefits are available after five (5) years of employment if the member is totally and permanently disabled and cannot engage in gainful employment. Death benefits are available under certain conditions.

The defined benefit provided by TCRS is a mathematical formula that uses a member's highest consecutive five (5) year average salary and a member's years of creditable service. The formula provides a benefit equal to one percent (1.0%) of the member's five (5) year average salary multiplied by the member's years of creditable service.

Retirees are entitled to COLA after retirement. As required by Tennessee Code Annotated, Section 8-36-701, COLAs are made every July 1 for retirees who have been retired at least twelve (12) months and if the consumer price index (all items-United States city average as published by the U.S. Department of Labor) increases by more than five-tenths of one percent (0.5%). If the consumer price index increases between five-tenths of one percent (0.5%) and one percent (1.0%), the increase granted is one percent (1.0%). Otherwise, the adjustment is the actual increase in the consumer price index except that the COLA is capped at a maximum of three percent (3.0%).

State and higher education employees hired on or after July 1, 2014, contribute five percent (5.0%) of salary. Teachers also contribute five percent (5.0%) of salary.

Cost Controls and Unfunded Liability Controls of the Hybrid Plan

The Hybrid Plan was designed so that the maximum employer pension cost is limited to a total of nine percent (9.0%) of salary combined for the defined benefit plan and the defined contribution plan. Employer contributions are targeted at four percent (4.0%) of salary to the defined benefit plan and at five percent (5.0%) of salary to the defined contribution plan. Should the actuarially determined employer contribution for the defined benefit plan be less than four percent (4.0%), the excess will be held by TCRS in a stabilization reserve trust ("SRT"). When an actuarial valuation is performed and the actuarial rate for the defined benefit plan exceeds four percent (4.0%), then a series of cost control steps automatically occur in the following sequence: (1) utilize funds in the stabilization reserve, if any; (2) reduce or suspend the maximum annual COLA; (3) shift some or all of the employer contributions from the defined contribution plan to the defined benefit plan; (4) increase employee contribution by one percent (1.0%) of salary; (5) reduce the benefit accrual factor below one percent (1.0%) and (6) freeze the plan with no future accruals being earned by employees. These cost controls apply to the State and higher education employees as a group. These same cost controls apply separately to the Teacher group in the Hybrid Plan

The Hybrid Plan also was designed to control the actuarial unfunded liability. If an actuarial valuation determines that the unfunded liability of the Hybrid Plan for State and higher education employees exceeds twelve and five-tenths percent (12.5%) of the five year average of the State's bond indebtedness, then the same controls set out in the preceding paragraph will automatically occur. These provisions also apply separately to the Teacher group in the Hybrid Plan.

Investments and Investment Policy

Tennessee Code Annotated Section 8-37-104 establishes the types of investments that are permitted. An investment policy is adopted by the Board related to the authorized investment types and portfolio structure. The statute also provides for an Investment Advisory Council consisting of at least five investment professionals to provide investment advice to the State Treasurer and the Chief Investment Officer. The current investment policy adopted by the Board is available on the Tennessee Treasury website at www.treasury.tn.gov/tcrs.

The actual allocation of assets and the policy target range at June 30, 2017 are:

Asset Class	Policy Range	Actual Allocation
North American Stock	25-50%	35.1%
Domestic Bonds	20-60%	25.5%
Inflation Indexed Bonds	0-15%	3.2%
Short-term Securities	0-10%	0.9%
International Bonds	0-10%	0.0%
International Stocks	5-25%	19.3%
Private Equity & Strategic Lending	0-20%	8.2%
Real Estate	0-20%	7.7%
		100.0%

The historical annualized rates of return (net of fees) on TCRS investments as of June 30, 2017 are:

1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	25 Year
11.42%	5.77%	8.70%	5.87%	6.67%	6.40%	7.35%

The historical annual rates of return (net of fees) on TCRS investments for the last ten years are:

Year Ended June 30	Rate of Return
2017	11.4%
2016	2.8%
2015	3.3%
2014	16.7%
2013	9.9%
2012	5.6%
2011	19.6%
2010	10.2%
2009	(15.3)%
2008	(1.2)%

Actuarial Methodology for Funding Purposes

The funding policy adopted by the TCRS Board of Trustees provides that the actuarial valuation will be conducted based on the following: entry-age normal actuarial method; 10-year smoothing of assets within a 20% corridor; and level dollar amortization of unfunded liabilities over a closed period not to exceed 20 years. As of June 30, 2015, under the 10-year smoothing of assets methodology net investment gains of approximately $412 million are being deferred. The June 30, 2015 actuarial valuation established the employer contribution rate for the period July 1, 2016 through June 30, 2017.

Economic and Demographic Assumptions

The latest actuarial experience study was conducted in 2012 and determined the economic and demographic assumptions to be utilized in the 2013, 2015, and 2016 actuarial valuations. The next experience study will be conducted in 2016 with the resulting assumptions being utilized in the 2017, 2018, 2019, and 2020 actuarial valuations.

The long term investment earnings assumption of 7.5% is compounded annually. A graded salary increase assumption based on age is utilized with larger increases expected for younger employees and smaller increases for older employees. The salary range begins at 9.0% at age 20 while the upper portion of the range at age 70 is 3.7%. The approximate average salary assumption increase is 4.25%. The social security wage base is assumed to increase 3.5%. The cost of living adjustment for retirees is assumed to increase 2.5% annually. A rate of inflation of 3% is assumed in establishing the economic assumptions. The salary assumption was the only economic assumption that changed from the 2008 experience study to the 2012 experience study. The salary assumption was reduced by 0.5% across all age ranges.

The demographic assumptions include: post-retirement mortality, pre-retirement mortality, withdrawal rate for termination of employment, the marital status of members, the age differences of the married members and their spouses, disability rate, and pattern of retirement. The demographic assumptions are based on the past experience of participants in TCRS.

The demographic assumptions that changed as a result of the 2012 experience study include: (1) post-retirement mortality was changed to reflect improved life expectancy that occurred and to partially anticipate some expected further improvement in life expectancy; and (2) pre-retirement mortality was changed to reflect improved life expectancy that occurred and anticipated projection of further improvements in life expectancy.

Summary of Fiscal Health of TCRS

Funded Status Based on GASB Pension Standards
At June 30, 2016*
(dollars expressed in thousands)

Group	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
State & Higher Education Employees						
Closed Plan	$13,334,528	$15,159,093	$1,824,565	87.96%	$2,376,794	76.77%
Open Plan	35,994	27,569	(8,424)	130.56%	305,786	(2.76%)
Teachers						
Closed Plan	21,191,573	21,816,518	624,945	97.14%	3,609,801	17.31%
Open Plan	57,990	47,579	(10,411)	121.88%	440,004	(2.37%)

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

Historical Fiduciary Net Position

The available historical fiduciary net position for the last ten years for the state employee and higher education group and the teacher group are shown in the following table:

Historical Plan Fiduciary Net Position
(dollars expressed in thousands)

Year ended June 30	State & Higher Education Employees Closed Plan	State & Higher Education Employees Hybrid Plan **	Teachers Closed Plan	Teachers Hybrid Plan **
2016*	$13,334,528	$35,994	$21,191,573	$57,990
2015	13,457,746	9,317	21,268,085	18,676
2014	13,430,683		21,214,637	
2013	11,827,560		18,656,536	
2012	11,070,535		17,426,697	
2011	10,764,495		16,875,007	
2010	9,219,743		14,389,656	
2009	8,586,203		13,359,796	
2008	10,376,878		16,136,072	
2007	10,633,938		16,637,769	

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).
** Plan began July 1, 2014.

Historical Funding Progress Based on Market Value of Assets
State and Higher Education Employees Closed Plan
At June 30
(dollars expressed in thousands)

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2016*	$13,334,528	$15,159,093	$1,824,565	87.96%	$2,376,794	76.77%
2015	13,457,747	14,747,029	1,289,282	91.26%	2,540,327	50.75%
2014	13,430,683	14,120,632	689,949	95.11%	2,658,354	25.95%
2013	11,827,560	13,822,969	1,995,409	85.56%	2,489,709	80.15%
2011	10,764,495	13,284,473	2,519,978	81.03%	2,431,765	103.63%
2009	8,586,203	11,936,316	3,350,113	71.93%	2,530,585	132.38%
2007	10,633,938	11,241,864	607,926	94.59%	2,501,095	24.31%
2005	8,985,992	9,202,389	216,397	97.65%	2,245,692	9.64%

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

Historical Funding Progress Based on Market Value of Assets
State and Higher Education Employees Hybrid Plan
At June 30
(dollars expressed in thousands)

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2016*	$35,994	$27,569	($8,424)	130.56%	$305,786	(2.76%)
2015	9,317	6,536	(2,781)	142.55%	107,086	(2.60%)

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

Historical Funding Progress Based on Market Value of Assets
Closed Teacher Plan
At June 30
(dollars expressed in thousands)

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2016*	$21,191,573	$21,816,518	$624,945	97.14%	$3,609,801	17.31%
2015	21,268,085	21,309,048	40,963	99.81%	3,743,503	1.09%
2014	21,214,637	21,198,387	(16,250)	100.08%	3,925,132	(0.41%)
2013	18,658,230	20,300,591	1,642,361	91.91%	3,747,221	43.83%
2011	16,875,007	19,423,152	2,548,145	86.88%	3,626,582	70.26%
2009	13,359,796	17,118,650	3,758,854	78.04%	3,523,942	106.67%
2007	16,637,769	15,998,286	(639,483)	104.00%	3,241,772	(19.73%)
2005	14,185,802	14,646,578	460,776	96.85%	3,000,297	15.36%

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

Historical Funding Progress Based on Market Value of Assets
Teachers Hybrid Plan
At June 30
(dollars expressed in thousands)

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2016*	$57,990	$47,579	($10,411)	121.88%	$440,004	(2.37%)
2015	18,676	14,653	(4,023)	127.46%	207,773	(1.94%)

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

Cash Flows

Selected Cash Flows
State Employees, Higher Education Employees, and Teachers
(dollars expressed in thousands)

	Cash Inflows		Cash Out Flows		
Fiscal Year	Contributions	Interest and Dividends **	Benefits and Refunds	Administrative Cost	Net Cash Flows
2017*	$ 965,890	$ 3,865,904	$ 2,049,988	$ 11,802	$ 2,770,004
2016	944,260	916,301	1,978,488	13,469	(131,396)
2015	948,804	1,056,413	1,885,341	10,345	109,531
2014	959,366	779,544	1,778,888	6,784	(46,762)
2013	932,678	782,794	1,661,602	5,446	48,424
2012	925,549	767,409	1,536,603	4,749	151,606
2011	914,226	740,075	1,434,296	3,525	216,480
2010	769,038	708,925	1,336,574	3,924	137,465
2009	769,714	793,334	1,271,327	3,616	288,105
2008	774,648	928,037	1,167,609	3,711	531,365

* Information from most recent actuarial valuation (measurement period of 7/1/2015-6/30/2016).

** Interest and Dividends includes interest, dividends and all gains and losses, whether realized or unrealized.

Projections

The following table provides a projection of expected benefit payment patterns. The projection is based upon the assumptions utilized in preparing the 2013 actuarial valuation. The assumptions include those regarding future salary levels, retirement dates, incidence of disability and mortality and annual cost of living adjustments.

Benefit Payment Projections for TCRS
Based on July 1, 2013 Actuarial Valuation
Includes State Employees, Higher Education Employees, Teachers and Employees of Local Governments
(dollars expressed in thousands)

Year	Current Retirees	Future Retirees	Total
2013	$ 1,937,005	$ 66,807	$ 2,003,812
2014	1,932,550	200,405	2,132,955
2015	1,925,197	335,784	2,260,981
2016	1,914,802	474,772	2,389,574
2017	1,901,219	616,980	2,518,199
2018	1,884,276	764,734	2,649,010
2019	1,863,825	919,830	2,783,655
2020	1,839,741	1,079,768	2,919,509
2021	1,811,897	1,243,050	3,054,947
2022	1,780,173	1,415,060	3,195,233
2023	1,744,468	1,594,440	3,338,908
2024	1,704,708	1,777,281	3,481,989
2025	1,660,851	1,966,371	3,627,222
2026	1,612,850	2,162,100	3,774,950
2027	1,560,692	2,362,871	3,923,563
2028	1,504,416	2,572,593	4,077,009
2029	1,444,126	2,789,741	4,233,867
2030	1,379,985	3,012,246	4,392,231
2031	1,312,210	3,239,968	4,552,178
2032	1,241,098	3,469,424	4,710,522

Actual benefit payments for FY 2013 totaled $1,923,742,000, for FY 2014 totaled $2,060,890,000, and for FY 2015 totaled $2,190,199,700.

Funding Policy Adopted by TCRS Board of Trustees

By statute, it is the State's policy to fund the pension plan liabilities at the rate determined by an actuarial valuation. The employer contribution rate includes the normal cost, accrued liability cost, and cost of administration.

The TCRS Board of Trustees adopted a formal funding policy in September 2014 for benefits accrued under the TCRS. The current funding policy adopted by the Board of Trustees is available on the Tennessee Treasury website at **www.treasury.tn.gov/tcrs**. The essential elements of the funding policy are:

Annual actuarial valuations will be performed beginning June 30, 2015.

The actuarial valuation method will be entry age normal.

Actuarial value of assets will be smoothed over a ten year period.

Actuarial value of assets cannot be 20% more or less than the market value of assets.

Unfunded liability shall be amortized using level dollar amortization method.

A new tier of unfunded liability shall be established with each actuarial valuation.

The maximum amortization shall be a closed 20-year period for each tier.

An actuarial experience study will be performed at a minimum of every four years.

An actuarial audit will be performed at least once in a ten year period.

Actuarial Determined Contributions

Actuarially Determined Contributions (previously called Annual Required Contributions) and Percentage Contributed (dollars expressed in thousands)

	State & Higher Education Employees Closed Plan		State & Higher Education Employees Hybrid Plan	
Year Ended June 30	Employer Contribution	Employer Contribution as a Percentage of ADC	Employer Contribution	Employer Contribution as a Percentage of ADC
2017	$360,434	100%	$20,339	326%
2016	366,114	100%	12,016	186%
2015	392,467	100%	4,214	185%
2014	410,608	100%		
2013	391,352	100%		
2012	382,888	100%		
2011	383,365	100%		
2010	341,585	100%		
2009	350,770	100%		
2008	374,530	100%		

Actuarially Determined Contributions (previously called Annual Required Contributions) and Percentage Contributed (dollars expressed in thousands)

	Teachers Closed Plan		Teachers Hybrid Plan	
Year Ended June 30	Employer Contribution	Employer Contribution as a Percentage of ADC	Employer Contribution	Employer Contribution as a Percentage of ADC
2017	$319,576	100%	$26,262	257%
2016	327,522	100%	17,539	159%
2015	338,413	100%	$8,311	162%
2014	348,539	100%		
2013	344,534	100%		
2012	343,594	100%		
2011	339,833	100%		
2010	236,545	100%		
2009	233,215	100%		
2008	218,882	100%		

The combined annual required contributions are funded from a contribution of State funds, Federal funds, student tuition and fees, and local education agencies. The combined annual required contribution for the state and higher education employees was $396,681,000 for the fiscal year ended June 30, 2015.

Employer Contributions

The 2016 actuarial valuation established the employer contribution rates for the Closed Plan for the fiscal year ending June 30, 2018, to be eighteen and eighty-seven one-hundredths percent (18.87%) of salary for State employees and higher education employees, twenty-two and forty-five one-hundredths percent (22.45%) of salary for public safety employees and twenty-three and thirty-three one-hundredths percent (23.33%) for State judges. The combined aggregate rate for such period will be nineteen percent (19.00%) of salary. LEAs will make employer contributions at the rate of nine and eight one-hundredths percent (9.08%) of salary for Teachers in the Closed Plan during the fiscal year ending June 30, 2018.

The 2016 actuarial valuation determined the ADC rates for the Hybrid Plan for the fiscal year ending June 30, 2018. The statutorily established four percent (4.0%) employer contribution rate will consist of an ADC of one and twenty-nine one-hundredths percent (1.29%) of salary and a contribution of two and seventy-one one-hundredths percent (2.71%) to the SRT for general State employees and higher education employees, an ADC of two and fourteen one-hundredths percent (2.14%) of salary and a contribution of one and eighty-six one-hundredths percent (1.86%) to the SRT for public safety employees and an ADC of six and seventy-seven one-hundredths percent (6.77%) of salary for State Judges. The combined aggregate rate will be four percent (4.00%) of salary. LEAs will make an ADC of one and sixty-three one-hundredths percent (1.63%) of salary and a contribution of two and thirty-seven one-hundredths percent (2.37%) to the SRT for Teachers in the Hybrid Plan during the fiscal year ending June 30, 2018.

Other Retirement Programs

Optional Retirement Program in Higher Education

Employees in higher education who are exempt from the Federal Fair Labor Standards Act may waive membership in the TCRS ("ORP Employees") and elect to participate in the Optional Retirement Program ("ORP"), a defined contribution plan. ORP Employees hired prior to July 1, 2014 do not contribute to the ORP. By statute, employer contributions for ORP Employees hired on or before June 30, 2014 are made at the rate of ten percent (10.0%) of salary up to the social security wage base and eleven percent (11.0%) of salary above the wage base. ORP Employees hired on or after July 1, 2014 contribute five percent (5.0%) of salary to the ORP. By statute, employer contributions for such employees are made at the rate of nine percent (9.0%) of salary.

ORP Employees are immediately vested in employer and employee contributions and make their own determinations as to how such contributions are invested. Currently, there are a variety of investment products for ORP Employees to choose from among three different vendors. There were 12,500 ORP Employees at June 30, 2017.

Defined Contribution Plan for State Employees and Higher Education Employees hired on or after July 1, 2014 as a component of the Hybrid Plan

One component of the Hybrid Plan is a defined contribution plan for State employees and higher education employees hired on or after July 1, 2014. By statute, employer contributions are made at the rate of five percent (5.0 %) of salary. However, employer contributions may be reduced as part of the cost controls and unfunded liability controls previously described for the defined benefit plan component. Upon employment, employees are automatically enrolled to contribute two percent (2.0%) of salary to the defined contribution plan but employees may elect to increase or decrease the employee contributions at any time. Employees are immediately vested in employee and employer contributions. Employees can choose among a variety of investment products.

Defined Contribution Plan for Teachers hired on or after July 1, 2014 as a component of Hybrid Plan

One component of the Hybrid Plan is a defined contribution plan for Teachers hired on or after July 1, 2014. By statute, employer contributions are made by the LEAs at the rate of five percent (5.0%) of salary. However, employer contributions may be reduced as part of the cost controls and unfunded liability controls previously described for the defined benefit plan component. Upon employment, Teachers are automatically enrolled to contribute two percent (2.0%) of salary to the defined contribution plan, but Teachers may elect to increase or decrease their employee contributions at any time.

Employees are immediately vested in employee and employer contributions. Employees can choose among a variety of investment products.

Deferred Compensation Plan for State Employees amd Higher Education Employees

The deferred compensation program is a voluntary defined contribution plan to provide State employees and higher education employees with the opportunity to accumulate supplemental retirement income on a tax advantaged basis. The program offers employees two plans - a 457 plan and a 401(k) plan. The contributions to the 401(k) plan can be made to traditional and/or Roth plans.

Employee contribution limits are established by federal statute. In the 401(k) plan, employee contributions are matched by employer contributions up to a maximum of $50 per month. Employer contributions are subject to the funding being appropriated in the budget each fiscal year; otherwise no match will be made.

For the year ended June 30, 2015, 59,319 State and higher education employees made contributions to the 401(k) plan and 4,357 employees made contributions to the 457 plan. Employer contributions totaled $34.0 million while employees contributed $111.4 million. Additionally 8,399 Teachers made contributions to the 401(k). Employer contributions for those Teachers totaled $10.2 million while employees contributed $3.2 million.

Employees are immediately vested in employee and employer contributions. Employees can choose among a variety of investment products.

Summary of State Employer Contributions for All State and Higher Education Plans

Fiscal Year Ended 30-Jun	TCRS Employer Contributions	ORP Employer Contributions	DC Employer Contributions	Total Employer Contributions
2017	$ 106,796,291	$ 96,501,258	$ 56,492,141	$ 259,789,690
2016	110,761,422	94,115,457	44,260,831	249,137,710
2015	115,074,086	94,003,305	34,046,882	243,124,273
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
2009	89,937,374			89,937,374

DEBT OF CERTAIN AGENCIES AND AUTHORITIES

The following entities are the corporate governmental agencies and instrumentalities of the State authorized to issue various debt instruments. The State is not liable for any debt instrument issued by any of the following entities, and no such debt instrument is a debt or obligation of the State and the full faith and credit of the State is not pledged to the payment thereof.

Tennessee Local Development Authority

In 1978, the General Assembly created the Tennessee Local Development Authority (the "TLDA") pursuant to Sections 4-31-101 et seq., Tennessee Code Annotated. TLDA is a corporate governmental agency and instrumentality of the State. TLDA is authorized to (i) loan funds to local governments for sewage treatment, waterworks and capital projects (the "State Loan Programs"), for firefighting equipment, and for airport facilities; (ii) loan funds to certain small business concerns for pollution control equipment; (iii) make funds available for loans for agricultural enterprises; (iv) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services; and (v) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities. In order to fund these loans, TLDA is empowered to issue its bonds and notes. The aggregate amounts outstanding for certain programs are limited as follows: $10,000,000 for firefighting equipment; $200,000,000 for airport facilities; $50,000,000 for pollution control equipment; $50,000,000 for mental health, mental retardation, and alcohol and drug services; $30,000,000 for agricultural enterprises; $15,000,000 for petroleum underground storage tank cleanup costs; and $75,000,000 for capital outlay projects for K-12 educational facilities.

In 2009 the General Assembly delegated to the TLDA the authority to allocate the State's portion of the "national qualified energy conservation bond limitation," as defined in § 54D of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 54D. In 2012 the General Assembly clarified that a "qualified energy conservation project" constitutes a capital project under the State Loan Programs.

Bonds and notes issued by TLDA are secured by: (i) in the case of loans to local governments, monies received by TLDA under loan program agreements with the local governments and by the local governments' allocation of state-shared taxes; (ii) in the case of loans to small business concerns, monies received under agreements with those concerns; (iii) in the case of agricultural loans, monies received under agreements with lenders and a pledge of any money, income or revenue from any source; (iv) in the case of loans to not-for-profit organizations, monies received under State grant agreements and a pledge of the department of mental health and mental retardation's annual budget; and (v) in the case of loans to local government units to finance construction of capital outlay projects for K-12 educational facilities, monies received by TLDA under loan agreements with local education agencies payable from taxes authorized to be levied for the purpose and certain proceeds of the Tennessee lottery for education.

Currently the only program being funded by TLDA is the State Loan Programs. As of June 30, 2017, TLDA had $3,050,000 (unaudited) of bonds outstanding for these Programs.

Tennessee State School Bond Authority

In 1965, the General Assembly created the Tennessee State School Bond Authority (the "Authority"), pursuant to Sections 49-3-1201 et seq., Tennessee Code Annotated. The Authority is a corporate governmental agency and instrumentality of the State. The Authority is authorized to issue its bonds and notes to finance capital outlay programs for higher educational facilities which may be required or convenient for the purposes of The University of Tennessee, including its branches and divisions, and for the purposes of the institutions of higher education under the supervision and administration of the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee. In 1980, the General Assembly further authorized the Authority to issue its bonds or notes to provide funds for the making of student loans by the Tennessee Student Assistance Corporation; however, no such bonds or notes have been issued for this purpose. The Authority also is authorized to issue Qualified Zone Academy Bonds ("QZAB") and Qualified School Construction Bonds ("QSCB") to finance improvement loans to cities and counties for qualifying K-12 schools for capital projects.

Generally, all outstanding higher educational facility debt obligations of the Authority are secured by financing charges payable under contracts and agreements entered into by the Authority and 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, as successor to the State Board of Education; legislative appropriations; and certain funds and accounts established by the Higher Educational Facilities General Bond Resolutions of the Authority. The QZABs and QSCBs are part of a Federal government program in which a Federal income tax credit is given to investors in lieu of interest on the bonds. 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. The QZABs and QSCBs are secured by a general obligation pledge of the borrowers and a pledge of unobligated State-shared taxes of the borrowers.

As of February 28, 2018, the Authority had outstanding $1,591,590,000 (unaudited) aggregate principal amount of higher educational facility bonds, $74,829,168 (unaudited) of higher educational facility revolving credit facility, and $32,590,000 (unaudited) aggregate principal amount of QZAB bonds. As of January 31, 2018, the total par amount of QSCBs outstanding was $389,440,000 (unaudited). A sinking fund has been established for the retirement of the QSCBs, and $170,578,902 (unaudited) was the book value of assets on deposit as of January 31, 2018.

Tennessee Housing Development Agency

In 1973, the General Assembly created the Tennessee Housing Development Agency (the "Agency"), pursuant to Sections 13-23-101 et seq., Tennessee Code Annotated (the "Tennessee Housing Development Agency Act"). The Agency is authorized, among other things, to issue its bonds and notes to make funds available for the financing of residential housing for persons and families of lower and moderate income.

The Agency has established a mortgage finance program and is making funds available for loans for residential housing for persons or families of lower and moderate income. Such loans are secured by eligible mortgages on the properties. The Agency has made, but does not currently make, loans for multi-family residential housing for rental occupancy.

In order to accomplish its objectives, the General Assembly has authorized the Agency to issue its bonds and notes, provided that the aggregate principal amount outstanding on such bonds and notes may not exceed $2,930,000,000, excluding bonds and notes which have been refunded. The Agency's net indebtedness, excluding the bonds and notes which have been refunded, at February 28, 2018, was $1,904,520,000 (unaudited).

Obligations of the Agency are secured by, among other things, mortgage loans made by the Agency from the proceeds of such obligations. Obligations of the Agency issued prior to April 18, 2013, incorporate provisions of the Tennessee Housing Development Agency Act that provide a mechanism for certifying to the Governor and to the Commissioner of Finance and Administration amounts, if any, needed for debt service or operating expenses of the Agency and authorizes the General Assembly to appropriate, to expend and to provide for the payment of such amounts, but imposes no legal obligation upon the General Assembly to do so. These provisions of the Tennessee Housing Development Agency Act do not constitute a legally enforceable obligation of the State to pay any such amounts. Under the Constitution of the State, no monies may be withdrawn from the Treasury but in consequence of appropriations made by law.

State Veterans' Homes Board

In 1988, the General Assembly created the Tennessee State Veterans' Homes Board (the "Veterans' Homes Board") pursuant to Sections 58-7-101 to 58-7-112, inclusive, Tennessee Code Annotated. A political subdivision and instrumentality of the State, the Veterans' Home Board is authorized to issue its debt instruments to finance public homes for the support and care of honorably discharged veterans of the United States armed forces. Such homes will be established only if Federal Veterans' Administration funds are available to provide a share of the construction and operation costs. Prior to the issuance of any debt instruments, the Veterans' Homes Board must receive the approval of the State Funding Board. The Veterans' Homes Board has no outstanding bonds. Loans to the Veterans' Homes Board were funded through the issuance of general obligation bonds authorized by the General Assembly.

LITIGATION

Due to its size and broad range of activities, the State and its officers and employees are involved in a number of legal actions. In view of the financial condition of the State, it is the opinion of the Commissioner of Finance and Administration that the State's financial condition will not be materially affected by such litigation, based on information known at the date of this Official Statement.

Brian A., et al. v. Haslam, et al., (U.S. Dist. Ct., M.D. Tenn.). This is a 42 U.S.C. § 1983 civil rights action against the Governor and the Commissioner of the Department of Children's Services, ("DCS" or the "Department"), in their official capacities in which the plaintiffs, minors in state custody, alleged systemic violations by the State of federal statutory and constitutional rights of all children in foster care and unequal treatment of African-American children in foster care. Represented by an advocacy group, Children's Rights, Inc., of New York City (CRI), as well as local counsel in Nashville, Memphis, and Knoxville, the plaintiffs sought system-wide declaratory and injunctive relief.

On October 26, 2000, the Court denied the Department's motion to dismiss on all but one claim, thereby leaving the bulk of the plaintiffs' case intact. Based on the loss of the motion to dismiss, the Department requested, and the Court agreed, that the parties should be ordered into mediation. After several months of negotiation, the parties entered a Settlement Agreement, which the Court approved in July 2001. In 2010, the parties agreed to an Exit Plan designed to eventually lead to an end of court oversight of the Department. According to the Exit Plan, once DCS maintains compliance with all sections of the Exit Plan for one year, court jurisdiction over all sections of the Settlement Agreement except one will end. The remaining section, which mandates an external accountability center, will stay in effect and be funded by the State for eighteen more months. The Technical Assistance Committee, which monitors the Department's compliance with the Settlement Agreement and Exit Plan, decides what provisions come into maintenance. The Court approved the parties' jointly filed Modified Settlement Agreement and Exit Plan in November 2010.

Since then, the Department has worked to comply with the dictates of the Settlement Agreement. Modified Settlement Agreements were filed in 2011, 2012, 2013, 2014 and 2015. The District Court held a status conference on April 11, 2016. The District Court Judge approved the April 2016 Modified Settlement Agreement and Exit Plan showing all provisions of the Settlement Agreement having a maintenance status. The one-year period during which maintenance must be maintained on all provisions began effective January 1, 2016. At the end of that one-year period, if all provisions have maintained the maintenance status, the State can ask for exit from court jurisdiction. DCS must then maintain an external accountability center that will generate public reports for eighteen months.

People First v. Clover Bottom, (U.S. Dist. Ct., M.D. Tenn.). This is a class action civil rights suit regarding institutional conditions at Clover Bottom, Greene Valley and Nat T. Winston Developmental Centers. This action was consolidated with a case brought pursuant to the Civil Rights of Institutionalized Persons Act filed by the Department of Justice. It alleged that the constitutional rights of residents at these developmental centers were being violated. A settlement agreement was negotiated and was conditionally approved by the District Court on July 3, 1997. Since that time, the State has been working to implement the terms of the Settlement Agreement. Nat T. Winston Developmental Center has since been closed and the institutional conditions at Greene Valley

Developmental Center found to be in substantial compliance. The State is in the process of closing Clover Bottom Developmental Center. The question of the quality of services and supports provided to class members living in community-based homes remains at issue. The State entered mediation with the parties in an attempt to reach an exit plan for the dismissal of this lawsuit. The mediation is complete and an Exit Plan was negotiated and approved by all parties. The Court approved the Exit Plan on January 29, 2015, following a fairness hearing held January 21, 2015. The Exit Plan calls for the closure of the Greene Valley Developmental Center and contemplates completion of its terms before the end of 2016; if those terms are completed the case will be dismissed with prejudice.

Tobacco Master Settlement. Though there is no current tobacco payment litigation involving Tennessee, there is the potential for the State to be involved in future arbitrations arising out of disputes concerning an adjustment to annual tobacco payments. Tennessee and 51 other states and territories receive annual payments from participating tobacco manufacturers under the 1998 Tobacco Master Settlement Agreement ("MSA"). The amount of those payments varies each year depending on domestic sales volume and several other adjustments. A "Non-Participating Manufacturer ("NPM") Adjustment" can reduce a state's payment if certain conditions occur and if the state did not diligently enforce its model escrow statute, which requires tobacco manufacturers that did not settle to pay into an escrow account each year. If an arbitration results in a finding that a state did not diligently enforce the escrow requirements during a calendar year, the state shares the NPM Adjustment with any other states found non-diligent for that year. Thus, the amount of the payment reduction is inversely proportional to the number of states that lose the diligent enforcement determination (i.e., the greater the number of losing states, the lower the payment reduction). A state can lose up to its entire MSA payment for a year. Tennessee's annual MSA payment generally ranges from $130-$150 million. Tennessee and 23 other states have resolved the NPM Adjustment disputes for 2003-2014 in a settlement with the participating tobacco manufacturers. However, as of January 1, 2015 Tennessee is once again subject to the potential for an NPM Adjustment to be applied if its diligent enforcement efforts, or lack thereof, are challenged in an arbitration and the State is unsuccessful in proving its diligence. It should be noted that the 2004 arbitration for the states who did not join the more recent settlement, is in the preliminary stage. So any arbitration for 2015 most likely would not begin for a number of years.

State of Mississippi v. State of Tennessee, et al., (U.S. Supreme Court). On June 10, 2014, the State of Mississippi filed a motion in the U.S. Supreme Court for leave to commence an original action against the State of Tennessee, the City of Memphis, and the city's utility, Memphis Light, Gas and Water. This is in connection with Memphis' withdrawal of ground water, which is primarily used to supply drinking water. Mississippi is alleging that these withdrawals have been taking ground water that is in Mississippi, which that state claims to own in a proprietary capacity. Mississippi is seeking an injunction to limit Memphis' ground water withdrawals, and $615 million in damages for the past withdrawals. Mississippi filed a similar motion in 2009, which the Supreme Court denied. The State believes that it has strong legal and factual arguments that should prevail in a trial of the case. However, there is no guarantee of such a result and the State could be enjoined and/or required to pay damages, if Mississippi were to succeed in its lawsuit. At this time, it is impossible to quantify the economic impact upon the State if such an event were to occur. On June 29, 2015, the Supreme Court issued an order granting the State of Mississippi's motion to file its action. The State filed its answer on September 14, 2015. On November 10, 2015, the Supreme Court appointed Judge Eugene E. Siler, Jr., to be the Special Master; Judge Siler served full-time on the U.S. Court of Appeals for the Sixth Circuit before assuming senior status in 2001. The Special Master held an initial status conference on January 26, 2016, in which he granted the State's and Memphis' request to file a motion for judgment on the pleadings, and stayed all discovery until he rules on that motion. The motion was filed February 25, 2016. An amicus brief supporting the motion was filed by the United States on March 3, 2016. Mississippi filed its response to the motion on April 6, 2016, along with a motion to exclude what it refers to as references in the defendants' motions and the amicus to facts beyond Mississippi's complaint. On April 28, 2016, the State filed a reply brief to the Mississippi response and also an opposition to Mississippi's motion to exclude. In addition, on that same date the United States filed a memorandum in opposition to Mississippi's motion to exclude.

Illinois Central Railroad Co. v. Tenn. Dept. of Revenue, et al. (6th Cir. Ct. App.; U.S. Dist. Ct., M.D. Tenn.; Davidson Co. Chancery Ct.); *BNSF Railway Co., et al. v. Tenn. Dept. of Revenue* (6th Cir. Ct. App.; U.S. Dist. Ct. M.D. Tenn.). These two groups of cases will control the outcome of a number of lawsuits that have been filed by railroads alleging that Tennessee taxes on their purchases of diesel fuel discriminate against them in violation of the federal Railway Revitalization and Regulatory Reform Act (the "4-R Act"). Illinois Central and related cases challenge Tennessee's former taxing regime under which fuel purchases by railroads, but not trucking companies, were subject to the sales tax, even though trucking companies paid a separate, and generally higher, diesel-fuel tax. The federal district court initially ruled for the railroads, but that decision has now been remanded by the Sixth Circuit for further consideration in light of the decision of the United States Supreme Court in a very similar case from Alabama, in which Tennessee authored an amicus brief on behalf of 15 states and in which the Supreme Court ruled that a diesel-fuel tax on trucks could be sufficient justification for their exemption from sales tax on their purchases of diesel fuel. The district court has scheduled proceedings on remand over the next several months. Refunds of approximately $150 million are at issue in these lawsuits and related potential claims.

Concurrently, the BNSF Railway case challenges the tax presently imposed by the Tennessee Transportation Fuel Equity Act, which places railroads under the same tax obligations as trucking companies. BNSF contends that the new law singles out railroads and violates the 4-R Act. The federal district court denied the railroads' motions for preliminary injunctions but stayed collection pending appeal. The Sixth Circuit has now affirmed the decision that the new Tennessee law does not single out railroads but has remanded to the district court for further consideration of the railroads' claims of discrimination as compared to their ostensible competitors, water carriers, which are exempt from the new act but still pay sales tax on their fuel purchases. Collection of the tax under the current law remains stayed.

In light of the principles announced in the United States Supreme Court and Sixth Circuit decisions, the State believes it will eventually prevail in all of these cases, that the Chancery Court refund actions will be dismissed, and that it will be able to collect the amounts presently being withheld by the railroads and paid into escrow under a private arrangement of the railroad companies.

Comcast Holdings Corp., et al. v. Roberts (Davidson Co. Chancery Ct.). Two franchise and excise tax cases pending under this style seek refunds totaling $62,436,507, plus interest. They involve questions of whether the plaintiffs should be allowed to compute their net worth on a consolidated basis and whether certain affiliate debt was properly included in the franchise tax base. A major issue is whether Comcast's receipts from its Tennessee customers should be included as Tennessee sales in the receipts factor of its apportionment formula. The Commissioner argues that Comcast's earnings-producing activities take place exclusively in Tennessee when it provides services in this State. Comcast argues that it has earnings-producing activities in several states so that one must look to the location of its costs of performance. Comcast places significant weight on its programming costs, which it says are incurred in Pennsylvania.

The first-filed case is scheduled to be litigated in the trial court by the end of 2016.

Hamilton County Bd. Of Ed., Bradley County Bd. Of Ed., McMinn County Bd. Of Ed., Marion County Bd. Of Ed., Grundy County Bd. Of Ed., Coffee County Bd. Of Ed., and Polk County Bd. Of Ed. v. Haslam, Ramsey, Harwell, McQueen, Rolston, Edwards, Chancey, Roberts, Pearre, Tucker, Hartgrove, Johnson, and Troutt, (Davidson Co. Chancery Ct.). The State was served with this suit on March 24, 2015. Seven local school boards brought suit against the Governor, the Speakers of both Houses, the Commissioner of Education, and the members of the State Board of Education, all in their official capacities only, alleging that the State has (1) violated the holdings of the Tennessee Supreme Court in three previous education funding cases, as well as the Tennessee Constitution and (2) violated State education funding statutes. The essential claim of the Complaint is that the State does not adequately fund public education in Tennessee. The Complaint seeks a declaratory judgment holding that (a) the current system of funding public education violates Article XI, Section 12, of the Tennessee Constitution, and fails to provide a free public education, (b) the State educational funding system fails to provide Tennessee students with substantially equal educational opportunities, (c) the General Assembly must appropriate sufficient funds to fully implement the recommendations of the State's Basic Education Program ("BEP") Review Committee dated November 1, 2014, and (d) the General Assembly must include in the BEP funding formula the cost components associated with the rigorous academic standards imposed by the General Assembly.

The Plaintiffs filed a Motion for the Court to certify the case as a class action and include every county school system in the State in the class. That motion was denied. The Defendants filed a Motion to Dismiss for Failure to State a Claim upon which Relief can be Granted. That motion was also denied.

The Defendants believe that they have strong legal and factual arguments and that they should prevail ultimately on the merits. However, there is no guarantee of such a result. The Plaintiffs' Amended Complaint claims "funding shortfalls" ranging from one hundred and thirty-five million dollars ($135,000,000) to seven hundred million dollars ($700,000,000). Therefore, if the Plaintiffs were to succeed in their lawsuit, the State could possibly have to increase its funding for education by as much as seven hundred million dollars ($700,000,000).

Shelby County Bd. Of Ed., v. Haslam, Ramsey, Harwell, McQueen, Rolston, Edwards, Chancey, Roberts, Pearre, Tucker, Hartgrove, Johnson, and Troutt, and Heyburn, (Davidson Co. Chancery Ct.). The State was served with this lawsuit on August 31, 2015. The Shelby County Board of Education brought this suit against the Governor, the Speakers of both Houses, the Commissioner of Education, and the members of the State Board of Education, as well as the Board's Executive Director, all in their official capacities only, alleging that the State has (1) violated the holdings of the Tennessee Supreme Court in three previous education funding cases, as well as the Tennessee Constitution, and (2) violated State education funding statutes. The essential claim of the Complaint is that the State does not adequately fund public education in Tennessee. The Complaint in this case goes beyond the relief sought in the Hamilton County case above, which seeks full funding of the existing BEP funding formula. In this case, Shelby County seeks a declaratory judgment holding that (a) some portions of the BEP program are inadequate and therefore in violation of Article XI, Section 12, of the Tennessee Constitution; thus, the State is failing to provide a free public education, (b) the State educational funding system fails to provide Tennessee students with substantially equal educational opportunities and (c) the General Assembly must appropriate sufficient funds to implement a revised version of the current school funding formula that includes, for example, pre-school education programs.

The Defendants believe that they have strong legal and factual arguments and that they should prevail ultimately on the merits. However, there is no guarantee of such a result. Since the Plaintiff's Complaint includes in its prayer for relief a major revamp and expansion of the existing BEP funding scheme, including a prayer for relief that seeks funding for an entirely new program – pre-school programs – the total relief sought in this case is likely significantly higher than the Hamilton County case, above. However, it is impossible at this time to put an accurate dollar figure on any increase in funding for education that the State would have to make if the Plaintiffs were to prevail in this lawsuit. In addition, it should be noted this case and the Hamilton County case, above, overlap to a significant extent, i.e., they both seek funding changes to the existing system that would affect every other State school system. Consequently, the relief sought in the two cases should not simply be added together to determine the State's potential liability in these matters.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the State in connection with the Bonds, and Bond Counsel has assumed compliance by the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the State, under existing laws of the State, the principal of and interest on the Bonds are exempt from taxation by the State or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes, and except to the extent included within the measure of franchise and excise taxes.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the 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 on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

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

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The State has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public,i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of Tax-Exempt Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

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 Bonds under Federal or state law or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

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

State of Tennessee Tax Matters

In the opinion of Bond Counsel to the State, under existing laws of the State, the principal of and interest on the Bonds are exempt from taxation by the State or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes, and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State.

Bond Counsel expresses no opinion regarding any other state or local tax consequences with respect to the Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. Bond Counsel expresses no opinion as to 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 C.

SALE OF BONDS

The Bonds were sold to ________(the "Purchaser") at a public sale on _____, 2018, pursuant to a Notice of Sale (the "Notice of Sale") that was available to bidders in advance of the sale. The Purchaser agreed, subject to the conditions of closing set forth in the Notice of Sale, to purchase all of the Bonds from the State at an aggregate purchase price to be paid by the Purchaser of $_______ (representing the principal amount of the Bonds of $_______, plus (net) original issue premium of $______, less (net) original issue discount, and less underwriters discount of $_____). The Bonds may be offered and sold to certain dealers, banks and others at prices different that the offering prices indicated on the inside front cover page hereof, and such offering prices may be changed from time to time.

FINANCIAL ADVISOR

PFM Financial Advisors LLC ("PFM") is employed by the State to perform professional services in the capacity of financial advisor. In its role as financial advisor to the State Funding Board, PFM has provided advice on the plan of financing and structure of the Bonds, reviewed certain legal and disclosure documents, including this Official Statement, for financial matters, and reviewed and will give an opinion to the State Funding Board on the fairness of the pricing of the Bonds by the underwriting syndicate. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the State and other sources and the State's certification as to the Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("Standard and Poor's") and Fitch Ratings ("Fitch") have given the Bonds ratings of ___, ___, and ___, respectively. Such ratings reflect only the respective views of such organizations and an explanation of the significance of a rating may be obtained only from the rating agency furnishing the same. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time and there is no assurance that any rating will be maintained for a 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 downward revision or withdrawal of ratings may have an adverse effect on the market price of the Bonds.

LEGAL OPINIONS

The validity of the Bonds will be approved by the legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the State. For the proposed form of Bond Counsel opinion relating to the Bonds, see Appendix C. Certain legal matters will be passed upon by the Attorney General and Reporter of the State of Tennessee, as counsel to the State Funding Board. No representation is made to the holders of the Bonds that any 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 Bonds except for the matters that will be set forth in their respective opinions.

CONTINUING DISCLOSURE

The State has authorized the Continuing Disclosure Undertaking (the "Undertaking") with respect to the Bonds to assist in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The Undertaking will be for the benefit of the holders of the Bonds, and beneficial owners will be third-party beneficiaries thereof. The form of the Undertaking is included herein as Appendix E.

In connection with the issuance of the Bonds, the State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system pursuant to the State's Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following. Rating downgrades of several maturities of one series of the State's general obligation bonds issued in 2003 (all maturities of which series had either been refunded or had matured by August 1, 2011) based on the bonds' insurer were not the subject of material event notices due, in part, to the lack of any direct notification to the State of the specific rating impact on such bonds. Watkins Institute is not deemed to be a component unit of the State and its financial information, including indebtedness, is not reported in the State's CAFR; accordingly no information on its indebtedness (currently totalling approximately $1.2 million) was reported to EMMA and will not be reported in the future. Information regarding TennCare budgeted expenditures (the "TennCare Information") presented in tabular format in relevant Official Statements was not presented in such format in the State's CAFRs, but current-year budgeted and actual TennCare expenditures were presented in each of the State's CAFRs (other than for the 2012 fiscal year, in which only actual TennCare expenditures were presented). Certain TCRS information (the "TCRS Information") presented in tabular format in relevant Official Statements (Unfunded Liability if Actuarial Value of Assets were Valued at Market; Historical Funding Progress Based on Fiduciary Net Position/Market Value of Assets; Historical Fiduciary Net Position/Market Value of Assets; Comparison of Market Value of Assets to Actuarial Value of Assets; and Cash Flows) was reported in different form in the State's CAFR and the comprehensive annual financial report of the TCRS filed by the State each year; in addition, both the TennCare Information and the TCRS Information were also included in the same tabular format in Official Statements posted on EMMA in the last five years, except for actuarial valuation information that was not included in the 2015 Official Statement because of changes in GASB accounting rules. The foregoing results of the State's continuing disclosure review are provided without regard to the materiality of the identified information.

The State periodically provides investor updates of certain information to persons who have notified the Office of State and Local Finance of a desire to receive such information. The State is not required under any undertaking to provide such information and provides no assurance that it will continue to do so.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided that are not purely historic, are forward-looking statements, including statements regarding the 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 on the date hereof, and the State 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 and policy 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

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representatives of fact. No representation is made that such statements will be realized.

All financial and other information presented in this Official Statement has been provided by the State from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information, and it is not intended to indicate future or continuing trends in the financial position or other affairs of the State. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

References to and summaries of provisions of the State Constitution and laws of the State or of any other documents referred to in this Official Statement are qualified in their entirety by reference to the complete provisions thereof.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds.

STATE OF TENNESSEE

By:

Comptroller of the Treasury;

Secretary of the Funding Board of
the State of Tennessee

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APPENDIX A

FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report ("CAFR") of the State, including the audited Basic Financial Statements, for the fiscal year ended June 30, 2017 has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system (see "Continuing Disclosure" and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4th Floor, 425 Fifth Avenue North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2017 CAFR and certain prior year CAFRs are posted on the State's website at **http://www.tennessee.gov/finance/article/fa-accfin-cafr.**

The following reports, each of which are included in the 2017 CAFR and have been posted on the State's website, are incorporated herein by reference:

Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements:

- Government-wide Financial Statements:
  - Statement of Net Position
  - Statement of Activities
- Fund Financial Statements:
  - Balance Sheet-Governmental Funds
  - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
  - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
  - Statement of Net Position-Proprietary Funds
  - Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds
  - Statement of Cash Flows-Propriety Funds
  - Statement of Fiduciary Net Position-Fiduciary Funds
  - Statement of Changes in Fiduciary Net Position-Fiduciary Funds
- Notes to the Financial Statements

Required Supplementary Information:

- Infrastructure Assets Reported Using the Modified Approach
- Other Post-Employment Benefits Schedule of Funding Progress – Primary Government
- Other Post-Employment Benefits Schedule of Funding Progress – Component Units
- Pension Schedule of Funding Progress – Primary Government
- Pension Schedule of Funding Progress – Component Units
- Ten-Year Claims Development Table – Access TN Insurance Fund
- Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual Major Governmental Funds
- Note to RSI

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APPENDIX B

STATISTICAL SECTION

The Comprehensive Annual Financial Report ("CAFR") of the State, including selected statistical data (unaudited), for the fiscal year ended June 30, 2017 has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system (see "Continuing Disclosure" and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4th Floor, 425 Fifth Avenue North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2017 CAFR and certain prior year CAFRs are posted on the State's website at **http://www.tennessee.gov/finance/article/fa-accfin-cafr.**

The following statistical data, all of which is included in the 2017 CAFR and has been posted on the State's website, is incorporated herein by reference:

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Component Units

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APPENDIX C

FORM OF PROPOSED OPINION OF BOND COUNSEL

____

The Honorable Governor and Members of
the Funding Board of the State of Tennessee
Nashville, Tennessee 37243

STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
2018 SERIES A, $_______*
2018 REFUNDING SERIES B, $______*

Dear Sirs:

At your request we have examined into the validity of $______* General Obligation Bonds, 2018 Series A (the "Series A Bonds"), $____* General Obligation Bonds, 2018 Refunding Series B (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds") of the State of Tennessee (the "State"). The Bonds are dated as of the date hereof, and mature, are subject to redemption prior to maturity, are payable and bear interest, all as provided in the resolution of the Funding Board hereinafter mentioned.

The Bonds recite that they are issued under and pursuant to and in full compliance with the Constitution and laws of the State, including specifically Title 9, Chapter 9, Tennessee Code Annotated, various Public Acts of the General Assembly of the State of Tennessee, and a resolution adopted by the Funding Board of the State of Tennessee on May 2, 2018, in the case of the Series A Bonds, for the public purposes of various State departments and institutions and to provide for the retirement at maturity of certain of the State's general obligation bond anticipation notes constituting commercial paper heretofore issued for such purposes, and in the case of the Series B Bonds and Series C Bonds, to refund certain outstanding general obligation bonds of the State.

We have examined the Constitution and statutes of the State; certified copies of proceedings of the Funding Board of the State of Tennessee and Public Acts of the General Assembly of the State of Tennessee authorizing the issuance of the Bonds, and an executed Bond of each series, and have made such other examination of law and fact, as we have considered appropriate for purposes of this opinion letter.

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

(1) The Bonds have been authorized and issued in accordance with the Constitution and laws of the State, and constitute valid direct general obligations of the State for the payment of the principal of and premium, if any, and interest on which there is also pledged the full faith and credit of the State. The State has not generally waived immunity from suit or extended its consent to be sued, and monetary actions against the State for breach of contractual obligations may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where the State may be liable only for actual damages and certain costs.

(2) Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In rendering the opinions in this paragraph (2), we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the State and others in connection with the Bonds, and have assumed compliance by the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

(3) For any Bonds having original issue discount ("Discount Bonds"), original issue discount that has accrued and is properly allocated to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

(4) Under the existing laws of the State, the principal of and interest on the Bonds are exempt from taxation by the State or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes and except to the extent included within the measure of franchise and excise taxes.

The opinions expressed in paragraph (1) 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 Bonds, or the ownership or disposition thereof, except as stated in paragraphs (2), (3) and (4) above, (ii) the effect of any action taken or not taken, in reliance upon an opinion of other counsel, on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state or local tax law, or (iii) the accuracy, adequacy, sufficiency or completeness of the Official Statement dated ______, 2018 (or any update or amendment thereof or supplement thereto) relating to the Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Bonds.

This opinion 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 or matters of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This opinion 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, or changes in law or in interpretations thereof, that may hereafter occur, or for any other reason

Very truly yours,

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The 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 each series of the Bonds bearing interest at each interest rate, each in the aggregate principal amount of such maturity bearing interest at such rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding 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 and regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. 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 Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State 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 State or any Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State 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 or Indirect Participants.

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

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

THE FOREGOING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, A SOURCE THAT STATE BELIEVES TO BE RELIABLE, BUT THE STATE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE STATE, THE UNDERWRITERS, NOR THE PAYING AGENT AND REGISTRAR 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, 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 ANY 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 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 BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

So long as Cede & Co. is the registered owners of the Bonds, as nominee for DTC, references in the Official Statement to the Bondholders or registered owners of the 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 Bonds.

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is dated and made as of ______ by the State of Tennessee (the "State") in connection with the issuance of the State's $____ aggregate principal amount of General Obligation Bonds, 2018 Series A, and $______ aggregate principal amount of General Obligation Bonds 2018 Refunding Series B (collectively, the "Bonds"). As authorized by Section 10 of the resolution (the "Bond Resolution") of the Funding Board of the State of Tennessee (the "Funding Board") adopted on June 9, 2016, authorizing the Bonds, the State agrees as follows:

ARTICLE I

Definitions

Section 1.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Annual Financial Information" means (i) updated versions of the following financial information and operating data contained in, or incorporated by reference pursuant to an Appendix to, the Official Statement with respect to the State, for each fiscal year of the State:

- Special Tax Collections
- Total Sales and Use Tax Collections
- Allocation of Sales and Use Tax to Debt Service
- Outstanding General Obligation Bonded Indebtedness
- Long-Term General Obligation Bonded Debt Service by Fiscal Year and Maturity
- Maximum and Actual Principal Amounts of Commercial Paper Outstanding
- Other Post-Employment Benefits
  - Unfunded Actuarial Liability
  - Annual Required Contribution
- Rainy Day Fund Reserve Balance
- Tennessee Consolidated Retirement System
  - Statistical data
  - Tables
- Debt of Certain Agencies and Authorities
  - Tennessee Local Development Authority
  - Tennessee State School Bond Authority
  - Tennessee Housing Development Agency
  - State Veterans' Homes Board
- The statistical data incorporated by reference in Appendix B to the Official Statement, to the extent and in the form presented in the State's most recent Comprehensive Annual Financial Report

and (ii) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information 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 shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements of the State, audited by the Comptroller of the Treasury, Division of State Audit, as now required by State law (or such other auditor as hereafter may be required or permitted by State law). Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the State.

(4) “EMMA” means the MSRB’s Electronic Municipal Market Access system or its successor.

(5) “GAAP” means 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.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b) of the Securities Exchange Act of 1934, as amended, or any successor to the MSRB or the functions of the MSRB contemplated by this Undertaking.

(7) “Notice Event” means any of the following events with respect to the Bonds:

(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 Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the State;

(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 State 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 State, 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 State.)

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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.

(8) “Notice Event Notice” means notice of a Notice Event.

(9) "Official Statement" means the Official Statement dated ______, 2018, of the State relating to the Bonds.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE II

The Undertaking

Section 2.1. Purpose. This Undertaking is being executed, delivered and made solely to assist the underwriters of the Bonds in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The State shall provide Annual Financial Information with respect to each fiscal year of the State, commencing with the fiscal year ending June 30, 2017, by no later than 7 months after the end of the respective fiscal year, to the MSRB.

(b) The State shall provide, in a timely manner, notice of any failure of the State to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof because not available, the State shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 2.4. Notice Events. (a) If a Notice Event occurs, the State shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, a Notice Event Notice to the MSRB.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The State acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the State and that, under some circumstances, additional disclosures or other action in addition to those required by this Undertaking may be required to enable the State to fully discharge all of its duties and obligations under such laws.

Section 2.6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Notice Event Notice, in addition to that which is required by this Undertaking. If the State chooses to do so, the State shall have no obligation under this Undertaking to update such additional information or include it in any future Annual Financial Information or Notice Event Notice.

ARTICLE III

Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the State provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to Notice Event Notices pursuant to Section 2.4 hereof.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Filing with Certain Dissemination Agents or Conduits. The State may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the State under this Undertaking, and revoke or modify any such designation.

Section 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current Internet Web address of which is www.emma.msrb.org.

(b) 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.

Section 3.5. Fiscal Year. (a) The State's current fiscal year is July 1 – June 30. The State shall promptly notify the MSRB of each change in its fiscal year.

(b) The State shall provide Annual Financial Information at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

Section 4.1. Effective Date; Termination. (a) This Undertaking shall be effective upon the issuance of the Bonds.

(b) The State's obligations under this Undertaking shall terminate with respect to each Bond upon the legal defeasance, prior redemption or payment in full of such Bond.

(c) This Undertaking, or any provision hereof, shall be null and void in the event that the State (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 4.2. Amendment. (a) This Undertaking may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made 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 State or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the State shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the State shall have received either an opinion of Counsel or a determination by a person, in each case unaffiliated with the State, to the effect that the amendment does not materially impair the interests of the holders of the outstanding Bonds, and (5) the State shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Undertaking may be amended without the consent of the holders of the Bonds if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Undertaking, (2) the State shall have received an opinion of Counsel to the effect that performance by the State under this Undertaking as so amended will not result in a violation of the Rule as so amended or officially interpreted and (3) the State shall have delivered copies of such opinion and amendment to the MSRB.

(c) To the extent any amendment to this Undertaking results in a change in the categories or types of financial information or operating data provided pursuant to this Undertaking, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 4.3. Contract; Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Undertaking and shall be deemed to be holders of Bonds for purposes of Section 4.3(b) hereof. The provisions of this Undertaking shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the State to comply with the provisions of this Undertaking shall be enforceable by any holder of outstanding Bonds; however, the holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the State's obligations under this Undertaking.

(c) Any failure by the State to perform in accordance with this Undertaking shall not constitute a default or an event of default under the Bond Resolution or State law and shall not result in any acceleration of payment of the Bonds, and the rights and remedies provided by the Bond Resolution and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

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

Section 4.4. Effective Date. This Undertaking shall be effective upon the issuance and delivery by the State of the Bonds.

STATE OF TENNESSEE

By:______________________________

Sandra Thompson

Assistant Secretary, Funding Board of the State of Tennessee, *and*

Director, Office of State and Local Finance, State of Tennessee

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THE GREAT SEAL OF THE STATE OF TENNESSEE

XVI

AGRICULTURE

COMMERCE

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NOTICE OF SALE

Dated November 7, 2012

State of Tennessee

General Obligation Bonds

\$140,000,000* 2012 Series B
\$30,545,000* 2012 Refunding Series C (Federally Taxable)

Electronic Bids, as Described Herein
Will Be Accepted Until

9:30 a.m. Central Standard Time**
for Series B Bonds

and

10:00 a.m. Central Standard Time**
for Series C Bonds

on November 14, 2012

* Subject to change both before and after award as provided herein.
** Subject to change before the sale date and time as provided herein.

CONTACTS

Issuer

State of Tennessee

Mary-Margaret Collier	(615) 747-5370
Director, Office of State and Local Finance	Fax: (615) 741-5986
Suite 1600 James K. Polk Building	mary.margaret.collier@cot.tn.gov
Nashville, TN 37243-0273	

Cindy Liddell	(615) 747-5348
Bond Accountant, Office of State and Local Finance	Fax: (615) 741 5986
Suite 1600 James K. Polk Building	cindy.liddell@cot.tn.gov
Nashville, TN 37243-0273	

Sandra Thompson	(615) 747-5369
Assistant Director, Office of State and Local Finance	Fax: (615) 741 5986
Suite 1600 James K. Polk Building	sandi.thompson@cot.tn.gov
Nashville, TN 37243-0273	

Bond Counsel

Hawkins Delafield & Wood LLP

Steven I. Turner	(212) 820-9462
One Chase Manhattan Plaza	Fax: (212) 820-9615
New York, NY 10005	sturner@hawkins.com

Financial Advisor

Public Financial Management, Inc.

Lauren Lowe	(901) 682-8356
530 Oak Court Drive, Suite 160	Fax: (901) 682-8386
Memphis, TN 38117-3722	lowel@pfm.com

BiDCOMP™/PARITY®

Customer Service	(212) 849-5021

i-Deal Prospectus

Customer Service	(212) 849-5024

NOTICE OF SALE
Dated November 7, 2012

State of Tennessee
General Obligation Bonds
$140,000,000* 2012 Series B
$30,545,000* 2012 Refunding Series C (Federally Taxable)

NOTICE IS HEREBY GIVEN that electronic bids will be received at the place, on the date and until the time specified below for the purchase of all, but not less than all, of (i) the $140,000,000* General Obligation Bonds, 2012 Series B (the "Series B Bonds") and/or (ii) separately, the $30,545,000* General Obligation Bonds, 2012 Refunding Series C (Federally Taxable) (the "Series C Bonds" and, together with the Series B Bonds, the "Bonds"), to be issued by the State of Tennessee (the "State").

DATE: Wednesday, November 14, 2012**

TIME: Series B Bonds: 9:30 a.m. Central Standard Time**
Refunding Series C Bonds: 10:00 a.m. Central Standard Time**

ELECTRONIC BIDS: May be submitted only through **PARITY®** as described below. **No other form of bid or provider of electronic bidding services will be accepted.**

The Bonds are more particularly described below and in the Preliminary Official Statement dated November 7, 2012 (the "Preliminary Official Statement") relating to the Bonds, available at the i-Deal Prospectus website, *www.i-dealprospectus.com.* For assistance in obtaining the Preliminary Official Statement from this website, contact i-Deal Prospectus' customer service or Public Financial Management, Inc. See the Contacts page of this Notice of Sale.

Prior to accepting bids, the State reserves the right to change the aggregate or annual principal amounts of the Bonds being offered or the terms of the Bonds, and to postpone the sale to a later date or time or to cancel the sale. Notice of a change, postponement or cancellation will be announced via Thomson Municipal Market Monitor News Service at the website address *www.tm3.com* not later than 12:00 Noon, Central Standard Time, on the day preceding the bid opening or, in the case of a cancellation, at any time prior to the receipt of bids. If the sale is postponed, a later public sale may be held on such date and at such time as shall be announced at least 48 hours in advance via Thomson Municipal Market Monitor News Service at the website address *www.tm3.com*. Consideration of the bids and the award of the Bonds will be completed within six (6) hours after the bids are received. The State also reserves the right to adjust the principal amount of the Bonds offered and to cancel the sale of the Bonds after the bids are opened as further described herein under "ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD".

[Bidding Parameters Tables follow]

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* Subject to change both before and after award as provided herein.
** Subject to change before the sale date and time as provided herein.

$140,000,000 SERIES B BONDS BIDDING PARAMETERS TABLE*

Description		Page No.
DATES		
Dated Date:	Delivery Date	4
Delivery Date:	On or about December 4, 2012	9
INTEREST		
Interest Payment Dates:	April 1 and October 1	4
First Interest Payment:	April 1, 2013	4
Coupon Multiples:	1/8 or 1/20 of 1%	6
Maximum Coupon:	5.00%	6
Minimum Coupon:	N.A.	6
Maximum TIC:	N.A.	6
PRINCIPAL		
Adjustments-Increases:		
Each Maturity:	+ 20%	
Aggregate:	+ 15%	7
Adjustments-Decreases:		7
Each Maturity:	-20%	
Aggregate:	-15%	
Term Bonds:	One or more on or after October 1, 2021(sinking fund installments must equal amortization)	7 7
		4

Description		Page No.
REDEMPTION		
Optional	On or after October 1, 2020 at 100%	4
Mandatory:	Each sinking fund installment date for term bonds at 100%	4
PRICING		
Max. Reoffering Price:		
Each Maturity:	120.0%	6
Aggregate:	115.0%	6
Min. Reoffering Price:		
Each Maturity:	98.5%	6
Aggregate:	99.0%	6
PROCEDURAL		
Bid Submission:	PARITY® only	1, 6-7
All or None?:	Yes	6
Bid Award Method:	Lowest TIC	7
Bid Confirmation:	Fax signed PARITY® screen	6
Award of Bid:	Within 6 hours	1,7
Good Faith Deposit:	$1,400,000	8

PRINCIPAL MATURITIES

Year (October 1)	Principal Amount**	Year (October 1)	Principal Amount**
2013 NC	$7,000,000	2023 T	$7,000,000
2014 NC	7,000,000	2024 T	7,000,000
2015 NC	7,000,000	2025 T	7,000,000
2016 NC	7,000,000	2026 T	7,000,000
2017 NC	7,000,000	2027 T	7,000,000
2018 NC	7,000,000	2028 T	7,000,000
2019 NC	7,000,000	2029 T	7,000,000
2020 NC	7,000,000	2030 T	7,000,000
2021 T	7,000,000	2031 T	7,000,000
2022 T	7,000,000	2032 T	7,000,000

NC: Non-callable.
T: May be designated as sinking fund installments for term maturity or maturities.

* If numerical (excluding page numbers) or date references contained in the body of this Notice of Sale conflict with the Bidding Parameters Table, the body of this Notice of Sale shall control. Consult the body of this Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

** Subject to change both before and after award as provided herein.

$30,545,000 REFUNDING SERIES C BONDS BIDDING PARAMETERS TABLE*

Description		Page No.	Description		Page No.
DATES			**REDEMPTION**		
Dated Date:	Delivery Date	4	Optional	None	5
Delivery Date:	On or about December 4, 2012	9	Mandatory:	Each sinking fund installment date for term bonds at 100%	4
INTEREST			**PRICING**		
Interest Payment Dates:	May 1 and November 1	4	Max. Reoffering Price:		
First Interest Payment:	May1, 2013	4	Each Maturity:	110.0%	6
Coupon Multiples:	1/8 or 1/20 of 1%	6	Aggregate:	105.0%	6
Maximum Coupon:	4.00%	6	Min. Reoffering Price:		
Minimum Coupon:	N.A.	6	Each Maturity:	98.5%	6
Maximum TIC:	N.A.	6	Aggregate:	99.0%	6
PRINCIPAL			**PROCEDURAL**		
Adjustments-Increases:			Bid Submission:	PARITY® only	1, 6-7
Each Maturity:	+ 15%	7	All or None?:	Yes	6
Aggregate:	+10%	7	Bid Award Method:	Lowest TIC	7
Adjustments-Decreases:			Bid Confirmation:	Fax signed PARITY® screen	6
Each Maturity:	Unlimited		Award of Bid:	Within 6 hours	1,7
Aggregate:	Unlimited	7	Good Faith Deposit:	$300,000	8
Term Bonds:	One or more on or after May 1, 2013 (sinking fund installments must equal amortization)	7, 4			

PRINCIPAL MATURITIES

Year (May 1)	Principal Amount**
2013 T	$460,000
2014 T	805,000
2015 T	810,000
2016 T	810,000
2017 T	820,000
2018 T	8,980,000
2019 T	10,865,000
2020 T	6,995,000

T: May be designated as sinking fund installments for term maturity or maturities.

* If numerical (excluding page numbers) or date references contained in the body of this Notice of Sale conflict with the Bidding Parameters Table, the body of this Notice of Sale shall control. Consult the body of this Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

** Subject to change both before and after award as provided herein.

THE BONDS

General

The Bonds will be dated as of the Dated Date shown on the Bidding Parameters Tables, will be issued in denominations of $5,000 or integral multiples thereof, and will bear interest from their date at the annual rate or rates specified by the successful bidder, subject to the limitations specified below, payable as shown on the respective Bidding Parameters Table. Interest payable on the Bonds will be computed on the basis of a 360-day year of twelve (12) 30-day months. The Bonds must meet the criteria shown on the respective Bidding Parameters Table on a maturity and aggregate basis.

The Bonds will mature on the month and day, in the years and in the principal amounts shown on the respective Bidding Parameters Table as either serial bonds or as term bonds with sinking fund installments as described under "Designation of Term Bonds; Mandatory Sinking Fund Redemption" below, subject to change before the sale date and time as provided above and after award as provided in "ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD" below.

Designation of Term Bonds; Mandatory Sinking Fund Redemption

Bidders for the Series B Bonds and for the Series C Bonds may, at their option, combine consecutive principal amounts payable on or after the date indicated on the respective Bidding Parameters Table as maturities that may be designated as sinking fund installments for one or more term bonds bearing interest at the same rate. Each such term bond will be subject to mandatory sinking fund redemption commencing on the principal payment date of the first year which has been combined to form such term bond and continuing on the principal payment date in each year thereafter until the stated maturity date of such term bond, which will be the last year combined to form such term bond. The amount redeemed in any year will be equal to the principal amount for such year as set forth in the amortization schedule for such Bonds shown in the respective Bidding Parameters Table, subject to change before the sale date and time as provided above and after award as provided in "ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD" below. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Bonds of the same series and maturity.

Optional Redemption

The Series B Bonds maturing on or before October 1, 2020 will not be subject to optional redemption prior to their respective maturity dates. The Series B Bonds maturing on or after October 1, 2021, may be redeemed prior to their respective maturity dates at the option of the State on and after October 1, 2020, in whole or in part at any time at the redemption price of 100% of the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date. Series B Bonds which are designated to be term bonds as described in "Designation of Term Bonds; Mandatory Sinking Fund Redemption" above shall be subject to mandatory sinking fund redemption as described therein.

The Series C Bonds will not be subject to optional redemption prior to their maturity date. Series C Bonds which are designated to be term bonds as described in "Designation of Term Bonds; Mandatory Sinking Fund Redemption" above shall be subject to mandatory sinking fund redemption as described therein.

AUTHORITY AND SECURITY

The Bonds are being issued under and pursuant to the Constitution and laws of the State, including Title 9, Chapter 9, Tennessee Code Annotated, all as more fully described in the Preliminary Official Statement relating to the Bonds. The Bonds will be direct general obligations of the State for the payment of which, as to both principal and interest, the full faith and credit of the State is pledged. See the Preliminary Official Statement for a description of additional security for the Bonds and other related matters.

FORM AND PAYMENT

The Bonds will be issued in fully registered book-entry only form, and a bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed to evidence ownership of the Bonds, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. Principal of, premium, if any, and interest on the Bonds will be payable by the State to DTC or its nominee as registered owner of the Bonds. Transfer of principal, premium, if any, and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The State will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Beneficial owners will be entitled to receive Bond certificates only under the limited circumstances described in the Preliminary Official Statement.

BIDDING PROCEDURE; CONFIRMATION OF BID

Only electronic bids submitted via PARITY® will be accepted. No other provider of electronic bidding services will be accepted. No bid delivered in person or by facsimile directly to the State will be accepted. Bidders are permitted to submit bids for (i) the Series B Bonds, and/or (ii) separately the Series C Bonds during the respective bidding time period, provided they are eligible to bid as described under "ELIGIBILITY TO BID".

Each electronic bid submitted via PARITY® for the purchase of the Bonds shall be deemed an offer to purchase such Bonds in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the State. The successful bidder must confirm the details of such bid by a signed PARITY® Bid Form delivered by fax to (615) 741-5986 no later than one hour after being notified by the State of being the winning bidder, the original of which must be received by the Director of State and Local Finance of the State on the following business day at the address shown on the Contacts page of this Notice of

Sale. Failure to deliver this confirmation does not relieve the bidder of its obligation to complete the purchase of the Bonds bid for.

ELECTRONIC BIDDING

The use of PARITY® electronic bidding shall be at the bidder's risk and expense, and the State shall have no liability with respect thereto. The State is using electronic bidding as a communications medium and PARITY® is not acting as the State's agent.

If any provisions of this Notice of Sale conflict with information provided by PARITY®, this Notice of Sale shall control. The State is not bound by any advice or determination of PARITY® as to whether any bid complies with the terms of this Notice of Sale. The time as maintained by PARITY® shall constitute the official time with respect to all bids submitted.

By submitting a bid for Bonds, a prospective bidder represents and warrants to the State that such bidder's bid for the purchase of such Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of such Bonds.

ELIGIBILITY TO BID

The State does not have a registration requirement for prospective bidders. However, bidders submitting electronic bids must be contracted customers of the BidCOMP Competitive Bidding System and should promptly contact PARITY® directly for information about PARITY®, including its rules and fees, and becoming a contracted customer. (See the Contacts page of this Notice of Sale.) By contracting with BiDCOMP™, a prospective bidder is not obligated to submit a bid in connection with the sale.

CONTENTS OF BID, INTEREST RATES AND BID PRICES

Bidders may bid for (i) the Series B Bonds, and/or (ii) by separate bid, for the Series C Bonds. Bidders must bid for all maturities of any Bonds bid for. Each bid must specify (1) an annual rate of interest for each maturity of Series B Bonds or Series C Bonds bid for, (2) the reoffering price or yield of each such maturity and (3) a dollar purchase price for all of the Bonds bid for.

Each bid for the Bonds must meet the criteria shown on the respective Bidding Parameters Table. Any number of interest rates may be named, but the Bonds of the same series and maturity must bear interest at the same single rate.

Each bidder for the Series B Bonds must specify, as part of its bid, the prices or yields at which a substantial amount (i.e., at least 10%) of the Series B Bonds of each maturity bid for will be offered and are expected to be sold to the public. The reoffering price for each maturity of the Series B Bonds may not be more than the Maximum Reoffering Price – Each Maturity percentage, or less than the Minimum Reoffering Price – Each Maturity percentage, shown on the respective Bidding Parameters Table times the principal amount of the Series B Bonds of that maturity. Such initial reoffering prices, among other things, will be used by the State to calculate the final aggregate principal amount and principal amount of each maturity of the Series B Bonds, as well as the yield for federal tax purposes of such Series B Bonds, but will not be used in computing the bidders' true interest cost.

As promptly as reasonably possible after bids for the respective Bonds are received, the State will notify the successful bidder for such Bonds that it is the apparent winner. Upon such notice, such bidder must confirm to the State the initial reoffering prices and Underwriter's discounts by maturity for the Bonds bid for. The initial reoffering prices and Underwriter's discount for each maturity confirmed to the State will be used by the State to calculate the final annual principal amounts. See "ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD" below. Reoffering prices for the Series B Bonds also must be confirmed as described under "REOFFERING PRICE CERTIFICATE" below.

AWARD

The State expects to award the Series B Bonds and the Series C Bonds to the respective winning bidder within six (6) hours of the respective bid opening. Bids may not be withdrawn prior to the award. Unless all bids for the Series B Bonds and the Series C Bonds are rejected, the respective Bonds will be awarded to the bidder whose bid complies with this Notice of Sale and results in the lowest true interest cost ("TIC") to the State. The TIC (expressed as an annual rate) will be determined for each of the Series B Bonds and the Series C Bonds as being twice the semi-annual discount rate, compounded semi-annually, which, when applied against principal of and interest on the respective Bonds as due, will equate the sum of such discounted payments to the aggregate purchase price for such Bonds, as provided by the bidder on the PARITY® Bid Form. The TIC shall be calculated from the Dated Date of the Bonds, which for this purpose shall be the delivery date specified on the Bidding Parameters Tables. If two or more bidders offer to purchase the Series B Bonds or the Series C Bonds at the same lowest TIC (rounded to six (6) places after the decimal point), such Bonds may be apportioned between such bidders if it is agreeable to each of such bidders, and if apportionment is not acceptable to such bidders, the State reserves the right to award such Bonds to one of such bidders. There will be no auction.

ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD

The aggregate principal amount of the Bonds of each series and the principal amount of each maturity of such Bonds are subject to adjustment by the State after the award of such Bonds to the successful bidder. Changes to be made after the award will be communicated to the successful bidder therefor directly by 10:00 a.m., Central Standard Time, on the day following the sale.

The State may increase or decrease the aggregate principal amount of the Series B Bonds or the Series C Bonds, or the aggregate principal amount of any maturity thereof by no more than the individual maturity or aggregate principal percentages shown in the respective Bidding Parameters Table from the respective amounts bid on. The State will consult with the successful bidder for the respective Bonds before adjusting the amount of any maturity of such Bonds; however, the State reserves the sole right to make adjustments within the limits described above.

Adjustments within the limits described above will not relieve the purchasers from their obligation to purchase all of the respective Bonds, assuming all other conditions of this Notice of Sale have been satisfied by the State.

In the event that the principal amount of any maturity of the Series B Bonds or the Series C Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's discount on the Series B Bonds or the Series C Bonds, respectively, shall be held constant. The "Underwriter's discount" shall be the difference between the dollar purchase price submitted by the bidder for the purchase of all of the respective Bonds bid for and the total dollar price at which all of such Bonds will be offered to the public, calculated from information provided by the bidder, divided by the number of such Bonds. (The number of Bonds equals the par amount of Bonds divided by 1,000.)

RIGHT OF REJECTION

The State reserves the right, in its discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

RIGHT OF CANCELLATION

The successful bidder for any Bonds will have the right, at its option, to cancel its obligation to purchase if the State fails to deliver such Bonds within 60 days from the date of sale, and in such event the successful bidder will be entitled to the return of an amount equal to the good faith deposit but without any additional liability to the State.

GOOD FAITH DEPOSIT

The successful bidder for the Series B Bonds and for the Series C Bonds is required to submit the good faith amount shown in the respective Bidding Parameters Table (the "Good Faith Amount") to the State in the form of a wire transfer in federal funds, as instructed by the State's Financial Advisor, not later than two hours after the verbal award is made. If such wire transfer deposit is not received by the State by that time, the bid of such apparent winning bidder may be rejected and the State may direct the next lowest bidder(s) for the respective Bonds to submit a good faith deposit and thereafter may award the sale of such Bonds to them. The cover bidder shall hold its bid constant until two hours after the initial verbal award is made or, if earlier, the time the apparent winning bidder's good faith deposit is received, as advised by the State's Financial Advisor.

In the event that the original apparent winning bidder does not comply with the good faith deposit requirements and another bidder complies with the good faith deposit requirements as described herein, or in the event no bidder complies with the good faith deposit requirements as described herein, the original apparent winning bidder is obligated to promptly pay to the State, as liquidated damages for its failure to timely comply with the terms of this Notice of Sale and of its bid, a sum equal to the greater of (i) the difference between the true interest cost of the original apparent winner and of the ultimate winner, or (ii) the Good Faith Amount, plus in each case reasonable attorney's fees and expenses. ***Submission of a bid to purchase Bonds shall constitute acknowledgement and acceptance of the terms of the good faith deposit requirements, including liquidated damages, as provided herein.***

The good faith deposits so wired will be deposited by the State until the delivery of the respective Bonds, at which time the good faith deposits will be applied against the purchase price of such Bonds or the good faith deposit will be retained by the State as partial liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of the Notice of Sale and of its bid. No interest on the good faith deposits will be paid by the State. The balance of the purchase price must be wired in federal funds to the account specified by or on behalf of the Funding Board, simultaneously with delivery of such Bonds.

REOFFERING PRICE CERTIFICATE

The successful bidder for the Series B Bonds will be required to confirm to the State, by a certificate satisfactory to the State in form and substance and dated the date of and delivered simultaneously with delivery of the Series B Bonds, the reoffering prices to the public (excluding bond houses, brokers or similar persons or organization acting in the capacity of underwriters or wholesalers) at which a substantial amount (i.e. at least 10%) of the Series B Bonds of each maturity were sold and the maturities of the Series B Bonds less than 10% of which were sold to the public, if any.

PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT

The Preliminary Official Statement comprises the "deemed final" Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission and, when amended to reflect, among other things, the actual amount of the Bonds sold, the interest rates specified by the successful bidders and the prices or yields at which the successful bidders will reoffer the Bonds to the public, will constitute a "Final Official Statement" (as defined in Rule 15c2-12) with respect to the Bonds. No more than seven business days after the date of the sale, the State will provide without cost to the successful bidder for the Series B Bonds up to 150 copies of the final Official Statement and to the successful bidder for the Series C Bonds up to 150 copies of the final Official Statement. If Bonds are awarded to a syndicate, the State will deliver final Official Statements only to the entity submitting the successful bid, which shall be responsible for distributing copies of the final Official Statement among the participating underwriters.

The State will deliver to the purchasers of the Bonds certificates of officials of the State, dated the date of delivery of the Bonds, stating that as of the sale date and at the time the Bonds are delivered, (i) the information and statements, including financial statements, of or pertaining to the State contained in the Official Statement were and are correct in all material respects; (ii) insofar as the State and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) insofar as the descriptions and statements, including financial data, of or pertaining to other governmental bodies, nongovernmental bodies, and their respective activities contained in the Official Statement are concerned, such descriptions, statements, and data have been obtained from sources believed by the State to be reliable, and the State has no reason to believe that they are untrue or incomplete in any material respect.

DELIVERY AND PAYMENT

Delivery of the Bonds will be made by the State to DTC in book-entry only form, in New York, New York, on or about the Delivery Date shown in the Bidding Parameters Tables, or such other date agreed upon by the State and the successful bidder. Payment for Bonds must be made in Federal Funds or other funds immediately available to the State at the time of delivery of such Bonds. Any expenses incurred in providing immediate funds, whether by transfer of Federal Funds or otherwise, will be borne by the purchaser. The cost of printing Bonds, if any, will be borne by the State.

CUSIP NUMBERS

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the purchasers thereof to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The successful bidder will be responsible for applying for and obtaining CUSIP numbers for the Bonds promptly upon award of the bid. Subject to the foregoing, successful bidders may obtain a single CUSIP number for each maturity of all the Series B Bonds and the Series C Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and will be paid for by the successful bidder.

BLUE SKY

The State has not taken any action relating to the requirements of the securities or "blue sky" laws of any jurisdiction with respect to the offer and sale of the Bonds. Certain jurisdictions may have filing requirements which must be satisfied prior to any offer or sale of the Bonds.

CONTINUING DISCLOSURE

In order to assist bidders in complying with Rule 15c2-12, the State will execute and deliver a written Continuing Disclosure Undertaking to provide annual financial information, operating data and notices of certain events. A description of the Continuing Disclosure Undertaking is set forth in the Preliminary Official Statement and will be set forth in the final Official Statement. Execution and delivery of the Continuing Disclosure Undertaking will be a condition precedent to the obligation of the successful bidder to take up and pay for the Bonds.

LEGAL OPINIONS

The legal opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the State, with respect to the Bonds of each series will be furnished in reasonable quantity to the successful bidders for such Bonds without cost to the successful bidder for the respective series. For the proposed forms of such opinions, see the Preliminary Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained from either the Director of Bond Finance of the State or the State's Financial Advisor. See the Contacts page of this Notice of Sale.

STATE OF TENNESSEE

By: *Justin P. Wilson*
Comptroller of the Treasury and Secretary of the State Funding Board, State of Tennessee

2016 REFUNDING TRUST AGREEMENT

between

**STATE OF TENNESSEE
ACTING BY AND THROUGH THE
STATE FUNDING BOARD OF THE
STATE OF TENNESSEE**

and

REGIONS BANK

Dated as of August 25, 2016

**State of Tennessee
General Obligation Bonds
2016 Refunding Series B
and
2016 Refunding Series C (Federally Taxable)**

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2016 REFUNDING TRUST AGREEMENT
State of Tennessee
General Obligation Bonds
2016 Refunding Series B
and
2016 Refunding Series C (Federally Taxable)

This 2016 Refunding Trust Agreement (the **"Agreement"**) dated and effective as of August 25, 2016, between the STATE OF TENNESSEE (the **"State"**), acting by and through the STATE FUNDING BOARD OF THE STATE OF TENNESSEE (the **"State Funding Board"**), and REGIONS BANK (the **"Refunding Trustee"**).

W I T N E S S E T H:

WHEREAS, pursuant to a resolution adopted by the Funding Board on June 30, 2008, including as a part thereof the Series Certificate dated September 4, 2008, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2008 Series B (Federally Taxable) (the **"2008B Prior Bonds"**);

WHEREAS, pursuant to a resolution adopted by the Funding Board on October 20, 2009, including as a part thereof the Series Certificate dated December 16, 2009, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2009 Series D (Federally Taxable) (the **"2009D Prior Bonds"**);

WHEREAS, pursuant to a resolution adopted by the Funding Board on September 20, 2010, including as a part thereof the Series Certificate dated October 27, 2010, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2010 Series A (the **"2010A Prior Bonds"**);

WHEREAS, pursuant to a resolution adopted by the Funding Board on September 8, 2011, including as a part thereof the Series Certificate dated October 26, 2011, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2011 Series A (the **"2011A Prior Bonds"** and, collectively with the 2008B Prior Bonds, the 2009D Prior Bonds and the 2010A Prior Bonds, the **"Prior Bonds"**); and

WHEREAS, pursuant to a resolution adopted by the members of the Funding Board on June 9, 2016, including as a part thereof the Series Certificate dated August 25, 2016, authorized thereby (collectively, the **"Resolution"**), the Funding Board has determined to refund the outstanding Prior Bonds described in Exhibit A hereto (the **"Refunded Bonds"**), has authorized the taking of such actions as shall be necessary and sufficient to cause the Refunded Bonds to be refunded and redeemed on their respective redemption dates in advance of maturity and has authorized the issuance and sale of $190,285,000 aggregate principal amount of General Obligation Bonds, 2016 Refunding Series B, and General Obligation Bonds, 2016 Refunding Series C (Federally Taxable) (collectively, the **"Refunding Bonds"**), for such purposes;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the State, acting by and through the Funding Board, and the Refunding Trustee agree as follows:

SECTION 1. Pledge of Bond Proceeds and Other Funds. To provide for the payment of (i) the respective redemption prices on the respective redemption dates of the Refunded Bonds as set forth in Section 8 hereof and (ii) the interest on the Refunded Bonds due on and prior to their respective redemption dates (the aggregate of such payments required for the purposes of clauses (i) and (ii) above being herein collectively referred to as the **"Defeasance Requirements"**) the State hereby irrevocably deposits with the Refunding Trustee, in trust for the benefit and security of the holders of the Refunded Bonds, and irrevocably pledges and sets aside exclusively for such payment, subject to the terms and conditions hereinafter set forth, the amount of $225,574,202.29 in immediately available funds derived from the proceeds of sale of the Refunding Bonds. The Refunding Trustee acknowledges receipt of such amount, which shall be deposited by the Refunding Trustee in the Refunding Trust Fund hereinafter referred to, and invested and applied in the manner and for the purposes hereinafter set forth.

SECTION 2. Establishment of Refunding Trust Fund; Deposit of Cash and Purchase of Eligible Securities. (a) There is hereby created and established with the Refunding Trustee a special and irrevocable trust fund designated the "State of Tennessee General Obligation Bonds, 2016 Refunding Trust Fund" (the **"Refunding Trust Fund"**), to be held in the custody of the Refunding Trustee as a trust fund, separate and apart from all other funds of the State or of the Refunding Trustee, for the benefit of the holders of the Refunded Bonds.

(b) The State hereby directs the Refunding Trustee to (i) purchase, and the Refunding Trustee agrees to purchase, on August 25, 2016, from Daiwa Capital Markets America Inc., Wells Fargo Securities LLC and BB&T Securities LLC, with $205,258,330.24 of the amount specified in Section 1 hereof, the Eligible Securities (defined in subsection (d) below) described in Exhibit B hereto as "TNote", (ii) to purchase, and the Refunding Trustee agrees to purchase, on August 25, 2016, from the United States Treasury, with $20,178,903.00 of the amount specified in Section 1 hereto, the Eligible Securities described in Exhibit B hereto as "SLGS", and (iii) retain initially uninvested, as cash, $136,969.05 of the amount specified in Section 1 hereof, and to deposit such Eligible Securities and cash in the Refunding Trust Fund.

(c) The Eligible Securities described in subsection (b) above, and any Eligible Securities purchased pursuant to Section 4 hereof, are herein referred to collectively as the **"Refunding Securities"**.

(d) The term **"Eligible Securities"** as used herein shall mean and include bonds, notes and treasury bills of the United States, which obligations and, in the case of any Separate Trading of Registered Interest and Principal of Securities (STRIPs), the bonds underlying such obligations, are non-callable and not prepayable, and shall exclude mutual funds or unit investment trusts holding such obligations.

(e) The Refunding Trustee hereby acknowledges and certifies that the Refunding Securities referred to in Section 2(b) hereof have been acquired and are on deposit in the Refunding Trust Fund, and the Refunding Trustee may conclusively assume that such

Refunding Securities (including those purchased pursuant to Section 4 below) are Eligible Securities.

(f) All moneys and securities on deposit in trust in the Refunding Trust Fund shall be applied to and used solely for the payment of the Defeasance Requirements of the Refunded Bonds, subject to the provisions hereof permitting the investment, reinvestment and sale of moneys and securities and payments to the State to the extent not required for such purpose. Amounts earned on the moneys and securities in the Refunding Trust Fund shall be retained therein until applied in accordance with this Agreement.

SECTION 3. Adequacy of Amounts in Refunding Trust Fund; Additional Payments if Necessary. The State and the Refunding Trustee hereby acknowledge receipt from Robert Thomas CPA, LLC, of a verification report, and hereby agree solely in reliance thereon, that the Refunding Securities deposited in the Refunding Trust Fund mature (without regard to any reinvestment thereof) in such amounts and at such times as are necessary and sufficient, together with other moneys held in the Refunding Trust Fund, to pay the Defeasance Requirements of the Refunded Bonds.

The State shall deposit in the Refunding Trust Fund any amounts that may be necessary, for any reason (including but not limited to non-payment or non-timely payment under any Refunding Securities), to pay the Defeasance Requirements as and when due.

SECTION 4. Substitution of Refunding Securities (a) At the written direction of the Secretary or Assistant Secretary of the Funding Board, (1) any Refunding Securities may be sold, and (2) the maturing principal of or interest on any Refunding Securities or any other moneys on deposit in the Refunding Trust Fund may be invested or reinvested in Eligible Securities; provided, however, that concurrently with such written direction, the State shall provide the Refunding Trustee with (i) a report of a certified public accountant or financial analyst, or firm of either thereof, concluding that upon such sale, investment or reinvestment, there will remain on deposit in the Refunding Trust Fund, Refunding Securities (if any) that mature as to principal and interest (without regard to any earnings upon reinvestment of the principal thereof or upon reinvestment of investment earnings thereon) in such amounts and at such times as are necessary and sufficient, together with any moneys on deposit in the Refunding Trust Fund, to make full payment, as and when due, of the respective Defeasance Requirements payable after such sale, investment or reinvestment, which report shall set forth in reasonable detail the calculations underlying such conclusion, and (ii) an unqualified opinion of nationally recognized bond counsel to the effect that such investment or reinvestment (1) will not adversely affect the exclusion of interest on any Refunding Bond from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder, and (2) is authorized or permitted by this Agreement (which opinion may rely without further investigation on the conclusions contained in the report required by clause (i) above).

(b) Any reinvestment authorized by this Section 4 shall be accomplished by sale, transfer, request for redemption or other disposition of all or a portion of the Refunding Securities then held in the Refunding Trust Fund, if applicable, with the proceeds thereof, together with (if applicable) other moneys in the Refunding Trust Fund, being applied to the purchase of Eligible Securities, all as specified in the written direction hereinabove provided for.

(c) Upon the purchase of any Eligible Securities pursuant to this Section, such Eligible Securities shall be deemed to constitute Refunding Securities for all purposes of this Agreement, except as the context shall otherwise require.

SECTION 5. Evidence of Transactions. (a) The Refunding Trustee shall deliver to the State Funding Board a copy of the document(s) evidencing each transaction relating to the Refunding Trust Fund as soon as practicable after each transaction occurs.

(b) On or before the fifteenth day of each calendar month, the Refunding Trustee shall deliver to the Funding Board a report of the financial condition of the Refunding Trust Fund as of the end of, and an operating statement for the Refunding Trust Fund for, the immediately preceding calendar month.

SECTION 6. Refunding Trustee as Paying Agent; Payment of Defeasance Requirements on Refunded Bonds. (a) The Refunding Trustee acknowledges receipt of a copy of the Resolution which, among other things, appoints the Refunding Trustee as an additional paying agent for the Refunded Bonds. Regions Bank, as Refunding Trustee, hereby accepts such appointment.

(b) On the redemption and interest payment dates for the Refunded Bonds, the Refunding Trustee, as the Paying Agent for the Refunded Bonds, shall apply sufficient moneys from the matured principal of and, if necessary, interest on the Refunding Securities or moneys held in the Refunding Trust Fund to the payment of the respective Defeasance Requirements for the respective Refunded Bonds becoming due on such dates, as provided by the terms of the Refunded Bonds, specimens of which are attached hereto in Exhibit E.

SECTION 7. Irrevocable Deposit; Express Lien. The deposit of moneys and Refunding Securities in the Refunding Trust Fund as provided in this Agreement shall constitute an irrevocable deposit in trust solely for the payment of the respective Defeasance Requirements pursuant to the terms of the Resolution and of this Agreement, subject to the provisions hereof permitting reinvestment or substitution of securities and payment to the State of amounts not required for the purposes hereof. The registered owners of the Refunded Bonds shall have an express lien on the principal of and interest on the Refunding Securities, and on any moneys, on deposit in the Refunding Trust Fund, until the proceeds thereof are paid out, used or applied in accordance with this Agreement.

SECTION 8. Redemption; Notices of Redemption and Refunding. (a) The Refunding Trustee hereby acknowledges receipt of a certified copy of the Resolution and certified copies of the resolutions referred to in the first four (4) preambles hereto. The Resolution, among other things, calls the Refunded Bonds for redemption as follows:

(i) the 2008B Refunded Bonds on September 1, 2018, at a redemption price equal to 100.0% of their principal amount,

(ii) the 2009D Refunded Bonds on May 1, 2019, at a redemption price equal to 100.0% of their principal amount,

(iii) the 2010A Refunded Bonds on May 1, 2018, at a redemption price equal to 100.0% of their principal amount, and

(iv) the 2011A Refunded Bonds on October 1, 2021, at a redemption price equal to 100.0% of their principal amount,

in each case together with accrued interest to the redemption date. Pursuant to the Resolution, such designations for redemption are irrevocable upon the issuance of the Refunding Bonds.

(b) Notice of redemption of the Refunded Bonds shall be given by the State Funding Board in the manner and at the times prescribed by the respective resolutions authorizing the issuance of the Refunded Bonds and in the respective forms set forth in Exhibit C hereto. The Refunding Trustee agrees to act as agent of the State Funding Board for the purpose of giving, and shall give, such notices of redemption as aforesaid, and also will promptly (but in any case within ten (10) business days of giving the respective notice as aforesaid) file each of such notices with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system pursuant to Securities and Exchange Commission Rule 15c2-12.

(c) The State Funding Board shall cause notice in substantially the form set forth in Exhibit D hereto to be given in the same manner as the respective notices of redemption are to be given pursuant to the respective resolutions authorizing the Refunded Bonds, as soon as practicable after the issuance of the Refunding Bonds to each registered owner of Refunded Bonds. The Refunding Trustee agrees to act as agent of the State Funding Board for the purpose of giving, and shall give, such notices as aforesaid, and also will promptly (but in any case within ten (10) business days of mailing such notices) file each of such notices with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system pursuant to Securities and Exchange Commission Rule 15c2-12.

SECTION 9. Excess Moneys; Termination. (a) Upon written direction to the Refunding Trustee (upon which the Refunding Trustee may conclusively rely) given on behalf of the State Funding Board, all amounts on deposit in the Refunding Trust Fund which are not required for the payment of the respective Defeasance Requirements shall be paid to the State. Such excess amounts shall be used and applied to any of the purposes provided by the Resolution for the use and application of proceeds of the bonds authorized thereby.

(b) This Agreement shall terminate with respect to each Refunded Bond when all Defeasance Requirements for such Refunded Bond have been paid or provided for by the Refunding Trustee, as the Paying Agent for the Refunded Bonds, on their respective redemption date as provided by Section 8 hereof.

SECTION 10. Incorporation by Reference. The applicable and necessary provisions of the Resolution and the resolutions authorizing the Refunded Bonds are incorporated herein by reference.

SECTION 11. Arbitrage and Tax Covenants. Any other provision of this Agreement to the contrary notwithstanding, the State hereby covenants that it will not use, or permit the use of, any proceeds of the Refunding Bonds, if any, or of moneys or funds held by the Refunding Trustee under this Agreement, or any moneys that may be deemed to be proceeds of the Refunding Bonds pursuant to Section 103 or Section 148 of the Code or Section 103 of the Internal Revenue Code of 1954, in a manner that would cause any of the Refunding Bonds to be subjected to treatment under said Section 148 as an "arbitrage bond", and to that end the State shall comply with such regulations adopted under Section 103 and Section 148. The State further covenants that it will not take any action that will cause the interest on the Refunding Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes under Sections 103 and 141 through 150 of the Code or Section 103 of the Internal Revenue Code of 1954.

SECTION 12. Benefit of Agreement; Amendments. (a) This Agreement is made for the benefit of the State and the registered owners from time to time of the Refunded Bonds. This Agreement shall not be repealed, revoked, altered or amended without the written consent of all such owners and the written consent of the Refunding Trustee; provided, however, that the State, acting by and through the State Funding Board, and the Refunding Trustee may, without the consent of, or notice to, such owners, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

1. to cure any ambiguity or defect or omission in this Agreement;

2. to grant to, or confer upon, the Refunding Trustee for the benefit of such owners any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Refunding Trustee; or

3. to subject to this Agreement additional funds, securities or properties.

(b) The Refunding Trustee shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 12, including (i) the extent, if any, to which any change, modification or addition affects the rights of the registered owners of the Refunded Bonds, (ii) the extent, if any, to which any instrument executed hereunder complies with the conditions and provisions of this Section 12 and (iii) that such supplemental agreement does not affect the tax-exempt status of any of the Refunded Bonds.

SECTION 13. Obligations and Liabilities of the Refunding Trustee. The Refunding Trustee may construe any of the provisions of this Agreement which may appear to it to be ambiguous or inconsistent with any other provisions hereof. Any construction of any provisions hereof by the Refunding Trustee in good faith shall be binding on the parties hereto. The Refunding Trustee may consult with counsel with respect to any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and, except as expressly provided herein, shall not be liable for any action taken, suffered or omitted by the Refunding Trustee in good faith upon the advice of such counsel. The Refunding Trustee may act through agents and attorneys appointed with due care, following reasonable advance written notice to the

State other than as contemplated by Sections 8(b) and (c) hereof, and shall not be responsible for any willful misconduct or negligence on the part of any such person so appointed. Any payment obligation of the Refunding Trustee hereunder shall be paid from, and is limited to, funds available hereunder; the Refunding Trustee shall not be required to expend its own funds for the performance of its duties hereunder. The Refunding Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Refunding Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

The Refunding Trustee shall act as agent for the State under this Agreement and shall hold all moneys in trust for the benefit of the holders of the Refunded Bonds as herein provided. In the performance by the Refunding Trustee of its duties as agent hereunder the Refunding Trustee shall take and perform only such actions as are specifically provided to be taken or performed by the express provisions of this Agreement and the Refunding Trustee shall have no implied duties or obligations hereunder. The Refunding Trustee shall not be liable for any action taken or neglected to be taken in performing or attempting to perform its obligations hereunder, other than for its gross negligence or willful misconduct. Notwithstanding any provision herein to the contrary, in no event shall the Refunding Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Refunding Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 14. Refunding Trustee Fees and Expenses. In consideration for its services hereunder, the State shall pay the Refunding Trustee, upon delivery of and payment for the Refunding Bonds, fees as described in a separate fee schedule proposed by the Refunding Trustee and accepted by the State, as amended from time to time, and upon written request of Refunding Trustee, reimburse the Refunding Trustee for its costs and expenses, including reasonable attorney's fees costs and expenses, incurred by the Refunding Trustee in connection with the performance of its duties hereunder, all as agreed to between the State and the Refunding Trustee in such fee schedule, as the same may be supplemented and amended. The State also shall pay the Refunding Trustee for any extraordinary services or expenses performed or incurred by the Trustee in connection with its duties under this Agreement if notified in writing prior to the performance of those services or the incurring of those expenses so as to allow the State to appropriate sufficient funds for their payment.

SECTION 15. Severability. (a) If any one or more of the covenants or agreements provided in this Agreement on the part of the State, the State Funding Board or the Refunding Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Agreement and the invalidity thereof shall in no way affect the validity of other provisions of this Agreement or of the Refunded Bonds and the registered owners of the Refunded Bonds shall retain all the rights and benefits accorded them hereunder and under applicable provisions of law.

(b) If any provision of this Agreement shall be held or deemed to be or shall, if fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever.

SECTION 16. Law and Place of Enforcement. This Agreement shall be construed and interpreted in accordance with the laws of the State without regard to conflict of law principles.

SECTION 17. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 18. Section Headings. The headings of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Agreement.

[Balance of Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, the parties have each executed or caused to be executed this Agreement by their duly authorized officers.

REGIONS BANK

By:____________________
Name: Wallace L. Duke
Title: Senior Vice President

FUNDING BOARD OF THE STATE OF TENNESSEE

By:____________________
Name: Justin P. Wilson
Title: Secretary

[Signature Page of 2016 Refunding Trust Agreement]

EXHIBIT A

REFUNDED BONDS

General Obligation Bonds, 2008 Series B (Federally Taxable)
(the "2008B Refunded Bonds")

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP Number*
2020	$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	3,060,000	5.700	880541 KU0
	$6,890,000		

General Obligation Bonds, 2009 Series D (Federally Taxable)
(the "2009D Refunded Bonds")

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	19,505,000	5.589	880541 NR4
	$26,200,000		

General Obligation Bonds, 2010 Series A
(the "2010A Refunded Bonds")

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2024	$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	9,325,000	3.625	880541 PM3
	$46,625,000		

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Exhibit.

General Obligation Bonds, 2011 Series A
(the "2011A Refunded Bonds")

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	12,770,000	5.000	880541 RT6
	$114,930,000		

EXHIBIT B

INITIAL REFUNDING SECURITIES

Type of Security	Maturity Date	Par Amount	Rate	Yield	Price	Cost	Accrued Interest	Total Cost
SLGS	10/01/2016	$ 1,623,424	0.270%					$1,623,424.00
SLGS	11/01/2016	1,091,187	0.300					1,091,187.00
SLGS	03/01/2017	135,809	0.440					135,809.00
SLGS	04/01/2017	1,576,507	0.460					1,576,507.00
SLGS	05/01/2017	1,085,119	0.470					1,085,119.00
SLGS	09/01/2017	136,148	0.540					136,148.00
SLGS	10/01/2017	1,580,859	0.560					1,580,859.00
SLGS	11/01/2017	1,090,357	0.580					1,090,357.00
SLGS	03/01/2018	137,476	0.650					137,476.00
SLGS	04/01/2018	1,585,285	0.670					1,585,285.00
TNote[1]	04/30/2018	47,715,000	0.750	0.759268%	99.984375	$47,707,544.53	$113,776.94	47,821,321.47
TNote[2]	08/31/2018	7,026,000	1.500	0.766848	101.464060	7,128,864.86	50,976.68	7,179,841.54
SLGS	10/01/2018	1,590,596	0.770					1,590,596.00
SLGS	11/01/2018	490,357	0.780					490,357.00
SLGS	04/01/2019	1,596,719	0.820					1,596,719.00
TNote[3]	04/30/2019	26,691,000	1.625	0.843051	102.069000	27,243,236.79	137,897.46	27,381,134.25
SLGS	10/01/2019	1,603,266	0.870					1,603,266.00
SLGS	04/01/2020	1,610,240	0.940					1,610,240.00
SLGS	10/01/2020	1,617,808	1.010					1,617,808.00
SLGS	04/01/2021	1,627,746	1.080					1,627,746.00
TNote[1]	09/30/2021	116,563,000	2.125	1.199676	104.562500	121,881,186.88	994,846.10	122,876,032.98
		$218,173,903				$203,960,833.06	$1,297,497.18	$225,437,233.24

[1] Purchased from Daiwa Capital Markets America Inc.

[2] Purchased from Wells Fargo Securities LLC

[3] Purchased from BB&T Securities LLC

EXHIBIT C-1

Notice of Redemption

To Holders of
State of Tennessee
General Obligation Bonds, 2008 Series B (Federally Taxable)
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2008 Series B (Federally Taxable), dated September 4, 2008, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on September 1, 2018 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP Number*
2020	$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	3,060,000	5.700	880541 KU0
	$6,890,000		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this ____ day of ________, 2018.

STATE OF TENNESSEE
By: [Name]
Secretary, State Funding Board of the
State of Tennessee

EXHIBIT C-2

Notice of Redemption

To Holders of
State of Tennessee
General Obligation Bonds, 2009 Series D (Federally Taxable)
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2009 Series D (Federally Taxable), dated December 16, 2009, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2019 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	19,505,000	5.589	880541 NR4
	$26,200,000		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this ____ day of ________, 2019.

STATE OF TENNESSEE
By: [Name]
Secretary, State Funding Board of the
State of Tennessee

EXHIBIT C-3

Notice of Redemption

To Holders of
State of Tennessee
General Obligation Bonds, 2010 Series A
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2010 Series A, dated October 27, 2010, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2018 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2024	$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	9,325,000	3.625	880541 PM3
	$46,625,000		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this ____ day of ________, 2018.

STATE OF TENNESSEE
By: [Name]
Secretary, State Funding Board of the State of Tennessee

EXHIBIT C-4

Notice of Redemption

To Holders of
State of Tennessee
General Obligation Bonds, 2011 Series A
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2011 Series A, dated October 26, 2011, described above (the "Bonds"), that portions of the Bonds as described in the table below (the "Bonds called for redemption") have been called for redemption on October 1, 2021 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	12,770,000	5.000	880541 RT6
	$114,930,000		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank
Lakeshore Operations Center
Corporate Trust Operations
201 Milan Parkway, 2nd Floor
Birmingham, AL 35211
Toll Free 1-866-512-3479

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this ____ day of ________, 2021.

STATE OF TENNESSEE
By: [Name]
Secretary, State Funding Board of the
State of Tennessee

EXHIBIT D

Notice of Refunding and Financial Defeasance

To the Holders of
State of Tennessee
General Obligation Bonds
Described in the Attachment Hereto

Notice is hereby given to the holders of the outstanding State of Tennessee ("State") General Obligation Bonds described in the attachment hereto (collectively, the "Refunded Bonds") (1) that the Refunded Bonds have been irrevocably called for redemption (notice of which shall be given separately) on their respective redemption dates and at their respective redemption prices as indicated in such attachment; (2) that there has been deposited with Regions Bank, as Refunding Trustee, moneys which, in accordance with the provisions of a resolution adopted by the Funding Board of the State of Tennessee (the "Funding Board") on June 9, 2016, and a 2016 Refunding Trust Agreement dated as of August 25, 2016, between the State, acting by and through the Funding Board, and such Refunding Trustee, will be held as cash or invested in authorized investments (the "Eligible Securities"); and (3) that such cash and the maturing principal of and interest on such Eligible Securities will be sufficient, and will be used, to pay (i) the respective redemption prices payable on the Refunded Bonds on their respective redemption dates and (ii) the interest on the Refunded Bonds through their respective redemption dates.

Dated: August 25, 2016.

STATE OF TENNESSEE
By: Justin P. Wilson
Secretary, Funding Board of the
State of Tennessee

SCHEDULE

Attachment to Notice of Refunding and Financial Defeasance
State of Tennessee
General Obligation Bonds

General Obligation Bonds, 2008 Series B (Federally Taxable)

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP Number*
2020	$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	3,060,000	5.700	880541 KU0
	$6,890,000		

Redemption Date: September 1, 2018
Redemption Price: 100.0%

General Obligation Bonds, 2009 Series D (Federally Taxable)

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	19,505,000	5.589	880541 NR4
	$26,200,000		

Redemption Date: May 1, 2019
Redemption Price: 100.0%

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Notice.

General Obligation Bonds, 2010 Series A

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2024	$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	9,325,000	3.625	880541 PM3
	$46,625,000		

Redemption Date: May 1, 2018
Redemption Price: 100.0%

General Obligation Bonds, 2011 Series A

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	12,770,000	5.000	880541 RT6
	$114,930,000		

Redemption Date: October 1, 2021
Redemption Price: 100.0%

* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Notice.

EXHIBIT E-1

Specimen Refunded Bonds

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is dated and made as of August 25, 2016, by the State of Tennessee (the "State") in connection with the issuance of the State's $175,865,000 aggregate principal amount of General Obligation Bonds, 2016 Series A, $124,900,000 aggregate principal amount of General Obligation Bonds, 2016 Refunding Series B, and $65,385,000 aggregate principal amount of General Obligation Bonds, 2016 Refunding Series C (Federally Taxable) (collectively, the "Bonds"). As authorized by Section 10 of the resolution (the "Bond Resolution") of the Funding Board of the State of Tennessee (the "Funding Board") adopted on June 9, 2016, authorizing the Bonds, the State agrees as follows:

ARTICLE I

Definitions

Section 1.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Annual Financial Information" means (i) updated versions of the following financial information and operating data contained in, or incorporated by reference pursuant to an Appendix to, the Official Statement with respect to the State, for each fiscal year of the State:

- Special Tax Collections
- Total Sales and Use Tax Collections
- Allocation of Sales and Use Tax to Debt Service
- Outstanding General Obligation Bonded Indebtedness
- Long-Term General Obligation Bonded Debt Service by Fiscal Year and Maturity
- Maximum and Actual Principal Amounts of Commercial Paper Outstanding
- Other Post-Employment Benefits
  - Unfunded Actuarial Liability
  - Annual Required Contribution
- Rainy Day Fund Reserve Balance
- Tennessee Consolidated Retirement System
  - Statistical data
  - Tables
- Debt of Certain Agencies and Authorities
  - Tennessee Local Development Authority
  - Tennessee State School Bond Authority
  - Tennessee Housing Development Agency
  - State Veterans' Homes Board

- The statistical data incorporated by reference in Appendix B to the Official Statement, to the extent and in the form presented in the State's most recent Comprehensive Annual Financial Report

and (ii) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information 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 shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements of the State, audited by the Comptroller of the Treasury, Division of State Audit, as now required by State law (or such other auditor as hereafter may be required or permitted by State law). Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the State.

(4) "EMMA" means the MSRB's Electronic Municipal Market Access system or its successor.

(5) "GAAP" means 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.

(6) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b) of the Securities Exchange Act of 1934, as amended, or any successor to the MSRB or the functions of the MSRB contemplated by this Undertaking.

(7) "Notice Event" means any of the following events with respect to the Bonds:

(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 Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes:

(xii) bankruptcy, insolvency, receivership or similar event of the State;

(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 State 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 State, 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 State.)

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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.

(8) "Notice Event Notice" means notice of a Notice Event.

(9) "Official Statement" means the Official Statement dated July 27, 2016, of the State relating to the Bonds.

(10) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE II

The Undertaking

Section 2.1. Purpose. This Undertaking is being executed, delivered and made solely to assist the underwriters of the Bonds in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information. (a) The State shall provide Annual Financial Information with respect to each fiscal year of the State, commencing with the fiscal year ending June 30, 2016, by no later than 7 months after the end of the respective fiscal year, to the MSRB.

(b) The State shall provide, in a timely manner, notice of any failure of the State to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof because not available, the State shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 2.4. Notice Events. (a) If a Notice Event occurs, the State shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, a Notice Event Notice to the MSRB.

(b) Any such notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 2.5. Additional Disclosure Obligations. The State acknowledges and understands that other State and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the State and that, under some circumstances, additional disclosures or other action in addition to those required by this Undertaking may be required to enable the State to fully discharge all of its duties and obligations under such laws.

Section 2.6. Additional Information. Nothing in this Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information or Notice Event Notice, in addition to that which is required by this Undertaking. If the State chooses to do so, the State shall have no obligation under this Undertaking to update such additional information or include it in any future Annual Financial Information or Notice Event Notice.

ARTICLE III

Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the State provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to Notice Event Notices pursuant to Section 2.4 hereof.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Filing with Certain Dissemination Agents or Conduits. The State may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the State under this Undertaking, and revoke or modify any such designation.

Section 3.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current Internet Web address of which is www.emma.msrb.org.

(b) 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.

Section 3.5. Fiscal Year. (a) The State's current fiscal year is July 1 – June 30. The State shall promptly notify the MSRB of each change in its fiscal year.

(b) The State shall provide Annual Financial Information at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

Section 4.1. Effective Date; Termination. (a) This Undertaking shall be effective upon the issuance of the Bonds.

(b) The State's obligations under this Undertaking shall terminate with respect to each Bond upon the legal defeasance, prior redemption or payment in full of such Bond.

(c) This Undertaking, or any provision hereof, shall be null and void in the event that the State (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Undertaking, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 4.2. Amendment. (a) This Undertaking may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such amendment is made 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 State or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the State shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the State shall have received either an opinion of Counsel or a determination by a person, in each case unaffiliated with the State, to the effect that the amendment does not materially impair the interests of the holders of the outstanding Bonds, and (5) the State shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Undertaking may be amended without the consent of the holders of the Bonds if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date hereof which is applicable to this Undertaking, (2) the State shall have received an opinion of Counsel to the effect that performance by the State under this Undertaking as so amended will not result in a violation of the Rule as so amended or officially interpreted and (3) the State shall have delivered copies of such opinion and amendment to the MSRB.

(c) To the extent any amendment to this Undertaking results in a change in the categories or types of financial information or operating data provided pursuant to this Undertaking, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 4.2(a) hereof to the accounting principles to be followed by the State in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 4.3. <u>Contract; Benefit; Third-Party Beneficiaries; Enforcement</u>. (a) The provisions of this Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Undertaking and shall be deemed to be holders of Bonds for purposes of Section 4.3(b) hereof. The provisions of this Undertaking shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the State to comply with the provisions of this Undertaking shall be enforceable by any holder of outstanding Bonds; however, the holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the State's obligations under this Undertaking.

(c) Any failure by the State to perform in accordance with this Undertaking shall not constitute a default or an event of default under the Bond Resolution or State law and shall not result in any acceleration of payment of the Bonds, and the rights and remedies provided by the Bond Resolution and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

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

Section 4.4. <u>Effective Date</u>. This Undertaking shall be effective upon the issuance and delivery by the State of the Bonds.

STATE OF TENNESSEE

By: Sandra Thompson
Sandra Thompson
Assistant Secretary, Funding Board
of the State of Tennessee, *and*
Director, Office of State and Local Finance,
State of Tennessee

February 27, 2018

Ms. Sandi Thompson
Director
Office of State and Local Finance
Tennessee Comptroller of the Treasury
Cordell Hull Building
425 Fifth Avenue North, 4th Floor
Nashville, TN 37243

pfm

530 Oak Court Dr.
Suite 160
Memphis, TN 38117
901.682.8356

pfm.com

Dear Ms. Thompson:

PFM, as Financial Advisor to the State of Tennessee (the "State"), is recommending the State execute a competitive sale for its upcoming General Obligations bond issue which is scheduled to price in April 2018.

Basis for Recommendation

Competitive bond sales can offer several advantages over negotiated sales. A competitive sale typically assures the lowest interest rates. While underwriting firms may attempt to secure the best interest rates for the issuer, different firms have different perceptions of the market and cater to various investor requirements. This is evidenced by the fact that there are seldom two identical bids submitted at a competitive sale. In addition, interest rate differentials in excess of 1/4% between low and high bidders in a competitive sale are not uncommon.

In spite of the advantages of competitive sales, some bond issue structures and certain market factors create conditions in which a negotiated sale may be the preferred sale method. The State should select a method of sale based on a thorough analysis of the relevant rating, security and structure pertaining to the proposed bond issue. The following table outlines the general conditions favoring each method of sale.

Attributes	Competitive Sale	Negotiated Sale	Relevance to the State
Issuer			
Type of Organization	Broad-based, general-purpose government	Special-purpose, independent authority	The State's General Obligation credit lends itself to a Competitive Sale.
Frequency of Issuance	Regular borrower in public market	New or infrequent issuer of debt	The State is a regular borrower in the municipal markets.
Market Awareness	Active secondary market with wide investor base	Little or no institutional base, but growing dealer interest	The State has received favorable investor interest on prior sales.

Credit Quality			
Rating	"A" or better	Below single "A"	The State's strong triple-A credit is expected to be received favorably in the competitive market.
Pledged Revenues	General obligation	Project supported revenues	The State will issue a general obligation bonds.
Security Structure	Conventional resolution and cashflow; rate covenant and coverage	Unusual or weak covenants; subordinated debt	The State will issue under the existing general bond resolution.
Trend	Stable	Improving or under stress	The State has a stable triple-A ratings.
Attributes	**Competitive Sale**	**Negotiated Sale**	**Relevance to the State**
Market Conditions			
Interest Rates	Stable, predictable market	Volatile or declining market	Post tax reform created a volatile January; however February has proven to be more stable.
Demand	Strong investor demand, good liquidity, light forward calendar	Oversold market, heavy supply	The current market for long-term, fixed rate, higher grade paper is strong.
Debt Structure			
Tax Status	Tax-exempt, no concerns	Taxable	The 2018 Bonds will be tax-exempt.
Debt Instrument	Traditional serial and term, full-coupon bonds	Aggressive use of innovative bond structuring, derivative products, swaps, or variable-rate debt instruments	The State plans to sell traditional serial and/or term bonds.

Market Timing

Many proponents of negotiated sales argue that a negotiated sale provides greater flexibility in timing of the bond's offering. In either method of sale, the issuer selects a tentative pricing date and retains the flexibility to change this date, if needed. In a competitive bond sale, the State's Notice of Sale allows the State to cancel or change the pricing date until noon on the day preceding the competitive sale. Given either sale methodology, the process of marketing the bonds should begin one or two weeks prior to the pricing date. Should the municipal market become unsettled or volatile, the State can postpone the bond pricing until a more favorable market exists.

PFM will closely monitor the municipal market as it relates to investor demand and interest rates in order to strike a balance between the State's financial objectives and investor preferences.

PFM's Pricing Group

PFM possesses industry-leading expertise and experience in regard to both competitive and negotiated bond sales. PFM has a dedicated, in-house bond Pricing Group which has been consulted through our evaluation and recommendation of a competitive bond sale to the State.

Debt Management Policy Consideration

A competitive sale process seeks to achieve broad market participation and access and is in compliance with the State's adopted Debt Management Policy.

Other Current Events

The Fed raised its benchmark rate three times in 2017, with expectations being that further increases are expected in 2018. We are continuing to see the effects of the Tax Reform and Jobs Act, which was passed in December 2017. A rush to market in December 2017 was followed by a drop in volume in January 2018. The effects of the decrease in the corporate tax rate on the municipal market are still uncertain. Despite these events, PFM believes that the State's strong General Obligation credit and historical investor demand for triple-A Tennessee paper will lend itself to robust bidder interest and favorable market rate bids through a competitive sales process.

Market Supply

The State is tentatively scheduled to price during the week of April 16, 2018. One of the effects of the Tax Reform and Jobs Act impact has been a reduction in supply due to the loss of tax-exempt advance refundings; since 1990, tax-exempt advance refundings have made up approximately 13-22% of the municipal market. PFM expects the reductino in supply will provide an opportunity to help drive investor demand even higher.

Recommendation

Considering the above, PFM continues to believe that a competitive sale process is optimal for the State's 2018 General Obligations bond issue. We believe that the competitive sale process will encourage the underwriters with whom the State already works to offer their best price while also providing the State with an indication of other investment banking firms that are interested in doing business with the State of Tennessee.

As reference materials, we have attached as Appendix A, a list of deals in Tennessee and other State issuers who have accessed the municipal market through a competitive process within the last two months.

We would be happy to provide additional insight or to discuss further. Please call if you have any questions (901) 682-8356.

We appreciate the opportunity to serve the State of Tennessee and value our relationship. We look forward to continued successful financings in the future.

Sincerely,

Lauren S. Lowe
Managing Director
PFM Financial Advisors LLC

Nick Yatsula
Senior Managing Consultant
PFM Financial Advisors LLC

Competitive Sale Results
1/1/2018 – 2/27/18
Appendix A

Tennessee Issuer	# of Bids	Moody's/S&P/Fitch
City of Rockwood	6	NR/AA/NR
Putnam County	10	Aa2/NR/NR
DeKalb County	5	A1/AA/NR
Clay County	5	A3/AA/NR
McNairy County	6	NR/AA/NR
Anderson County	8	Aa2/NR/NR

State Issuer	# of Bids	Moody's/S&P/Fitch
Massachusetts	8	Aa1/AA/AA+
Massachusetts	9	Aa1/AA/AA+
Ohio	11	Aa1/AA+/AA+
Ohio	12	Aa1/AA+/AA+
Ohio	12	Aa1/AA+/AA+

State of Tennessee General Obligation Bonds Refunding Opportunties Maturity by Maturity Savings Analysis Summary														
						Base Case			Plus 25 bps			Plus 50 bps		
Series	Maturity	Par	Coupon	Call Date	Arbitrage	$ PV savings	% PV Savings	Option Value %	$ PV savings	% PV Savings	Option Value %	$ PV savings	% PV Savings	Option Value %
Series 2010B	8/1/2019	7,645,000	3.0%	8/1/2018	-	33,316	0.4%	116.3%	9,361	0.1%	70.7%	(14,519)	-0.2%	100.5%
Series 2010B	8/1/2020	7,535,000	3.0%	8/1/2018	-	114,667	1.5%	106.0%	72,397	1.0%	99.3%	30,345	0.4%	102.1%
Series 2010B	8/1/2021	7,415,000	3.0%	8/1/2018	-	170,523	2.3%	105.2%	110,833	1.5%	103.0%	51,788	0.7%	103.3%
Series 2010B	8/1/2022	7,310,000	3.5%	8/1/2018	-	334,774	4.6%	100.6%	257,978	3.5%	100.4%	182,104	2.5%	101.2%
Series 2010B	8/1/2023	7,230,000	4.0%	8/1/2018	-	557,753	7.7%	101.1%	463,688	6.4%	100.9%	370,890	5.1%	101.2%
		37,135,000				1,211,033	3.3%		914,257	2.5%		620,608	1.7%	

Note: the Series 2010B Bonds become currently callable as of 5/3/2018

(1) MMD AAA G.O. Scale plus 0.12 % as of 2/16/18.
(2) State and Local Government Series (SLGS) rates as of 2/16/18.
(3) Present Value Savings as of 5/4/18.
(4) PV Savings as a percentage of Refunded Par.
(5) Call date on refunding bonds is 08/01/2028.

January 18, 2018

pfm

530 Oak Court Drive
Suite 160
Memphis, TN 38117
901.682.8356

pfm.com

Ms. Sandi Thompson
State of Tennessee
Cordell Hull Building
425 Fifth Avenue N
Nashville, TN 37243

Re: Notice of Assignment of Contract for Financial Advisory Services

Dear Ms. Thompson:

This letter is to inform you that we are pleased to offer the same great financial advisory services pursuant to that certain agreement between State of Tennessee and Public Financial Management, Inc. (“PFMI”) through our affiliated company PFM Financial Advisors LLC (“PFMFA”), a municipal advisor registered with the SEC and MSRB. Delivery of our services will not be impacted as current financial advisory personnel will continue to provide services to you under PFMFA.

Please sign this letter to acknowledge your consent and return it to Lauren Lowe, Managing Director at lowel@pfm.com. In all other respects the agreement is ratified, and the terms and conditions remain in full force and effect.

We appreciate your assistance and look forward to our continued service to State of Tennessee. Thank you in advance for your prompt attention to this matter.

Sincerely,

Lauren S. Lowe

Lauren S. Lowe, Managing Director

[Acknowledgment and Consent:

___________________________________]
Signature

___________________________________]
Print name, Title