

TENNESSEE STATE FUNDING BOARD
AUGUST 9, 2019
AGENDA

1. Call meeting to order
2. Consideration for approval of State Funding Board minutes from the June 27, 2019, meeting
3. Consideration and approval of a “Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$694,477.65 and Canceling Authorized Bonds”
4. Consideration and approval of a “Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$7,000,000 and Canceling Authorized Bonds”
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. Report on the State of Tennessee General Obligation Commercial Paper and Bond Indebtedness
7. Adjourn meeting

TENNESSEE STATE FUNDING BOARD

June 27, 2019

The Tennessee State Funding Board (the “Board”) met on Thursday, June 27, 2019, at 10:55 a.m., in the Cordell Hull Building, 1st Floor, House Hearing Room II, Nashville, Tennessee. The Honorable David Lillard, State Treasurer, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
Commissioner Stuart McWhorter, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor
The Honorable Justin Wilson, Comptroller of the Treasury

Seeing a physical quorum present, Mr. Lillard called the meeting to order and barring any further comment, asked approval of the minutes from the May 9, 2019 meeting. Mr. Hargett made a motion to approve the minutes. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Lillard recognized Mr. Bob Rolfe, Commissioner of Tennessee Department of Economic and Community Development (“ECD”), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, 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, the FastTrack balance was \$209,360,605.25. Since that time, \$2,366,187.76 of funds had been appropriated as a result of interest earnings from December of 2018 through April of 2019 and \$626,009.41 in funds had been deobligated and returned to the FastTrack program; \$612,585.37 of funds had been transferred from FastTrack to the Department of Agriculture for a biofuels project originally appropriated in 2007, but currently unused; \$11,887,900 in new loans had been approved; and \$95,033.40 in funds were spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$199,757,283.65 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$186,542,799.17, resulting in an uncommitted FastTrack balance of \$13,214,484.48. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$12,923,500.00, and if these projects were approved, the uncommitted balance would be \$290,984.48 and the total committed balance would be \$199,466,299.17, which represented 99.9% of the FastTrack balance.

Mr. Lillard, without objection from the Board, requested that the projects be presented all at one time and Mr. Rolfe agreed. Mr. Rolfe then presented the following FastTrack projects:

- **Ebm-papst, Inc. – Johnson City (Washington County)**
FastTrack Economic Development Grant \$ 800,000
- **SmileDirectClub, LLC/Access Dental Lab, LLC – Nashville & Antioch (Davidson County)**
FastTrack Economic Development Grant \$ 3,500,000
FastTrack Job Training Assistance \$ 6,550,000

- **Western Express, Inc. – Nashville (Davidson County)**
FastTrack Economic Development Grant \$ 1,300,000
- **Pilot.com, Inc. – Nashville (Davidson County)**
FastTrack Job Training Assistance \$ 773,500

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

Mr. Lillard then recognized Mr. Trent Ridley, Chief Financial Officer of the Tennessee Housing Development Agency (“THDA”), who presented for consideration and approval the THDA’s Schedule of Financing (the “Schedule”) for fiscal year 2019-2020. Mr. Ridley related to the Board that THDA was required to present the Schedule pursuant to Section 13-23-120(e)(1), Tennessee Code Annotated. Mr. Ridley stated that the Schedule was previously approved by THDA’s Bond Finance Committee and Board of Directors. Mr. Ridley reported that the Schedule reflected a total of \$475,000,000 in bonds to be issued in fiscal year 2019-2020, which included \$30,000,000 in refunding bonds. Mr. Ridley further reported that this past year was a record year for THDA with approximately \$630,000,000 in commitments, which included \$597,000,000 in home purchases. Mr. Ridley stated that as of May 31, 2019, THDA’s total debt was \$2,400,000,000, which included \$158,000,000 issued with the State of Tennessee’s moral obligation. Mr. McWhorter moved approval of the Schedule. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then brought forth before the Board a “Resolution Making Findings for Decrease in Special Revenues” which was presented pursuant to Section 9-9-104(b), Tennessee Code Annotated. Mr. Lillard then recognized Ms. Sandra Thompson, Director of the Office of State and Local Finance (“OSLF”) and Assistant Secretary to the Board, to present the Resolution for consideration. Ms. Thompson stated that the State had covenanted with bond holders that it would not decrease the Special Tax revenues that have been pledged for the payment of principal and interest on its debt unless the Board shall certify the following by resolution as required by TCA Section 9-9-104(b): . (1) all payments due pursuant to Tennessee Code Annotated Title 9, Chapter 9 have been made in full; (2) the State is not in default in the payment of any outstanding debt; and (3) fees and taxes pledged pursuant to TCA Section 9-9-104 will be sufficient to provide funds adequate to meet all payments required to be made by the Board in FY 2019.. Mr. McWhorter moved for adoption of the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson who presented a letter from the Chief Investment Officer of the Tennessee Consolidated Retirement System (“TCRS”) addressed to the Secretary of the Board affirming that TCRS does not plan to terminate its contract prior to July 1, 2020, to serve as a standby purchaser under the State’s commercial paper program. . Ms. Thompson stated that the Board had received in their packets a draft letter from the Secretary of the Board to the Chief Investment Officer of the TCRS affirming that the Board also does not plan to terminate the contract prior to July 1, 2020. . Ms. Thompson requested approval to submit the letter to TCRS. Mr. Hargett made a motion to accept the letter from TCRS and authorized the Comptroller to notify TCRS on behalf of the Board. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Mr. Tim McClure, Assistant Chief Investment Officer, Department of Treasury, and Michael Brakebill, Chief Investment Officer, TCRS, to present revisions to the State Pooled Investment Fund Investment Policy (the “Investment Policy”) for consideration. Mr. McClure stated that staff recommended changing the policy benchmark from the three month day United States Treasury Bill to the Blackrock Treasury Strategies Institutional Fund (“Blackrock”). Mr. McClure further stated that in everyday practice Blackrock and its predecessor had been used by staff as the State Pooled Investment Fund (“SPIF”) benchmark for many years. Mr. McClure explained that Blackrock was directly managed and had very similar parameters and guidelines to the SPIF which provided for a better comparison. Mr. McClure then presented amendments to the Investment Policy to add additional investment procedures for trade management and performance reporting used daily by staff; a section detailing the existing conflicts of interest policy for investment staff not previously mentioned in the Investment Policy; and amended language detailing the State Treasurer’s authorization to approve exceptions to the Investment Policy for furtherance of compliance or when deemed in the best interest of the participants. Mr. McWhorter made a motion to approve the revised and restated Investment Policy. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then made a motion to reconsider the previous action of the Board with respect to the TCRS letter of affirmation of the Standby Commercial Paper Agreement. Mr. Hargett seconded the motion, and it was approved. Mr. Lillard stated that the prior motion should have been more expansive. Mr. Hargett made a motion to approve the acceptance of the letter from TCRS and authorize the Comptroller to notify TCRS on behalf of the Board and to send an executed letter to TCRS affirming the Board would not terminate the contract. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present a Report from the Comptroller’s Office on Requests of Plans of Balloon Indebtedness (the “Report”). Ms. Thompson stated that the OSLF periodically reports to the Board on requests received from municipalities for approval to issue balloon indebtedness pursuant to TCA Section 9-21-134.. Ms. Thompson further stated that the Report, enclosed in the packet, included all requests received since the last Report to the Board in early 2015. Ms. Thompson reported that the requests had been declining over time from twenty-six in fiscal year 2016 to seven in fiscal year 2019. No further action was necessary.

Mr. Lillard then recognized Ms. Ann Butterworth, Assistant to the Comptroller for Public Finance, to present the Board Guidelines for Securities and Exchange Commission (“SEC”) Disclosures of Financial Obligations and Events of Default by Public Entities (the “Disclosure Guidelines”) for public hearing and approval. Ms. Butterworth stated that revised Disclosure Guidelines promoted transparency in accordance with the SEC Rule 15c2-12 and in compliance with Chapter 6, Public Acts of 2019. Ms. Butterworth further stated that the Board had directed staff at the April 11, 2019, meeting to issue the proposed Disclosure Guidelines for public comment and report the results to the Board following a thirty-day comment period. Ms. Butterworth reported that the proposed Disclosure Guidelines were posted from May 17, 2019 to June 17, 2019, and one set of comments were received from Bass, Berry & Sims PLC. Ms. Butterworth further reported that many of those comments, requesting greater clarity, were reflected along with staff suggestions in the revised Disclosure Guidelines. Ms. Butterworth noted that the revised Disclosure Guidelines gave the Comptroller the authority to determine the format of the required reporting and that the reporting form was to be finalized shortly. Ms. Butterworth stated that staff recommended approval of the revised Disclosure Guidelines. Mr. Hargett made a motion to approve the revised Disclosure Guidelines as presented by staff effective June 27, 2019. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval an amended Board Debt Management Policy (the "Policy"). Ms. Thompson stated that newly enacted Chapter 6, Public Acts of 2019 was proposed in response to changes in SEC Rule 15c2-12 that became effective February 27, 2019. Ms. Thompson further stated that staff to the Board had revised the Policy to reflect these changes and include the two additional events that are required to be disclosed under SEC Rule 15c2-12. Ms. Thompson explained that the two additional events requiring disclosure were incurrence of a financial obligation and events reflecting financial difficulty, which increased the number reportable events from fourteen to sixteen. Ms. Thompson stated that staff to the Board requested approval of the revisions to the Policy. Mr. Lillard moved to approve the revisions to the Policy. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval a "Resolution Authorizing and Providing for the Issuance and Sale of General Obligation Bonds of the State of Tennessee" (the "Resolution") and delegation of authority to the Comptroller to sell and fix the details of the bonds. Ms. Thompson stated that the bond sale was scheduled for late August or early September. Ms. Thompson further stated that prior to submittal of the Resolution for approval, in accordance with the Board's Policy, the Director of OSLF presented to the staff members of the Board information concerning the purpose of the financing, the proposed structure of the financing, the source of payment pledged to the financing, proposed method of sale, all members of the proposed financing team, and an estimate of the cost of the proposed financing.

Ms. Thompson explained that the Resolution provides the following information regarding the transaction:

- It was determined that it may be beneficial to the Board to issue new money bonds to repay/refund commercial paper and to fund project costs in an amount not to exceed \$150,000,000;
- The bonds shall be issued pursuant to 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.
- It may also be advisable that the State also issue a series of current refunding bonds to refund, or refinance bonds that are currently outstanding that, depending on market conditions, if refunded, may accomplish cost savings that would be in the best financial interests of the Board and accomplishes cost savings to the public.
- The current refunding bonds shall not be issued unless the issuance meets the parameters as outlined in the Board's debt management policy;
- Proposed structure - the structure of the financing would be 20 yr., level principal; may be issued as Tax-Exempt or Taxable; (will be issuing Tax-Exempt)
- Proposed method of sale - Bonds may be sold through competitive or negotiated sale; with the preferred method being competitive sale.
- A recommendation letter has been provided by the Board's financial advisor, PFM Financial Advisors, LLC, and states that it would be in the best interest of the Board to sell its bonds competitively.
- Interest cost - the True Interest Cost (TIC) of the bonds shall not exceed 5% for tax-exempt bonds and 6% for taxable bonds

Ms. Thompson explained that the following documents are provided in conjunction with the proposed bond transaction and are referenced in the Resolution:

- Official Statement (from last GO Bond Sale, Series 2018). A draft of Preliminary Official Statement shall be distributed to the members of the Funding Board prior to publication and distribution;
- A Form of the Notice of Sale is provided (for competitive sale);
- A Bond Purchase Agreement (from GO Series 2016)
- Continuing Disclosure Undertaking in substantive form (from 2018 transaction), to be executed solely to assist the underwriters of the Bonds in complying Rule 15c2-12;
- A recommendation letter from the Board's financial Advisor, PFM Financial Advisors, LLC

Mr. Lillard made a motion to approve the Resolution that authorizes and provides for the issuance and sale of the state's general obligation bonds, and delegates the authority to fix the details, and carry out the sale, of the bonds; and to sell the bonds through a competitive sale based on recommendation of PFM, the Board's financial advisor. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval a "Resolution Allocating Funds to Defray a Portion of the Cost of Highway Bridge Construction Projects and Canceling Authorized Bonds". Ms. Thompson stated that the resolution canceled authorized bonds for bridge construction in the amount of \$29,100,000.00 and was to be effective June 27, 2019. Mr. McWhorter made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval a "Resolution Certifying and Authorizing the Allocation of Funds to the Sinking Fund for the 2019-2020 Fiscal Year" to be effective July 1, 2019. Ms. Thompson stated the resolution certified the amount of taxes and fees to be deposited into the sinking fund to cover the debt service expenses for fiscal year 2019-2020. Mr. Hargett made a motion to approve the resolution. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval a "Resolution Allocating Funds to Defray a Portion of the Cost of Highway Construction Projects and to Cancel Authorized Bonds" to be effective July 1, 2019. Ms. Thompson explained that this resolution canceled bonds for highway construction projects in the amount of \$75,000,000.00. Mr. Hargett made a motion to approve the resolution. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Lillard then recognized Ms. Thompson to present for consideration and approval a "Resolution Authorizing the Issuance of General Obligation Bonds of the State of Tennessee" to be effective July 1, 2019. Ms. Thompson stated that this resolution was based on the Public Acts of 2019, Chapter 0403 (the "Bond Bill"), which provided to the Department of Transportation \$124,000,000.00 for highway construction projects. Ms. Thompson stated that the State's current practice was to fund highway projects with cash and not issue the bonds. Ms. Thompson further stated that the authorization was utilized to facilitate contracts with the highway construction firms. Mr. Hargett made a motion to approve the resolution. Mr. McWhorter seconded the motion, and it was unanimously approved.

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

Approved on this _____ day of _____ 2019.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

**RESOLUTION ALLOCATING FROM THE DEBT SERVICE
FUND TO THE CAPITAL PROJECTS FUND \$694,477.65
AND CANCELING AUTHORIZED BONDS**

Recitals

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 591, Public Acts of Tennessee, 2007 (the "2007 Act"), to issue and sell its general obligation bonds in an amount not to exceed Two Hundred Ninety-Five Million Dollars and no cents (\$295,000,000.00) of which Seven Million Dollars and no cents (\$7,000,000.00) is allocated pursuant to Section 4(3) of the 2007 Act (the "Item 3 Bonds") to the Department of Finance and Administration, to provide funds for acquisition of sites and existing structures for expansion purposes for the Tennessee Board of Regents on behalf of the University of Memphis (the "UM").

The State Funding Board has previously canceled Three Million, Three Hundred Eighty Thousand, Four Hundred Sixteen Dollars and Ninety-Seven Cents (\$3,380,416.97) of the Item 3 Bonds. None of the remaining Three Million, One Hundred Sixty-Nine Thousand, Five Hundred Eighty-Three Dollars and Three Cents (\$3,169,583.03) principal amount of the Item 3 Bonds has been issued as 2007 Act Bonds but cash has been expended from the Capital Projects Fund.

By memorandum dated July 30, 2019, the Commissioner of Finance and Administration notified the State Funding Board that UM has paid Six Hundred Ninety-Four Thousand, Four Hundred Seventy-Seven Dollars and Sixty-Five Cents (\$694,477.65) into the Debt Service Fund in accordance with an agreement between UM and the State Funding Board and recommended that: (1) a like amount should be allocated to the Capital Projects Fund and (2) a like amount of general obligation bonds effective in the fiscal year ending June 30, 2019 be canceled.

Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2007 Act, Item 3 Bonds has been financed in part with current funds and Six Hundred Ninety-Four Thousand, Four Hundred Seventy-Seven Dollars and Sixty-Five Cents (\$694,477.65) is no longer needed to fund such authorized project.
2. Six Hundred Ninety-Four Thousand, Four Hundred Seventy-Seven Dollars and Sixty-Five Cents (\$694,477.65) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205, is allocated from the Debt Service Fund to the Capital Projects Fund to defray the cost of a portion of the Item 3 Bonds.
3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated July 30, 2019, the State Funding Board hereby cancels Six Hundred Ninety-Four Thousand, Four Hundred Seventy-Seven Dollars and Sixty-Five Cents (\$694,477.) of the principal amount authorized by the 2007 Act for the Item 3 Bonds.
4. This resolution shall be retroactively effective as of June 30, 2019 and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on August 9, 2019.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

**RESOLUTION ALLOCATING FROM THE DEBT SERVICE FUND TO
THE CAPITAL PROJECTS FUND \$7,000,000.00 AND CANCELING
AUTHORIZED BONDS**

RECITALS

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 1024, Public Acts of Tennessee, 2012 (the “2012 Act”), to issue and sell its general obligation bonds in an amount not to exceed Three Hundred Eighty-One Million, Nine Hundred Thousand Dollars and no cents (\$381,900,000.00) of which Seventy Million Dollars and no cents (\$70,000,000.00) is allocated pursuant to Section 4(3) of the 2012 Act (the “2012 Interop Com System Bonds”) to the Department of Finance and Administration for the purpose of acquisition and implementation of an interoperable communication system upgrade.

The Funding Board has previously canceled Forty-Nine Million Dollars and no cents (\$49,000,000.00) of the 2012 Interop Com System Bonds; none of the remaining Twenty-One Million Dollars and no cents (\$21,000,000.00) of the 2012 Interop Com System Bonds principal amount authorized has been issued as 2012 Interop Com System Bonds but bond anticipation notes in the form of commercial paper have been issued.

Section 6, Item 10 of Chapter 405, Public Acts of Tennessee, 2019 (the “2019 Appropriation Act”) appropriates to the Funding Board the sum of Seven Million Dollars and no cents (\$7,000,000.00) to cancel a like amount of unissued 2012 Interop Com System Bonds.

By memorandum dated July 30, 2019, the Commissioner of Finance and Administration recommended that the Funding Board proceed with canceling Seven Million Dollars and no cents (\$7,000,000.00) of the unissued 2012 Interop Com System Bonds.

Be It Resolved By the Funding Board of the State of Tennessee:

1. The project authorized to be financed by the 2012 Interop Com System Bonds has been financed in part with commercial paper and the commercial paper has been retired in whole or in part without the issuance of bonds and Seven Million Dollars and no cents (\$7,000,000.00) is no longer needed to fund such authorized project.
2. Seven Million Dollars and no cents (\$7,000,000.00), in accordance with the authority provided by Tennessee Code Annotated Section 9-9-208, is allocated from the Debt Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2012 Interop Com System Act Bonds.

3. In accordance with authority provide by Tennessee Code Annotated Section 9-9-208, the 2019 Appropriation Act and the memorandum from the Commissioner of Finance and Administration dated July 30, 2019, the Funding Board hereby cancels Seven Million Dollars and no cents (\$7,000,000.00) of the principal amount of the 2012 Interop Com System Bonds.

4. This resolution shall be effective as of August 9, 2019 and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on August 9, 2019.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

**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, June 22, 2017, and July 17, 2018, 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 Funding Board's Debt Management Policy (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 \$150,000,000, (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. Sale and Issuance of Bonds; Preliminary Official Statement; Final Official Statement. (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) If Sold by Competitive Sale:

(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, 2018 Series A and 2018 Refunding Series B, 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) If Sold by Negotiated Sale:

(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: Barclays Capital Inc.; BofA Securities, Inc. (aka BofA Merrill Lynch); Citigroup Global Markets Inc.; FTN Financial Capital Markets, JPMorgan Securities LLC; Morgan Stanley & Co., LLC; Piper Jaffray & Co.; PNC

Capital Markets LLC; Raymond James & Associates, Inc.; UBS Financial Services Inc.; 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 Escrow Agreement executed and delivered in connection with the issuance of the State’s General Obligation Bonds, 2018 Refunding Series B, 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 State's financial advisor in the case of Bonds sold by competitive sale, or the Purchasers in the case of Bonds sold by negotiated sale, shall be responsible for timely applying for the CUSIP identification numbers as required by Rule G-34 promulgated by the Municipal Securities Rulemaking Board.

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, 2018 Series A and 2018 Refunding Series B, 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 (including the

addition of two additional “Notice Events” required by the amendments to Securities and Exchange Commission Rule 15c2-12 for continuing disclosure undertakings entered into on or after February 27, 2019), 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. Repeal of Prior Authorizing Resolution. Adoption of this Authorizing Resolution by the Funding Board shall, without any further action of the Funding Board, automatically repeal the Authorizing Resolution adopted by the Funding Board on June 27, 2019 entitled “A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION BONDS OF THE STATE OF TENNESSEE.”

SECTION 18. Effectiveness of this Resolution. This Resolution shall be in full force and effect from and after its passage.

Adopted this _____ day of August, 2019.

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

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
 2019 [REFUNDING] SERIES __ [(FEDERALLY TAXABLE)]

Registered R19__-[maturity]-[number] Registered \$ _____

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
_____, 2019	_____%	_____, ____	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 August ____, 2019, including as a part thereof a Series Certificate executed and delivered on _____, 2019 (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.

REFUNDING ESCROW AGREEMENT

between

**STATE OF TENNESSEE,
ACTING BY AND THROUGH THE
STATE FUNDING BOARD OF THE
STATE OF TENNESSEE**

and

**STATE TREASURER
OF THE STATE OF TENNESSEE**

Dated as of May 3, 2018

**State of Tennessee
General Obligation Bonds
2018 Refunding Series B**

REFUNDING ESCROW AGREEMENT
State of Tennessee
General Obligation Bonds
2018 Refunding Series B

This Refunding Escrow Agreement (the “**Agreement**”) dated and effective as of May 3, 2018, 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 the STATE TREASURER OF THE STATE OF TENNESSEE (the “**Refunding Escrow Agent**”).

W I T N E S S E T H:

WHEREAS, pursuant to a resolution adopted by the State 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 Refunding Series B (the “**Prior Bonds**”); and

WHEREAS, pursuant to a resolution adopted by the members of the State Funding Board on March 2, 2018, including as a part thereof the Series Certificate dated May 3, 2018, authorized thereby (collectively, the “**Refunding Resolution**”), the State Funding Board has determined to refund all of 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 redemption date in advance of maturity and has authorized the issuance and sale of \$35,415,000 aggregate principal amount of General Obligation Bonds, 2018 Refunding Series B (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 State Funding Board, and the Refunding Escrow Agent agree as follows:

SECTION 1. Deposit and Pledge of Bond Proceeds and Other Funds. To provide for the payment of (i) the redemption price on the redemption date of the Refunded Bonds as set forth in Section 8 hereof and (ii) the interest on the Refunded Bonds due on their redemption date (the aggregate of such payments required for the purposes of clauses (i) and (ii) above being herein referred to collectively as the “**Defeasance Requirements**”), the State hereby irrevocably deposits with the Refunding Escrow Agent, and the Refunding Escrow Agent hereby acknowledges receipt of, the initial amount of \$37,586,117.00 in immediately available funds derived from the proceeds of sale of the Refunding Bonds. Such initial amount, and any additional amounts deposited with the Refunding Escrow Agent pursuant to Section 3 or Section 12 hereof, shall be held by the Refunding Escrow Agent for the benefit and security of the holders of the Refunded Bonds, are hereby irrevocably pledged and set aside exclusively for payment of the Defeasance Requirements, subject to the terms and conditions hereinafter set forth, and shall be deposited by the Refunding Escrow Agent in the Refunding Escrow Fund

hereinafter referred to and invested and applied in the manner and for the purposes hereinafter set forth.

SECTION 2. Establishment of Refunding Escrow Fund: Deposit of Cash and Purchase of Eligible Securities. (a) There is hereby created and established with the Refunding Escrow Agent a special and irrevocable fund designated the “State of Tennessee General Obligation Bonds, 2018 Series B, Refunding Escrow Fund” (the “**Refunding Escrow Fund**”) to be held in the custody of the Refunding Escrow Agent for the benefit of the holders of the Refunded Bonds. The Refunding Escrow Fund may be held by the Refunding Escrow Agent as part of a commingled fund for custody and investment purposes, but the Refunding Escrow Fund shall be accounted for separately.

(b) The State hereby directs the Refunding Escrow Agent to purchase, and the Refunding Escrow Agent agrees to purchase, on May 3, 2018, from the United States Treasury, with all of the \$37,586,117.00 specified in Section 1 hereto, the Eligible Securities described in Exhibit B hereto and to deposit such Eligible Securities in the Refunding Escrow 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 Escrow Agent 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 Escrow Fund, and that such Refunding Securities are Eligible Securities.

(f) All moneys and securities on deposit in the Refunding Escrow 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 Escrow Fund shall be retained therein until applied in accordance with this Agreement.

SECTION 3. Adequacy of Amounts in Refunding Escrow Fund: Additional Payments if Necessary. The State and the Refunding Escrow Agent hereby agree that the Refunding Securities mature (without regard to any reinvestment thereof) in such principal amounts and at such time as is necessary and sufficient, together with other moneys held in the Refunding Escrow Fund, to pay the Defeasance Requirements of the Refunded Bonds.

The State shall deposit with the Refunding Escrow Agent pursuant to Section 1 hereof 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 State 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 Escrow Fund may be invested or reinvested in Eligible Securities 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 time as are necessary and sufficient, together with any moneys on deposit in the Refunding Escrow Fund, to make full payment, as and when due, of the Defeasance Requirements of the Refunded Bonds payable after such sale, investment or reinvestment,

(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 Escrow Fund, if applicable, with the proceeds thereof, together with (if applicable) other moneys in the Refunding Escrow Fund, being applied simultaneously 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. The Refunding Escrow Agent shall deliver to the State Funding Board a copy of the document(s) evidencing each transaction relating to the Refunding Escrow Fund as soon as practicable after each transaction occurs.

SECTION 6. Payment of Defeasance Requirements of Refunded Bonds. On the redemption and interest payment date for the Refunded Bonds, the Refunding Escrow Agent, as the Paying Agent for the Refunded Bonds, shall apply sufficient moneys from the matured principal of and interest on the Refunding Securities or moneys held in the Refunding Escrow Fund to the payment of the Defeasance Requirements of the Refunded Bonds becoming due on such date, as provided by the terms of the Refunded Bonds.

SECTION 7. Irrevocable Deposit; Express Lien. The deposit of moneys and Refunding Securities in the Refunding Escrow Fund as provided in this Agreement shall constitute an irrevocable deposit solely for the payment of the Defeasance Requirements pursuant to the terms of the Refunding 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 Escrow 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 Escrow Agent hereby acknowledges receipt of a certified copy of the Refunding Resolution and a certified copy of the resolution referred to in the first preamble hereto. The Refunding Resolution, among other things, calls the Refunded Bonds for redemption on

August 1, 2018, at a redemption price equal to 100.0% of their principal amount together with accrued interest to the redemption date. Pursuant to the Refunding Resolution, such designation for redemption is irrevocable upon the issuance of the Refunding Bonds.

(b) Notice of redemption of the Refunded Bonds shall be given by the State Funding Board by first class mail and otherwise in the manner and at the time prescribed by the resolution authorizing the issuance of the Refunded Bonds and in the form set forth as Exhibit C hereto.

(c) The State Funding Board shall mail or cause to be mailed, in the same manner as notice of redemption is to be mailed pursuant to the resolution authorizing the Refunded Bonds, a notice in substantially the form set forth as Exhibit D hereto, as soon as practicable after the issuance of the Refunding Bonds, to each registered owner of Refunded Bonds.

(d) The State Funding Board also agrees to file or caused to be filed each of the notices referred to in subsections (b) and (c) above with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system, promptly (but in any case within ten (10) business days of the giving or mailing of the respective notices), pursuant to Securities and Exchange Commission Rule 15c2-12.

SECTION 9. Excess Moneys; Termination. (a) Upon written direction to the Refunding Escrow Agent (upon which the Refunding Escrow Agent may conclusively rely) given by or on behalf of the State Funding Board, all amounts on deposit in the Refunding Escrow Fund which are not required for the payment of the Defeasance Requirements of the Refunded Bonds, if any, shall be paid to or upon the order of the State Funding Board to pay, or reimburse the prior payment of, costs of issuance of the Refunding Bonds and of the payment of the Refunded Bonds.

(b) This Agreement shall terminate with respect to the Refunded Bonds when all Defeasance Requirements of the Refunded Bonds have been paid or provided for by the Refunding Escrow Agent, as the Paying Agent for the Refunded Bonds, on their redemption date as provided by Section 8 hereof.

SECTION 10. Incorporation by Reference. The applicable and necessary provisions of the Refunding Resolution and of the resolution 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 Escrow Agent 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 1986, as amended, 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 1986, as amended.

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 Escrow Agent; provided, however, that the State, acting by and through the State Funding Board, and the Refunding Escrow Agent 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 Escrow Agent 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 Escrow Agent; or
3. to deposit additional amounts with the Refunding Escrow Agent pursuant to Section 1 hereof.

(b) The Refunding Escrow Agent 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. Performance by Refunding Escrow Agent. In the performance by the Refunding Escrow Agent of its duties as agent under this Agreement, the Refunding Escrow Agent 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 Escrow Agent shall have no implied duties or obligations hereunder.

SECTION 14. 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 Escrow Agent 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, in 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 15. 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 16. 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.

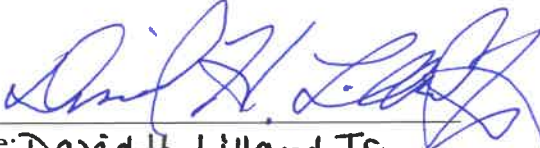
SECTION 17. Section Headings. The headings of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Agreement.

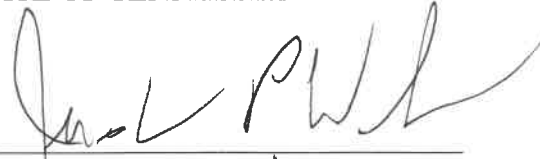
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IN WITNESS WHEREOF, the parties have each executed or caused to be executed this Agreement by their duly authorized officers.

STATE TREASURER OF THE
STATE OF TENNESSEE

STATE FUNDING BOARD OF THE
STATE OF TENNESSEE

By: 
Name: David H. Lillard Jr.
Title: Tennessee State Treasurer

By: 
Name: Justin P. Wilson
Title: Secretary

[Signature Page of Refunding Escrow Agreement]

EXHIBIT A

REFUNDED BONDS

General Obligation Bonds, 2010 Refunding Series B

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number*</u>
2019	\$ 7,645,000	3.00%	880541 PP6
2020	7,535,000	3.00	880541 PQ4
2021	7,415,000	3.00	880541 PR2
2022	7,310,000	3.50	880541 PS0
2023	<u>7,230,000</u>	4.00	880541 PT8
	\$37,135,000		

* 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 Escrow Agent and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Escrow Agent, 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.

EXHIBIT B

INITIAL REFUNDING SECURITIES

All U.S. Treasury Securities – State and Local Government Series

Type of Security	Maturity Date	Par Amount	Rate	Cost	Accrued Interest	Total Cost
Certificate	08/01/2018	\$37,586,117	1.730%	\$37,586,117.00	\$0	\$37,586,117.00
		\$37,586,117		\$37,586,117.00	\$0	\$37,586,117.00

EXHIBIT C

Notice of Redemption

To the Holders of
State of Tennessee
General Obligation Bonds
2010 Refunding Series B
Described Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2010 Refunding Series B, dated as of October 27, 2010 (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on August 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.

<u>Maturity Date</u> (August 1)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP</u> <u>Number*</u>
2019	\$ 7,645,000	3.00%	880541 PP6
2020	7,535,000	3.00	880541 PQ4
2021	7,415,000	3.00	880541 PR2
2022	7,310,000	3.50	880541 PS0
2023	<u>7,230,000</u>	4.00	880541 PT8
	\$37,135,000		

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. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for Redemption.

The Redemption Price, and interest due on the Redemption Date, 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 the State Treasurer of the State of Tennessee, as the paying agent for the Bonds called for Redemption, 1st Floor, State Capitol Building, Nashville, TN 37243.

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. Owners of Bonds called for Redemption who

* 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 Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Bonds to be redeemed or as indicated in this Notice.

wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their Bonds for payment.

Dated this ____ day of May, 2018.

STATE OF TENNESSEE

By: Justin P. Wilson

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
2010 Refunding Series B
Described Below

Notice is hereby given to the holders of the outstanding State of Tennessee General Obligation Bonds, 2010 Refunding Series B, dated October 1, 2010 (the "Bonds"), (1) that the Bonds described below (the "Refunded Bonds") have been irrevocably called for redemption (notice of which shall be given respectively) on their redemption date of August 1, 2018, and at their redemption price of 100.0% of the principal amount thereof; (2) that there has been deposited with the State Treasurer of the State of Tennessee, as Refunding Escrow Agent, moneys which, in accordance with the provisions of a resolution adopted by the State Funding Board of the State of Tennessee on March 2, 2018, and a Refunding Escrow Agreement dated as of May 3, 2018, between the State, acting by and through the Funding Board, and such Refunding Escrow Agent, 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 redemption price payable on the Refunded Bonds on their redemption date and (ii) the interest on the Refunded Bonds through their redemption date.

<u>Maturity Date (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2019	\$ 7,645,000	3.00%	880541 PP6
2020	7,535,000	3.00	880541 PQ4
2021	7,415,000	3.00	880541 PR2
2022	7,310,000	3.50	880541 PS0
2023	<u>7,230,000</u>	4.00	880541 PT8
	<u>\$37,135,000</u>		

Dated: May __, 2018.

STATE OF TENNESSEE
By: Justin P. Wilson
Secretary, Funding Board of the
State of Tennessee

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State of Tennessee
General Obligation Debt Program

As of June 30, 2019

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Commercial Paper Outstanding	\$65,263,000	\$172,133,000	\$237,396,000
	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Bonds Outstanding	\$222,610,000	\$1,516,005,000	\$1,738,615,000

State of Tennessee
General Obligation Commercial Paper Program

Analysis for the period July 1, 2018 to June 30, 2019

	<u>Taxable</u>	<u>Tax -Exempt</u>
Average Daily Balance	\$54,446,014	\$131,747,850
Interest Rate	2.25 - 2.85%	1.35 - 1.90%
Weighted Average Yield	2.52%	1.77%

Expenses for FY19

Commercial Paper Interest	\$3,037,214
Standby Purchase Agreement Fee	\$1,225,000
Dealer Services Fee	\$ 93,097
Issuing & Paying Agent Fee	\$ 3,000
Rating Fees	\$ 10,000