



JASON E. MUMPOWER  
*Comptroller*

## TENNESSEE STATE FUNDING BOARD

May 24, 2021

### AGENDA

1. Call meeting to order
2. Consideration for approval of minutes from the April 20, 2021, meeting
3. Report from the Department of Economic and Community Development for approval of funding for the following FastTrack projects:
  - **Hydro-Gear Limited Partnership – Huntingdon (Carroll Co.)**  
FastTrack Economic Development Grant \$3,000,000
  - **JC Ford Co – Columbia (Maury Co.)**  
FastTrack Economic Development Grant \$1,000,000
4. Consideration for approval of a “Resolution Authorizing Amended and Restated Standby Commercial Paper Purchase Agreement”
5. Consideration for 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. Consideration for approval of the City of Memphis to issue revenue bonds to be paid from Tourism Development Zone Revenues
7. Discussion of the interest rate environment and the investment of State Pooled Investment Fund (SPIF) and Local Government Investment Pool (LGIP) funds
8. Adjourn

**TENNESSEE STATE FUNDING BOARD**  
**April 20, 2021**

The Tennessee State Funding Board (the “Board”) met on Tuesday, April 20, 2021, at 2:00 p.m., via Webex Events with certain members being physically present in the Tennessee State Capitol, Executive Conference Room, Ground Floor, Nashville, Tennessee. Interested members of the public were only able to observe and listen to the meeting through electronic means. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also physically present:

The Honorable Tre Hargett, Secretary of State  
The Honorable David Lillard, State Treasurer  
Commissioner Butch Eley, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Having established that a physical quorum was present, Mr. Mumpower called the meeting to order and presented the minutes from the meeting held on March 22, 2021, for consideration and approval. Mr. Hargett made a motion to approve the minutes, and Mr. Lillard seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Bob Rolfe, Commissioner of the 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 March 22, 2021, Board meeting, the FastTrack balance was \$225,575,823.14. Since that time, \$3,487,000.00 in new grants and loans had been approved and \$186,529.31 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$221,902,293.83 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$206,763,178.08, resulting in an uncommitted FastTrack balance of \$15,139,115.75. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$2,570,000.00, and if these projects were approved, the uncommitted balance would be \$12,569,115.75 and the total committed balance would be \$209,333,178.08, which represented 94.3% of the FastTrack balance.

Mr. Rolfe then presented the following FastTrack projects:

- **MCP TN, LLC – Somerville (Fayette Co.)**  
FastTrack Economic Development Grant \$ 900,000
  
- **LG Electronics USA Inc – Clarksville (Montgomery Co.)**  
FastTrack Job Training Assistance \$ 1,670,000

The board member packets included letters and FastTrack checklists signed by Commissioner Rolfe, and incentive acceptance forms signed by company representatives. Mr. Mumpower inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. Rolfe responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. Rolfe responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protections for the state in the event the entity could not fulfill the agreement, and Mr. Rolfe responded affirmatively. Mr. Hargett made a motion to approve the FastTrack projects that were presented, and Mr. Lillard seconded the motion. The motion was unanimously approved.

Mr. Hargett then asked if there was anything that could be shared publicly regarding the Oracle North Bank development. Mr. Rolfe responded that the project was one that ECD had been working on for over two years and that Nashville Mayor John Cooper had issued a press release on the details of the project. Mr. Rolfe further stated that the project was awaiting approval from the Nashville Metropolitan Council. Mr. Rolfe then stated that Oracle would be investing approximately \$1.3 billion on the 60-acre area with part of those dollars invested in infrastructure consisting of roads, sewers, sidewalks, parks, and greenspaces. Mr. Rolfe further stated that Oracle was requesting to pay \$175 million upfront for the infrastructure in return for future property tax forgiveness. Mr. Rolfe stated that the area currently generates \$500,000 in annual property taxes but that would increase to approximately \$10,000,000 once the site was fully developed. Mr. Rolfe further stated that Oracle was proposing that half of the \$10,000,000 be returned to them until the infrastructure costs were recaptured. Mr. Rolfe then stated that there would be no risk to the city and that, if approved, the development would be transformational for the state, based on ECD's return on investment analysis.

Mr. Mumpower then recognized Mr. Rolfe to present a report on the Memphis Regional Megasite (the "Megasite") (formerly West Tennessee Megasite) project. Mr. Rolfe presented an update on the Megasite highlighting the following items:

- The Megasite covers an area of 4,000 acres adjacent to Interstate 40 between the cities of Memphis and Jackson
- The Megasite project had received \$175 million in funding over approximately the last 10 years for development of the site, with \$75 million unspent at the time of the meeting
- There is a proposed budget request for an additional \$15 million in funding
- Permits and easements had been obtained over the last two years to build a 37-mile wastewater pipeline to the Mississippi River
- At the request of Governor Lee, the Department of General Services contracted with Gresham Smith to perform a Strength, Weaknesses, Opportunities, and Threats (SWOT) analysis on the site prior to investing in additional infrastructure
- The site has been marketed to companies across the globe but there were no tenants at the time
- ECD reported that the Megasite had 30 different showings to potential tenants over ten years
- There is a company currently interested in the Megasite that has requested a standstill agreement while analyzing the site for their needs
- Challenges to the Megasite included the lack of infrastructure and wastewater discharge in the industrial park as well as other competing megasites available within the region

Further discussion on the Megasite ensued related to recruiting tenants: 1) lack of investment in infrastructure, 2) various issues needing to be addressed with regard to wastewater discharge, and 3) other weaknesses ECD has identified with marketing the Megasite. Board members also discussed the

population of working age individuals in the area to staff potential Megasite tenants. After requesting other business and hearing none, Mr. Mumpower adjourned the meeting.

Approved on this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Respectfully submitted,

Sandra Thompson  
Assistant Secretary

## FastTrack Report to State Funding Board

5/19/2021

1. Previous FastTrack Balance, as of Last Report	221,902,293.83	
2. + New Appropriations:	95,149,162.37	
3. + Newly Deobligated Funds:	770,000.00	
4. + Funds Transferred to FastTrack:	0.00	
5. - Funds Transferred from FastTrack:	0.00	
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(3,625,000.00)	
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(2,366,500.00)	
8. - FastTrack Administration	(156,512.34)	
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		311,673,443.86

10. Total Amount of Commitments: 293,582,665.74

11. Uncommitted FastTrack: 18,090,778.12

12. Percentage Committed: 94.2%

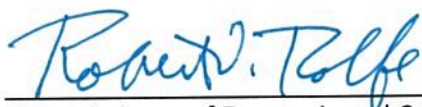
13. Amount of Proposed Grants or Loans: 4,000,000.00

14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved: 14,090,778.12

15. Percentage Committed: 95.5%

See next page for explanations of the above questions.

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



Date: 5/20/21

Commissioner of Economic and Community Development



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Lee  
Governor

May 24, 2021

Comptroller Jason Mumpower  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Mumpower:

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

### **1. Hydro-Gear Limited Partnership – Huntingdon (Carroll County)**

Hydro-Gear was founded 30 years ago in Sullivan, Illinois as a joint venture with the initial focus of producing transmissions for outdoor power equipment manufacturers. Today, the company designs and manufactures precision drives including hydrostatic transmissions, transaxles, gear reduction drives, displacement pumps, wheel motors and electric drive systems for various markets.

The auto part manufacturer will open its fourth location, with the newest manufacturing facility locating in Carroll County. The company also recently opened a head office in Williamson County.

Hydro-Gear Limited Partnership has committed to create 375 net new jobs and make a \$10,000,000 capital investment within five (5) years. The company will have an average hourly wage of \$16.14 for the new positions.

FastTrack Economic Development Grant Funds will help offset expenses such as building improvements and new construction. **(\$3,000,000)**



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Lee  
Governor

**Total FastTrack funds for this project - \$3,000,000**

### **2. JC Ford Co – Columbia (Maury County)**

Family-owned and operated, JC Ford was founded nearly 80 years ago. The company is a leading manufacturer in high-speed corn tortilla production equipment with production ranging from 1,000 to 8,000 dozen per hour.

JC Ford also manufactures tortilla chip production lines, ranging from 250 pounds per hour to a completely automated 4,000 pounds per hour system. The company works with clients offering customized options for layout, design, equipment, product development and service to fit each client's needs while maximizing resources and product quality. The automated equipment manufacturer will renovate two existing facilities in Maury County.

JC Ford Co has committed to create 210 net new jobs and make a \$10,500,000 capital investment within five (5) years. The company will have an average hourly wage of \$24.46 for the new positions.

FastTrack Economic Development Grant Funds will help offset expenses such as building retrofit, building improvements, building expansion, fixture improvements and new construction.  
**(\$1,000,000)**

**Total FastTrack funds for this project - \$1,000,000**

Sincerely,

Bob Rolfe

BR/js

## State Funding Board FastTrack Checklist

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

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

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	<b>Industrial Development Board of the Town of Huntingdon</b>	<b>\$3,000,000</b>	
<b>TOTAL</b>		<b>\$3,000,000</b>	

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

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Hydro-Gear Limited Partnership

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

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  Yes  No  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

### Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

### Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.



**TRAINING**

7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

**Applicant must answer "Yes" to a or b.**

12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

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

  
\_\_\_\_\_  
Commissioner of Economic and Community Development

  
\_\_\_\_\_  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Lee  
Governor

April 7, 2021

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Hydro-Gear Limited Partnership intends, in good faith, to create 375 private sector jobs in Huntingdon, Carroll County and make a capital investment of \$10,000,000 in exchange for incentives that will be memorialized in a grant agreement between Hydro-Gear Limited Partnership and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 3,000,000
<b>Total ECD Commitment:</b>	<b>\$ 3,000,000</b>

Please sign your name in the space below to signify Hydro-Gear Limited Partnership's acceptance of ECD's offer set forth above and return it by July 6, 2021 to:

Tennessee Department of Economic and Community Development  
Attn: Joey Viola  
312 Rosa Parks Avenue, 27th Floor  
Nashville, TN 37243  
Joey.Viola@tn.gov

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

Signature:

Authorized Representative of Company)  
PRESIDENT/CEO  
HYDRO-GEAR LIMITED PARTNERSHIP

Date: 4-15-2021



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Lee  
Governor

May 24, 2021

Comptroller Jason Mumpower  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Mumpower:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Industrial Development Board of the Town of Huntingdon for the benefit of Hydro-Gear Limited Partnership in the amount of \$3,000,000 to offset the costs Hydro-Gear Limited Partnership will incur in building improvements and new construction. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on this Tier 4, At-Risk community due to the number of jobs and capital investment. Hydro-Gear Limited Partnership has committed to create 375 net new jobs and make a \$10,000,000 capital investment within five (5) years. The company will have an average hourly wage of \$16.14 for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert Rolfe".

Bob Rolfe

BR/js

## State Funding Board FastTrack Checklist

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

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

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	<b>Industrial Development Board of the City of Columbia</b>	<b>\$1,000,000</b>	
<b>TOTAL</b>		<b>\$1,000,000</b>	

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

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): \_\_\_\_\_ **JC Ford Co**

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

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  Yes  No  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

### Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

### Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
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- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

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

Robert Kolf  
Commissioner of Economic and Community Development

5/20/21  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Lee  
Governor

December 14, 2020

**INCENTIVE ACCEPTANCE FORM**

This form serves as notice that JC FORD CO intends, in good faith, to create 210 private sector jobs in Columbia, Maury County and make a capital investment of \$10,500,000 in exchange for incentives that will be memorialized in a grant agreement between JC FORD CO and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

**ECD OFFER SUMMARY**

FastTrack Economic Development Grant:	\$ 1,000,000
<b>Total ECD Commitment:</b>	<b>\$ 1,000,000</b>

Please sign your name in the space below to signify JC FORD CO's acceptance of ECD's offer set forth above and return it by March 14, 2021 to:

Tennessee Department of Economic and Community Development  
Attn: Joey Viola  
312 Rosa Parks Avenue, 27th Floor  
Nashville, TN 37243  
Joey.Viola@tn.gov

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

Signature: \_\_\_\_\_  
(Authorized Representative of Company)

Date: 1/14/2021



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Lee  
Governor

May 24, 2021

Comptroller Jason Mumpower  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Mumpower:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Industrial Development Board of the City of Columbia for the benefit of JC Ford Co in the amount of \$1,000,000 to offset the costs JC Ford Co will incur in building retrofit, building improvements, building expansion, fixture improvements, and new construction. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on this community due to the number of high wage manufacturing jobs and capital investment. JC Ford Co has committed to create 210 net new jobs and make a \$10,500,000 capital investment within five (5) years. The company will have an average hourly wage of \$24.46 for the new positions. This project will have an exceptional impact.

Sincerely,

Bob Rolfe

BR/js

**RESOLUTION AUTHORIZING AMENDED AND RESTATED STANDBY  
COMMERCIAL PAPER PURCHASE AGREEMENT**

WHEREAS, the State of Tennessee (the “State”), acting by and through the Funding Board of the State of Tennessee (the “State Funding Board”), heretofore entered into a Standby Commercial Paper Purchase Agreement dated as of July 1, 2016 (the “Standby Agreement”), with the Tennessee Consolidated Retirement System in connection with the State’s General Obligation Commercial Paper (the “Commercial Paper”); and

WHEREAS, it is necessary or advisable to amend and restate the Standby Agreement in certain respects; and

WHEREAS, a draft of an amended and restated Standby Agreement has been presented to this meeting;

NOW THEREFORE, BE IT RESOLVED BY THE FUNDING BOARD OF THE STATE OF TENNESSEE:

1. The State Funding Board hereby authorizes the execution by any officer of the State Funding Board, and delivery to the other party, of an amended and restated Standby Commercial Paper Purchase Agreement substantially in the form presented to this meeting, with such changes and additions to and omissions from said form as the officer executing such agreement, after consultation with counsel to the State Funding Board, shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such approval and consultation.

2. All officers and employees of the State Funding Board and other officials and employees of the State, including those of the Division of State Government Finance of the Office of the Comptroller of the Treasury, are hereby authorized and directed to take all actions as may be necessary or appropriate to effectuate the transactions contemplated by this Resolution.

3. This Resolution shall be in full force and effect from and after its adoption.

Adopted this 24th day of May, 2021.



## STANDBY COMMERCIAL PAPER PURCHASE AGREEMENT

**(Applicable to Maximum \$350,000,000 of Commercial Paper Outstanding at Any Time)**

This STANDBY COMMERCIAL PAPER PURCHASE AGREEMENT, dated as of May 26, 2021, between the STATE OF TENNESSEE (the “State”), acting by and through the State Funding Board, and the TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (the “Standby Purchaser”), amends and restates the Standby Commercial Paper Purchase Agreement, dated as of March 14, 2000, as amended and restated on September 4, 2008 and on August 11, 2009, as amended on December 11, 2014, and as amended and restated as of July 1, 2016, between the State, acting by and through the State Funding Board, and the Standby Purchaser (the “Prior Standby Commercial Paper Purchase Agreement”).

### WITNESSETH:

WHEREAS, pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and laws of the State, including bond acts of the General Assembly of the State, and pursuant to the Commercial Paper Resolution, the State has authorized the issuance and sale from time to time of general obligation bond anticipation notes consisting of Commercial Paper; and

WHEREAS, maturing Commercial Paper is payable from the proceeds of sale of Rollover Commercial Paper and other sources as specified in the Commercial Paper Resolution; and

WHEREAS, the State wishes to provide for the purchase by the Standby Purchaser of Rollover Commercial Paper on the terms and conditions provided herein;

NOW THEREFORE, for and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### DEFINITIONS

Section 1.01. Definitions. The following terms used herein, including the preambles hereto, have the following respective meanings:

“Act” means Title 9, Chapter 9, Tennessee Code Annotated, as amended from time to time.

“Authorized Officer” means the Chairman, Secretary or an Assistant Secretary of the State Funding Board and any other Person authorized by the Secretary or an Assistant Secretary of the State Funding Board to act as an Authorized Officer hereunder.

“Available Commitment” means the Commitment, adjusted from time to time as follows: (a) downward by the principal amount of any Purchased Commercial Paper, other than Rollover Purchased Commercial Paper, issued; (b) upward by the principal amount of any Purchased Commercial Paper (i) the principal of which has been paid to the Standby Purchaser pursuant to

Section 2.02 from the proceeds of Rollover Commercial Paper, other than Purchased Commercial Paper the principal of which is paid from proceeds of Rollover Purchased Commercial Paper, and the interest on which has been paid to the Standby Purchaser by the State from other available moneys, or (ii) both the principal of and interest on which has been paid to the Standby Purchaser by the State from other available moneys; and (c) downward to zero on the Expiration Date.

“Bonds” means general obligation bonds of the State authorized as provided in the Act and Section 2.01 of the Commercial Paper Resolution.

“Bond Resolution” means any resolution or resolutions duly adopted from time to time, by the members of the State Funding Board authorizing the issuance of Bonds.

“Book-Entry Commercial Paper” means Commercial Paper issued in book-entry-only form through the Depository pursuant to the Commercial Paper Resolution.

“Business Day” means any day other than (i) a Saturday, (ii) a Sunday, (iii) a State legal holiday, (iv) a day on which banking institutions in Nashville, Tennessee, or The City of New York, New York, or the city in which the Office of the Issuing and Paying Agent is located, or the city in which the principal office of the Dealer is located, are authorized or obligated by law or executive order to be closed, (v) a day on which the New York Stock Exchange is not open for trading, or (vi) with respect to the Book-Entry Commercial Paper, a day on which the Depository is not scheduled to be open for money market instrument settlement services.

“Commercial Paper” means any of the State’s General Obligation Commercial Paper, Series A (Tax-Exempt), and General Obligation Commercial Paper, Series B (Federally Taxable), issued under and at any time outstanding pursuant to the Commercial Paper Resolution, some of such Commercial Paper or all of such Commercial Paper.

“Commercial Paper Fund” means the special trust fund held by the Issuing and Paying Agent pursuant to Section 2.06 of the Commercial Paper Resolution and Section 7 of the Issuing and Paying Agency Agreement for the payment of Commercial Paper.

“Commercial Paper Resolution” means the Commercial Paper Resolution adopted by the members of the State Funding Board on March 6, 2000, as amended and restated on August 5, 2009, authorizing the issuance of tax-exempt and taxable general obligation commercial paper of the State, to be issued in one or more series from time to time in a maximum principal amount outstanding at any time not to exceed \$350,000,000, as the same may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof and of this Agreement.

“Commitment” means \$350,000,000 less the aggregate principal amount of all Other Obligations outstanding (including Purchased Other Obligations).

“Commitment Fee” has the meaning specified in Section 2.03.

“Dealer” has the meaning specified in the Commercial Paper Resolution.

“Dealer Agreement” has the meaning specified in the Commercial Paper Resolution.

“Default” means any condition or event that constitutes an Event of Default or that with the giving of notice or lapse of time, or both, would, unless cured or waived, become an Event of Default.

“Default Rate” means the Standby Purchaser Rate plus 2.00% per annum, but not in excess of the Maximum Rate.

“Depository” means (i) DTC, (ii) any other Person appointed by the State to serve as securities depository for the Master Note, and (iii) in each such case, its successors and assigns.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” has the meaning specified in Section 6.01 hereof.

“Expiration Date” means the date on which the Commitment terminates pursuant to Section 2.04; provided, however, that if such date is not a Business Day, “Expiration Date” means the next preceding Business Day.

“Issuing and Paying Agency Agreement” has the meaning specified in the Commercial Paper Resolution.

“Issuing and Paying Agent” means Zions Bank, a division of ZB, National Association, a national banking association, and any successor duly appointed pursuant to the Commercial Paper Resolution.

“Master Note” has the meaning specified in the Commercial Paper Resolution.

“Maximum Rate” means, as of any time, the maximum rate of interest per annum then permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law.

“Moody’s” means Moody’s Investors Service, Inc., or any successor, then maintaining a rating on the Commercial Paper at the request of the State.

“No-Issuance Instructions” means a notice in the form of Exhibit B.

“Office” has the meaning specified in the Commercial Paper Resolution.

“Other Obligations” means any debt obligations of the State, other than Commercial Paper, for which the Tennessee Consolidated Retirement System acts as a standby purchaser pursuant to a written agreement with the State.

“Person” means an individual, corporation, firm, association, partnership, limited liability company, trust, or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Purchased Commercial Paper” means Commercial Paper purchased by the Standby Purchaser pursuant to Section 2.01, and shall include Rollover Purchased Commercial Paper.

“Purchased Other Obligations” means Other Obligations purchased by the Standby Purchaser pursuant to a written agreement with the State.

“Related Documents” means this Agreement, the Commercial Paper Resolution, the Issuing and Paying Agency Agreement, the Dealer Agreement, and the Commercial Paper.

“Request” has the meaning specified in the Commercial Paper Resolution.

“Rollover Commercial Paper” means Commercial Paper (other than Purchased Commercial Paper) issued solely to pay the principal of other Commercial Paper (including Purchased Commercial Paper) or Rollover Commercial Paper (including Rollover Purchased Commercial Paper).

“Rollover Purchased Commercial Paper” means Purchased Commercial Paper issued solely to pay the principal of other Purchased Commercial Paper or Rollover Purchased Commercial Paper.

“Special Event of Default” has the meaning specified in Section 6.04.

“Standard & Poor’s” means Standard and Poor’s Ratings Services, A Division of The McGraw-Hill Companies, or any successor, then maintaining a rating on the Commercial Paper at the request of the State.

“Standby Purchaser” shall mean Tennessee Consolidated Retirement System, or any successor thereto.

“Standby Purchaser Rate” means a daily floating rate per annum equal to the rate of interest reported by Bloomberg Financial Markets Commodities News from time to time as the prime loan rate released weekly by the Federal Reserve Bank of New York in its H15 Statistical Release on Selected Interest Rates, plus one hundred fifty (150) basis points, subject to a floor of 5 per cent (5%); provided, however, in no event shall the Standby Purchaser Rate be in excess of the Maximum Rate. If for any reason an interest rate as described above cannot be determined or become effective, the Standby Purchaser Rate shall be a comparable prime rate mutually agreed to by the State and the Standby Purchaser.

“State” means the State of Tennessee.

“State Funding Board” means the Funding Board of the State, created by the Act, or any successor thereto.

Section 1.02. Incorporation of Certain Definitions by Reference. Each capitalized term used herein, including the preambles hereto, and not otherwise defined herein shall have the meaning provided therefor in the Commercial Paper Resolution.

Section 1.03. Interpretation. (a) Unless the context shall otherwise indicate, words importing the singular shall include the plural and vice versa.

(b) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Agreement.

(c) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms used in this Agreement refer to this Agreement as a whole unless otherwise expressly stated.

(d) Any headings preceding the text of the several Articles and Sections and the table of contents of this Agreement are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, interpretation or effect.

## ARTICLE II

### PURCHASE OF COMMERCIAL PAPER

Section 2.01. Purchase of Commercial Paper. (a) Commitment to Purchase Commercial Paper. The Standby Purchaser agrees, on the terms and conditions contained in this Agreement, to purchase from time to time on any Business Day prior to the Expiration Date an aggregate principal amount of Commercial Paper not to exceed the then-applicable Available Commitment.

(b) Certain Commercial Paper Terms. In addition to any terms and conditions contained in the Commercial Paper Resolution for issuance of Commercial Paper, (i) Commercial Paper shall not be issued to mature on any day in an aggregate principal amount in excess of \$100,000,000 or such greater principal amount as may be agreed to by the Standby Purchaser in writing delivered to the State, the Issuing and Paying Agent and the Dealer, (ii) all Commercial Paper (other than Rollover Purchased Commercial Paper) shall mature on a Business Day that will permit Rollover Purchased Commercial Paper to be issued and mature on a Business Day that is not later than one Business Day prior to the stated Expiration Date without regard to any early termination, consistent with the other requirements of this subsection, and (iii) all Commercial Paper shall be sold and issued at par.

(c) Purchase Price, Interest Rate and Term. All Purchased Commercial Paper shall (i) be purchased at a price equal to the principal amount thereof, (ii) mature on the first Business Day after the date of its issuance which does not cause the total principal amount of all Commercial Paper outstanding (including such Purchased Commercial Paper) and maturing on such day, together with the total principal amount of all Other Obligations outstanding (including Purchased Other Obligations) and maturing or subject to optional or mandatory tender for purchase on such day, to exceed \$100,000,000 or such greater principal amount as may be agreed to by the Standby Purchaser in writing delivered to the State, the Issuing and Paying Agent and the Dealer, and (iii) bear interest at the Standby Purchaser Rate; provided, however, that any amounts payable on Purchased Commercial Paper which are not paid when due after the expiration of any applicable grace periods shall accrue interest at the Default Rate.

(d) Conditions to Purchase. The obligation of the Standby Purchaser to purchase Commercial Paper on any Business Day is subject to satisfaction of the following conditions:

(i) delivery to the Standby Purchaser by the Issuing and Paying Agent of notice of a required purchase by the Standby Purchaser as required by subsection (e) of this Section; and

- (ii) no Special Event of Default shall have occurred and be continuing.

Each Request shall be deemed to be a representation and warranty by the State on the date thereof that no Special Event of Default has occurred and is continuing.

(e) Method of Purchasing. If the Standby Purchaser receives, not later than 12:00 Noon, New York City time, on any Business Date prior to the Expiration Date, a notice from the Issuing and Paying Agent pursuant to Section 7(b)(ii) of the Issuing and Paying Agent Agreement, in the form of Exhibit A hereto, specifying the principal amount of Commercial Paper that the Dealer was unable to sell to pay the principal of outstanding Commercial Paper maturing on the same day, the Standby Purchaser will purchase such unsold Commercial Paper (which thereupon shall constitute Purchased Commercial Paper hereunder) on such Business Day pursuant to this Section. The Issuing and Paying Agent also shall give, by such time, (i) such notice, in such form, to the State and (ii) telephonic notice of such required purchase, to the Senior Short-Term Portfolio Manager of the Standby Purchaser or, if such call is not personally answered by him or her, the Chief Investment Officer of the Standby Purchaser or his or her designee, in each case at the telephone number specified by or pursuant to Section 7.01(b); provided, however, that the failure to give such telephonic notice shall not affect the effectiveness of notice given pursuant to the preceding sentence.

The Standby Purchaser shall advise the Issuing and Paying Agent from time to time in writing of the custodian or agent, if any, of the Standby Purchaser for Purchased Commercial Paper, and the State will cause the Issuing and Paying Agent to deliver Purchased Commercial Paper to or for the account of such custodian or agent; provided, however, that while all Commercial Paper is issued as Book-Entry Commercial Paper, the Standby Purchaser shall maintain such a custodian or agent which shall be a participant of the Depository. While all Commercial Paper is issued as Book-Entry Commercial Paper, the beneficial ownership of any Commercial Paper so purchased by the Standby Purchaser shall be recorded on the books of the Issuing and Paying Agent in the name of the Depository or its nominee name and held or otherwise dealt with in accordance with Section 2.03 of the Commercial Paper Resolution; otherwise, the ownership of such Commercial Paper shall be registered on the books of the Issuing and Paying Agent in the name of the Standby Purchaser.

The Standby Purchaser shall pay for such Commercial Paper by wire transfer payment in immediately available funds to the Issuing and Paying Agent by 4:00 P.M., New York City time, on the same day the purchase thereof is required pursuant to this subsection.

(f) Application of Proceeds. The proceeds of Purchased Commercial Paper shall be applied solely to pay the principal of other Commercial Paper on the maturity date thereof in the same aggregate principal amount. The Standby Purchaser shall have no responsibility for, or incur any liability in respect of any act or failure to act by the Issuing and Paying Agent which results in the failure to apply funds made available to the Issuing and Paying Agent by the Standby Purchaser pursuant to this Section to the payment of other Commercial Paper.

Section 2.02. Sales of Rollover Commercial Paper. If and whenever the Standby Purchaser has purchased Commercial Paper, the State shall use its best efforts to cause to be issued to Persons other than the Standby Purchaser, on the date such Purchased Commercial Paper

matures, Rollover Commercial Paper in the same aggregate principal amount, and to cause the proceeds of such Rollover Commercial Paper to be used to pay the principal of Purchased Commercial Paper. Immediately upon such payment of the principal of such Purchased Commercial Paper and upon payment by the State of the interest thereon from other available moneys, or upon the payment by the State of both such principal and interest from other available moneys, the Available Commitment shall be reinstated by an amount equal to the principal amount of the Purchased Commercial Paper the principal of and interest on which has been paid.

Section 2.03. Fees and Interest. (a) The State hereby agrees to pay the Standby Purchaser an annual commission (collectively, the “Commitment Fee”) for the period commencing with and including the date of delivery of this Agreement and ending on and including the Expiration Date. Commitment Fees shall be calculated as a percentage, specified in subsection (b) of this Section, of the Commitment, and shall be payable quarterly in arrears on the first Business Day of each January, April, July and October, commencing on October 1, 2021, and continuing for the term of this Agreement and, pro rata, on the Expiration Date, together with interest thereon from the date payment thereof is due until paid at the Default Rate. Commitment Fees shall be computed based on the actual number of days elapsed in a year consisting of 360 days, composed of twelve 30-day months, and shall be payable to the Standby Note Purchaser in lawful currency of the United States of America and in immediately available funds pursuant to the instructions set forth in Section 7.01(c). If any such payment is due and payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day with no additional interest.

(b) Commencing July 1, 2021, Commitment Fees shall be calculated at the percentage rates as follows, or otherwise as may be agreed to from time to time by the Authority and the Standby Purchaser in an amendment of or supplement to this Agreement:

(i) At all times during which either Moody’s or Standard & Poor’s shall have assigned the State’s long-term general obligation bonds a rating of Aaa or AAA, respectively (without regard to any gradations within such rating category): 0.350%.

(ii) At all times during which either Moody’s or Standard & Poor’s shall have assigned the State’s long-term general obligation bonds a rating of Aa or AA, respectively (without regard to any gradations within such rating category): 0.450%.

(iii) At all times during which both Moody’s and Standard & Poor’s shall have assigned the State’s long-term general obligation bonds a rating lower than Aa and AA, respectively (without regard to any gradations within such rating category): 0.550%.

(iv) In the event Moody’s and Standard & Poor’s have assigned ratings in different rating categories, only the higher rating shall be taken into account for purposes of subparagraphs (i) and (ii) above.

(c) In addition, the State shall pay on July 1, 2021, Commitment Fees payable pursuant to Section 2.01 of the Prior Standby Commercial Paper Purchase Agreement.

Section 2.04. Termination of Commitment. The Commitment shall terminate upon the earlier to occur of the following:

- (i) the close of business of the Standby Purchaser on July 1, 2026;
- (ii) immediately upon the occurrence of a Special Event of Default, in which case the Standby Purchaser shall immediately deliver No-Issuance Instructions to the State, the Issuing and Paying Agent and the Dealer;
- (iii) by either party upon giving to the other party notice of termination of at least the longer of (x) ninety (90) calendar days or (y) the remaining number of calendar days to maturity of any then-outstanding Commercial Paper plus one (1) calendar day, in which case the Standby Purchaser shall, immediately upon giving such notice, deliver No-Issuance Instructions to the State, the Issuing and Paying Agent and the Dealer; and
- (iv) upon the payment of the principal amount of all Commercial Paper outstanding under the Commercial Paper Resolution and subject to this Agreement, together with receipt by the Standby Purchaser of written notice from an Authorized Officer that such Commercial Paper will not be reissued, that no additional Commercial Paper will be issued and that this Agreement shall be terminated.

The termination of the Commitment hereunder shall not affect the commitment under any separate agreement of the Standby Purchaser to act as a standby purchaser for Other Obligations.

Upon receipt of such No-Issuance Instructions, the State shall cease issuing Commercial Paper as provided in Section 6.03.

### **ARTICLE III**

#### **CONDITIONS TO EFFECTIVENESS OF AGREEMENT**

Section 3.01. Conditions to Effectiveness of Agreement. This Agreement shall become effective when each party hereto shall have received an executed counterpart of this Agreement and there shall have been delivered to the Standby Purchaser each of the following (and such other documents as the Standby Purchaser may reasonably request), each dated the date of delivery of this Agreement:

- (a) an executed counterpart of this Agreement and any other certificates and resolutions of the State authorizing the execution, delivery and performance by the State of this Agreement;
- (b) a certificate, signed by an Authorized Officer of the State:
  - (1) to the effect that since June 30, 2020, there has been no material adverse change in the financial condition, business, assets or liabilities of the State which shall have occurred and be continuing;
  - (2) to the effect that the representations and warranties contained in Article V are true and correct in all material respects on and as of the date of delivery as though made on and as of such date except to the extent the same relate to any earlier date;



(3) to the effect that no Default, Event of Default, or Special Event of Default has occurred and is then continuing under the Prior Standby Commercial Paper Purchase Agreement or, upon execution and delivery of this Agreement, will have occurred;

(c) an opinion of the Attorney General of the State, as counsel to the State Funding Board, in form and content satisfactory to the State and the Standby Purchaser;

(d) an opinion of the Attorney General of the State, as counsel to the Standby Purchaser, in form and content satisfactory to the State and the Standby Purchaser;

(e) evidence satisfactory to the Standby Purchaser that Moody's and Standard & Poor's have assigned ratings of P-1 and A-1+, respectively, on the Commercial Paper; and

(f) any fees and disbursements due and owing to the Standby Purchaser pursuant to Section 7.03 at the time of the execution and delivery of this Agreement shall have been received.

Prior to the effectiveness of this Agreement, the Standby Purchaser shall also be entitled to receive such other documents, certificates, opinions, approvals and filings with respect to the Related Documents and this Agreement as the Standby Purchaser may reasonably request.

#### ARTICLE IV

##### OBLIGATIONS OF THE STATE

Section 4.01. Obligations Unconditional. To the extent permitted by law, and subject to the provisions of Section 2.05 of the Commercial Paper Resolution, the obligations of the State under this Agreement shall be absolute and unconditional and shall remain in full force and effect until all amounts due to the Standby Purchaser hereunder and under the Commercial Paper shall have been paid in full and actually received in accordance with terms hereof and of the Commercial Paper.

#### ARTICLE V

##### REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 5.01. Representations and Warranties. The State represents and warrants as follows:

(a) Powers, Etc. The State has full power and authority (i) to borrow money for the purposes specified in the Commercial Paper Resolution and this Agreement and to issue Commercial Paper as evidence of such borrowings; (ii) to carry out its governmental purposes in the manner now conducted and proposed to be conducted; and (iii) to adopt the Bond Resolution and the Commercial Paper Resolution and to execute, deliver and perform and observe all of the terms and provisions of the Related Documents.

(b) Authorized, Absence of Conflicts, Etc. The adoption of the Bond Resolution and the Commercial Paper Resolution and the execution, delivery and performance of each Related Document (i) have been and will be duly authorized by all necessary action on the part of the State;

(ii) do not and will not conflict with, or result in a violation of, any provision of law, including the Constitution of the State and the Act, or any order, writ, rule or regulation of any court or governmental agency or instrumentality binding upon or applicable to the State; and (iii) do not and will not conflict with, result in a violation of, or constitute a default or create a lien under any other resolution, agreement or instrument to which the State is a party or by which the State or any of its property is bound.

(c) Valid Obligations. Each Related Document is and will be a valid contractual obligation of the State. The enforceability (but not the validity) of each Related Document may be limited by (i) any applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law, and (ii) the fact that specific performance and other equitable remedies are granted only in the discretion of a court. The State has not waived the immunity of the State from suit or extended its consent to be sued, and monetary actions against the State for breach of contractual obligations may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where liability may be limited to actual damages and certain costs.

(d) Security.

(1) The Commercial Paper Resolution will create a valid pledge of moneys of the State to the extent provided for in the Commercial Paper Resolution for the equal benefit, protection and security for the Holders of the Commercial Paper.

(2) No consent, approval, permit, authorization or order of, or registration or filing with, any court or governmental agency, authority or instrumentality, or recording or filing of any Related Document, any financing statement or any other certificate, resolution, instrument or agreement, is or will be necessary to create or perfect the aforesaid pledge.

(e) Governmental Consent or Approval.

(1) No consent, approval, permit, authorization or order of, or registration or filing with, any court or governmental agency, authority or other instrumentality not already obtained, given or made is required on the part of the State for the execution, delivery and performance of any Related Document or the adoption of the Bond Resolution or Commercial Paper Resolution, except as set forth in Section 5.01(j).

(2) All consents, approvals, permits, authorizations and orders of, and registrations and filings with, any court or governmental or public agency, authority or other instrumentality required for the issuance, sale, execution, delivery and performance of Commercial Paper have been or will be obtained prior to the delivery thereof.

(f) Litigation. There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the State, threatened against or affecting the State, that draws into question the validity of any proceeding taken or to be taken by the State in connection with the

execution, delivery and performance of any Related Document, or seeking to prohibit, restrain or enjoin the adoption of the Commercial Paper Resolution or issuance and delivery of any Commercial Paper, nor, to the best knowledge of the State, is there any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect (i) the validity or enforceability of, or the authority or ability of the State to perform its obligations under, any Related Document, (ii) the ability of the State to carry out its purposes in the manner now conducted or as proposed to be conducted or (iii) the exclusion of interest on any outstanding Commercial Paper from gross income for federal income tax purposes to the extent such interest was intended to be so excluded, or the exemption of any Commercial Paper or the interest thereon from personal income taxation by the State or any political subdivision thereof.

(g) No Defaults. No event, Default, Event of Default or Special Event of Default under this Agreement has occurred and is continuing that is, or would with the passage of time or the giving of notice, or both, constitute a default by the State in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Related Document.

(h) Financial Condition. On the date of execution and delivery of this Agreement and on the date of original issuance of any Commercial Paper, subject to the proviso below, the balance sheet of the State for the fiscal year immediately preceding the execution and the delivery of this Agreement or such date of issuance, as the case may be, and the related statements of revenues, expenses and changes in retained earnings and financial position, present fairly the State's financial position as of the end of such fiscal year and the results of its operations and its income, fund balances and changes in fund equity and financial position for the end of such fiscal year, in conformity with generally accepted accounting principles applied on a consistent basis; provided however, that no such balance sheet or financial statements for a fiscal year shall be required prior to one hundred eighty (180) days after the close of such fiscal year. After completion, a copy of such balance sheets and financial statements shall promptly be delivered to the Standby Purchaser.

(i) Disclosures. As of the date of execution and delivery of this Agreement by the State, no information, exhibit or report, including, without limitation, the financial statements referred to in Section 5.01(h), furnished by or on behalf of the State to the Standby Purchaser contains any untrue statement of a material fact or omits any statement of a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading, and there are no facts that the State has not disclosed to the Standby Purchaser that, individually or in the aggregate materially adversely affect or, so far as the State can now foresee, will materially adversely affect the operations, affairs, properties, condition or prospects, financial or otherwise of the State.

(j) Issuance of Commercial Paper. The issuance of Commercial Paper requires a Request by an Authorized Officer as set forth in Section 3.01(c) of the Commercial Paper Resolution, which authorization and any identifications, determinations and allocations required in connection therewith may lawfully be made by Authorized Officers.

Section 5.02. Covenants. The State covenants and agrees, from the date hereof and until the termination of this Agreement and the termination of Commitment hereunder and the payment in full of all obligations due under this Agreement, as follows unless the Standby Purchaser shall otherwise consent in writing:

(a) Compliance with Laws, Etc. The State shall comply with all applicable State and federal laws, rules, regulations and orders.

(b) Use of Proceeds. The State shall (i) use the proceeds of the Commercial Paper solely in accordance with the purposes set forth in the Commercial Paper Resolution and (ii) cause the moneys paid by the Standby Purchaser hereunder to be used solely to pay the purchase price of Commercial Paper as required hereby.

(c) Accuracy of Information. All data, certificates, reports, financial statements, opinions of counsel, documents and other information furnished to the Standby Purchaser, whether pursuant to this Agreement or in connection with or pursuant to any amendment or modification of or waiver under this Agreement, shall, at the time that same are so furnished, (i) be complete and correct in all material respects to the extent necessary to give the Standby Purchaser true and accurate knowledge of the subject matter thereof, and (ii) not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading, and the furnishing of same to the Standby Purchaser shall constitute a representation and warranty by the State to that effect.

(d) Additional Documents. The State shall furnish to the Standby Purchaser from time to time, at the State's expense, all further instruments and documents, duly executed and delivered by the State, and take all further action that may be reasonably necessary, or that the Standby Purchaser may reasonably request, in order to (i) perfect and protect any security interest or other right or interest assigned to the Standby Purchaser under or in connection with this Agreement, the Commercial Paper Resolution, or any other Related Document, or (ii) enable the Standby Purchaser to exercise or enforce its rights or remedies under or in connection with this Agreement, the Commercial Paper Resolution or any other Related Document.

(e) Other Obligations. The State will comply with and observe all other obligations and requirements set forth in the Commercial Paper Resolution and each other Related Document to which it is a party (including, without limitation, all provisions therein for the benefit of the Standby Purchaser) and in all statutes and regulations binding upon it or relating to the Commercial Paper, this Agreement, or any of the Related Documents.

(f) Litigation. The State shall promptly notify the Standby Purchaser of (i) the existence and status of any litigation which individually or in the aggregate could, in the event of an unfavorable outcome, have a material adverse effect on (A) the financial condition or operations of the State, (B) the Commercial Paper, (C) the Commitment Fees or other costs or amounts payable hereunder or (D) the enforceability or validity of the Related Documents, or (ii) any change in any material fact or circumstance represented or warranted in this Agreement or in any of the Related Documents.

(g) Documents Related to Other Securities. The State shall notify the Standby Purchaser of the sale or placement of any securities of which it is issuer or which are issued for its direct benefit upon or prior to the issuance thereof, and as soon as practicable after the issuance thereof, furnish to the Standby Purchaser copies of any prospectus, official statement, offering circular or placement memorandum, and any supplements thereto, that the State makes available

in connection with the offering for sale of any securities of which it is the issuer or which are issued for its direct benefit.

(h) Preservation of Existence, etc. The State Funding Board shall take no action to terminate its existence, or its rights and privileges in the State.

(i) Tax-Exempt Status. The State shall not take any action or omit to take any action that, if taken or omitted, would adversely affect the exclusion of interest on any outstanding Commercial Paper from gross income of the Holders thereof for purposes of federal income taxation to the extent such interest was intended to be so excluded.

(j) Notice of Default and Other Events. The State shall promptly notify the Standby Purchaser, the Issuing and Paying Agent and the Dealer of each Default, Event of Default or Special Event of Default actually known to the State.

(k) Reports, Certificates, and Other Information. The State will furnish or cause to be furnished to the Standby Purchaser:

(1) reasonably promptly after a written request therefor, any financial data or information evidencing compliance with the requirements of this Agreement as the Standby Purchaser may reasonably request from time to time;

(2) promptly upon their becoming available, copies of any non-routine periodic or special reports filed by the State with any governmental authority, if such reports indicate that there has been a material adverse change in the ability of the State to perform its obligations under or in respect of the Commercial Paper, this Agreement or any of the other Related Documents;

(3) promptly upon receipt thereof, copies of all audit reports submitted to the State by the Comptroller of the Treasury in connection with each interim or special audit of the State made by such accountants;

(4) promptly upon obtaining knowledge of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, and within 5 days thereafter a certificate signed by an Authorized Officer of the State specifying in reasonable detail the nature and period of existence thereof and what action the State has taken or purposes to take with respect thereto; and

(5) such other information regarding the business, affairs and condition of the State as the Standby Purchaser may from time to time reasonably request.

(l) Access to Books and Records. Except to the extent prohibited by law, the State will permit any person designated by the Standby Purchaser, at the reasonable expense of the State, to visit any of the offices of the State to examine the books and financial records, including minutes of meetings of the State, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the State with its principal officials, all at such reasonable times and as often as the Standby Purchaser may reasonably request. Unless otherwise required by law, order,

demand, subpoena or similar process, the Standby Purchaser agrees to maintain the confidentiality of all such books, records and information regarding the State.

(m) Rollover Commercial Paper. If and whenever the Standby Purchaser has purchased Commercial Paper, the State shall use its best efforts to cause to be issued to Persons other than the Standby Purchaser, on the date such Purchased Commercial Paper matures, Rollover Commercial Paper in the same aggregate principal amount, and to cause the proceeds of such Rollover Commercial Paper to be used to pay the principal of Purchased Commercial Paper.

(n) Removal of the Dealer. The State shall not remove or replace, or permit to be removed or replaced, the Dealer without the prior consent of the Standby Purchaser; provided, however, that the consent of the Standby Purchaser shall not be unreasonably withheld.

Section 5.03. Standby Purchaser Covenants. The Standby Purchaser covenants and agrees, from the date hereof and until the termination of this Agreement:

(a) Investment Authority. To the extent permitted by law, the Standby Purchaser will maintain at all times sufficient investment authority under its investment guidelines, and to manage its investments consistent therewith, to enable it to fulfill its obligation to purchase Commercial Paper as and when required hereunder and under the Commercial Paper Resolution. The Standby Purchaser shall not seek or support any amendment to Section 8-37-104, Tennessee Code Annotated, or any other applicable statute which would adversely affect its ability to purchase Commercial Paper as and when required hereunder and under the Commercial Paper Resolution.

(b) DTC. The Standby Purchaser will, at all times during which DTC acts as Depository for the Commercial Paper, maintain a relationship with a participant of DTC or its successor to the extent required to enable the Standby Purchaser to fulfill its obligation to purchase Book-Entry Commercial Paper as and when required hereunder and under the Commercial Paper Resolution.

## ARTICLE VI

### EVENTS OF DEFAULT

Section 6.01. Events of Default. The following shall constitute Events of Default:

(1) Default in the payment when due of interest on any Commercial Paper and such default continues for two (2) Business Days; or

(2) Default in the payment of principal of any Commercial Paper when due, at maturity, upon acceleration or redemption, or otherwise; or

(3) The State fails to perform any of its agreements in any Related Document (except a failure that results in an Event of Default under paragraph (1) or (2) above), the performance of which is material to the Holders of the Commercial Paper, and the failure continues after the Holders of at least 25% in principal amount of the outstanding Commercial Paper give the State Funding Board, the Issuing and Paying Agent, the Dealer and the Standby Purchaser a notice specifying the default, demanding that it be remedied

and stating that the notice is a “Notice of Default”, and the State does not cure the default within sixty (60) days after receipt of the notice; or

(4) Default in the payment of the principal of or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(5) Default in the payment of any Commitment Fees when due pursuant to this Agreement, and the continuance of such default unremedied for five (5) Business Days after notice given by the Standby Purchaser to the State; or

(6) Any representation or warranty made by the State in this Agreement, the Commercial Paper Resolution or any other document or certificate furnished pursuant hereto or thereto shall have been incorrect in any material respect as of the date made; or

(7) The State shall default in the due performance or observance of any term, covenant or agreement contained in Section 5.02(a), (b), (c), (h) or (i) hereof; or

(8) The State shall default in the due performance or observance of any term, covenant or agreement contained in Article V (other than those covered by paragraph (7) above) and such default, if capable of being remedied, shall remain unremedied for twenty (20) days after written notice thereof shall have been given to the State by the Standby Purchaser; provided, that so long as the State shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and pursued with due diligence, cannot be completed within a period of twenty (20) days, then such twenty (20) day period shall be extended to the extent as shall be necessary to enable the State to begin and complete the remedying of such default through the exercise of due diligence; provided further, that in no event shall such period be extended by more than sixty (60) days; or

(9) Any material provision of this Agreement or any other Related Document shall at any time or for any reason cease to be valid and binding and enforceable in accordance with its terms, which binding effect and enforceability (but not validity) may be limited by State law, or shall be finally declared to be null and void by any court or governmental authority or agency having jurisdiction in a judicial or administrative proceeding; or

(10) Except as described in paragraphs (1) through (9) of this Section, default by the State in the performance of any material provision of this Agreement, and the continuance of such default unremedied for thirty (30) days after the State had notice thereof; or

(11) The State takes any action or fails to take any action affecting its ability or willingness to pay its debts and such action or inaction results in a reduction of the State’s long-term general obligation bond rating below A (without regard to any gradations within such rating category) by both Moody’s and Standard & Poor’s; or

(12) Both Moody's and Standard & Poor's shall have assigned the Commercial Paper a rating below P-1 and A-1+, respectively;

provided, however, that with respect to the Events of Default specified above, the Standby Purchaser shall have given written notice (except for the State's failure to perform under Section 5.02(j)) to the State, the Issuing and Paying Agent and the Dealer that the Standby Purchaser declares the same to be an Event of Default hereunder.

Section 6.02. Remedies. If any Event of Default shall have occurred and be continuing, the Standby Purchaser may, at the same or different times, so long as such Event of Default shall not have been remedied to the satisfaction of the Standby Purchaser, take one or more of the following actions: (i) deliver to the State, the Issuing and Paying Agent and the Dealer a notice in the form of Exhibit B ("No-Issuance Instructions"), upon receipt of which the State shall cease issuing Commercial Paper as provided in Section 6.03; (ii) by notice to the State, declare all obligations of the State payable under Sections 2.03 and 7.03 due and payable, whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the State to the extent permitted under State law; provided, however, that in the case of the occurrence of any event described in paragraph (6) of Section 6.01, all obligations of the State payable under Sections 2.03 and 7.03 shall become due and payable forthwith without the requirement of notice and without presentment, demand or notice of any kind, all of which are expressly waived by the State to the extent permitted under State law; and (iii) proceed to enforce all other remedies available to it under this Agreement, the Related Documents and applicable law.

Section 6.03. No-Issuance Instructions. Upon receipt of No-Issuance Instructions, the State shall cease issuing Commercial Paper unless and until such No-Issuance Instructions are rescinded. Any such notice received after 11:30 a.m., New York City time, shall be deemed to have been received on the next Business Day. Notwithstanding anything in this Section which may be to the contrary, prior to the occurrence of a Special Event of Default and termination of the Standby Purchaser's obligation to purchase Commercial Paper pursuant to Section 2.04(ii), a No Issuance Instruction shall not affect the obligation of the Standby Purchaser to purchase Commercial Paper issued prior to the receipt by the State of such No-Issuance Instructions. Any No-Issuance Instructions given pursuant to Section 6.02 shall be revoked immediately upon notice of waiver or non-continuance of each and every Event of Default giving rise to such No-Issuance Instructions, by notice in writing of the Standby Purchaser delivered to the State, the Dealer and the Issuing and Paying Agent substantially in the form of Exhibit C.

Section 6.04. Special Events of Default. The following shall constitute "Special Events of Default" and the remedies available therefor:

(a) The State shall fail to pay, or cause to be paid, when due, any amount due and owing on the principal of (provided the Standby Purchaser is not required to first make payment of such principal pursuant to this Agreement and other Related Documents) or interest on any Commercial Paper; or

(b) The issuance of any Commercial Paper shall result in a violation by the State of any law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any



indenture or loan or credit agreement (including this Agreement), or any other agreement or instrument, applicable to the State or to such issuance, pursuant to a final administrative determination or judicial decision from which there shall not exist any further right of appeal (or against which a timely appeal shall not have been filed by the State); or

(c) The validity, or enforceability to the extent permitted by State law, of this Agreement, the Commercial Paper or the Commercial Paper Resolution, shall be contested by the State or the State shall deny that it has any or further liability or obligation under this Agreement, the Commercial Paper or the Commercial Paper Resolution; or

(d) Both Moody's and Standard & Poor's shall have assigned the Commercial Paper a rating below P-3 and A-3+, respectively; or

(e) The State imposes a debt moratorium, debt restructuring, debt adjustment or comparable restriction on repayment when due and payable of the principal of or interest on any State obligations, or the State shall take any other action that takes advantage of or uses the powers of a sovereign entity to refuse to pay its debts in accordance with the terms thereof, or to comply with any of its lawful obligations or commitments under the Commercial Paper, or any other general obligation notes or bonds issued by the State; or

(f) Either the State or the State Funding Board (A) applies for or consents to the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of all or of a substantial part of its property or assets, (B) admits in writing its inability, or is generally unable, to pay its debts as they become due, (C) makes a general assignment for the benefit of creditors, (D) files a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts, or (E) takes any action for the purpose of effecting any of the acts set forth above in this Section;

then (A) automatically the Commitment and the obligations of the Standby Purchaser under this Agreement shall immediately terminate, and the Standby Purchaser shall immediately deliver No-Issuance Instructions to the State, the Issuing and Paying Agent and the Dealer, upon receipt of which the State shall cease issuing Commercial Paper as provided in Section 6.03, and (B) the Standby Purchaser may pursue any other rights or remedies under this Agreement, applicable law or otherwise. The Standby Purchaser agrees to give the State prompt notice of the occurrence of any Special Event of Default hereunder, it being understood and agreed by the parties hereto, however, that the failure to give such notice by the Standby Purchaser or the failure to receive such notice by the State shall not be deemed the failure of a condition precedent to the Standby Purchaser's rights under this Article VI following the occurrence of a Special Event of Default. As and until such time as the Standby Purchaser shall have actual knowledge of the occurrence of a Special Event of Default as described herein, the Standby Purchaser shall, notwithstanding the occurrence of a Special Event of Default, continue to be entitled to the benefits of this Agreement including, but not limited to, reimbursement for its Commitment Fees and other costs hereunder as and to the same extent as if no such Special Event of Default had occurred.

**ARTICLE VII**

**MISCELLANEOUS**

Section 7.01. Notices and Payments. (a) All notices, requests and other communications required or permitted (except to the extent otherwise expressly provided for herein) under the terms and provisions hereof shall be sent by first-class mail (postage prepaid), telex, telecopy or other written electronic means or delivered to the addresses and the persons specified below:

If to the State:

State Funding Board  
State of Tennessee  
Cordell Hull Building  
425 Rep. John Lewis Way N., 4th Floor  
Nashville, TN 37243  
Attention: Director, Division of State Government Finance  
Telephone No.: (615) 747-5369  
Telecopy No.: (615) 741-5986

If to the Issuing and Paying Agent concerning the daily issuance and redemption of Commercial Paper and otherwise:

Zions Bank  
Commercial Paper Operations Department  
401 Liberty Avenue, Suite 1729  
Pittsburgh, PA 15222  
Telephone No.: (216) 559-2384  
Telecopy No.: (855) 850-0865  
E-mail delivery to: [bryant.eckert@zionsbank.com](mailto:bryant.eckert@zionsbank.com)

with a copy to:

Zions Bank  
Corporate Trust Department  
#1 South Main Street, 12th Floor  
Salt Lake City, UT 84133-1109  
Telephone No.: (801) 844-7561  
Telecopy No.: (855) 547-5637  
E-mail delivery to: [shelene.brown@zionsbank.com](mailto:shelene.brown@zionsbank.com)

If to the Standby Purchaser:

Tennessee Consolidated Retirement System  
Investment Division  
Andrew Jackson Building, 13th Floor  
Nashville, TN 37243  
Attention: Chief Investment Officer

Telephone No.: (615) 532-1157  
Telecopy No.: (615) 741-0755

with a copy to

Tennessee Consolidated Retirement System  
Investment Division  
Andrew Jackson Building, 13th Floor  
Nashville, TN 37243  
Attention: Senior Short-Term Portfolio Manager  
Telephone No.: (615) 532-1166  
Telecopy No.: (615) 741-0755

If to the Dealer:

Morgan Stanley & Co. Incorporated  
1221 Avenue of the Americas, 30th Floor  
New York, New York 10020  
Attention: Remarketing Coordinator  
Telephone No.: (212) 762-8263  
Telecopy No.: (212) 507-1937

or, if to any of the foregoing, to it at such other address as the same may designate from time to time by notice duly given to the other persons designated above. Each of the foregoing will advise the other persons designated above from time to time of its telecopy (if different from those set forth above) or telephone numbers (if any) and of the names and persons (together with their respective telephone numbers) to whom notices by telephone call hereunder shall be directed.

(b) Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and telephonic or telecopied confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided, however, that notices to the Standby Purchaser (A) under Sections 2.01 and 2.04 shall not be effective until received, (B) under Section 2.01 shall, to the extent provided in Section 2.01(e), also be given by telephone to the Senior Short-Term Portfolio Manager or Chief Investment Officer of the Standby Purchaser and (C) under Section 2.04 may also be given by telephone to the Chief Investment Officer of the Standby Purchaser. All such telephonic notices shall be given to telephone number (615) 532-1157 (or such other telephone number as may be designated by the Standby Purchaser, by written notice to the State, to receive such notice), immediately confirmed in writing or by telecopier.

(c) Payment instructions for fees due to the Standby Purchaser shall be designated in writing by the Standby Purchaser to the State, and payment instructions for amounts due to the Standby Purchaser upon the payment of Purchased Commercial Paper shall be designated in writing by the Standby Purchaser to the State, the Issuing and Paying Agent and the Dealer.

Section 7.02. No Waivers. (a) The obligations of the Standby Purchaser hereunder shall not in any way be modified or limited by reference to any other document, instrument or agreement (including, without limitation, the Commercial Paper or any other Related Document). The rights of the Standby Purchaser are separate from and in addition to any rights that it may have as an owner of any Commercial Paper and that any owner of Commercial Paper may have under the terms of such Commercial Paper or any other Related Document or otherwise.

(b) No failure or delay by the Standby Purchaser in exercising any right, power or privilege hereunder or under the Commercial Paper shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law. No failure to exercise a right, power or privilege under or in respect of the Commercial Paper or any other Related Document shall affect the rights, powers or privileges of the Standby Purchaser hereunder or shall operate as a limitation or waiver thereof.

Section 7.03. Fees, Expenses and Taxes. The State shall, as soon as practicable after demand, pay any and all reasonable out-of-pocket fees, expenses and documentary stamp, intangible and other similar taxes, if any, of the Standby Purchaser, payable in connection with the preparation, execution, delivery of this Agreement and the Related Documents, the performance and enforcement of the obligations of the State under this Agreement and the Related Documents and any amendments thereto or waivers thereof and the rights for the Standby Purchaser with respect to Commercial Paper (including fees of counsel to the Standby Purchaser, plus any charges and disbursements of such counsel related thereto), and any filings or recordings required to perfect the liens and security interests created under the Commercial Paper Resolution, if any. All amounts due to the Standby Purchaser pursuant to this Section 7.03 shall accrue interest from the date such amounts are due until paid at the Standby Purchaser Rate.

Section 7.04. Amendments and Waivers. Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the State and the Standby Purchaser; provided, however, that no waiver or amendment shall be effective as to any Commercial Paper unless (i) the State and the Standby Purchaser agree that the same does not materially adversely affect the rights of the Holders of such Commercial Paper or (ii) such Holders shall have consented in writing to such waiver or amendment or (iii) such waiver or amendment is effective with respect to Commercial Paper issued subsequent to the effectiveness of such waiver or amendment. The parties agree that the amendment and restatement of this Agreement as of May 26, 2021 does not materially adversely affect the rights of the Holders of any Commercial Paper.

Section 7.05. Term of this Agreement. The term of this Agreement shall be until the latest of (i) the Expiration Date, (ii) payment in full of the principal of and interest on all Purchased Commercial Paper and (iii) the day on which all other amounts payable hereunder to the Standby Purchaser shall have been paid in full.

Section 7.06. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of Tennessee.

Section 7.07. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 7.08. Beneficiaries. This Agreement is made solely for the benefit of the State and the Standby Purchaser and their respective successors and assigns, and no other person or entity shall have the right, benefit or interest under or because of the existence of this Agreement; provided, that neither the State nor the Standby Purchaser may assign all or any part of this Agreement without the prior written consent of the other party, which consent shall not be reasonably withheld.

Section 7.09. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 7.10. Successors. The obligations of the State Funding Board and the Standby Purchaser under this Agreement shall be binding on their respective successors.

Section 7.11. Headings. Section headings in this Agreement are included herein for convenience or reference only and shall not constitute a part of this Agreement for any other purpose.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

STATE OF TENNESSEE  
By: FUNDING BOARD OF THE  
STATE OF TENNESSEE

TENNESSEE CONSOLIDATED  
RETIREMENT SYSTEM

By: \_\_\_\_\_  
JASON E. MUMPOWER, Comptroller  
and Secretary, Funding Board, of the State  
of Tennessee

By: \_\_\_\_\_  
DAVID H. LILLARD, JR.  
Tennessee Treasurer  
and Chair of the Board of Trustees of the  
Tennessee Consolidated Retirement  
System

[Signature Page to Standby Commercial Paper Purchase Agreement]

NOTICE OF REQUIRED PURCHASE

[Date]

Tennessee Consolidated Retirement System  
Investment Division  
Andrew Jackson Building, 13th Floor  
Nashville, Tennessee 37243  
Attention: Chief Investment Officer  
(615) 532-1157

State Funding Board  
State of Tennessee  
Cordell Hull Building  
425 Rep. John Lewis Way N., 4th Floor  
Nashville, TN 37243  
Attention: Director, Division of State  
Government Finance  
(615) 747-5369

Tennessee Consolidated Retirement System  
Investment Division  
Andrew Jackson Building, 13th Floor  
Nashville, Tennessee 37243  
Attention: Senior Short-Term Portfolio Manager  
(615) 532-1166

Ladies and Gentlemen:

Reference is made to the Standby Commercial Paper Purchase Agreement dated as of May 26, 2021 (the "Agreement"), by and between the State of Tennessee (the "State"), acting by and through the Funding Board of the State, and the Tennessee Consolidated Retirement System (the "Standby Purchaser"). Capitalized terms used herein shall have the meanings given to them in or by reference to the Agreement.

Pursuant to Section 2.01(e) of the Agreement, we hereby give you notice that the Dealer has given us notice of the Dealer's inability to sell on the date hereof \$\_\_\_\_\_ aggregate principal amount of Commercial Paper to pay the principal of currently outstanding Commercial Paper maturing on the date hereof in the same aggregate principal amount, and that such unsold Commercial Paper is required to be purchased by the Standby Purchaser on the date hereof pursuant to Section 2.01 of the Agreement at a price of par. In accordance with the provisions of the Commercial Paper Resolution and the Agreement, the purchase price should be provided by wire transfer in immediately available funds.

In addition, we hereby certify that we have not received notice of the occurrence and continuance of a Special Event of Default.

Very truly yours,

ZIONS BANK, A DIVISION OF  
ZB, NATIONAL ASSOCIATION,  
as Issuing and Paying Agent

By: \_\_\_\_\_  
Name:  
Title:

**NO-ISSUANCE INSTRUCTIONS**

[Date]

State Funding Board  
State of Tennessee  
Cordell Hull Building  
425 Rep. John Lewis Way N., 4th Floor  
Nashville, TN 37243  
Attention: Director, Division of State  
Government Finance  
Telephone No.: (615) 747-5369  
Telecopy No.: (615) 741-5986

Morgan Stanley & Co. Incorporated  
1221 Avenue of the Americas, 30th Floor  
New York, New York 10020  
Attention: Remarketing Coordinator  
Telephone No.: (212) 762-8263  
Telecopy No.: (212) 507-1937

Zions Bank  
Commercial Paper Operations Department  
401 Liberty Avenue, Suite 1729  
Pittsburgh, PA 15222  
Telephone No.: (216) 559-2384  
Telecopy No.: (855) 850-0865  
E-mail delivery to: [bryant.eckert@zionsbank.com](mailto:bryant.eckert@zionsbank.com)

Re: State of Tennessee General Obligation Commercial Paper

Ladies and Gentlemen:

Reference is made to the Standby Commercial Paper Purchase Agreement dated as of May 26, 2021 (the "Agreement"), by and between the State of Tennessee, acting by and through the Funding Board of the State of Tennessee, and the Tennessee Consolidated Retirement System. Capitalized terms used herein shall have the meanings given to them in or by reference to the Agreement.

We hereby give you notice that because [an Event of Default has occurred and is continuing, you are hereby instructed not to issue any Commercial Paper unless and until we rescind these No-Issuance Instructions] [the Agreement has been terminated, you are hereby instructed not to issue any Commercial Paper].

Very truly yours,

TENNESSEE CONSOLIDATED RETIREMENT  
SYSTEM

By: \_\_\_\_\_  
Name:  
Title:



NO-ISSUANCE RESCISSION NOTICE

[Date]

State Funding Board  
State of Tennessee  
Cordell Hull Building  
425 Rep. John Lewis Way N., 4th Floor  
Nashville, TN 37243  
Attention: Director, Division of State  
Government Finance  
Telephone No.: (615) 747-5369  
Telecopy No.: (615) 741-5986

Morgan Stanley & Co. Incorporated  
1221 Avenue of the Americas, 30th Floor  
New York, New York 10020  
Attention: Remarketing Coordinator  
Telephone No.: (212) 762-8263  
Telecopy No.: (212) 507-1937

Zions Bank  
Commercial Paper Operations Department  
401 Liberty Avenue, Suite 1729  
Pittsburgh, PA 15222  
Telephone No.: (216) 559-2384  
Telecopy No.: (855) 850-0865  
E-mail delivery to: bryant.eckert@zionsbank.com

Re: State of Tennessee General Obligation Commercial Paper, Series

Ladies and Gentlemen:

Reference is made to the Standby Commercial Paper Purchase Agreement dated as of May 26, 2021 (the "Agreement"), by and between the State of Tennessee, acting by and through the Funding Board of the State of Tennessee, and the Tennessee Consolidated Retirement System. Capitalized terms used herein shall have the meanings given to them in or by reference to the Agreement.

On \_\_\_\_\_, 20\_\_, we gave you No-Issuance Instructions because an Event of Default had occurred and was continuing, instructing you not to issue any Commercial Paper unless and until we rescind those No-Issuance Instructions. We hereby give you notice that because such Event of Default has been waived or no longer continues, such No-Issuance Instructions are hereby rescinded and shall be of no further force or effect.

Very truly yours,

TENNESSEE CONSOLIDATED RETIREMENT  
SYSTEM

By: \_\_\_\_\_  
Name:  
Title:

**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, July 17, 2018, June 27, 2019, and July 20, 2020, 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.

(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 or General Obligation Bonds.

(g) The Funding Board acknowledges that the Director of the Comptroller of the Treasury's Division of State Government 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) except for Bonds to be issued for the purposes specified in Section 1(e) hereof, be in such aggregate principal amount, not to exceed \$200,000,000, (ii) be dated and bear interest from such date or dates, (iii) be issuable in such form, (iv) be of such denominations, (v) be numbered and bear such other designations, (vi) mature on the dates (which shall not be later than 21 years after the date of issuance) and in the principal amounts, (vii) bear interest at the rates, not to exceed 5.00% in the case of the Tax-Exempt Bonds and 6.00% in the case of the Taxable Bonds, and be payable on the dates and in the manner, (viii) be serial bonds or term bonds, (ix) if term bonds, be subject to retirement by mandatory sinking fund redemption, and (x) be subject to redemption prior to maturity at the times (but initially not later than ten and one-half years from the date of initial delivery of the Bonds) and at a fixed redemption price or prices not to exceed 103% of the principal amount to be redeemed or, in the case of Taxable Bonds, at such a fixed redemption price or prices or at a make-whole price or prices, or a combination thereof, in each case plus accrued interest, or may be non-callable if (except for Tax-Exempt Bonds maturing not later than ten and one-half years from the date of initial delivery or for Taxable bonds) so determined by

the Funding Board by further action pursuant to the Debt Management Policy subsection “Debt Management Structure – Call Provisions”, all as provided in the respective Series Certificate.

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

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

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

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

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

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

the State may prescribe and paying such expenses as the State and such agent may incur. All Bonds so surrendered to the State or such agent shall be cancelled by it.

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

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

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

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

Notwithstanding the foregoing, so long as DTC or its nominee, or any substitute depository, or successor, is the registered owner of Bonds as Securities Depository (as defined in subsection (d) of this Section), notice of redemption may be given in the manner, and

presentation and surrender of Bonds may be waived to the extent, agreed to by the State and DTC, or any substitute depository, or successor, as the case may be. Any failure of DTC or any substitute depository, or successor, or participant of any thereof, to notify a beneficial owner of a Bond of any redemption shall not affect the sufficiency or the validity of the redemption of such Bond.

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

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

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

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

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

SECTION 5. 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, 2019 Series A and 2019 Series B (Federally Taxable), with such insertions, changes and additions to and omissions from said form as any Authorized Officer, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate (the "**Notice of Sale**"), the distribution of which as hereinafter authorized shall be conclusive evidence of such approval and consultation.

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

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

(e) If Sold by Negotiated Sale:

(1) The Bonds sold at negotiated sale are hereby authorized to be sold to such direct purchasers or underwriters as may be named in the Bond Purchase Agreements 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 Agreements; *provided*, however, that the direct purchasers, or lead book-running underwriter(s) and senior manager(s), thereunder shall be selected from among the following or any parent or affiliate thereof: FHN Financial Capital Markets, Jefferies LLC, Loop Capital Markets, LLC, Morgan Stanley & Co., LLC, PNC Capital Markets LLC, Raymond James & Associates, Inc., Truist Securities, Inc., UBS Financial Services Inc., Wells Fargo N.A. 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 and any updates to applicable laws, 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 Comptroller of the Treasury's Division of State Government Finance, 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 by manual 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, or the 2016 Refunding Trust Agreement executed and delivered in connection with the State’s General Obligation Bonds, 2016 Refunding Series B and 2016 Refunding Series C (Federally Taxable), but reflecting the nature of the depositories and deposits and details of the transactions contemplated by this Resolution and any updates to applicable laws, 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 the securities permitted by Section 9-4-602(a)(1)(B)(i)(a) or (b), Tennessee Code Annotated., 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 Comptroller of the Treasury's Division of State Government Finance, 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 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, 2019 Series A and 2019 Series B (Federally Taxable), and as

described in the Preliminary Official Statement, with such variations as the signatory thereof, after consultation with counsel to the Funding Board, shall approve as necessary or appropriate, such execution and delivery to be conclusive evidence of such determination and consultation. Execution of the Continuing Disclosure Undertaking as aforesaid and delivery of the same to the Purchasers shall be a condition precedent to the obligations of the Purchasers to purchase the respective Bonds.

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

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

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

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

All terms, provisions, conditions, covenants, warranties and agreements contained in this Resolution shall constitute a valid contractual obligation of the State and, except as

provided in the Continuing Disclosure Undertaking, shall inure to the benefit of the registered owners of the Bonds.

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

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

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

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

Adopted this 24<sup>th</sup> day of May, 2021.

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Jason E. Mumpower, Secretary  
Funding Board of the State of Tennessee

Form of Bonds

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT 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  
 2021 [REFUNDING] SERIES \_\_ [(FEDERALLY TAXABLE)]

Registered R21\_\_-[maturity]-[number] Registered \$ \_\_\_\_\_

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
_____, 2021	_____%	_____, ____	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 May 24, 2021, including as a part thereof a Series Certificate executed and delivered on \_\_\_\_\_, 2021 (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.



May 14, 2021

Ms. Sandi Thompson  
Director  
Comptroller of the Treasury  
Division of State Government Finance  
425 Rep. John Lewis Way, N  
Nashville, TN 37243

**pfm**

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530 Oak Court Drive  
Suite 160  
Memphis, TN 38117  
901.682.8356

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[pfm.com](http://pfm.com)

Dear Ms. Thompson

Beginning in March, the Division of State Government Finance (“State Finance”), along with PFM Financial Advisors LLC (“PFM”) began monitoring debt refinancing opportunities for the State of Tennessee’s (“State”) General Obligation Bonds. The current interest rate environment is advantageous for the State to pursue a refinancing. The State plans to issue a tax-exempt series of bonds to 1) convert commercial paper to long-term bonds and 2) refinance on a current basis several series of bonds for interest rate savings, referred to herein as the “Tax-Exempt Series”. Simultaneous with the Tax-Exempt Series, the State plans to issue a taxable series of bonds to refund bonds for interest rate savings, referred to herein as the “Taxable Series”. The size of the Tax-Exempt Series and Taxable Series has not been determined. However, for the purposes of selecting the underwriting syndicate, PFM has assumed a Tax-Exempt Series of approximately \$185 million and a Taxable Series of approximately \$480 million.

Given the size of the series and sensitivity to interest rates for both the Tax-Exempt Series and Taxable Series, PFM recommended a negotiated bond sale. On April 1, 2021, PFM, in its capacity as Financial Advisor to the State, released a Request for Proposals for Underwriting Services (“RFP”) to a short-listed group of underwriters. The short-listed underwriting firms were selected based on their continued outreach to the State on municipal market topics, including refunding analyses, and/or their recent performance on the Tennessee State School Bond Authority’s (“TSSBA”) taxable refinancing completed in February 2021. The RFP was delivered to nine (9) potential underwriters:

- FHN Financial Capital Markets
- Jefferies LLC
- Loop Capital Markets
- Morgan Stanley
- PNC Capital Markets LLC
- Raymond James & Associates, Inc
- Truist Securities Inc.
- UBS Financial Services Inc.
- Wells Fargo Securities



As detailed in the RFP, the State sought to select firms that best met the State's objectives, which included:

- Pricing Information (*indications of bond pricing*);
- Fee information;
- Demonstration of similar experience, specifically large, taxable bond offerings;
- Investor outreach, including types of investors to participate;
- Past State of Tennessee outreach.

While evaluating the responses, PFM and State Finance considered the expected size of each series and the objectives outlined above.

***Tax-Exempt Series Selection Consideration***

FHN Financial Capital Markets (“FHN”) is recommended to serve as the senior managing underwriter on the State’s Tax-Exempt Series based on the following:

<b>Pricing Information</b>	FHN’s indicative pricing of the State’s tax-exempt bonds was aggressive yet in line with PFM’s pricing expectations. FHN also proposed the use of lower coupons and various call features to attractive different types of investors.
<b>Fee Information</b>	FHN’s proposed fee schedule of \$0.50/bond was aggressive and FHN was willing to honor their fee for serving as a senior managing underwriter for only one (1) series.
<b>Experience (Taxable)</b>	Not Applicable
<b>Investor Outreach/Types of Investors</b>	The taxable muni market has seen an influx of foreign investors. FHN provided detailed consideration for attracting new types of investors, including foreign investors.
<b>Past State of TN Outreach</b>	Dating back to late 2016, FHN has remained in constant contact with State Finance.

PFM, along with State Finance, recommend Loop Capital, Morgan Stanley, PNC, Raymond James, and Wells Fargo to serve as co-managers on the Tax-Exempt Series.

***Taxable Series Selection Consideration***

Jefferies LLC (“Jefferies”) is recommended to serve as the senior managing underwriter on the State’s Taxable Series based on the following:

<b>Pricing Information</b>	Jefferies’ indicative pricing of the State’s taxable bonds was aggressive yet in line with PFM’s pricing expectations. Also considered was Jefferies taxable expertise and delivery on the TSSBA’s taxable bond
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	offering earlier this year.
<b>Fee Information</b>	Jefferies' proposed fee schedule of \$0.49/bond was the most aggressive and Jefferies was willing to honor their fee for serving as a senior managing underwriter for only one (1) series.
<b>Experience (Taxable)</b>	Jefferies provided relevant, large, taxable muni bond offer case studies: <i>Univ. of California (March '21) of \$2.92 billion; City of New York (Dec. '20) \$1.5 billion; Michigan State Building Auth (Sept. '20) \$769 million</i>
<b>Investor Outreach/Types of Investors</b>	Commitment of the same sales force and investor outreach that generated over \$2.9 billion in priority of orders for the TSSBA taxable bonds earlier this year.
<b>Past State of TN Outreach</b>	Consistent outreach out to State Finance, often specific to TSSBA and the Tennessee Housing Development Agency.

PFM, along with State Finance, recommend FHN, Truist, UBS, and Wells Fargo to serve as co-managers on the Taxable Series.

We look forward to working with the State, State Finance, and the selected underwriting teams to successfully complete the sale of the State's General Obligation Bonds.

Sincerely,  
PFM Financial Advisors LLC

Lauren S. Lowe  
Managing Director

Nick Yatsula  
Senior Managing Consultant

NEW ISSUES

BOOK-ENTRY ONLY

STATE OF TENNESSEE  
GENERAL OBLIGATION BONDS

\$385,650,000\* 2021 SERIES A  
\$483,990,000\* 2021 REFUNDING SERIES B (FEDERALLY TAXABLE)

**Dated: Date of Delivery**

**Due: As shown on the inside front cover**

This Official Statement has been prepared by the State of Tennessee (the “State”) to provide information relating to the State’s General Obligation Bonds, 2021 Series A (the “Series A Bonds”), and 2021 Refunding Series B (Federally Taxable) (the “Series B Bonds”, and collectively with the Series A Bonds, the “Bonds”). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read the Official Statement in its entirety.

**The Bonds** Interest on the Bonds is payable semi-annually \_\_ 1 and \_\_ 1, commencing \_\_ 1, 2021.  
Interest rates and reoffering yields as shown on inside front cover.  
Fully registered bonds issued in denominations of \$5,000 or any integral multiple thereof.  
See “THE BONDS” herein.

**Redemption** See “THE BONDS – Redemption” herein

**Security** Direct general obligations; pledge of full faith and credit. See “SECURITY FOR THE BONDS” herein.

**Ratings** Fitch: AAA Moody’s: Aaa S&P: AAA. See “RATINGS” herein.

**Book-Entry Only System** The Depository Trust Company will act as securities depository for the Bonds. See “THE BONDS” and Appendix D – “BOOK-ENTRY ONLY SYSTEM” herein.

**Tax Exemption** Interest on the Series A Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. Interest on the Series B Bonds is included in gross income for federal income tax purposes. The principal of and interest on the Bonds are exempt from Tennessee taxes, subject to certain exceptions. See “TAX MATTERS” herein.

**Issuer’s Bond Counsel** Hawkins Delafield & Wood LLP, New York, New York.

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

**Series A Bonds:**  
**FHN Financial Capital Markets**

Loop Capital Market  
Morgan Stanley  
PNC Capital  
Raymond James  
Wells Fargo Securities

**Series B Bonds:**  
**Jefferies**

FHN Financial Capital Markets  
Truist  
UBS Financial  
Wells Fargo Securities

\_\_\_\_\_, 2021

\*Preliminary; Subject to change

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

**MATURITIES, AMOUNTS, INTEREST RATES, YIELDS  
AND CUSIP NUMBERS**

**STATE OF TENNESSEE**

**GENERAL OBLIGATION BONDS  
\$385,650,000\* 2021 SERIES A**

<b>Due*</b>	<b>Amount *</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>	<b>Due *</b>	<b>Amount *</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>
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**GENERAL OBLIGATION BONDS  
\$483,990,000\* 2021 REFUNDING SERIES B (FEDERALLY TAXABLE)**

<b>Due*</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>	<b>Due*</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP**</b>
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\*Preliminary; subject to change.

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

## **THE FUNDING BOARD OF THE STATE OF TENNESSEE**

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### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC, Memphis, Tennessee

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

Certain information set forth herein has been provided by the State. Certain other information set forth herein has been obtained by the State from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the State and the terms of the offering, including the merits and risks involved.

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

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

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

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**STATE OF TENNESSEE**  
**GENERAL OBLIGATION BONDS**  
**\$385,650,000\* 2021 SERIES A**  
**\$483,990,000\* 2021 REFUNDING SERIES B (FEDERALLY TAXABLE)**

**INTRODUCTION**

This Official Statement, which includes the cover page and the inside front cover page hereof, and the Appendices hereto, including the financial information incorporated by reference in Appendix A and the statistical information incorporated by reference in Appendix B, is provided for the purpose of presenting information relating to the State of Tennessee (the “State”) in connection with the issuance of the State’s \$385,650,000\* General Obligation Bonds, 2021 Series A (the “Series A Bonds”), and \$483,990,000\* General Obligation Bonds, 2021 Refunding Series B (Federally Taxable) (the “Series B Bonds”, and collectively with the Series A Bonds, the “Bonds”).

The Bonds will be issued pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and laws of the State, including Title 9, Chapter 9, Tennessee Code Annotated, and various bond authorizations enacted by the General Assembly of the State, and pursuant to a resolution (the “Bond Resolution”) adopted by the State Funding Board of the State on May 24, 2021. The Series A Bonds are being issued to (i) fund certain capital projects of the State, (ii) provide for the retirement at maturity of a portion of the State’s outstanding general obligation commercial paper (“CP”) issued to fund certain capital projects of the State, (iii) refund certain of the State’s outstanding general obligation bonds and (iv) fund certain costs of issuance of the Series A Bonds. The Series B Bonds are being used to (i) refund certain of the State’s outstanding general obligation bonds and (ii) fund certain costs of issuance of the Series B Bonds. See “APPLICATION OF BOND PROCEEDS AND PLAN OF REFUNDING”.

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

**THE BONDS**

**Description**

The Bonds will be dated the date of their delivery. The Bonds will mature as shown on the inside front cover page and will bear interest payable semi-annually on \_\_ 1 and \_\_ 1 of each year, commencing \_\_ 1, 2021, at the rates per annum as shown on the inside front cover page calculated on the basis of a 360-day year of twelve 30-day months. Interest will be payable to registered owners as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective stated due date for such interest. The Bonds will be issuable as fully registered bonds in denominations of \$5,000 or integral multiples thereof.

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\*Preliminary; subject to change



## Book-Entry Only System

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

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

## Redemption\*

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

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

Prior to \_\_\_\_, 20\_\_, the Series B 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 Series B Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series B Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series B Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such Series B Bonds are to be redeemed, discounted on a semiannual basis to the date on which such Series B Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus the Applicable Spread (defined below), plus, in each case, accrued and unpaid interest on such Series B Bonds on such redemption date.

“Treasury Rate” means, with respect to any redemption date for any particular Series B Bond, the greater of:

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

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

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

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\*Preliminary; subject to change

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

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

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

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

“Applicable Spread” shall mean (i) for the Series B Bonds maturing \_\_\_, 20\_\_ through and including \_\_\_, 20\_\_, \_\_ ( ) basis points; (ii) for the Series B Bonds maturing \_\_\_, 20\_\_ through and including \_\_\_ 1, 20\_\_, \_\_ ( ) basis points, (iii) for the Series B Bonds maturing \_\_\_, 20\_\_ through and including \_\_\_, 20\_\_, \_\_ ( ) basis points; and (iv) for the Series B Bonds maturing \_\_\_, 20\_\_, \_\_ ( ) basis points.

The redemption price of such Series B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State to calculate such redemption price. The State may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

*Mandatory Sinking Fund Redemption.* The Series A Bonds maturing \_\_\_ 1, 20\_\_ are term bonds subject to redemption in part on \_\_\_ 1 in each of the years and in the respective principal amounts set forth below at a redemption price of par together with accrued interest to the redemption date.

<u>Year</u>	<u>Amount</u>
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The Series B Bonds maturing \_\_\_ 1, 20\_\_ are term bonds subject to redemption in part on \_\_\_ 1 in each of the years and in the respective principal amounts set forth below at a redemption price of par together with accrued interest to the redemption date.

<u>Year</u>	<u>Amount</u>
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*Selection of Series A Bonds to be Redeemed.* If less than all of the Series A Bonds of a maturity are to be redeemed, the particular Series A Bonds or portions thereof of such maturity to be redeemed shall be selected by the State by lot. For so long as a book-entry only system is in effect with respect to such Bonds and DTC or a successor securities repository is the sole registered owner of such Series A Bonds, in the event of a redemption of less than all of the Series A Bonds of a maturity, the particular ownership interests of the Series A Bonds of such maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants (all as defined in Appendix D hereto), or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption, DTC’s rules and procedures currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to make such selection, or to make or fail to make any such selection in any particular manner, will not affect the sufficiency or the validity of the redemption of the Series A Bonds. See “Book-Entry Only System” above and Appendix D - “BOOK-ENTRY ONLY SYSTEM”.

*Selection of Series B Bonds to be Redeemed.* If less than all of the Series B Bonds of a maturity are to be redeemed, the Series B Bonds of such maturity shall be redeemed pro rata as nearly as practicable in the proportion

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

*Notice of Redemption; Conditional Notice.* Written notice shall be mailed to registered owners of the Bonds to be redeemed, at least thirty (30) days prior to the redemption date, at the address that appears on the registration books, but failure to receive any such notice shall not affect the validity of the redemption proceedings. Any notice of redemption may provide that such redemption is conditional on the availability of sufficient moneys to pay the redemption price, plus interest accrued and unpaid to the redemption date. While DTC or its nominee is the registered owner of the Bonds, the State will give notice of redemption of the Bonds to DTC or its nominee or its successor and shall not be responsible for mailing notices of redemption to Direct DTC Participants, to Indirect DTC Participants or to the beneficial owners of the Bonds. Any failure of DTC or its nominee or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a beneficial owner of a bond of any redemption will not affect the sufficiency or the validity of the redemption of such bond. See Appendix D – “Book-Entry Only System”. The State can give no assurance that DTC or its successor, the Direct DTC Participants or the Indirect DTC Participants will distribute such redemption notices to the beneficial owners of the Bonds, or that they will do so on a timely basis.

## **APPLICATION OF BOND PROCEEDS AND PLAN OF REFUNDING**

The Series A Bonds are being issued to (i) fund certain capital projects of the State, (ii) provide for the retirement at maturity of a portion of the State’s outstanding CP issued to fund certain capital projects of the State, (iii) refund certain of the State’s outstanding general obligation bonds as indicated in the table below (the “Series A Refunded Bonds”) and (iv) fund certain costs of issuance of the Series A Bonds. CP will be retired on various dates within 90 days after the date of delivery of the Bonds. The refunding is being undertaken to realize debt service savings.

The actual general obligation bonds that will comprise the Series A Refunded Bonds, which may consist of any or all of the bonds listed below, will be determined by the State at the time of sale of the Series A Bonds, based upon then-prevailing market conditions.

**Series A Refunded Bonds\***

<b>Series</b>	<b>Maturity Date</b>	<b>Outstanding Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP No.</b>
2011B	8/1/2022	\$ 7,085,000	7/23/2021	100%	880541SF0
	8/1/2023	125,000	7/23/2021	100%	880541SE8
	8/1/2024	180,000	7/23/2021	100%	880541SF5
	8/1/2025	185,000	7/23/2021	100%	880541SG3
		<u>\$ 7,575,000</u>			
2012B	10/1/2022	\$ 7,000,000	7/23/2021	100%	880541TF4
	10/1/2023	7,000,000	7/23/2021	100%	880541TG2
	10/1/2024	7,000,000	7/23/2021	100%	880541TH0
	10/1/2025	7,000,000	7/23/2021	100%	880541TJ6
	10/1/2026	7,000,000	7/23/2021	100%	880541TK3
	10/1/2027	7,000,000	7/23/2021	100%	880541TL1
	10/1/2028	7,000,000	7/23/2021	100%	880541TM9
	10/1/2029	7,000,000	7/23/2021	100%	880541TN7
	10/1/2030	7,000,000	7/23/2021	100%	880541TP2
	10/1/2031	7,000,000	7/23/2021	100%	880541TQ0
	10/1/2032	7,000,000	7/23/2021	100%	880541TR8
			<u>\$ 77,000,000</u>		
<b>Total Series A Refunded Bonds</b>		<u>\$ 84,575,000</u>			

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

The actual general obligation bonds that will comprise the Series B Refunded Bonds, which may consist of any or all of the bonds listed below, will be determined by the State at the time of sale of the Series A bonds, based upon then-prevailing market conditions.

\*Preliminary; subject to change

**Series B Refunded Bonds\***

<b>Series</b>	<b>Maturity Date</b>	<b>Outstanding Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP No.</b>
2009D	5/1/2022	\$ 3,160,000	7/23/2021	100%	880541NN3
2011A	10/1/2022	\$ 12,770,000	10/1/2021	100%	880541RJ8
2012A	8/1/2023	\$ 52,565,000	8/1/2022	100%	880541SP3
	8/1/2024	52,150,000	8/1/2022	100%	880541SR9
	8/1/2025	34,170,000	8/1/2022	100%	880541SS7
	8/1/2026	26,045,000	8/1/2022	100%	880541ST5
	8/1/2027	7,155,000	8/1/2022	100%	880541SU2
		<u>\$ 172,085,000</u>			
2014A	9/1/2026	\$ 5,555,000	9/1/2024	100%	880541UM7
	9/1/2027	5,555,000	9/1/2024	100%	880541UN5
	9/1/2028	5,555,000	9/1/2024	100%	880541UP0
	9/1/2029	5,555,000	9/1/2024	100%	880541UQ8
	9/1/2030	5,555,000	9/1/2024	100%	880541UR6
	9/1/2031	5,550,000	9/1/2024	100%	880541US4
	9/1/2032	5,550,000	9/1/2024	100%	880541UT2
	9/1/2033	5,550,000	9/1/2024	100%	880541UU9
	9/1/2034	5,550,000	9/1/2024	100%	880541UV7
		<u>\$ 49,975,000</u>			
2014B	9/1/2026	\$ 17,005,000	9/1/2024	100%	880541UX3
	9/1/2027	16,980,000	9/1/2024	100%	880541UY1
	9/1/2028	16,955,000	9/1/2024	100%	880541UZ8
	9/1/2029	11,195,000	9/1/2024	100%	880541VA2
		<u>\$ 62,135,000</u>			
2015A	8/1/2027	\$ 14,315,000	8/1/2025	100%	880541VN4
	8/1/2028	14,315,000	8/1/2025	100%	880541VP9
	8/1/2029	14,315,000	8/1/2025	100%	880541VQ7
	8/1/2030	14,315,000	8/1/2025	100%	880541VR5
	8/1/2031	14,315,000	8/1/2025	100%	880541VS3
	8/1/2032	14,315,000	8/1/2025	100%	880541VT1
	8/1/2033	14,310,000	8/1/2025	100%	880541VU8
	8/1/2034	14,310,000	8/1/2025	100%	880541VV6
8/1/2035	14,310,000	8/1/2025	100%	880541VW4	
		<u>\$ 128,820,000</u>			
<b>Total Series B Refunded Bonds</b>		<u>\$ 428,945,000</u>			

\*Preliminary; subject to change

Upon initial delivery of the Series A Bonds, the State Funding Board will enter into an agreement (the “Refunding Escrow Agreement”) with the State Treasurer with respect to the Series A Refunded Bonds. The Refunding Escrow Agreement will create an irrevocable fund (the “Refunding Escrow Fund”) to be held by the State Treasurer for the payment of the Series A Refunded Bonds. The State will deposit proceeds of the Series A Bonds and other available monies, if required, with the State Treasurer for deposit in the Refunding Escrow Fund in amounts that will be held as cash or used to acquire non-callable direct obligations of the United States of America, or obligations of Agencies of the United States of America, or obligations of United States government-sponsored enterprises, that are permitted by Section 9-4-602(a)(1)(B)(i)(a) or (b), Tennessee Code Annotated (referred to herein as the “Defeasance Securities”) maturing in amounts and bearing interest at rates sufficient without reinvestment, together with cash on deposit, to redeem the Series A Refunded Bonds on their redemption dates and at their redemption prices and to pay all interest coming due on the Series A Refunded Bonds on and prior to their redemption dates. The Defeasance Securities will be purchased directly from the Treasury Department of the United States and/or in the open market through a competitive bidding process. Defeasance Securities may be purchased from one or more of the initial purchasers of the Bonds or their affiliates. The Refunding Escrow Fund, including the interest earnings on the Defeasance Securities, in the amounts needed to pay the redemption prices of and interest on the Series A Refunded Bonds, will be pledged solely for the benefit of the holders of the Series A Refunded Bonds. The State is required to deposit in the Refunding Escrow Fund any additional amounts that may be necessary for any reason to enable the State Treasurer, as the paying agent for the Series A Refunded Bonds, to pay the redemption prices of and interest on the Series A Refunded Bonds.

Upon initial delivery of the Series B Bonds, the State Funding Board will enter into an agreement (the “Refunding Trust Agreement”) with [ ] as Refunding Trustee, with respect to the Series B Refunded Bonds. The Refunding Trust Agreement will create an irrevocable fund (the “Refunding Trust Fund”) to be held by the Refunding Trustee for the payment of the Series B Refunded Bonds. The State will deposit proceeds of the Series B Bonds and other available monies, if required, with the Refunding Trustee for deposit in the Refunding Trust Fund in amounts that will be held as cash or used to acquire non-callable Defeasance Securities maturing in amounts and bearing interest at rates sufficient without reinvestment, together with cash on deposit, to redeem the Series B Refunded Bonds on their redemption dates and at their redemption prices and to pay all interest coming due on the Series B Refunded Bonds on and prior to their redemption dates. The Defeasance Securities will be purchased in the open market through a competitive bidding process. Defeasance Securities may be purchased from one or more of the initial purchasers of the Bonds or their affiliates. The Refunding Trust Fund, including the interest earnings on the Defeasance Securities, in the amounts needed to pay the redemption prices of and interest on the Series B Refunded Bonds, will be pledged solely for the benefit of the holders of the Series B Refunded Bonds. The State is required to deposit in the Refunding Trust Fund any additional amounts that may be necessary for any reason to enable the Refunding Trustee, as the paying agent for the Series B Refunded Bonds, to pay the redemption prices of and interest on the Series B Refunded Bonds.

The State will obtain verification sufficiency of the amounts and Defeasance Securities deposited in the Refunding Escrow Fund for the Series A Refunded Bonds and in the Refunding Trust Fund for the Series B Refunded Bonds, and of certain yields, from [ ] (See “VERIFICATION AGENT”).

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

## SOURCES AND USES OF FUNDS

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

<b>Sources of Funds:</b>	<u>Series A Bonds</u>	<u>Series B Bonds</u>	<u>Total</u>
Par Amount			
Original Issue (Discount) Premium			
Total			
<b>Uses of Funds:</b>			
Deposits to Refunding Funds			
Retirement of CP (approx.)			
Capital Projects Fund (approx.)			
Underwriters' Discount			
Costs of Issuance			
Total	\$ -	\$ -	

## SECURITY FOR THE BONDS

### Sources of Payment and Security

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

The charge and lien on fees, taxes and other revenues in favor of the Bonds is subject to the specific pledge of "Special Taxes" in favor of State general obligation bonds issued prior to July 1, 2013. "Special Taxes" consist of: (i) the annual proceeds of a tax of five cents (5¢) per gallon upon gasoline; (ii) the annual proceeds of a special tax of one cent (1¢) per gallon upon petroleum products; (iii) one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and (iv) the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. The Total Special Taxes collected, as reported for each year in the June monthly Statement of Revenue Collections (prepared on a cash basis) and for the first nine months of the fiscal year ended June 30, 2021 were as follows:

		<u>Fiscal Year Ended</u>		
	<u>July 2020 - March 2021*</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Special Taxes	\$ 1,212,464,000	\$ 1,332,547,000	\$ 1,332,852,000	\$ 1,272,387,000

\* Unaudited

Source: TN Department of Revenue

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

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

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

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

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

**Appropriations for Payment of General Obligation Debt Service**

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

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

	<b>Total Sales and Use Tax Collections (Accrual Basis)</b>	<b>Allocation to Debt Service (Modified Accrual Basis)</b>
June 30, 2020	\$ 9,624,865,000	\$ 67,625,000
June 30, 2019	9,351,611,000	65,930,000
June 30, 2018	8,831,333,000	62,471,000
June 30, 2017	8,547,149,000	60,699,000
June 30, 2016	8,258,134,000	58,746,000

In accordance with the Governmental Accounting Standards Board’s Statement 44 “Economic Condition Reporting: The Statistical Section,” the total sales and use tax collections are reported on an accrual basis instead of on a modified accrual basis. However, the calculation of 0.9185% of the sales and use tax collections for allocation



to debt service continues to be reported on a modified accrual basis. For a history of total sales and use tax collections and rates since fiscal year 2011, see the statistical data incorporated by reference in Appendix B.

### **Remedies and Rights of Bondholders**

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

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

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

### **Additional Bonds Test**

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

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

(a) Maximum annual debt service	\$ 228,125,763
(b) State tax revenue allocated for fiscal year end June 30, 2020 to:	
General Fund	\$ 12,355,521,000 <sup>(1)</sup>
Debt Service Fund	330,458,000 <sup>(1)</sup>
Highway Fund	<u>1,013,065,000 <sup>(1)</sup></u>
(c) Total of State tax revenue allocated for fiscal year end June 30, 2020	\$ 13,699,044,000
(d) (a) divided by (c) expressed as a percentage	1.67%
(must be no greater than 10%)	

Sources: Tennessee Department of Revenue and Tennessee Department of Finance and Administration

(1) Includes actual tax revenues collected on a cash basis for fiscal year 2020 (July 2019 - June 2020), net of amounts apportioned to cities and counties as State shared taxes.

## STATE INDEBTEDNESS

### General

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

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

### Termination of Existence

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

### Bonds

State law provides that the State may issue general obligation bonds for one or more purposes authorized by the General Assembly of the State. As of April 30, 2021, the State had \$1,558,590,000 (unaudited) of outstanding general obligation bonds, excluding the Bonds.

## **Commercial Paper Program**

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

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

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

CP may have varying maturities of not more than 270 days from their respective dates of issuance; provided, however, that no CP shall mature on a business day that will permit rollover purchased CP to be issued and mature on a business day that is not later than one business day prior to the stated expiration date of the Standby Agreement without regard to any early termination of the Standby Agreement. Currently, this date is July 1, 2026. CP is not subject to redemption prior to maturity.

As of April 30, 2021, \$207,343,000 (unaudited) principal amount of CP was outstanding under this program. The Bonds are expected to retire approximately \$200,000,000 of CP.

## **Tax Revenue Anticipation Notes**

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

**Outstanding General Obligation Bonded Indebtedness**

As of April 30, 2021, there were \$1,558,590,000 (unaudited) State general obligation bonds outstanding, excluding the Bonds.

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

**GENERAL OBLIGATION BONDED DEBT SERVICE**

Fiscal Year Ending (6/30)	<u>Outstanding Debt Service *</u>			<u>Plus Debt Service on the Bonds</u>			<u>Total Debt Service</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 3,045,000	\$ 326,634	\$ 3,371,634						
2022	155,710,000	65,503,565	221,213,565						
2023	147,750,000	58,460,798	206,210,798						
2024	145,095,000	52,237,130	197,332,130						
2025	137,940,000	46,487,903	184,427,903						
2026	135,730,000	40,680,755	176,410,755						
2027	128,675,000	35,114,803	163,789,803						
2028	123,885,000	29,842,104	153,727,104						
2029	115,400,000	24,651,585	140,051,585						
2030	91,050,000	19,983,142	111,033,142						
2031	79,905,000	16,037,275	95,942,275						
2032	72,030,000	12,561,213	84,591,213						
2033	49,775,000	9,763,450	59,538,450						
2034	42,770,000	7,554,405	50,324,405						
2035	42,770,000	5,449,435	48,219,435						
2036	37,220,000	3,481,185	40,701,185						
2037	22,910,000	2,007,755	24,917,755						
2038	14,120,000	1,111,825	15,231,825						
2039	6,405,000	435,645	6,840,645						
2040	6,405,000	145,215	6,550,215						
	<u>\$1,558,590,000</u>	<u>\$431,835,821</u>	<u>\$1,983,875,606</u>						

\* As of April 30, 2021

**Authorized and Unissued Bonds**

The State had authorized as of April 30, 2021, \$1,329,049,349 (unaudited) of general obligation bonds that have not been issued, including the Bonds and excluding an additional amount not to exceed 2.5% of certain authorized amounts to be used for funding discounts and the cost of issuance at the discretion of the State Funding Board. Of such authorized and unissued amount, \$786,000,000 is for highway improvements. In addition, \$600,000 of the authorized and unissued amount is allocated to the Tennessee transportation infrastructure improvement bond program, which is for the repair, replacement or rehabilitation of bridges. Bonds for highway improvements and for the Tennessee transportation infrastructure improvement program are authorized for contractual purposes and authorizations are canceled when construction projects are completed. No general obligation bonds or CP have been issued for these purposes since 1977 and the State does not currently anticipate issuing general obligation bonds or CP for these programs; however, the State can give no assurance that this practice will continue.

**Rate of Debt Retirement**

The following table sets forth the rate of scheduled debt retirement of the State on all outstanding general obligation bonds as of June 30, 2020, excluding the Bonds.

<u>Principal Amount Due Within</u>	<u>Principal Amount</u>	<u>% of Total</u>
5 Years	\$ 741,905,000	43.36%
10 Years	1,336,645,000	78.12%
15 Years	1,623,895,000	94.91%
20 Years	1,710,955,000	100.00%

**STATE FINANCES (TO BE UPDATED)**

**The Budget Process**

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

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

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

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

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

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

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

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

### **Development of Revenue Estimates**

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

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

The State Funding Board is further directed by statute to conduct public hearings to develop consensus ranges of estimates of State revenue for the current fiscal year and the next succeeding fiscal year. At the hearings, representatives of state higher education institution business centers, including the Boyd Center, present revenue

estimates and economic forecasts. The State Funding Board also hears from representatives from the Department of Revenue and the Fiscal Review Committee of the State. In November of each year the State Funding Board presents its consensus ranges of State revenue estimates, and a summary of the economic forecast on which the estimates are based, to the Governor and the Chairs of the Senate and House Finance, Ways and Means Committees. Although not mandated prior to final legislative action on the budget, the State Funding Board may receive updated estimates and forecasts at public hearings in the spring and may forward any revision to prior estimates and the reasons therefor to the Governor and Chairs of the Senate and House Finance, Ways and Means Committees. Pursuant to Section 9-4-5104, Tennessee Code Annotated, the Commissioner of Finance and Administration has the responsibility for preparing the revenue estimates presented in the Recommended Budget.

**Reserve for Revenue Fluctuations**

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

The Reserve balance at the end of each of fiscal years 2014 through 2018, the estimated balance for fiscal year 2019 and the budgeted balance at the end of fiscal year 2020, respectively, are as follows:

<b>Fiscal Year Ended</b>	<b>Balance</b>
June 30, 2014	456,000,000
June 30, 2015	491,500,000
June 30, 2016	568,000,000
June 30, 2017	668,000,000
June 30, 2018	800,000,000
June 30, 2019	875,000,000 *
June 30, 2020	1,100,000,000 **

\* Estimated and unaudited

\*\* Budgeted

The Reserve is estimated to have increased by \$75.0 million for the fiscal year ending June 30, 2019 and budgeted to increase by an additional \$225.0 million for the fiscal year ending June 30, 2020. The statutory goal is for the Reserve to be eight percent of estimated State tax revenues to be allocated to the general fund and education trust fund. The Reserve is estimated to be 6% for fiscal year ending June 30, 2019 and 7.3% for fiscal year ending June 30, 2020. The State can give no assurance that the budgeted increase in the Reserve for the fiscal year ending June 30, 2020 will be achieved. See “STATE FINANCES - Financial Information and Budget Summary for Fiscal Years 2018-2019 and 2019-2020”.

## **Budgeting for Authorized and Unissued Debt**

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

## **Financial Control Procedures**

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

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

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

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

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

## **Financial Information and Budget Summary for Fiscal Years 2018-2019 and 2019-2020**

### *Financial Information*

The fiscal year 2019-2020 Recommended Budget, as presented by the Governor to the General Assembly on March 4, 2019, projected recurring growth in total taxes of \$623.5 million, or 3.13%, and recurring growth in the general fund of \$512.2 million, or 3.21%, above fiscal year 2018-2019 estimates.

As discussed under "Development of Revenue Estimates" above, the State Funding Board periodically reviews and revises revenue estimates for budgeting purposes. The State Funding Board met on November 20, 2018, to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2018-2019 and to project revenue estimates for fiscal year 2019-2020. The State Funding Board reconvened on November 26, 2018, and adopted the following revised consensus tax revenue recurring growth projections for the 2018-2019 fiscal year (growth measured against actual results for the 2017-2018 fiscal year, as set forth in the following table)



and for the 2019-2020 fiscal year (recurring growth measured against the potential range of results for the 2018-2019 fiscal year, as set forth in the following table):

	<b>Fiscal Year 2017-2018 Results</b>	<b>Fiscal Year 2018-2019</b>		<b>Fiscal Year 2019-2020</b>	
		<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
<b>Total State Taxes</b>	\$ 14,421,115,300	2.35%	3.25%	2.73%	3.13%
<b>General Fund Only</b>	\$ 11,965,971,200	2.20%	3.20%	2.71%	3.21%

The fiscal year 2019-2020 Recommended Budget was based on these consensus revenue estimates.

The State Funding Board is scheduled to convene in November 2019 to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2019-2020 and to project revenue estimates for fiscal year 2020-2021. The Board may schedule additional meetings at its discretion.

On an accrual basis, July is the twelfth month of fiscal year 2018-2019. Total state tax collections for the twelve months (August through July) were \$636.1 million above the July 1, 2018 budgeted estimate, and collections for the general fund were \$580.4 million above the budgeted estimates. Collections for the four other funds that share tax revenue proceeds were \$55.7 million more than the July 1, 2018 budgeted estimates. Collections are unaudited and subject to final accrual adjustments. The Rainy Day Fund balance is estimated to be \$875 million at June 30, 2019 and projected to be \$1.1 billion at June 30, 2020. See “STATE FINANCES – Reserve for Revenue Fluctuations”.

*Fiscal Year 2019-2020 Budget Summary*

As shown in the Recommended Budget, the fiscal year 2019-2020 budget is based on a recurring growth rate in total taxes of 3.13%. General Fund recurring cost increases total \$621.7 million, much of which is used to fund salary and benefits, program and inflationary growth in TennCare, the Basic Education Program, Higher Education, capital improvements, and capital maintenance. For the 2019-2020 Recommended Budget to remain balanced, State programs are reduced by an average of 0.7% for a total of \$42.3 million. Recurring appropriations are funded by recurring revenues. The Rainy Day Fund balance is budgeted to increase to \$1.1 billion after an additional deposit of \$225 million. For a further description of the 2019-2020 Recommended Budget, see “Budgetary Sources and Uses” section below.

The capital budgets as amended and approved by the General Assembly for fiscal year 2018-2019 and the Recommended Budget for fiscal year 2019-2020 are as follows:

	<b>Fiscal Year</b>	
	<b>2018-19</b>	<b>2019-20</b>
State Current Funds	\$ 190,178,000	\$ 313,096,800
Federal Funds	4,405,000	3,262,500
General Obligation Bonds (excl. Hwy. Imp.)	88,295,000	-
Highway Improvement Bonds	127,000,000	124,000,000
Other Miscellaneous Funds	115,327,000	100,660,800
Facilities Revolving Fund	26,130,000	47,963,000
<b>Total</b>	<b>\$ 551,335,000</b>	<b>\$ 588,983,100</b>

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

## **TennCare Program**

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

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

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

The TennCare program currently has approximately 1.4 million enrollees consisting of approximately 830,000 children and approximately 580,000 adults. The 2019-2020 Recommended TennCare budget is \$12.27 billion, including federal funds, and is 31.8% of the total 2019-2020 Recommended Budget. Excluding federal funds, the cost of the TennCare program is budgeted to be 21% of the total State tax collections.

In fiscal year 2017-2018, the TennCare Reserve was \$311.3 million and is equal to 8.4% of the State funds contributed to the TennCare program. Historically, the TennCare Unobligated Reserve was \$242.5 million in fiscal year 2016-2017; \$226.2 million in fiscal year 2015-2016; \$267.7 million in fiscal year 2014-2015; \$306.9 million in fiscal year 2013-2014; \$306.9 million in fiscal year 2012-2013; \$115.6 million in fiscal year 2011-2012; \$234.7 million in fiscal year 2010-2011; and \$442 million in fiscal year 2009-2010. The TennCare Reserve is not statutorily required and there can be no assurance that the TennCare Reserve will be available for use in the TennCare program.

## Budgetary Sources and Uses of Funds

The following tables compare budgetary sources and uses of funds for fiscal years 2018-2019 and 2019-2020:

**2019-2020 Budget Document**  
**2018-2019 Estimated Budget Compared to**  
**2019-2020 Recommended Budget**  
**Sources of Funds**

	<u>Estimated Budget</u> <u>FY 2018-2019</u>	<u>Recommended Budget</u> <u>FY 2019-2020</u>	<u>Difference</u>
Tax Revenue - Revised Estimate			
Sales and Use Taxes	\$ 9,100,000,000	\$ 9,463,900,000	\$ 363,900,000
Other Taxes - Department of Revenue	5,677,300,000	5,775,900,000	98,600,000
Other Miscellaneous Revenues	2,220,663,000	2,190,842,900	(29,820,100)
Tobacco Funds	160,600,000	160,600,000	-
Lottery for Education Funds	389,700,000	388,300,000	(1,400,000)
Debt Service Fund Transfer	45,200,000 *	-	(45,200,000)
Reserve Transfers and Adjustments	310,416,000	811,556,800 *	501,140,800
Reversion - Overappropriation	76,808,500 *	76,808,500 *	-
Rainy Day Fund Transfer	<u>(75,000,000) *</u>	<u>(225,000,000) *</u>	<u>(150,000,000)</u>
<b>Sub-Total</b>	<b><u>\$ 17,905,687,500</u></b>	<b><u>\$ 18,642,908,200</u></b>	<b><u>\$ 737,220,700</u></b>
Federal Funds	\$ 14,164,781,000	\$ 13,954,065,000	\$ (210,716,000)
Current Services and Other Revenues	3,955,240,400	3,943,822,800	(11,417,600)
Tuition and Student Fees	1,888,035,200	1,888,035,200	-
Bonds	<u>215,295,000</u>	<u>124,000,000</u>	<u>(91,295,000)</u>
<b>Total</b>	<b><u>\$ 38,129,039,100</u></b>	<b><u>\$ 38,552,831,200</u></b>	<b><u>\$ 423,792,100</u></b>
	\$ -	\$ -	
* Reserves, Transfers and Reversion <sup>1</sup>	\$ 47,008,500	\$ 663,365,300	\$ 616,356,800

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

**2019-2020 Budget Document**  
**2018-2019 Estimated Budget Compared to**  
**2019-2020 Recommended Budget**  
**Uses of Funds**

	<u>Estimated Budget FY 2018-2019</u>	<u>Estimated Budget FY 2019-2020</u>	<u>Difference</u>
General Government	\$ 1,511,101,500	\$ 1,588,759,100	\$ 77,657,600
Education	11,133,904,500	11,384,723,400	250,818,900
Health and Social Services	17,425,861,400	17,395,554,200	(30,307,200)
Law, Safety, and Correction	1,924,177,000	1,963,661,900	39,484,900
Resources and Regulation	1,023,359,500	1,004,279,100	(19,080,400)
Business and Economic Development	<u>724,474,400</u>	<u>712,751,700</u>	<u>(11,722,700)</u>
<b>Total General Fund</b>	<b><u>\$ 33,742,878,300</u></b>	<b><u>\$ 34,049,729,400</u></b>	<b><u>\$ 306,851,100</u></b>
Transportation	\$ 2,242,390,700	\$ 2,295,152,500	\$ 52,761,800
Debt Service Requirements	356,675,000	338,855,000	(17,820,000)
Capital Outlay Program	340,618,000	417,020,100	76,402,100
Facilities Revolving Fund	226,877,100	200,874,200	(26,002,900)
Cities and Counties - State Shared Taxes	<u>1,219,600,000</u>	<u>1,251,200,000</u>	<u>31,600,000</u>
<b>Total State Budget All Programs</b>	<b><u>\$ 38,129,039,100</u></b>	<b><u>\$ 38,552,831,200</u></b>	<b><u>\$ 423,792,100</u></b>

## **Investment Policy**

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

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

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

In addition to the funds in the SPIF and the ITIF, TCRS (a pension trust fund), the Baccalaureate Education System Trust (a private-purpose trust), the Chairs of Excellence Trust (a permanent fund), the Tennessee Promise Endowment Fund (a trust to fund higher education scholarships), and the Other Post-Employment Benefits Trust (a trust to pay non-pension benefits to former state employees) (see "Other Post-Employment Benefits" page 18) are authorized by statutes to invest in long-term investments, including bonds, debentures, preferred stock and common stock, and real estate subject to the approval of the applicable boards of trustees. See "Appendix A - Financial Statements" - Note 5A "Deposits and Investments".

## Accounting Standards

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

## Other Post-Employment Benefits

In 2004, GASB issued Statements Nos. 43 and 45 that provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits (“OPEB”). In 2015, GASB issued Statements Nos. 74 and 75 which replaced Statements Nos. 43 and 45, respectively. Statement No. 74 was effective for FYE June 30, 2017 while Statement No. 75 was effective for FYE June 30, 2018.

State employees and teachers who meet specified criteria receive pension benefits provided to retirees through a defined benefit plan administered by TCRS. In addition to retirement benefits, certain qualified retirees may continue participation in OPEB plans sponsored by the State. Retirees who are not yet eligible for Medicare have access to the same benefits as current employees and pay monthly premiums that vary by years of service at retirement. After age 65, retirees may participate in a Medicare supplemental plan. The State’s financial support to this supplemental plan is a fixed amount based on years of service. Employees hired on or after July 1, 2014 are not eligible to participate in State administered OPEB plans.

The most recent completed actuarial valuations of post-employment medical benefits, as of July 1, 2017, was completed during fiscal year 2018. These studies were conducted using an actuarial cost method and focused on individual employers within each plan. The State’s obligations and OPEB expense resulting from the July 1, 2017 study are summarized below.

	<b>As of June 30, 2018 (unaudited)</b>	
	(expressed in thousands)	
	<b>Total OPEB Liability</b>	<b>Total OPEB Expense</b>
<b>State Employee Group Plan</b>		
State obligation for employees	\$ 915,974	\$ 70,195
<b>Local Education Agency Group Plan</b>		
State obligation on behalf of teachers	256,924	21,680
<b>Medicare Supplement Plan</b>		
State obligation for employees (including component unit and LEA)	392,305	17,551
<b>Total State Obligation</b>	<b>\$ 1,565,203</b>	<b>\$ 109,426</b>

The actuary reports may be reviewed at: <https://www.tn.gov/finance/rd-doa/fa-accfm-opeb.html>. The State was contracted with Gabriel Roeder Smith and Company to provide GASB required valuations for the State Employee Group, Teacher Group, Local Government Group and Tennessee (Medicare Supplement) OPEB plans for fiscal years ended June 30, 2014 through June 30, 2019. The next valuation results, as of July 1, 2018, are expected to be received in late summer of 2019, and will be reported in the FYE June 30, 2019 financial statements. Future valuations will be performed under a contract with Aon plc.

The OPEB information above was reported in the State’s Comprehensive Annual Financial Report for fiscal year 2017-2018. Historically, the State has not pre-funded any actuarially determined OPEB liability and instead used a pay-as-you-go funding arrangement for actual costs of OPEB liabilities incurred. However, pursuant to Sections 9-27-801, *et seq.* Tennessee Code Annotated, a trust (the “OPEB Trust”) was established and began operating effective January 1, 2019, whereby the State Employee Group Plan was converted to a prefunding

arrangement where assets are accumulated in the OPEB Trust and benefit payments are made directly from the OPEB Trust. The net position of the OPEB Trust for the fiscal year ending June 30, 2019 is estimated to be approximately \$210,000,000 (unaudited). The State has the flexibility to adjust the benefits and premium sharing provisions provided by insurance plans and to adjust the various OPEB plan options and operations on an annual basis. It will continue to analyze the cost of the choices available to retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

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

### **Financial Reporting Awards**

The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded Certificates of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1979 to June 30, 2008, thirty consecutive years. The State did not receive the award for the fiscal year ended June 30, 2009 due to the implementation of a new accounting system that delayed the report but did receive the award again for fiscal years ended June 30, 2010 to June 30, 2020. TCRS was also awarded a Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. This was the thirty-third consecutive year that TCRS received this award. To be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the content of which conforms to program standards. Such reports must satisfy both GAAP and applicable legal requirements.

### **Impact of COVID-19**

#### **Cybersecurity**

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

## **THE TENNESSEE CONSOLIDATED RETIREMENT SYSTEM (TO BE UPDATED)**

### **Introduction**

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

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

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

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

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

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

By statute, an actuarial valuation of TCRS is to be conducted at least once in every two-year period. However, pursuant to the funding policy adopted by the Board on September 26, 2014, an actuarial valuation is conducted annually as of each June 30th for both accounting purposes and funding purposes. The latest actuarial valuation was performed as of June 30, 2018, and an actuarial valuation as of June 30, 2019 is underway. The Board certifies to the Governor each year the amount necessary to fund the Actuarially Determined Contribution (“ADC”) for State and higher education employees, and by statute the General Assembly is required to appropriate such amount. Thus, for each year since 1972, the State has paid to TCRS 100% of the ADC for State and higher education employees. The ADC represents the amount necessary to fund the normal cost (the cost of current service being accrued), the amortized amount of the unfunded accrued liabilities, and the cost of the administration of TCRS pursuant to the actuarial methodology described herein. The State has not generally waived immunity from suit or extended its consent to be sued, and sovereign immunity and other legal principles may bar actions to compel the General Assembly to appropriate moneys in the future for such purposes. Beginning July 1, 2014, the term ADC replaced the term ARC; however, ADC is essentially the same as the ARC.

The total pension liability of the Closed Plan in excess of its fiduciary net position (net assets), or net pension liability, at the June 30, 2018 measurement date, was \$1,615,412,016. The Closed Plan fiduciary net position as a percentage of the total pension liability, or funded ratio, was 90.26% at June 30, 2018, calculated in accordance with GASB Statement No. 68 (“GASB 68”). The funded ratio was 88.88% for 2017, 87.96% for 2016, 91.26% for 2015 and 95.11% for 2014. Before 2014, the funded ratio was calculated using the actuarial value of assets as determined in an actuarial valuation with such amount then divided by actuarial accrued liability. Historical funded ratios were 89.4% for 2013, 88.30% for 2011, 86.32% for 2009, and 90.93% for 2007. In most years before 2014, the funded ratio would have been lower if based on market value of assets.

The Hybrid Plan is a legally separate agent plan pursuant to State statute and a separate set of accounting and actuarial records is maintained for this plan. At the June 30, 2018 measurement date, the funded ratio of the



Hybrid Plan was 132.39% with fiduciary net position exceeding total pension liability by \$38,573,088. The funded ratio was 131.51% for 2017, 130.56% for 2016 and 142.55% for 2015.

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

### **General Information**

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

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

Teachers are members of TCRS. The more than 200 LEAs are responsible on a cost sharing basis for the financial obligation of the benefits provided by TCRS to Teachers to the extent such obligations are not covered by their employee contributions and investment earnings. The obligation is funded by LEA employer contributions as determined by an actuarial valuation. LEAs do not have taxing authority. The local governing body of an LEA and the State provide funding to LEAs to finance the cost of providing a system of education for the children of the State. The State’s education funding formula includes an amount to be used toward some, but not all, of an LEA’s pension cost (LEA’s employer contributions to TCRS). For TCRS purposes, the Teacher group includes certificated Teachers and does not include non-teaching personnel such as bus drivers, cafeteria workers, maintenance employees, custodians, and secretaries.

Local governments may join TCRS as a participating employer in order to provide pension benefits for their employees. However, each local government is responsible for the financial obligation of the benefits provided by TCRS to their employees to the extent such obligations are not covered by their employee contributions and investment earnings. The State is not responsible for the liability associated with local governments participating in TCRS. Local governments participating in TCRS include cities, counties, special school districts, utility districts, emergency communication districts, and other political subdivisions of the State. As of June 30, 2019 there are more than 600 local governments in the TCRS plan. Employees of local governments could include general employees, non-teaching employees of a school system, transportation department employees, public safety employees, utility employees, and employees of other departments of the local government.

State employees and higher education employees are combined for actuarial and financial obligation purposes, and the State is considered an agent employer group pursuant to GASB. Since the State is financially responsible for State and higher education employees in the Hybrid Plan, up to the point where cost controls occur, as described in the section “Cost Controls and Unfunded Liability Controls of the Hybrid Plan”, separate accounting and actuarial records are maintained for this group. LEAs are combined into a teacher cost-sharing group for actuarial and financial obligation purposes. Since LEAs are financially responsible for Teachers in the Hybrid Plan up to the point where cost controls occur, as described in the section “Cost Controls and Unfunded Liability Controls of the Hybrid Plan”, separate accounting and actuarial records are maintained for this Teacher group. Each participating local government in TCRS is maintained separately for actuarial and financial obligation

purposes and is considered an agent employer for financial purposes. However, the assets of all public employee groups participating in TCRS are commingled for investment purposes with each group receiving its pro rata share of investment gains and losses.

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

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

The Comptroller of the Treasury performed the audit of the most recent financial statements of TCRS as of June 30, 2018. The latest actuarial valuations for funding and accounting purposes (as of June 30, 2018), and actuarial experience study (as of June 30, 2016) were performed by the actuarial and consulting firm of Findley, Inc. The latest actuarial audit (as of July 1, 2009) was performed by the actuarial and consulting firm of Gabriel, Roeder, Smith, & Company. Such reports are available on the Tennessee Treasury website at [www.treasury.tn.gov/Retirement/Boards-and-Governance/GASB-and-Actuarial-Information](http://www.treasury.tn.gov/Retirement/Boards-and-Governance/GASB-and-Actuarial-Information).

As of June 30, 2018 the membership in TCRS was as follows (unaudited):

	Active Employees	Inactive Employees or Beneficiaries Currently Receiving Benefits	Inactive Employees Entitled to but not yet Receiving Benefits	Total
State & Higher Education Employees				
Closed Plan	40,611	57,593	40,314	138,518
Hybrid Plan	19,194	7	9,495	28,696
Total	59,805	57,600	49,809	167,214
Teachers				
Closed Plan	59,487	50,922	31,264	141,673
Hybrid Plan	19,634	3	5,195	24,832
Total	79,121	50,925	36,459	166,505

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

## **General Plan Provisions**

### *Closed Plan*

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

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

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

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

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

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

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

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

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

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

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

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

*Cost Controls and Unfunded Liability Controls of the Hybrid Plan*

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

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

**Investments and Investment Policy**

Tennessee Code Annotated Section 8-37-104 establishes the types of investments that are permitted. An investment policy is adopted by the Board related to the authorized investment types and portfolio structure. The current investment policy adopted by the Board is available on the Tennessee Treasury website at [www.treasury.tn.gov/Retirement/Board-and-Governance/Reporting-and-Investment-Policies](http://www.treasury.tn.gov/Retirement/Board-and-Governance/Reporting-and-Investment-Policies).

The actual allocation of assets and the policy target range at June 30, 2019 are (unaudited):

<u>Asset Class</u>	<u>Policy Range</u>	<u>Actual Allocation</u>
North American Stock	25-50%	33.4%
Domestic Bonds	20-60%	26.4%
Inflation Indexed Bonds	0-15%	1.4%
Short-term Securities	0-10%	1.0%
International Bonds	0-10%	0.0%
International Stocks	5-25%	17.3%
Private Equity & Strategic Lending	0-20%	11.9%
Real Estate	0-20%	8.6%
		<u>100.0%</u>

The historical annualized rates of return (net of fees) on TCRS investments as of June 30, 2019 are (unaudited):

<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>15 Year</u>	<u>20 Year</u>	<u>25 Year</u>
7.38%	9.00%	6.62%	9.51%	7.07%	6.23%	7.62%

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

<u>Year Ended</u> <u>June 30</u>	<u>Rate of Return</u>
2019*	7.4%
2018	8.2%
2017	11.4%
2016	2.8%
2015	3.3%
2014	16.7%
2013	9.9%
2012	5.6%
2011	19.6%
2010	10.2%

\*unaudited

### **Actuarial Methodology for Funding Purposes**

The funding policy adopted by the Board provides that the actuarial valuation will be conducted based on the following: entry-age normal actuarial method; 10-year smoothing of assets within a 20% corridor; and level dollar amortization of unfunded liabilities over a closed period not to exceed 20 years. As of June 30, 2018, under the 10-year smoothing of assets methodology net investment losses of approximately \$1.8 billion are being deferred in the Closed plan and \$3.5 million in the Hybrid plan. The June 30, 2018 actuarial valuation established the employer contribution rate for the period July 1, 2019 through June 30, 2020.

### **Economic and Demographic Assumptions**

The latest actuarial experience study was conducted in 2016 and determined the economic and demographic assumptions to be utilized in the 2017, 2018, 2019, and 2020 actuarial valuations.

The long term investment earnings assumption of 7.25% is compounded annually. A graded salary increase assumption based on age is utilized with larger increases expected for younger employees and smaller increases for older employees. The salary range begins at 8.72% at age 20 while the upper portion of the range at age 70 is 3.44%. The approximate average salary assumption increase is 4.00%. The social security wage base is assumed to increase 3.0%. The cost of living adjustment for retirees is assumed to increase 2.25% annually. A rate of inflation of 2.5% is assumed in establishing the economic assumptions. All of the economic assumptions noted above reflect lower values from the 2016 experience study.

The demographic assumptions include: post-retirement mortality, pre-retirement mortality, withdrawal rate for termination of employment, the marital status of members, the age differences of the married members and their spouses, disability rate, and pattern of retirement. The demographic assumptions are based on the past experience of participants in TCRS and most current Society of Actuaries mortality tables. Additionally, the mortality assumptions reflect improvements and projections of further improvements in life expectancy.

**Summary of Fiscal Health of TCRS**

**Funded Status Based on GASB Pension Standards+\*  
at June 30, 2018  
(dollars expressed in thousands)**

<u>Group</u>	<u>Plan Fiduciary Net Position</u>	<u>Total Pension Liability</u>	<u>Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>	<u>Covered Payroll</u>	<u>Net Pension Liability (Asset) as a % of Covered Employee Payroll</u>
<b>State &amp; Higher Education Employees</b>						
Closed Plan	\$14,973,256	\$16,588,668	\$1,615,412	90.26%	\$2,280,469	70.84%
Hybrid Plan	157,677	119,104	(38,573)	132.39%	727,339	(5.30%)
<b>Teachers</b>						
Closed Plan	24,028,523	23,676,632	(351,891)	101.49%	3,501,704	(10.05%)
Hybrid Plan	213,543	168,190	(45,353)	126.97%	873,677	(5.19%)

+ unaudited

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

**Historical Fiduciary Net Position**

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

**Historical Plan Fiduciary Net Position  
(dollars expressed in thousands)**

<u>Year ended June 30</u>	<u>State &amp; Higher Education Employees Closed Plan</u>	<u>State &amp; Higher Education Employees Hybrid Plan **</u>	<u>Teachers Closed Plan</u>	<u>Teachers Hybrid Plan **</u>
2018+*	\$14,973,256	\$157,677	\$24,028,523	\$213,543
2017	14,300,961	86,564	22,873,664	124,800
2016	13,334,528	35,994	21,191,573	57,990
2015	13,457,746	9,317	21,268,085	18,676
2014	13,430,683		21,214,637	
2013	11,827,560		18,656,536	
2012	11,070,535		17,426,697	
2011	10,764,495		16,875,007	
2010	9,219,743		14,389,656	
2009	8,586,203		13,359,796	

+ unaudited

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

\*\* Plan began July 1, 2014.

**Historical Funding Progress Based on Plan Fiduciary Net Position  
State and Higher Education Employees Closed Plan  
at June 30  
(dollars expressed in thousands)**

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2018+*	\$14,973,256	\$16,588,668	\$1,615,412	90.26%	\$2,280,469	70.84%
2017	14,300,961	16,090,560	1,789,599	88.88%	2,333,672	76.69%
2016	13,334,528	15,159,093	1,824,565	87.96%	2,376,794	76.77%
2015	13,457,747	14,747,029	1,289,282	91.26%	2,540,327	50.75%
2014	13,430,683	14,120,632	689,949	95.11%	2,658,354	25.95%
2013	11,827,560	13,822,969	1,995,409	85.56%	2,489,709	80.15%
2011	10,764,495	13,284,473	2,519,978	81.03%	2,431,765	103.63%
2009	8,586,203	11,936,316	3,350,113	71.93%	2,530,585	132.38%
2007	10,633,938	11,241,864	607,926	94.59%	2,501,095	24.31%
2005	8,985,992	9,202,389	216,397	97.65%	2,245,692	9.64%

+ unaudited

\*Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

Note 1: Annual reporting began in 2014. Valuation years beginning with 2014 are based on GASB 67 and 68 requirements, years prior to 2014 are based on funding methodology.



**Historical Funding Progress Based on Plan Fiduciary Net Position  
State and Higher Education Employees Hybrid Plan  
at June 30  
(dollars expressed in thousands)**

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2018+*	\$157,677	\$119,104	(\$38,573)	132.39%	\$727,339	(5.30%)
2017	86,564	65,826	(20,738)	131.50%	518,664	(4.00%)
2016	35,994	27,569	(8,424)	130.56%	305,786	(2.76%)
2015	9,317	6,536	(2,781)	142.55%	107,086	(2.60%)

+ unaudited

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

Note 1: Plan began July 1, 2014.

**Historical Funding Progress Based on Plan Fiduciary Net Position  
Teachers Closed Plan  
at June 30  
(dollars expressed in thousands)**

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2018+*	\$24,028,523	\$23,676,632	(\$351,891)	101.49%	\$3,501,704	(10.05%)
2017	22,873,664	22,840,946	(32,718)	100.14%	3,536,976	(0.93%)
2016	21,191,573	21,816,518	624,945	97.14%	3,609,801	17.31%
2015	21,268,085	21,309,048	40,963	99.81%	3,743,503	1.09%
2014	21,214,637	21,198,387	(16,250)	100.08%	3,925,132	(0.41%)
2013	18,658,230	20,300,591	1,642,361	91.91%	3,747,221	43.83%
2011	16,875,007	19,423,152	2,548,145	86.88%	3,626,582	70.26%
2009	13,359,796	17,118,650	3,758,854	78.04%	3,523,942	106.67%
2007	16,637,769	15,998,286	(639,483)	104.00%	3,241,772	(19.73%)
2005	14,185,802	14,646,578	460,776	96.85%	3,000,297	15.36%

+ unaudited

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

Note 1: Annual reporting began in 2014. Valuation years beginning with 2014 are based on GASB 67 and 68 requirements, years prior to 2014 are based on funding methodology.

Note 2: In some Official Statements of the State of Tennessee, this table was titled "Historical Funding Progress Based on Market Value of Assets".

**Historical Funding Progress Based on Plan Fiduciary Net Position  
Teachers Hybrid Plan  
at June 30  
(dollars expressed in thousands)**

Valuation Year	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
2018+*	\$213,543	\$168,190	(\$45,353)	126.97%	\$873,677	(5.19%)
2017	124,800	98,417	(26,383)	126.81%	655,206	(4.03%)
2016	57,990	47,579	(10,411)	121.88%	440,004	(2.37%)
2015	18,676	14,653	(4,023)	127.46%	207,773	(1.94%)

+ unaudited

\* Information from most recent actuarial valuation (measurement period of 7/1/2017-6/30/2018).

Note 1: Plan began July 1, 2014.

**Cash Flows**

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

Fiscal Year	Cash Inflows		Cash Out Flows		Net Cash Flows
	Contributions	Interest and Dividends *	Benefits and Refunds	Administrative Cost	
2018	\$ 1,078,540	\$ 3,057,527	\$ 2,136,649	\$ 13,293	\$ 1,986,125
2017	965,890	3,865,904	2,049,988	11,802	2,770,004
2016	944,260	916,301	1,978,488	13,469	(131,396)
2015	948,804	1,056,413	1,885,341	10,345	109,531
2014	959,366	779,544	1,778,888	6,784	(46,762)
2013	932,678	782,794	1,661,602	5,446	48,424
2012	925,549	767,409	1,536,603	4,749	151,606
2011	914,226	740,075	1,434,296	3,525	216,480
2010	769,038	708,925	1,336,574	3,924	137,465
2009	769,714	793,334	1,271,327	3,616	288,105

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

## Projections

The following table provides a projection of expected benefit payment patterns. The projection is based upon the assumptions utilized in preparing the 2013 actuarial valuation and has not been updated since that time. The assumptions include those regarding future salary levels, retirement dates, incidence of disability and mortality and annual cost of living adjustments.

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

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

\* Includes State Employees, Higher Education Employees, Teachers and Employees of Local Governments.

Actual benefit payments for FY 2016 totaled \$2,312,706,000, for FY 2017 totaled \$2,410,601,000, and for FY 2018 totaled \$2,520,303,000.

**Funding Policy Adopted by TCRS Board of Trustees**

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

The Board adopted a formal funding policy in September 2014 for benefits accrued under the TCRS. The current funding policy adopted by the Board is available on the Tennessee Treasury website at [www.treasury.tn.gov/retirement/boards-and-governance/reporting-and-investment-policies](http://www.treasury.tn.gov/retirement/boards-and-governance/reporting-and-investment-policies). The essential elements of the funding policy are:

- Annual actuarial valuations will be performed beginning June 30, 2015.
- The actuarial valuation method will be entry age normal.
- Actuarial value of assets will be smoothed over a ten year period.
- Actuarial value of assets cannot be 20% more or less than the market value of assets.
- Unfunded liability shall be amortized using level dollar amortization method.
- A new tier of unfunded liability shall be established with each actuarial valuation.
- The maximum amortization shall be a closed 20-year period for each tier.
- An actuarial experience study will be performed at a minimum of every four years.
- An actuarial audit will be performed at least once in a ten year period.

**Actuarially Determined Contributions**

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

Year Ended June 30	State & Higher Education Employees Closed Plan		State & Higher Education Employees Hybrid Plan *	
	Employer Contribution	Employer Contribution as a Percentage of ADC	Employer Contribution	Employer Contribution as a Percentage of ADC
2018	\$435,455	100%	\$28,611	291%
2017	360,434	100%	20,339	326%
2016	366,114	100%	12,016	186%
2015	392,467	100%	4,214	185%
2014	410,608	100%		
2013	391,352	100%		
2012	382,888	100%		
2011	383,365	100%		
2010	341,585	100%		
2009	350,770	100%		

\* Plan began July 1, 2014.

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

Year Ended June 30	Teachers Closed Plan		Teachers Hybrid Plan *	
	Employer Contribution	Employer Contribution as a Percentage of ADC	Employer Contribution	Employer Contribution as a Percentage of ADC
2018	\$318,337	100%	\$34,957	245%
2017	319,576	100%	26,262	257%
2016	327,522	100%	17,539	159%
2015	338,413	100%	\$8,311	162%
2014	348,539	100%		
2013	344,534	100%		
2012	343,594	100%		
2011	339,833	100%		
2010	236,545	100%		
2009	233,215	100%		

\* Plan began July 1, 2014.

The combined annual required contributions are funded from a contribution of State funds, Federal funds, student tuition and fees, and local education agencies. The combined annual required contribution for the state and higher education employees was \$464,066,000 for the fiscal year ended June 30, 2018 as shown on the schedule above.

**Employer Contributions**

The 2018 actuarial valuation established the employer contribution rates for the Closed Plan for the fiscal year ending June 30, 2020, to be 19.66% of salary for general State employees and higher education employees, 23.34% of salary for public safety employees and 25.55% for State judges. The combined aggregate rate for such period will be 19.80% of salary. LEAs will make employer contributions at the rate of 10.63% of salary for Teachers in the Closed Plan during the fiscal year ending June 30, 2020.

The 2018 actuarial valuation determined the ADC rates for the Hybrid Plan for the fiscal year ending June 30, 2020. The statutorily established 4.0% employer contribution rate will consist of an ADC of 1.73% of salary and a contribution of 2.27% to the SRT for general State employees and higher education employees, an ADC of 2.57% of salary and a contribution of 1.43% to the SRT for public safety employees and an ADC of 7.31% of salary for State Judges. The combined aggregate rate will be 4.00% of salary. LEAs will make an ADC of 2.03% of salary and a contribution of 1.97% to the SRT for Teachers in the Hybrid Plan during the fiscal year ending June 30, 2020. Additionally, as part of the Hybrid Plan, employers make contributions equal to 5% of salary to the defined contribution plan as described below.

## **Other Retirement Programs**

### *Optional Retirement Program in Higher Education*

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

ORP Employees are immediately vested in employer and employee contributions and make their own determinations as to how such contributions are invested. Currently, there are a variety of investment products for ORP Employees to choose from among three different vendors. There were approximately 12,500 ORP Employees at June 30, 2019. Employer contributions from the State and higher education institutions totaled \$71.7 million for the Closed Plan and \$26.4 million for the Hybrid Plan during the fiscal year ended June 30, 2019.

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

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

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

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

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

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

### *Deferred Compensation Plan for State Employees and Higher Education Employees*

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

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

For the year ended June 30, 2019, 80,652 State and higher education employees actively participated in the 401(k) plan on a voluntary basis or as part of the Hybrid Plan with an additional 6,525 employees participating in the 457 plan. Employer contributions to the 401(k) for the Hybrid Plan totaled \$44.8 million and \$32.5 million for the employer match on voluntary contributions. Additionally, 40,899 Teachers actively participated on a voluntary basis or as part of the Hybrid Plan. LEA employer contributions to the 401(k) for the Hybrid Plan totaled \$55 million.

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

**Other Employer Contributions for  
State and Higher Education Employees  
Participating in the ORP or 401(k)**

Year Ended 30-Jun	ORP Employer Contributions	DC Employer Contributions*	Total Non-TCRS Employer Contributions
2019+	\$ 98,093,651	\$ 77,257,990	\$ 175,351,641
2018	100,608,949	68,028,252	168,637,201
2017	96,501,258	56,492,141	152,993,399
2016	94,115,457	44,260,831	138,376,288
2015	94,003,305	34,046,882	128,050,187

+ unaudited

\* DC ER contributions include Hybrid contributions and \$50 employer match.

**DEBT OF CERTAIN AGENCIES AND AUTHORITIES**

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

**Tennessee Local Development Authority**

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

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

Bonds and notes issued by TLDA are secured by: (i) in the case of loans to local governments, monies received by TLDA under loan program agreements with the local governments and by the local governments’ allocation of state-shared taxes; (ii) in the case of loans to small business concerns, monies received under agreements with those concerns; (iii) in the case of agricultural loans, monies received under agreements with

lenders and a pledge of any money, income or revenue from any source; (iv) in the case of loans to not-for-profit organizations, monies received under State grant agreements and a pledge of the department of mental health and mental retardation's annual budget; and (v) in the case of loans to local government units to finance construction of capital outlay projects for K-12 educational facilities, monies received by TLDA under loan agreements with local education agencies payable from taxes authorized to be levied for the purpose and certain proceeds of the Tennessee lottery for education.

TLDA is not currently funding any of these programs, and the only program previously funded with TLDA bonds that are currently outstanding is the State Loan Program. As of April 30, 2021, TLDA had \$1,250,000 (unaudited) of bonds outstanding for the State Loan Program.

### **Tennessee State School Bond Authority**

In 1965, the General Assembly created the Tennessee State School Bond Authority (the "Authority"), pursuant to Sections 49-3-1201 et seq., Tennessee Code Annotated. The Authority is a corporate governmental agency and instrumentality of the State. The Authority is authorized to issue its bonds and notes to finance capital outlay programs for higher educational facilities which may be required or convenient for the purposes of The University of Tennessee, including its branches and divisions, and for the purposes of the institutions of higher education under the supervision and administration of the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee. In 1980, the General Assembly further authorized the Authority to issue its bonds or notes to provide funds for the making of student loans by the Tennessee Student Assistance Corporation; however, no such bonds or notes have been issued for this purpose. The Authority also was authorized to issue Qualified Zone Academy Bonds ("QZAB") and Qualified School Construction Bonds ("QSCB") to finance improvement loans to cities and counties for qualifying K-12 schools for capital projects. The final QZABs matured on December 28, 2020.

Generally, all outstanding higher educational facility debt obligations of the Authority are secured by financing charges payable under contracts and agreements entered into by the Authority and the Board of Trustees of The University of Tennessee and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, as successor to the State Board of Education; legislative appropriations; and certain funds and accounts established by the Higher Educational Facilities General Bond Resolutions of the Authority. The QSCBs are part of a Federal government program in which a Federal income tax credit is given to investors in lieu of interest on the bonds. For certain of the QSCBs, a Federal income tax credit is given to bondholders in lieu of the payment of interest on bonds, and in certain other QSCBs an election is made by the Authority to receive direct interest subsidy payments from the United States Treasury, which if not needed to cure defaults under loan agreements with the borrowers, are transferred to them. The QSCBs are secured by a general obligation pledge of the borrowers and a pledge of unobligated State-shared taxes of the borrowers.

As of April 30, 2021, the Authority had outstanding \$1,661,130,000 (unaudited) aggregate principal amount of higher educational facility bonds and \$101,385,690 (unaudited) of higher educational facility revolving credit facility.. As of April 30, 2021, the total par amount of QSCBs outstanding was \$389,440,000 (unaudited). A sinking fund has been established for the retirement of the QSCBs, and \$255,242,584 (unaudited) was the book value of assets on deposit as of April 30, 2021.

### **Tennessee Housing Development Agency**

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

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

In order to accomplish its objectives, the General Assembly has authorized the Agency to issue its bonds and notes, provided that the aggregate principal amount outstanding on such bonds and notes may not exceed \$4,000,000,000 excluding bonds and notes which have been refunded. The Agency's net indebtedness, excluding the bonds and notes which have been refunded, at April 30, 2021, was \$2,926,068,230 (unaudited). The Agency



has a revolving line of credit (“LOC”) with RBC in the amount of \$75,000,000. The LOC was established to purchase mortgages for the Agency’s conventional mortgage-backed securities program with Freddie Mac Federal Home Loan Mortgage Corporation. The amount outstanding on the LOC at April 30, 2021 was \$1,598,230 and is included in the Agency’s indebtedness amount above.

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

### **State Veterans' Homes Board**

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

## **LITIGATION (SUBJECT TO REVIEW)**

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

*Tobacco Master Settlement.* Though there is no current tobacco payment litigation involving Tennessee, there is the potential for the State to be involved in future arbitrations arising out of disputes concerning an adjustment to annual tobacco payments. Tennessee and 51 other states and territories receive annual payments from participating tobacco manufacturers under the 1998 Tobacco Master Settlement Agreement (“MSA”). The amount of those payments varies each year depending on domestic sales volume and several other adjustments. A Non-Participating Manufacturer Adjustment (“NPM Adjustment”) can reduce a state’s payment if certain conditions occur and if the state did not diligently enforce its model escrow statute, which requires tobacco manufacturers that did not settle to pay into an escrow account each quarter. If an arbitration results in a finding that a state did not diligently enforce the escrow requirements during a calendar year, the state shares the NPM Adjustment with any other states found non-diligent for that year. Thus, the amount of the payment reduction is inversely proportional to the number of states that lose the diligent enforcement determination (i.e., the greater the number of losing states, the lower the payment reduction). A state can lose up to its entire MSA payment for a year, although such a result is very unlikely. Tennessee’s annual MSA payment generally ranges from One Hundred and Forty Million Dollars (\$140,000,000.00) to One Hundred and Sixty Million Dollars (\$160,000,000.00). Tennessee and thirty-four (34) other states have resolved the NPM Adjustment disputes for the years 2003-2018 in a settlement with the participating tobacco manufacturers. However, as of January 1, 2018, Tennessee is once again subject to the potential for an NPM Adjustment to be applied if its diligent enforcement efforts, or lack thereof, are challenged in an arbitration and the State is unsuccessful in proving its diligence. It should be noted that the 2004 arbitration, for the states that did not join the more recent settlement, is still being litigated. Thus, any arbitration for 2018 most likely would not begin for a number of years.

*State of Mississippi v. State of Tennessee, et al.* (U.S. Supreme Court). On June 10, 2014, the State of Mississippi filed a motion in the U.S. Supreme Court for leave to commence an original action against the State

of Tennessee, the City of Memphis, and the city's utility, Memphis Light, Gas and Water. This is in connection with Memphis' withdrawal of ground water, which is primarily used to supply drinking water. Mississippi is alleging that these withdrawals have been taking ground water that is in Mississippi, which that state claims to own in a proprietary capacity. Mississippi is seeking an injunction to limit Memphis's ground water withdrawals, and Six Hundred and Fifteen Million Dollars (\$615,000,000.00) in damages for past withdrawals. Mississippi filed a similar motion in 2009, which the Supreme Court denied. The State believes that it has strong legal and factual arguments that should prevail in a trial of the case. However, there is no guarantee of such a result and the State could be enjoined and/or required to pay damages, if Mississippi were to succeed in its lawsuit. At this time, it is impossible to quantify the economic impact upon the State if Mississippi succeeds in its lawsuit. On June 29, 2015, the Supreme Court issued an order granting the State of Mississippi's motion to file its action. The State filed its answer on September 14, 2015. On November 10, 2015, the Supreme Court appointed Judge Eugene E. Siler, Jr., to be the Special Master; Judge Siler served full-time on the U.S. Court of Appeals for the Sixth Circuit before assuming senior status in 2001. The Special Master held an initial status conference on January 26, 2016, in which he granted the State's and Memphis's request to file a motion for judgment on the pleadings, and stayed all discovery until he ruled on that motion. The motion was filed February 25, 2016. An amicus brief supporting the State's motion was filed by the United States on March 3, 2016. Mississippi filed its response to the motion on April 6, 2016, along with a motion to exclude what it refers to as references in the defendants' motions and the amicus brief to facts beyond Mississippi's complaint. On April 28, 2016, the State filed a reply brief to the Mississippi response and also an opposition to Mississippi's motion to exclude. In addition, on that same date the United States filed a memorandum in opposition to Mississippi's motion to exclude. On August 12, 2016, the Special Master issued his decision denying Tennessee's motion for judgment on the pleadings. While the Special Master agreed with Tennessee's argument that Mississippi has no enforceable property right to the unapportioned ground water in the aquifer at issue, the Special Master viewed this legal argument as premised on the factual question of whether the aquifer is an interstate water resource, and thought that a limited evidentiary hearing on this question would be appropriate. An October 26, 2016, Case Management Plan, as amended, set forth a schedule for discovery in preparation for the evidentiary hearing. In accordance with that plan, all discovery was completed in September 2017. A November 1, 2017, Joint Case Management Plan, as amended, set monthly deadlines through March 20, 2018, for the parties to exchange material fact statements and responses culminating with a joint final statement of undisputed and disputed facts. Also, on March 20, 2018, the parties submitted a joint proposed order setting forth their plan for the hearing and any pre- or post-hearing briefing.

The Special Master approved a joint order setting the evidentiary hearing for May 20-24, 2019. The hearing was held on those days and went well for Tennessee and Memphis. Tennessee's two experts and Memphis' expert offered persuasive testimony that the aquifer and its groundwater are an interstate resource. The experts were composed under cross-examination by Mississippi's attorneys, and no significant inroads were made into their direct testimony. All the cross-examination questions were ones for which the experts were prepared. Tennessee's attorneys also were effective in their cross-examination of Mississippi's two experts. The parties have 90 days from the end of the hearing in which to obtain and review the hearing transcript and prepare proposed findings of fact, with transcript citations, and conclusions of law. During this time, the parties may also submit any additional arguments regarding the relevancy of the proof that was admitted during the hearing. After the proposed findings of fact and conclusions of law are filed, the parties will present closing arguments in-person to the Special Master. The date and location for the closing arguments have not yet been determined. After hearing the closing arguments, the Special Master will take the matter under advisement, and prepare a report with recommended findings of fact and conclusions of law. It may be three-to-four months (or potentially longer) before the Special Master issues his report and recommendations.

*Comcast Holdings Corp. v. Richard Roberts, Commissioner of Revenue*, (Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County, No. 15-1098-I); *Comcast Holdings Corp. v. David Gerregano, Commissioner of Revenue*, (Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County, No. 19-209-III). These two franchise and excise tax cases concern whether Comcast's receipts from its Tennessee customers should be included as sales in the receipts factor of its franchise-and-excise-tax apportionment formula. The State recently prevailed in a similar suit brought by Comcast for earlier tax years. There, the Court of Appeals affirmed the holding of the trial court that Comcast had inappropriately categorized its services and had failed to establish that the earnings in question should be apportioned outside Tennessee. Comcast did not appeal that decision, so it is final. In the two cases listed above, Comcast makes similar arguments for later years. These cases challenge assessments of Eighteen Million Twenty-One Thousand Four Hundred

Ninety-Six Dollars (\$18,021,496.00) and Seventeen Million Seventy-Five Thousand Six Hundred Sixty-Four Dollars (\$17,075,664.00), for a total of more than Thirty-Five Million Dollars (\$35,000,000.00), which Comcast has already paid. In light of the recent ruling in the State's favor in a similar case, the State does not know whether Comcast will dismiss these cases or continue to pursue them and attempt to distinguish them from the recent decision.

*CSX Transportation, Inc. v. Commissioner of Revenue; ExxonMobil Oil Corp. v. Commissioner of Revenue; Norfolk Southern Railway Co. v. Commissioner of Revenue; Valero Marketing & Supply Co. v. Commissioner of Revenue* (all Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County). The cases above are the remaining refund cases concerning Tennessee's taxes on railroads' purchases of diesel fuel under the pre-2014 law, in which the railroads allege that the law discriminated against them in violation of the federal Railway Revitalization and Regulatory Reform Act (the "4-R Act"). The railroads have argued that this previous taxing regime was discriminatory because their purchases of fuel, but not purchases by competing trucking companies, were subject to sales tax, even though trucking companies paid a separate, and generally higher, diesel-fuel tax. The leading case was *Illinois Central Railroad Co. v. Tennessee Department of Revenue*, in which the federal Sixth Circuit Court of Appeals ruled that Tennessee's previous taxing regime did not violate the 4-R Act. The United States Supreme Court has now denied certiorari in that case, so the issue is concluded insofar as claims by Illinois Central are concerned. The State believes that this outcome will control the remaining cases, in which potential refunds of as much as One Hundred Seventy-Five Million Dollars (\$175,000,000.00) are sought. While these refund cases in state court are still pending after the Supreme Court's recent denial of certiorari at the end of June 2019, there appear to be no viable arguments for a different outcome as to the other railroads. Accordingly, the State believes that it will prevail in these cases, also.

A group of cases is also pending concerning railroads' liability under the current (post-2014) law, the Tennessee Transportation Fuel Equity Act, which placed railroads under the same tax obligations as trucking companies. The railroads contend that this law singles them out in violation of the 4-R Act. The federal district court denied the railroads' motions for preliminary injunctions but stayed collection pending appeal. The State believes that the principles announced by the Sixth Circuit in *Illinois Central* will result in eventual dismissal of the railroads' claims under the new law as well. In any event, because of the stay, no amounts have been paid into the State Treasury under the new law, so refunds are not an issue. The State believes that it will eventually be able to collect the amounts due for periods after the 2014 law became effective that are presently being withheld by the railroads and paid into escrow under a private arrangement of the railroad companies.

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

The Plaintiffs filed a Motion for the Court to certify the case as a class action and include every county school system in the State in the class. That motion was denied. The Defendants filed a Motion to Dismiss for Failure to State a Claim. That motion was also denied. As a result, the parties are working through the discovery process.

The Defendants believe that they have strong legal and factual arguments and should prevail ultimately on the merits. However, there is no guarantee of such a result. The Plaintiffs' Amended Complaint claims "funding shortfalls" ranging from One Hundred and Thirty-Five Million Dollars (\$135,000,000.00) to Seven Hundred

Million Dollars (\$700,000,000.00). Therefore, if the Plaintiffs were to succeed in their lawsuit, the State could possibly have to increase its annual funding for education by as much as Seven Hundred Million Dollars (\$700,000,000.00).

*Shelby County Bd. of Ed. and Metro. Bd. of Pub. Ed. v. Haslam, Ramsey, Harwell, McQueen, Rolston, Edwards, Chancey, Roberts, Pearre, Tucker, Hartgrove, Johnson, and Troutt, and Heyburn* (Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County). The State was served with this lawsuit on August 31, 2015. The Shelby County Board of Education brought this suit against the Governor, the Speakers of both Houses, the Commissioner of Education, and the members of the State Board of Education, as well as the Board's Executive Director, all in their official capacities only, alleging that the State has violated: (1) the holdings of the Tennessee Supreme Court in three previous education funding cases, as well as the Tennessee Constitution, and (2) State education funding statutes. On December 15, 2017, Shelby County was permitted to file an Amended Complaint and Davidson County's Metropolitan Board of Public Education was added as a co-Plaintiff. The essential claim of the Amended Complaint is that the State does not adequately fund public education in Tennessee. The Amended Complaint in this case goes beyond the relief sought in the Hamilton County case referred to above, by seeking full funding of the existing BEP funding formula (not the recommendations of the BEP Review Committee). In this case, Shelby and Davidson Counties seek a declaratory judgment holding that: (a) some portions of the BEP program are inadequate and therefore in violation of Article XI, Section 12, of the Tennessee Constitution; thus, the State is failing to provide a free public education, (b) the State educational funding system fails to provide Tennessee students with substantially equal educational opportunities, and (c) the General Assembly must appropriate sufficient funds to implement a revised version of the current school funding formula that includes, for example, pre-school education programs.

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

*Measurement Incorporated v. State of Tennessee Department of Education* (Tennessee Claims Commission, Middle Division). Claimant is a full-service education company with its principal offices located in Durham, North Carolina. Claimant states it entered into two multi-million Dollar contracts (the "Contracts") with Tennessee Department of Education ("TDOE") that required Claimant to provide various test development, administration, scoring, and reporting services in connection with statewide education assessment testing of students. Claimant alleges that following execution of the Contracts, it commenced work and provided extensive services in close collaboration with TDOE personnel until April 27, 2016, when TDOE unilaterally cancelled the Contracts. Claimant alleges that TDOE has failed and refused to pay for anything more than a small and arbitrary percentage of the total amount owed under the Contracts for the time period of November 15, 2014, through April 27, 2016, and that Claimant's damages are approximately Twenty-Five Million Dollars (\$25,000,000.00). TDOE believes Claimant did not fully perform its obligations under the Contracts, it has strong legal and factual arguments supporting its defense and counterclaim against Claimant, and any judgment or settlement in this case would be less than the requested amount. There is, however, no guarantee of such a result.

*Atkins, et al. v. Parker, et al.* (U.S. D.C. M.D. Tenn.). (*Formerly Graham, et al. v. Parker, et al.*). This is a class action brought against Tennessee Department of Correction ("TDOC") officials, including Commissioner Tony Parker and Chief Medical Officer Dr. Kenneth Williams. The District Court certified a class consisting of all persons currently incarcerated in any TDOC-related facility who have Hepatitis C (HCV) infection. Plaintiffs allege ongoing violations of their Eighth and Fourteenth Amendment rights due to Defendants' alleged deliberate indifference to the medical needs of HCV-infected inmates. Plaintiffs seek a permanent injunction against current TDOC practices and procedures related to the diagnosis and treatment of HCV-infected inmates. Plaintiffs seek to require TDOC to identify and treat all HCV-infected inmates with the use of FDA-approved, direct-acting antiviral drugs ("DAAs"). In May 2019, TDOC identified approximately 4,800 inmates with known chronic HCV infection.

However, additional infected individuals will be identified as currently untested inmates are tested and as additional infected inmates are incarcerated. The Tennessee General Assembly made a non-recurring appropriation in the amount of Twenty-Four Million Six Hundred Seventy-Eight Thousand Seven Hundred Dollars (\$24,678,700.00) for the purchase of DAAs to treat chronic HCV infected inmates in the FY19-20 Budget. In addition, the General Assembly is making recurring appropriations totaling Four Million Six Hundred Thousand Dollars (\$4,600,000.00) for acquisition of DAAs. TDOC's third-party provider of medical services contractually matches that expenditure up to a limit of Two Million Dollars (\$2,000,000.00). The resulting total of currently available funds for purchase of DAAs is Thirty-One Million Two Hundred Seventy-Eight Thousand Seven Hundred Dollars (\$31,278,700.00). A private prison management company, CoreCivic, Inc. ("CoreCivic"), currently manages, either directly or as a subcontractor, four (4) prisons in Tennessee that house TDOC inmates. TDOC contracts directly with CoreCivic to manage one (1) State-owned prison (the "Direct Contract") and TDOC also contracts with three (3) local authorities to house TDOC inmates. Such local authorities then subcontract with CoreCivic to house the TDOC inmates in three (3) prisons (the "Subcontracts"). The Direct Contract was recently amended and extended until June 30, 2020. TDOC is preparing a Request for Proposals (the "RFP") for bids on the Direct Contract. While CoreCivic previously bore the expense of DAA medication in prison facilities that it managed, the Direct Contract was amended to include a provision that the cost of treatment of chronic HCV infected inmates incarcerated at the State-owned prison will now be borne by the State. It is anticipated that a similar provision will be included in the Subcontracts, as well as a new Direct Contract with the winning bidder upon completion of the RFP process. At the time the lawsuit was brought, a course of treatment with DAAs was estimated to cost a minimum of Ninety Thousand Dollars (\$90,000.00) per individual. This average cost per individual for treatment with DAAs was reduced to Fifty-Three Thousand Dollars (\$53,000.00) (as of June 2017), to Twenty-Seven Thousand Dollars (\$27,000.00) (as of September 2017), and to approximately Seventeen Thousand Dollars (\$17,000.00) at present.

District Judge Crenshaw tried the case without a jury from July 16 to 19, 2019. The proof showed that in May 2019 Dr. Williams released a guidance for the treatment of HCV in the prison population. This guidance calls for the treatment of HCV infected inmates with advanced fibrosis (F3), cirrhosis (F4), and others, including persons co-infected with HIV. Plaintiffs' expert contends that all HCV-infected inmates must be treated, regardless of the extent of their fibrosis. Defendants' experts contended that only HCV-infected persons with F3 and F4 and some co-infected persons required treatment. Dr. Williams estimates that all chronic-HCV infected inmates within this latter group can be treated within the limits of the current appropriated funds at current drug prices. Approximately thirty percent (30%) of the HCV infected inmate population is expected to be classified as F3s and F4s. If Judge Crenshaw were to order that all HCV-infected inmates must be treated (taking into account the addition of a portion of currently untested inmates as well as the addition of more infected inmates), an approximate estimate of the potential cost to the State at current prices is between One Hundred Twenty-Five and One Hundred Fifty Million Dollars (\$125,000,000.00-\$150,000,000.00).

At the close of the proof, Judge Crenshaw ordered the parties to participate in a mediation before William E. Young, Former Chancellor, Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County. If the case cannot be settled in mediation, Judge Crenshaw has directed the parties to submit proposed findings of fact and conclusions of law. In that case, Judge Crenshaw said that he would issue his ruling in September.

*Thomas, et al. v. Long, et al.*, 18-5766 (6th Cir.) and *Robinson, et al. v. Long, et al.*, 18-6121 (6th Cir.). Both of these certified class action cases have been brought against Jeff Long in his official capacity as Commissioner of the Tennessee Department of Safety ("TDS"). Both cases raise Equal Protection and Due Process challenges to statutes that require/authorize the revocation or suspension of driver's licenses as a consequence of a driver's failure to pay certain court-ordered fines and costs. In the Thomas case, the statute at issue is Tenn. Code Ann. § 40-24-105(b), which requires TDS to revoke a person's driver's license after that individual has failed to pay fines, court costs, and litigation fees imposed by a court judgment in a criminal proceeding. In the Robinson case, the statute at issue is Tenn. Code Ann. § 55-50-502(a)(1)(H), which authorizes TDS to suspend a person's driver's license after that person fails to pay fines and court costs imposed by a court for moving traffic violations in a civil proceeding. In both cases, Plaintiffs – on behalf of themselves and the certified classes – assert that the statutes are unconstitutional because they discriminate against the indigent. In Thomas, the U.S. District Court for the Middle District of Tennessee granted summary judgment for the Plaintiffs, finding the statute to be unconstitutional. The District Court issued a permanent injunction essentially enjoining enforcement of the statute and directing TDS to reinstate licenses that had previously been revoked under the statute. In Robinson, the same

District Court granted a preliminary injunction and found that Plaintiffs has demonstrated a substantial likelihood that the statute was unconstitutional. Accordingly, the preliminary injunction enjoined enforcement of that statute and directed TDS to reinstate licenses previously suspended under the statute. Both cases currently are on appeal, and – in light of the Sixth Circuit’s recent decision in *Fowler v. Benson*, 924 F.3d 247 (6th Cir. 2019) – the State believes that it has strong legal and factual arguments that should prevail on appeal and warrant reversals of the District Court decisions. However, such results cannot be guaranteed. If the appeals are unsuccessful, it is difficult to estimate the economic impact upon the State – both in terms of lost revenue from nonpayment of fines, and in terms of costs associated with reinstatements of licenses and waiver of reinstatement fees. However, a reasonably conservative estimate, taking into account both anticipated costs and offsets, is that such an impact would be between Eight and Ten Million Dollars (\$8,000,000.00-\$10,000,000.00). In addition, if the appeals are unsuccessful, the State may be ordered to pay Plaintiffs’ attorneys’ fees and costs. In *Thomas*, Plaintiffs’ counsel already have submitted a motion for an award of over Six Hundred Eighty Thousand Dollars (\$680,000.00) in pre-appeal fees/costs. If the appeal is unsuccessful, the amount sought likely will increase. In addition, a similar motion for an award of attorneys’ fees and costs can be anticipated in the *Robinson* case, if the appeal is unsuccessful.

## **TAX MATTERS**

### **Series A Bonds**

#### *Opinions of Bond Counsel*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series A Bonds (hereinafter in Tax Matters referred to as the “Tax-Exempt Bonds”) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the State and others in connection with the Tax-Exempt Bonds, and Bond Counsel has assumed compliance by the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

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

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

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

#### *Certain Ongoing Federal Tax Requirements and Covenants*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds in order that interest on the Tax-Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Tax-Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal Government. Noncompliance with such requirements may cause interest on the Tax-Exempt Bonds to become included in gross income for federal income tax purposes retroactive to their issue date,

irrespective of the date on which such noncompliance occurs or is discovered. The State has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Bonds from gross income under Section 103 of the Code.

#### *Certain Collateral Federal Tax Consequences*

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

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

#### *Bond Premium*

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

#### *Information Reporting and Backup Withholding*

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

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

### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Tax-Exempt Bonds under federal or state law or otherwise prevent beneficial owners of the Tax-Exempt Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Tax-Exempt Bonds.

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

### **Series B Bonds**

#### *Opinions of Bond Counsel*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, (i) interest on the Series B Bonds (hereinafter in Tax Matters referred to as the “Taxable Bonds”) is included in gross income for federal income tax purposes and (ii) under existing laws of the State, the principal of and interest on the Taxable Bonds are exempt from taxation by the State or by any county, municipality or taxing district of the State, except for inheritance, transfer and estate taxes, and except to the extent included within the measure of franchise and excess taxes.

#### *Certain Federal Income Tax Consequences*

The following discussion is a brief summary of certain United States federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are “U.S. Holders,” as defined herein. This summary does not discuss all of the United States federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules. Owners of Taxable Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

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

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

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

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

### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Taxable Bonds under state law or



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

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

## UNDERWRITING

FHN Financial Capital Markets, on behalf of itself and other underwriters of the Series A Bonds shown on the front cover of this Official Statement (collectively, the “Series A Underwriters”), has agreed, subject to certain conditions, to purchase the Series A Bonds pursuant to a Bond Purchase Agreement (the “Series A Purchase Agreement”). The Series A Underwriters have agreed to purchase the Series A Bonds from the State at an aggregate purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Series A Bonds plus an original issue premium of \$\_\_\_\_\_, less an underwriters’ discount of \$\_\_\_\_\_).

Jefferies LLC, on behalf of itself and other underwriters of the Series B Bonds shown on the front cover of this Official Statement (collectively, the “Series B Underwriters”), has agreed, subject to certain conditions, to purchase the Series B Bonds pursuant to a Bond Purchase Agreement (the “Series B Purchase Agreement”). The Series B Underwriters have agreed to purchase the Series B Bonds from the State at an aggregate purchase price of \$\_\_\_\_\_ (consisting of the par amount of the Series B Bonds, less an underwriters’ discount of \$\_\_\_\_\_).

Each Purchase Agreement provides that the respective underwriters shall purchase the respective Bonds if any are purchased, subject to the conditions contained in the Purchase Agreements. The obligation of the Underwriters to purchase the Bonds is subject to certain conditions contained in the Purchase Agreements. The Bonds may be offered and sold by the Underwriters to certain dealers, banks and others at prices different than the offering prices indicated on the inside front cover hereof, and such offering prices may be changed from time to time.

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

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

PNCCM and its affiliates, including but not limited to PNC Bank, National Association, comprise a full service financial institution engaged in various activities, including securities trading, commercial and investment banking, corporate and investment advisory services, investment management and brokerage activities for a wide range of corporations, municipal and non-profit entities and individuals. PNCCM may engage PNC Investment, LLC, to sell the Issuer’s sercuities to retail investors.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of the PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association may presently or in the future have other baking and financial relationships with the State of Tennessee.

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

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells

Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

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

UBS Financial Services Inc. (“UBS FSI”) has entered into a distribution and service agreement with its affiliate UBS Securities LLC (“UBS Securities”) for the distribution of certain municipal securities offerings. UBS FSI would like to utilize this agreement in connection with the offering and sale of the State of Tennessee General Obligation Bonds, 2021 Series A&B (the “Bonds”). If utilized, UBS FSI would share a portion of its underwriting compensation with respect to the Bonds with UBS Securities.

## **FINANCIAL ADVISOR**

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

## **VERIFICATION AGENT**

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

## **RATINGS**

Moody's Investors Service, Inc. (“Moody’s”), S&P Global Ratings (“Standard and Poor’s”) and Fitch Ratings (“Fitch”) have given the Bonds ratings of Aaa, AAA, and AAA, respectively. Such ratings reflect only the respective views of such organizations and an explanation of the significance of a rating may be obtained only from the rating agency furnishing the same. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time and there is no assurance that any rating will be maintained for a given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of ratings may have an adverse effect on the market price of the Bonds.

## LEGAL OPINIONS

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

## CONTINUING DISCLOSURE

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

In connection with the issuance of the Bonds, the State reviewed the financial information, operating data and event notices filed by the State within the preceding five years with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system pursuant to the State’s Rule 15c2-12 continuing disclosure undertakings and identified, among other things, the following. Watkins Institute is not deemed to be a component unit of the State and its financial information, including indebtedness, is not reported in the State’s Comprehensive Annual Financial Report; accordingly no information on its indebtedness was reported to EMMA and will not be reported in the future. Information regarding TennCare budgeted expenditures (the “TennCare Information”) presented in tabular format in relevant Official Statements was not presented in such format in the State’s Comprehensive Annual Financial Reports, but current-year budgeted and actual TennCare expenditures were presented in each of the State’s Comprehensive Annual Financial Reports. Certain TCRS information (the “TCRS Information”) presented in tabular format in relevant Official Statements (Unfunded Liability if Actuarial Value of Assets were Valued at Market; Historical Funding Progress Based on Fiduciary Net Position/Market Value of Assets; Historical Fiduciary Net Position/Market Value of Assets; Comparison of Market Value of Assets to Actuarial Value of Assets; and Cash Flows) was reported in different form in the State’s Comprehensive Annual Financial Report and the comprehensive annual financial report of the TCRS filed by the State each year; in addition, both the TennCare Information and the TCRS Information were also included in the same tabular format in Official Statements posted on EMMA in the last five years. The foregoing results of the State’s continuing disclosure review are provided without regard to the materiality of the identified information.

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

## FORWARD-LOOKING STATEMENTS

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

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with

respect to, among other things, future economic, competitive, and market conditions and future business and policy decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

### MISCELLANEOUS

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

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

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

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

STATE OF TENNESSEE

By:

Comptroller of the Treasury;

Secretary of the Funding Board of  
the State of Tennessee

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## FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report of the State, including the audited Basic Financial Statements, for the fiscal year ended June 30, 2020 has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure” and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4<sup>th</sup> Floor, 425 Rep John Lewis Way North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2020 Comprehensive Annual Financial Report and certain prior year Comprehensive Annual Financial Reports are posted on the State’s website at <http://www.tn.gov/finance/rd-doa/fa-accfin-ar>.

The following reports, each of which are included in the 2020 Comprehensive Annual Financial Report and have been posted on the State’s website, are incorporated herein by reference:

Auditor’s Report

Management’s Discussion and Analysis

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position

Statement of Activities

Fund Financial Statements:

Balance Sheet-Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Statement of Net Position-Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds

Statement of Cash Flows-Proprietary Funds

Statement of Fiduciary Net Position-Fiduciary Funds

Statement of Changes in Fiduciary Net Position-Fiduciary Funds

Notes to the Financial Statements

Required Supplementary Information:

Infrastructure Assets Reported Using the Modified Approach

OPEB Schedule of Changes in the Total OPEB Liability and Related Ratios

OPEB Schedule of the State’s Proportionate Share of the Collective Total OPEB Liability

Schedule of Changes in the State of Tennessee’s Net Pension Liability (Asset) and Related Ratios Based on Participation in the Closed State and Higher Education Employee Pension Plan of TCRS

Schedule of Changes in the State of Tennessee’s Net Pension Liability (Asset) and Related Ratios Based on Participation in the State and Higher Education Employee Retirement Plan of TCRS

Schedule of the State of Tennessee’s Contributions Closed State and Higher Education Employee Pension Plan

Schedules of the State of Tennessee’s Contributions State and Higher Education Employee Retirement Plan

Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual Major Governmental Funds

Note to RSI

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## STATISTICAL SECTION

The Comprehensive Annual Financial Report of the State, including selected statistical data (unaudited), for the fiscal year ended June 30, 2020 has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure” and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4<sup>th</sup> Floor, 425 Rep John Lewis Way North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2020 Comprehensive Annual Financial Report and certain prior year Comprehensive Annual Financial Reports are posted on the State’s website at <http://www.tn.gov/finance/rd-doa/fa-accfin-ar>.

The following statistical data, all of which is included in the 2020 Comprehensive Annual Financial Report and has been posted on the State’s website, is incorporated herein by reference:

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Schedule of Fees/Charges, Legislative Appropriations and Debt Service

Student Fees and Charges for Institutions with Tennessee State School Bond Authority Debt

Principal Amount of Debt Outstanding By Institution



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**FORM OF PROPOSED OPINION OF BOND COUNSEL**

[Closing Date]

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

**STATE OF TENNESSEE  
GENERAL OBLIGATION BONDS  
2021 SERIES A, \$\_\_  
2021 REFUNDING SERIES B (FEDERALLY TAXABLE), \$\_\_**

Dear Sirs:

At your request we have examined into the validity of \$\_\_ General Obligation Bonds, 2021 Series A (the “Series A Bonds”), and \$\_\_ General Obligation Bonds, 2021 Series B (Federally Taxable) (the “Series B Bonds” and, collectively with the Series A Bonds, the “Bonds”) of the State of Tennessee (the “State”). The Bonds are dated as of the date hereof, and mature, are subject to redemption prior to maturity, are payable and bear interest, all as provided in the resolution of the Funding Board hereinafter mentioned.

The Bonds recite that they are issued under and pursuant to and in full compliance with the Constitution and laws of the State, including specifically Title 9, Chapter 9, Tennessee Code Annotated, various Public Acts of the General Assembly of the State of Tennessee, and a resolution adopted by the Funding Board of the State of Tennessee on May 24, 2021, to provide for the retirement at maturity of certain of the State’s general obligation bond anticipation notes constituting commercial paper.

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

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

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

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

(3) Interest on the Series B Bonds is included in gross income for federal income tax purposes.

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

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

We express no opinion herein as to (i) federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs (2) (3) and (4) above, (ii) federal, state or local tax matters to the extent affected by any action taken or not taken in reliance upon an opinion of counsel other than ourselves, or (iii) the accuracy, adequacy, sufficiency or completeness of the Official Statement dated \_\_\_\_\_ (or any update or amendment thereof or supplement thereto) relating to the Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Bonds.

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

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

Very truly yours,

**BOOK-ENTRY ONLY SYSTEM**

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

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

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

THE FOREGOING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, A SOURCE THAT STATE BELIEVES TO BE RELIABLE, BUT THE STATE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NEITHER THE STATE, THE UNDERWRITERS, NOR THE PAYING AGENT AND REGISTRAR CAN MAKE ANY ASSURANCE THAT DTC OR THE DTC PARTICIPANTS WILL ACT IN A MANNER DESCRIBED HEREIN, NOR WILL THEY HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC, ANY DIRECT DTC PARTICIPANT, OR ANY INDIRECT DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC OR ANY DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATIONS TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND DOCUMENTS TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

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

## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is dated and made as of \_\_\_\_, by the State of Tennessee (the “State”) in connection with the issuance of the State’s \$\_\_ aggregate principal amount of General Obligation Bonds, 2021 Series A, and \$\_\_ aggregate principal amount of General Obligation Bonds 2021 Refunding Series B (Federally Taxable) (collectively, the “Bonds”). As authorized by Section 10 of the resolution (the “Bond Resolution”) of the Funding Board of the State of Tennessee (the “Funding Board”) adopted on May 24, 2021, authorizing the Bonds, the State agrees as follows:

### ARTICLE I

#### Definitions

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

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

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

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

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

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

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

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

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

(6) “GAAP” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

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

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

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

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

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

definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.

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

(10) “Official Statement” means the Official Statement dated \_\_\_\_, of the State relating to the Bonds.

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

(12) “SEC” means the United States Securities and Exchange Commission.

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

## ARTICLE II

### The Undertaking

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

Section 2.2. Annual Financial Information. (a) The State shall provide Annual Financial Information with respect to each fiscal year of the State, commencing with the fiscal year ending June 30, 2021, by no later than 7 months after the end of the respective fiscal year, to the MSRB.

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

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

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

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

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

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



## ARTICLE III

### Operating Rules

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

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

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

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

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

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

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

## ARTICLE IV

### Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF TENNESSEE

By: \_\_\_\_\_  
Sandra Thompson  
Assistant Secretary, Funding Board  
of the State of Tennessee, *and*  
Director, Division of State  
Government Finance, State of  
Tennessee

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**2016 REFUNDING TRUST AGREEMENT**

**between**

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

**and**

**REGIONS BANK**

**Dated as of August 25, 2016**

**State of Tennessee  
General Obligation Bonds  
2016 Refunding Series B  
and  
2016 Refunding Series C (Federally Taxable)**

**2016 REFUNDING TRUST AGREEMENT**  
**State of Tennessee**  
**General Obligation Bonds**  
**2016 Refunding Series B**  
**and**  
**2016 Refunding Series C (Federally Taxable)**

This 2016 Refunding Trust Agreement (the “**Agreement**”) dated and effective as of August 25, 2016, between the STATE OF TENNESSEE (the “**State**”), acting by and through the STATE FUNDING BOARD OF THE STATE OF TENNESSEE (the “**State Funding Board**”), and REGIONS BANK (the “**Refunding Trustee**”).

**WITNESSETH:**

WHEREAS, pursuant to a resolution adopted by the Funding Board on June 30, 2008, including as a part thereof the Series Certificate dated September 4, 2008, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2008 Series B (Federally Taxable) (the “**2008B Prior Bonds**”);

WHEREAS, pursuant to a resolution adopted by the Funding Board on October 20, 2009, including as a part thereof the Series Certificate dated December 16, 2009, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2009 Series D (Federally Taxable) (the “**2009D Prior Bonds**”);

WHEREAS, pursuant to a resolution adopted by the Funding Board on September 20, 2010, including as a part thereof the Series Certificate dated October 27, 2010, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2010 Series A (the “**2010A Prior Bonds**”);

WHEREAS, pursuant to a resolution adopted by the Funding Board on September 8, 2011, including as a part thereof the Series Certificate dated October 26, 2011, authorized thereby, the State has heretofore issued its General Obligation Bonds, 2011 Series A (the “**2011A Prior Bonds**” and, collectively with the 2008B Prior Bonds, the 2009D Prior Bonds and the 2010A Prior Bonds, the “**Prior Bonds**”); and

WHEREAS, pursuant to a resolution adopted by the members of the Funding Board on June 9, 2016, including as a part thereof the Series Certificate dated August 25, 2016, authorized thereby (collectively, the “**Resolution**”), the Funding Board has determined to refund the outstanding Prior Bonds described in Exhibit A hereto (the “**Refunded Bonds**”), has authorized the taking of such actions as shall be necessary and sufficient to cause the Refunded Bonds to be refunded and redeemed on their respective redemption dates in advance of maturity and has authorized the issuance and sale of \$190,285,000 aggregate principal amount of General Obligation Bonds, 2016 Refunding Series B, and General Obligation Bonds, 2016 Refunding Series C (Federally Taxable) (collectively, the “**Refunding Bonds**”), for such purposes;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants herein set forth, the State, acting by and through the Funding Board, and the Refunding Trustee agree as follows:

SECTION 1. Pledge of Bond Proceeds and Other Funds. To provide for the payment of (i) the respective redemption prices on the respective redemption dates of the Refunded Bonds as set forth in Section 8 hereof and (ii) the interest on the Refunded Bonds due on and prior to their respective redemption dates (the aggregate of such payments required for the purposes of clauses (i) and (ii) above being herein collectively referred to as the “**Defeasance Requirements**”) the State hereby irrevocably deposits with the Refunding Trustee, in trust for the benefit and security of the holders of the Refunded Bonds, and irrevocably pledges and sets aside exclusively for such payment, subject to the terms and conditions hereinafter set forth, the amount of \$225,574,202.29 in immediately available funds derived from the proceeds of sale of the Refunding Bonds. The Refunding Trustee acknowledges receipt of such amount, which shall be deposited by the Refunding Trustee in the Refunding Trust Fund hereinafter referred to, and invested and applied in the manner and for the purposes hereinafter set forth.

SECTION 2. Establishment of Refunding Trust Fund; Deposit of Cash and Purchase of Eligible Securities. (a) There is hereby created and established with the Refunding Trustee a special and irrevocable trust fund designated the “State of Tennessee General Obligation Bonds, 2016 Refunding Trust Fund” (the “**Refunding Trust Fund**”), to be held in the custody of the Refunding Trustee as a trust fund, separate and apart from all other funds of the State or of the Refunding Trustee, for the benefit of the holders of the Refunded Bonds.

(b) The State hereby directs the Refunding Trustee to (i) purchase, and the Refunding Trustee agrees to purchase, on August 25, 2016, from Daiwa Capital Markets America Inc., Wells Fargo Securities LLC and BB&T Securities LLC, with \$205,258,330.24 of the amount specified in Section 1 hereof, the Eligible Securities (defined in subsection (d) below) described in Exhibit B hereto as “TNote”, (ii) to purchase, and the Refunding Trustee agrees to purchase, on August 25, 2016, from the United States Treasury, with \$20,178,903.00 of the amount specified in Section 1 hereto, the Eligible Securities described in Exhibit B hereto as “SLGS”, and (iii) retain initially uninvested, as cash, \$136,969.05 of the amount specified in Section 1 hereof, and to deposit such Eligible Securities and cash in the Refunding Trust Fund.

(c) The Eligible Securities described in subsection (b) above, and any Eligible Securities purchased pursuant to Section 4 hereof, are herein referred to collectively as the “**Refunding Securities**”.

(d) The term “**Eligible Securities**” as used herein shall mean and include bonds, notes and treasury bills of the United States, which obligations and, in the case of any Separate Trading of Registered Interest and Principal of Securities (STRIPs), the bonds underlying such obligations, are non-callable and not prepayable, and shall exclude mutual funds or unit investment trusts holding such obligations.

(e) The Refunding Trustee hereby acknowledges and certifies that the Refunding Securities referred to in Section 2(b) hereof have been acquired and are on deposit in the Refunding Trust Fund, and the Refunding Trustee may conclusively assume that such

Refunding Securities (including those purchased pursuant to Section 4 below) are Eligible Securities.

(f) All moneys and securities on deposit in trust in the Refunding Trust Fund shall be applied to and used solely for the payment of the Defeasance Requirements of the Refunded Bonds, subject to the provisions hereof permitting the investment, reinvestment and sale of moneys and securities and payments to the State to the extent not required for such purpose. Amounts earned on the moneys and securities in the Refunding Trust Fund shall be retained therein until applied in accordance with this Agreement.

SECTION 3. Adequacy of Amounts in Refunding Trust Fund; Additional Payments if Necessary. The State and the Refunding Trustee hereby acknowledge receipt from Robert Thomas CPA, LLC, of a verification report, and hereby agree solely in reliance thereon, that the Refunding Securities deposited in the Refunding Trust Fund mature (without regard to any reinvestment thereof) in such amounts and at such times as are necessary and sufficient, together with other moneys held in the Refunding Trust Fund, to pay the Defeasance Requirements of the Refunded Bonds.

**The State shall deposit in the Refunding Trust Fund any amounts that may be necessary, for any reason (including but not limited to non-payment or non-timely payment under any Refunding Securities), to pay the Defeasance Requirements as and when due.**

SECTION 4. Substitution of Refunding Securities (a) At the written direction of the Secretary or Assistant Secretary of the Funding Board, (1) any Refunding Securities may be sold, and (2) the maturing principal of or interest on any Refunding Securities or any other moneys on deposit in the Refunding Trust Fund may be invested or reinvested in Eligible Securities; provided, however, that concurrently with such written direction, the State shall provide the Refunding Trustee with (i) a report of a certified public accountant or financial analyst, or firm of either thereof, concluding that upon such sale, investment or reinvestment, there will remain on deposit in the Refunding Trust Fund, Refunding Securities (if any) that mature as to principal and interest (without regard to any earnings upon reinvestment of the principal thereof or upon reinvestment of investment earnings thereon) in such amounts and at such times as are necessary and sufficient, together with any moneys on deposit in the Refunding Trust Fund, to make full payment, as and when due, of the respective Defeasance Requirements payable after such sale, investment or reinvestment, which report shall set forth in reasonable detail the calculations underlying such conclusion, and (ii) an unqualified opinion of nationally recognized bond counsel to the effect that such investment or reinvestment (1) will not adversely affect the exclusion of interest on any Refunding Bond from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder, and (2) is authorized or permitted by this Agreement (which opinion may rely without further investigation on the conclusions contained in the report required by clause (i) above).

(b) Any reinvestment authorized by this Section 4 shall be accomplished by sale, transfer, request for redemption or other disposition of all or a portion of the Refunding Securities then held in the Refunding Trust Fund, if applicable, with the proceeds thereof,



together with (if applicable) other moneys in the Refunding Trust Fund, being applied to the purchase of Eligible Securities, all as specified in the written direction hereinabove provided for.

(c) Upon the purchase of any Eligible Securities pursuant to this Section, such Eligible Securities shall be deemed to constitute Refunding Securities for all purposes of this Agreement, except as the context shall otherwise require.

SECTION 5. Evidence of Transactions. (a) The Refunding Trustee shall deliver to the State Funding Board a copy of the document(s) evidencing each transaction relating to the Refunding Trust Fund as soon as practicable after each transaction occurs.

(b) On or before the fifteenth day of each calendar month, the Refunding Trustee shall deliver to the Funding Board a report of the financial condition of the Refunding Trust Fund as of the end of, and an operating statement for the Refunding Trust Fund for, the immediately preceding calendar month.

SECTION 6. Refunding Trustee as Paying Agent; Payment of Defeasance Requirements on Refunded Bonds. (a) The Refunding Trustee acknowledges receipt of a copy of the Resolution which, among other things, appoints the Refunding Trustee as an additional paying agent for the Refunded Bonds. Regions Bank, as Refunding Trustee, hereby accepts such appointment.

(b) On the redemption and interest payment dates for the Refunded Bonds, the Refunding Trustee, as the Paying Agent for the Refunded Bonds, shall apply sufficient moneys from the matured principal of and, if necessary, interest on the Refunding Securities or moneys held in the Refunding Trust Fund to the payment of the respective Defeasance Requirements for the respective Refunded Bonds becoming due on such dates, as provided by the terms of the Refunded Bonds, specimens of which are attached hereto in Exhibit E.

SECTION 7. Irrevocable Deposit; Express Lien. The deposit of moneys and Refunding Securities in the Refunding Trust Fund as provided in this Agreement shall constitute an irrevocable deposit in trust solely for the payment of the respective Defeasance Requirements pursuant to the terms of the Resolution and of this Agreement, subject to the provisions hereof permitting reinvestment or substitution of securities and payment to the State of amounts not required for the purposes hereof. The registered owners of the Refunded Bonds shall have an express lien on the principal of and interest on the Refunding Securities, and on any moneys, on deposit in the Refunding Trust Fund, until the proceeds thereof are paid out, used or applied in accordance with this Agreement.

SECTION 8. Redemption; Notices of Redemption and Refunding. (a) The Refunding Trustee hereby acknowledges receipt of a certified copy of the Resolution and certified copies of the resolutions referred to in the first four (4) preambles hereto. The Resolution, among other things, calls the Refunded Bonds for redemption as follows:

(i) the 2008B Refunded Bonds on September 1, 2018, at a redemption price equal to 100.0% of their principal amount,

(ii) the 2009D Refunded Bonds on May 1, 2019, at a redemption price equal to 100.0% of their principal amount,

(iii) the 2010A Refunded Bonds on May 1, 2018, at a redemption price equal to 100.0% of their principal amount, and

(iv) the 2011A Refunded Bonds on October 1, 2021, at a redemption price equal to 100.0% of their principal amount,

in each case together with accrued interest to the redemption date. Pursuant to the Resolution, such designations for redemption are irrevocable upon the issuance of the Refunding Bonds.

(b) Notice of redemption of the Refunded Bonds shall be given by the State Funding Board in the manner and at the times prescribed by the respective resolutions authorizing the issuance of the Refunded Bonds and in the respective forms set forth in Exhibit C hereto. The Refunding Trustee agrees to act as agent of the State Funding Board for the purpose of giving, and shall give, such notices of redemption as aforesaid, and also will promptly (but in any case within ten (10) business days of giving the respective notice as aforesaid) file each of such notices with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system pursuant to Securities and Exchange Commission Rule 15c2-12.

(c) The State Funding Board shall cause notice in substantially the form set forth in Exhibit D hereto to be given in the same manner as the respective notices of redemption are to be given pursuant to the respective resolutions authorizing the Refunded Bonds, as soon as practicable after the issuance of the Refunding Bonds to each registered owner of Refunded Bonds. The Refunding Trustee agrees to act as agent of the State Funding Board for the purpose of giving, and shall give, such notices as aforesaid, and also will promptly (but in any case within ten (10) business days of mailing such notices) file each of such notices with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system pursuant to Securities and Exchange Commission Rule 15c2-12.

SECTION 9. Excess Moneys; Termination. (a) Upon written direction to the Refunding Trustee (upon which the Refunding Trustee may conclusively rely) given on behalf of the State Funding Board, all amounts on deposit in the Refunding Trust Fund which are not required for the payment of the respective Defeasance Requirements shall be paid to the State. Such excess amounts shall be used and applied to any of the purposes provided by the Resolution for the use and application of proceeds of the bonds authorized thereby.

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

SECTION 10. Incorporation by Reference. The applicable and necessary provisions of the Resolution and the resolutions authorizing the Refunded Bonds are incorporated herein by reference.

SECTION 11. Arbitrage and Tax Covenants. Any other provision of this Agreement to the contrary notwithstanding, the State hereby covenants that it will not use, or permit the use of, any proceeds of the Refunding Bonds, if any, or of moneys or funds held by the Refunding Trustee under this Agreement, or any moneys that may be deemed to be proceeds of the Refunding Bonds pursuant to Section 103 or Section 148 of the Code or Section 103 of the Internal Revenue Code of 1954, in a manner that would cause any of the Refunding Bonds to be subjected to treatment under said Section 148 as an “arbitrage bond”, and to that end the State shall comply with such regulations adopted under Section 103 and Section 148. The State further covenants that it will not take any action that will cause the interest on the Refunding Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes under Sections 103 and 141 through 150 of the Code or Section 103 of the Internal Revenue Code of 1954.

SECTION 12. Benefit of Agreement; Amendments. (a) This Agreement is made for the benefit of the State and the registered owners from time to time of the Refunded Bonds. This Agreement shall not be repealed, revoked, altered or amended without the written consent of all such owners and the written consent of the Refunding Trustee; provided, however, that the State, acting by and through the State Funding Board, and the Refunding Trustee may, without the consent of, or notice to, such owners, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

1. to cure any ambiguity or defect or omission in this Agreement;
2. to grant to, or confer upon, the Refunding Trustee for the benefit of such owners any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Refunding Trustee; or
3. to subject to this Agreement additional funds, securities or properties.

(b) The Refunding Trustee shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section 12, including (i) the extent, if any, to which any change, modification or addition affects the rights of the registered owners of the Refunded Bonds, (ii) the extent, if any, to which any instrument executed hereunder complies with the conditions and provisions of this Section 12 and (iii) that such supplemental agreement does not affect the tax-exempt status of any of the Refunded Bonds.

SECTION 13. Obligations and Liabilities of the Refunding Trustee. The Refunding Trustee may construe any of the provisions of this Agreement which may appear to it to be ambiguous or inconsistent with any other provisions hereof. Any construction of any provisions hereof by the Refunding Trustee in good faith shall be binding on the parties hereto. The Refunding Trustee may consult with counsel with respect to any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and, except as expressly provided herein, shall not be liable for any action taken, suffered or omitted by the Refunding Trustee in good faith upon the advice of such counsel. The Refunding Trustee may act through agents and attorneys appointed with due care, following reasonable advance written notice to the

State other than as contemplated by Sections 8(b) and (c) hereof, and shall not be responsible for any willful misconduct or negligence on the part of any such person so appointed. Any payment obligation of the Refunding Trustee hereunder shall be paid from, and is limited to, funds available hereunder; the Refunding Trustee shall not be required to expend its own funds for the performance of its duties hereunder. The Refunding Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Refunding Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

The Refunding Trustee shall act as agent for the State under this Agreement and shall hold all moneys in trust for the benefit of the holders of the Refunded Bonds as herein provided. In the performance by the Refunding Trustee of its duties as agent hereunder the Refunding Trustee shall take and perform only such actions as are specifically provided to be taken or performed by the express provisions of this Agreement and the Refunding Trustee shall have no implied duties or obligations hereunder. The Refunding Trustee shall not be liable for any action taken or neglected to be taken in performing or attempting to perform its obligations hereunder, other than for its gross negligence or willful misconduct. Notwithstanding any provision herein to the contrary, in no event shall the Refunding Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Refunding Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 14. Refunding Trustee Fees and Expenses. In consideration for its services hereunder, the State shall pay the Refunding Trustee, upon delivery of and payment for the Refunding Bonds, fees as described in a separate fee schedule proposed by the Refunding Trustee and accepted by the State, as amended from time to time, and upon written request of Refunding Trustee, reimburse the Refunding Trustee for its costs and expenses, including reasonable attorney's fees costs and expenses, incurred by the Refunding Trustee in connection with the performance of its duties hereunder, all as agreed to between the State and the Refunding Trustee in such fee schedule, as the same may be supplemented and amended. The State also shall pay the Refunding Trustee for any extraordinary services or expenses performed or incurred by the Trustee in connection with its duties under this Agreement if notified in writing prior to the performance of those services or the incurring of those expenses so as to allow the State to appropriate sufficient funds for their payment.

SECTION 15. Severability. (a) If any one or more of the covenants or agreements provided in this Agreement on the part of the State, the State Funding Board or the Refunding Trustee to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in this Agreement and the invalidity thereof shall in no way affect the

validity of other provisions of this Agreement or of the Refunded Bonds and the registered owners of the Refunded Bonds shall retain all the rights and benefits accorded them hereunder and under applicable provisions of law.

(b) If any provision of this Agreement shall be held or deemed to be or shall, if fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance, or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever.

SECTION 16. Law and Place of Enforcement. This Agreement shall be construed and interpreted in accordance with the laws of the State without regard to conflict of law principles.

SECTION 17. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.


SECTION 18. Section Headings. The headings of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Agreement.

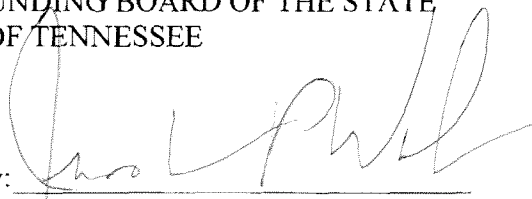
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IN WITNESS WHEREOF, the parties have each executed or caused to be executed this Agreement by their duly authorized officers.

REGIONS BANK

FUNDING BOARD OF THE STATE  
OF TENNESSEE

By:   
Name: Wallace L. Duke  
Title: Senior Vice President

By:   
Name: Justin P. Wilson  
Title: Secretary

[Signature Page of 2016 Refunding Trust Agreement]

**EXHIBIT A**

**REFUNDED BONDS**

**General Obligation Bonds, 2008 Series B (Federally Taxable)  
(the "2008B Refunded Bonds")**

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP Number*
2020	\$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	<u>3,060,000</u>	5.700	880541 KU0
	<u>\$6,890,000</u>		

**General Obligation Bonds, 2009 Series D (Federally Taxable)  
(the "2009D Refunded Bonds")**

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	\$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	<u>19,505,000</u>	5.589	880541 NR4
	<u>\$26,200,000</u>		

**General Obligation Bonds, 2010 Series A  
(the "2010A Refunded Bonds")**

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2024	\$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	<u>9,325,000</u>	3.625	880541 PM3
	<u>\$46,625,000</u>		

\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Exhibit.

**General Obligation Bonds, 2011 Series A  
(the “2011A Refunded Bonds”)**

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	\$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	<u>12,770,000</u>	5.000	880541 RT6
	<u>\$114,930,000</u>		



## EXHIBIT B

### INITIAL REFUNDING SECURITIES

Type of Security	Maturity Date	Par Amount	Rate	Yield	Price	Cost	Accrued Interest	Total Cost
SLGS	10/01/2016	\$ 1,623,424	0.270%					\$1,623,424.00
SLGS	11/01/2016	1,091,187	0.300					1,091,187.00
SLGS	03/01/2017	135,809	0.440					135,809.00
SLGS	04/01/2017	1,576,507	0.460					1,576,507.00
SLGS	05/01/2017	1,085,119	0.470					1,085,119.00
SLGS	09/01/2017	136,148	0.540					136,148.00
SLGS	10/01/2017	1,580,859	0.560					1,580,859.00
SLGS	11/01/2017	1,090,357	0.580					1,090,357.00
SLGS	03/01/2018	137,476	0.650					137,476.00
SLGS	04/01/2018	1,585,285	0.670					1,585,285.00
TNote <sup>1</sup>	04/30/2018	47,715,000	0.750	0.759268%	99.984375	\$47,707,544.53	\$113,776.94	47,821,321.47
TNote <sup>2</sup>	08/31/2018	7,026,000	1.500	0.766848	101.464060	7,128,864.86	50,976.68	7,179,841.54
SLGS	10/01/2018	1,590,596	0.770					1,590,596.00
SLGS	11/01/2018	490,357	0.780					490,357.00
SLGS	04/01/2019	1,596,719	0.820					1,596,719.00
TNote <sup>3</sup>	04/30/2019	26,691,000	1.625	0.843051	102.069000	27,243,236.79	137,897.46	27,381,134.25
SLGS	10/01/2019	1,603,266	0.870					1,603,266.00
SLGS	04/01/2020	1,610,240	0.940					1,610,240.00
SLGS	10/01/2020	1,617,808	1.010					1,617,808.00
SLGS	04/01/2021	1,627,746	1.080					1,627,746.00
TNote <sup>1</sup>	09/30/2021	116,563,000	2.125	1.199676	104.562500	121,881,186.88	994,846.10	122,876,032.98
		\$218,173,903				\$203,960,833.06	\$1,297,497.18	\$225,437,233.24

<sup>1</sup> Purchased from Daiwa Capital Markets America Inc.

<sup>2</sup> Purchased from Wells Fargo Securities LLC

<sup>3</sup> Purchased from BB&T Securities LLC

## EXHIBIT C-1

### Notice of Redemption

To Holders of  
State of Tennessee  
General Obligation Bonds, 2008 Series B (Federally Taxable)  
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2008 Series B (Federally Taxable), dated September 4, 2008, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on September 1, 2018 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

<u>Maturity Date (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2020	\$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	<u>3,060,000</u>	5.700	880541 KU0
	<u>\$6,890,000</u>		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank  
Lakeshore Operations Center  
Corporate Trust Operations  
201 Milan Parkway, 2nd Floor  
Birmingham, AL 35211  
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

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\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2018.

STATE OF TENNESSEE

By: [Name]  
Secretary, State Funding Board of the  
State of Tennessee

## EXHIBIT C-2

### Notice of Redemption

To Holders of  
State of Tennessee  
General Obligation Bonds, 2009 Series D (Federally Taxable)  
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2009 Series D (Federally Taxable), dated December 16, 2009, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2019 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

<u>Maturity Date (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2023	\$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	<u>19,505,000</u>	5.589	880541 NR4
	<u>\$26,200,000</u>		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank  
Lakeshore Operations Center  
Corporate Trust Operations  
201 Milan Parkway, 2nd Floor  
Birmingham, AL 35211  
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

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\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2019.

STATE OF TENNESSEE

By: [Name]

Secretary, State Funding Board of the  
State of Tennessee

### EXHIBIT C-3

#### Notice of Redemption

To Holders of  
State of Tennessee  
General Obligation Bonds, 2010 Series A  
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2010 Series A, dated October 27, 2010, described above (the "Bonds"), that the Bonds described in the table below (the "Bonds called for redemption") have been called for redemption on May 1, 2018 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

<u>Maturity Date (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2024	\$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	<u>9,325,000</u>	3.625	880541 PM3
	<u>\$46,625,000</u>		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank  
Lakeshore Operations Center  
Corporate Trust Operations  
201 Milan Parkway, 2nd Floor  
Birmingham, AL 35211  
Toll Free 1-866-512-3479

Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

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\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2018.

STATE OF TENNESSEE  
By: [Name]  
Secretary, State Funding Board of the  
State of Tennessee

## EXHIBIT C-4

### Notice of Redemption

To Holders of  
State of Tennessee  
General Obligation Bonds, 2011 Series A  
Listed Below

Notice is hereby given to the holders of the outstanding State of Tennessee, General Obligation Bonds, 2011 Series A, dated October 26, 2011, described above (the "Bonds"), that portions of the Bonds as described in the table below (the "Bonds called for redemption") have been called for redemption on October 1, 2021 (the "Redemption Date") at a redemption price equal to 100.0% of the principal amount thereof (the "Redemption Price") plus accrued interest on such principal amount to the Redemption Date.

<u>Maturity Date (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP Number*</u>
2023	\$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	<u>12,770,000</u>	5.000	880541 RT6
	<u>\$114,930,000</u>		

On the Redemption Date, the Bonds called for redemption will become and be due and payable at the Redemption Price together with accrued interest to the Redemption Date. The Redemption Price for each Bond called for redemption will be paid upon presentation and surrender thereof (unless otherwise agreed to by the State of Tennessee) at the office of Regions Bank, as a paying agent for the Bonds, as follows:

Regions Bank  
Lakeshore Operations Center  
Corporate Trust Operations  
201 Milan Parkway, 2nd Floor  
Birmingham, AL 35211  
Toll Free 1-866-512-3479

\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the paying agent and holders of the Bonds called for redemption. Neither the State of Tennessee nor the paying agent shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on such Bonds or as indicated in this Notice.



Interest due on and prior to the Redemption Date will be paid in the usual manner. On and after the Redemption Date, interest shall cease to accrue on the Bonds called for redemption.

Under the provisions of the Jobs and Growth Tax Reconciliation Relief Act of 2003, paying agents making payments of interest or principal on municipal securities may be obligated to withhold a 28% tax from remittances to individuals who have failed to furnish the paying agent with a valid taxpayer identification number. Holders of securities who wish to avoid the withholding of this tax should submit certified taxpayer identification numbers when presenting their securities for payment.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2021.

STATE OF TENNESSEE

By: [Name]

Secretary, State Funding Board of the  
State of Tennessee

**EXHIBIT D**

**Notice of Refunding and Financial Defeasance**

To the Holders of  
State of Tennessee  
General Obligation Bonds  
Described in the Attachment Hereto

Notice is hereby given to the holders of the outstanding State of Tennessee (“State”) General Obligation Bonds described in the attachment hereto (collectively, the “Refunded Bonds”) (1) that the Refunded Bonds have been irrevocably called for redemption (notice of which shall be given separately) on their respective redemption dates and at their respective redemption prices as indicated in such attachment; (2) that there has been deposited with Regions Bank, as Refunding Trustee, moneys which, in accordance with the provisions of a resolution adopted by the Funding Board of the State of Tennessee (the “Funding Board”) on June 9, 2016, and a 2016 Refunding Trust Agreement dated as of August 25, 2016, between the State, acting by and through the Funding Board, and such Refunding Trustee, will be held as cash or invested in authorized investments (the “Eligible Securities”); and (3) that such cash and the maturing principal of and interest on such Eligible Securities will be sufficient, and will be used, to pay (i) the respective redemption prices payable on the Refunded Bonds on their respective redemption dates and (ii) the interest on the Refunded Bonds through their respective redemption dates.

Dated: August 25, 2016.

STATE OF TENNESSEE

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

**SCHEDULE**

**Attachment to Notice of Refunding and Financial Defeasance  
State of Tennessee  
General Obligation Bonds**

**General Obligation Bonds, 2008 Series B (Federally Taxable)**

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP Number*
2020	\$770,000	5.125%	880541 KP1
2021	765,000	5.250	880541 KQ9
2022	765,000	5.375	880541 KR7
2023	765,000	5.500	880541 KS5
2024	765,000	5.500	880541 KT3
2028	<u>3,060,000</u>	5.700	880541 KU0
	<u>\$6,890,000</u>		

Redemption Date: September 1, 2018

Redemption Price: 100.0%

**General Obligation Bonds, 2009 Series D (Federally Taxable)**

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	\$ 3,280,000	4.821%	880541 NP8
2024	3,415,000	4.941	880541 NQ6
2029	<u>19,505,000</u>	5.589	880541 NR4
	<u>\$26,200,000</u>		

Redemption Date: May 1, 2019

Redemption Price: 100.0%

\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Notice.

**General Obligation Bonds, 2010 Series A**

Maturity Date (May 1)	Principal Amount	Interest Rate	CUSIP Number*
2024	\$9,325,000	3.000%	880541 PE1
2026	9,325,000	3.125	880541 PG6
2029	9,325,000	3.500	880541 PK7
2030	9,325,000	3.500	880541 PL5
2031	<u>9,325,000</u>	3.625	880541 PM3
	<u>\$46,625,000</u>		

Redemption Date: May 1, 2018  
Redemption Price: 100.0%

**General Obligation Bonds, 2011 Series A**

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP Number*
2023	\$12,770,000	5.000%	880541 RK5
2024	12,770,000	5.000	880541 RL3
2025	12,770,000	5.000	880541 RM1
2026	12,770,000	5.000	880541 RN9
2027	12,770,000	5.000	880541 RP4
2028	12,770,000	5.000	880541 RQ2
2029	12,770,000	5.000	880541 RR0
2030	12,770,000	5.000	880541 RS8
2031	<u>12,770,000</u>	5.000	880541 RT6
	<u>\$114,930,000</u>		

Redemption Date: October 1, 2021  
Redemption Price: 100.0%

\* CUSIP numbers have been assigned by an organization not affiliated with the State of Tennessee or any fiscal agent thereof and are included solely for the convenience of the Refunding Trustee and the Refunded Bondholders. Neither the State of Tennessee nor any fiscal agent thereof, nor the Refunding Trustee, shall be responsible for the selection or use of CUSIP numbers, nor is any representation made as to its correctness on the Refunded Bonds or as indicated in this Notice.

**EXHIBIT E-1**

**Specimen 2008B Refunded Bonds**

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B**

Registered  
R2008B-20-1

Registered  
\$770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.125%	September 1, 2020	880541 KP1

Registered Owner: Cede & Co.

Principal Sum: Seven Hundred Seventy Thousand Dollars

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009, at the interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B**

Registered  
R2008B-21-1

Registered  
\$765,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.250%	September 1, 2031	880541 KQ9
Registered Owner:	Cede & Co.		
Principal Sum:	Seven Hundred Sixty-Five Thousand Dollars		

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009 at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B**

Registered  
R2008B-22-1

Registered  
\$765,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.375%	September 1, 2022	880541 KR7
Registered Owner:	Cede & Co.		
Principal Sum:	Seven Hundred Sixty-Five Thousand Dollars		

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:



**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B**

Registered  
R2008B-23-1

Registered  
\$765,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.500%	September 1, 2028	880541 KS5

Registered Owner: Cede & Co.

Principal Sum: Seven Hundred Sixty-Five Thousand Dollars

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B

Registered  
R2008B-24-1

Registered  
\$765,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.500%	September 1, 2028	880541 KT3

Registered Owner: Cede & Co.

Principal Sum: Seven Hundred Sixty-Five Thousand Dollars

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2008 SERIES B**

Registered  
R2008B-28-1

Registered  
\$3,060,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
September 1, 2008	5.700%	September 1, 2038	880541 KU0

Registered Owner: Cede & Co.

Principal Sum: Three Million Sixty Thousand Dollars

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 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 semi-annually on March 1 and September 1 commencing March 1, 2009, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after September 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after September 1, 2018, 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.

The Bonds maturing on September 1, 2028 shall constitute a term bond subject to mandatory sinking fund redemption and shall be redeemed prior to maturity on September 1 in each of the years and in the respective principal amounts set forth in the table below, at a redemption price of par, together with accrued interest on such principal amount to the redemption date:

<u>Year</u>	<u>Amount</u>
2025	\$765,000
2026	765,000
2027	765,000
2028	765,000

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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, registered bond(s) of like maturity in authorized denominations.

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 of the issue of which this bond is one, 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 \$15,360,000 of like date, issued under and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, 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 June 30, 2008, including as a part thereof a Series Certificate executed and delivered on September 4, 2008 (collectively, the "Resolution"), which provide for the payment at maturity of a portion of the State's outstanding general obligation bond anticipation notes constituting commercial paper and for public purposes of various State departments and institutions. 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 are direct general obligations of the State for the payment of which as to both principal and interest the full faith and credit of the State is pledged. As additional security for principal of and interest on the bonds, there is also pledged the annual proceeds of a tax of up to five cents per gallon upon gasoline; the annual proceeds of a special tax of one cent per gallon on petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. All of the bonds of the issue of which this bond is one, together with interest thereon, are entitled to the benefit of the foregoing taxes, fees and revenues and to share therein pro rata with any other obligations of the State that might be entitled to share therein as provided by Sections 9-9-101 to 9-9-208, inclusive, Tennessee Code Annotated, as amended.

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.

[Continued on Following Page]

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 State Treasurer, the Secretary of State, the Comptroller of the Treasury, or the Assistant Secretary of the Funding Board 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, 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

**SPECIMEN**

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 Guarantied:  
\_\_\_\_\_  
\_\_\_\_\_

**SPECIMEN**

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.

**EXHIBIT E-2**

**Specimen 2009D Refunded Bonds**



**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2009 SERIES D (FEDERALLY TAXABLE)**

Registered  
R09D-23-1

Registered  
\$3,280,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
December 16, 2009	4.821%	May 1, 2029	880541NP8

Registered Owner: Cede & Co.

Principal Sum: THREE MILLION TWO HUNDRED EIGHTY THOUSAND DOLLARS

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 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 semi-annually on May 1 and November 1 commencing May 1, 2010, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after May 1, 2020, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2019, 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 on a pro-rata basis, 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.

The Bonds maturing on May 1, 2029 constitute term bonds and shall be subject to mandatory sinking fund redemption prior to their stated maturities on and after May 1, 2025 on a pro-rata basis 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.

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2009 SERIES D (FEDERALLY TAXABLE)**

Registered  
R09D-24-1

Registered  
\$3,415,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
December 16, 2009	4.941%	May 1, 2029	880541NQ6

Registered Owner: Cede & Co.

Principal Sum: THREE MILLION FOUR HUNDRED FIFTEEN THOUSAND DOLLARS

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 have been called for prior redemption and payment of the redemption price shall have been 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 semi-annually on May 1 and November 1 commencing May 1, 2010, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after May 1, 2020, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2019, 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 on a pro-rata basis, 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.

The Bonds maturing on May 1, 2029 constitute term bonds and shall be subject to mandatory sinking fund redemption prior to their stated maturities on and after May 1, 2025 on a pro-rata basis 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.

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2009 SERIES D (FEDERALLY TAXABLE)**

Registered  
R09D-29-1

Registered  
\$19,505,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
December 16, 2009	5.589%	May 1, 2029	880541NR4
Registered Owner:	Cede & Co.		
Principal Sum:	NINETEEN MILLION FIVE HUNDRED FIVE THOUSAND DOLLARS		

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 have been 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 semi-annually on May 1 and November 1 commencing May 1, 2010, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after May 1, 2020, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2019, 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 on a pro-rata basis, 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.

The Bonds maturing on May 1, 2029 constitute term bonds and shall be subject to mandatory sinking fund redemption prior to their stated maturities on and after May 1, 2025 on a pro-rata basis 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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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, registered Bond(s) 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. This will be calculated based on the formula:  $(\text{principal to be redeemed}) \times (\text{principal amount owned by owner}) / (\text{principal amount outstanding})$ . In such event, the particular 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 \$54,110,000 of like date, issued under and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, 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 October 20, 2009, including as a part hereof a Series Certificate executed and delivered on December 17, 2009 (collectively, the "Resolution"); to provide for the payment at maturity of a portion of the State's outstanding general obligation bond anticipation notes constituting commercial paper and refunding of certain general obligation bonds of the State heretofore issued for public purposes of various State departments and institutions. 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 are direct general obligations of the State for the payment of which as to both principal and interest the full faith and credit of the State is pledged. As additional security for principal of and interest on the Bonds, there is also pledged the annual proceeds of a tax of up to five cents per gallon upon gasoline; the annual proceeds of a special tax of one cent per gallon on petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. All of the Bonds, together with interest thereon, are entitled to the benefit of the foregoing taxes, fees and revenues and to share therein pro rata with any other obligations of the State that might be entitled to share therein as provided by Sections 9-9-101 to 9-9-208, inclusive, Tennessee Code Annotated, as amended.

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 State Treasurer, the Secretary of State, the Comptroller of the Treasury, or the Assistant Secretary of the Funding Board 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, 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

**SPECIMEN**

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 that purpose, with full power of substitution in the premises.

Date: \_\_\_\_\_

\_\_\_\_\_ (name of assignor)

\_\_\_\_\_ (address of assignor)

Signature Guaranteed:  
\_\_\_\_\_  
\_\_\_\_\_

**SPECIMEN**

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.

**EXHIBIT E-3**

**Specimen 2010A Refunded Bonds**



UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2010 SERIES A

Registered  
R10A-24-1

Registered  
\$9,325,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 27, 2010	3.000%	May 1, 2021	880541 PE1

Registered Owner: Cede & Co.

Principal Sum: Nine Million Three Hundred Twenty-five Thousand Dollars

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 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 semi-annually on May 1 and November 1 commencing May 1, 2011, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to the Registered Owner as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective due date. Principal 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 and after May 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2018, 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, together with interest accrued on such principal amount or portion thereof to the redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2010 SERIES A

Registered  
R10A-26-1

Registered  
\$9,325,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 27, 2010	3.125%	May 1, 2020	880541 PG6

Registered Owner: Cede & Co.

Principal Sum: Nine Million Three Hundred Twenty-five thousand Dollars

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 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 semi-annually on May 1 and November 1 commencing May 1, 2011, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to the Registered Owner as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective due date. Principal 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 and after May 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2018, 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, together with interest accrued on such principal amount or portion thereof to the redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2010 SERIES A

Registered  
R10A-29-1

Registered  
\$9,325,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 27, 2010	3.500%	May 1, 2029	880541 PK7

Registered Owner: Cede & Co.

Principal Sum: Nine Million Three Hundred Twenty-five thousand Dollars

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 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 semi-annually on May 1 and November 1 commencing May 1, 2011, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to the Registered Owner as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective due date. Principal 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 and after May 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2018, 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, together with interest accrued on such principal amount or portion thereof to the redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2010 SERIES A

Registered  
R10A-30-14

Registered  
\$9,325,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 27, 2010	3.500%	May 1, 2030	880541 PL5

Registered Owner: Cede & Co.

Principal Sum: Nine Million Three Hundred Twenty Five thousand Dollars

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 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 semi-annually on May 1 and November 1 commencing May 1, 2011, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to the Registered Owner as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective due date. Principal 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 and after May 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2018, 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, together with interest accrued on such principal amount or portion thereof to the redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2010 SERIES A

Registered  
R10A-31-1

Registered  
\$9,325,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 27, 2010	3.625%	May 1, 2031	880541 PM3

Registered Owner: Cede & Co.

Principal Sum: Nine Million Three Hundred Twenty-five thousand Dollars

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 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 semi-annually on May 1 and November 1 commencing May 1, 2011, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year, to the Registered Owner as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding the respective due date. Principal 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 and after May 1, 2019, shall be subject to redemption prior to their stated maturities at any time on and after May 1, 2018, 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, together with interest accrued on such principal amount or portion thereof to the redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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, registered Bond(s) 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 shall 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, the particular 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 \$186,505,000 of like date, issued under and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, 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 September 20, 2010, including as a part thereof a Series Certificate executed and delivered on October 27, 2010 (collectively, the "Resolution"), to provide for the payment at maturity of a portion of the State's outstanding general obligation bond anticipation notes constituting commercial paper heretofore issued for public purposes of various State departments and institutions. 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 are secured by the full faith and credit of the State for the payment of which as to both principal and interest the full faith and credit of the State is pledged. As additional security for principal of and interest on the Bonds, there is also pledged the annual proceeds of a tax of up to five cents per gallon upon gasoline; the annual proceeds of a special tax of one cent per gallon on petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. All of the Bonds, together with interest thereon, are entitled to the benefit of the foregoing taxes, fees and revenues and to share therein pro rata with any other obligations of the State that might be entitled to share therein as provided by Sections 9-9-101 to 9-9-208, inclusive, Tennessee Code Annotated, as amended.

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.

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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 State Treasurer, the Secretary of State, the Comptroller of the Treasury, or the Assistant Secretary of the Funding Board 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, 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

**SPECIMEN**



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 that purpose, with full power of substitution in the premises.

Date: \_\_\_\_\_

\_\_\_\_\_  
(name of assignor)

\_\_\_\_\_  
(address of assignor)

Signature Guaranteed:  
\_\_\_\_\_  
\_\_\_\_\_

SPECIMEN

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.

**EXHIBIT E-4**

**Specimen 2011A Refunded Bonds**

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-23-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2022	880541 RK5

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A**

Registered  
R11A-24-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2024	880541 RL3

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy Thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-25-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2022	880541 RM1

Registered Owner: Cede & Co.  
Principal Sum: Twelve Million Seven Hundred Seventy Thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-26-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2020	880541 RN9

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-27-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2027	880541 RP4

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-28-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2026	880541 RQ2

Registered Owner: Cede & Co.  
Principal Sum: Twelve Million Seven Hundred Seventy thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or



**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A**

Registered  
R11A-29-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2029	880541 RR0

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy One thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-30-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2030	880541 RS8

Registered Owner: Cede & Co.

Principal Sum: Twelve Million Seven Hundred Seventy Thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the address of the Registered Owner as shown in the bond register as kept by the State or

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
GENERAL OBLIGATION BOND  
2011 SERIES A

Registered  
R11A-31-1

Registered  
\$12,770,000

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
October 26, 2011	5.00%	October 1, 2021	880541 RT6

Registered Owner: Cede & Co.  
Principal Sum: Twelve Million Seven Hundred Seventy Thousand Dollars

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 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 semi-annually on April 1 and October 1 commencing April 1, 2012, at the Interest Rate per annum specified above calculated on the basis of a 30-day month and a 360-day year. 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 and after October 1, 2022, shall be subject to redemption prior to their stated maturities at any time on and after October 1, 2021, 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 redemption date.

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 first class mail, postage prepaid, to the Registered Owner of this bond at the 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, registered Bond(s) of like maturity in authorized denominations.

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 \$255,400,000 of like date, issued under and pursuant to and in full compliance with the Constitution and laws of the State of Tennessee, 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 September 8, 2011, including as a part thereof a Series Certificate executed and delivered on October 26, 2011 (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 heretofore issued for such purposes. 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.

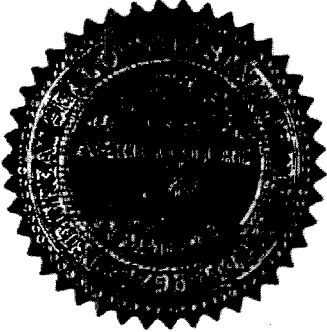
This Bond and the issue of which it is one are direct general obligations of the State for the payment of which as to both principal and interest the full faith and credit of the State is pledged. As additional security for principal of and interest on the Bonds, there is also pledged the annual proceeds of a tax of up to five cents per gallon upon gasoline; the annual proceeds of a special tax of one cent per gallon on petroleum products; one-half of the annual proceeds of motor vehicle registration fees now or hereafter required to be paid to the State; and the annual proceeds of the franchise taxes imposed by the franchise tax law of the State. All of the Bonds, together with interest thereon, are entitled to the benefit of the foregoing taxes, fees and revenues and to share therein pro rata with any other obligations of the State that might be entitled to share therein as provided by Sections 9-9-101 to 9-9-208, inclusive, Tennessee Code Annotated, as amended.

IT IS HEREBY CERTIFIED, RECEIVED 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.

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SPECIMEN

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 State Treasurer, the Secretary of State, the Comptroller of the Treasury, or the Assistant Secretary of the Funding Board 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, 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

By: *[Signature]*  
Authorized Officer

Countersigned:

By: *[Signature]*  
Authorized Officer

**SPECIMEN**

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 Guarantee:  
\_\_\_\_\_  
\_\_\_\_\_

SPECIMEN

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.

STATE OF TENNESSEE

\$175,865,000

GENERAL OBLIGATION BONDS, 2016 SERIES A

\$124,900,000

GENERAL OBLIGATION BONDS, 2016 REFUNDING SERIES B

\$65,385,000

GENERAL OBLIGATION BONDS, 2016 REFUNDING SERIES C (FEDERALLY TAXABLE)

BOND PURCHASE AGREEMENT

July 27, 2016

The Funding Board of the State of Tennessee  
Nashville, Tennessee

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the "Representative"), on behalf of itself and the other underwriters listed in Appendix I attached hereto (collectively, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with the State of Tennessee (the "Issuer") for the purchase by the Underwriters and the sale by the Issuer of the Issuer's general obligation bonds specified below. This offer is made subject to acceptance thereof by the Issuer prior to 6:00 p.m., prevailing time in Nashville, Tennessee, on the date hereof, and, upon such acceptance, evidenced by the signature of a duly authorized officer of the Issuer in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be a valid contractual obligation of the Issuer and binding upon the Underwriters

A. Purchase Price.

1. Upon the terms and conditions and upon the basis of the representations and warranties herein set forth, the Underwriters hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell to the Underwriters all, but not less than all, of the Issuer's (i) General Obligation Bonds, 2016 Series A, in the original aggregate principal amount of \$175,865,000.00 (the "2016 Series A Bonds"), at an aggregate purchase price of \$218,252,389.22 (the "2016 Series A Purchase Price"), representing the aggregate principal amount of the 2016 Series A Bonds, plus a reoffering premium of \$42,513,156.35, less Underwriters' discount of \$125,767.13, (ii) General Obligation Bonds, 2016 Refunding Series B, in the original aggregate principal amount of \$124,900,000.00 (the "2016 Series B Bonds"), at an aggregate purchase price of \$160,554,673.22 (the "2016 Series B Purchase Price"), representing the aggregate principal amount of the 2016 Series B Bonds, plus a reoffering premium of \$35,745,897.10, less Underwriters' discount of \$91,223.88 and (iii) General Obligation Bonds, 2016 Refunding Series C (Federally Taxable), in the original aggregate principal amount of \$65,385,000.00 (the "2016 Series C Bonds" and, together with the 2016 Series A Bonds and the 2016 Series B Bonds, the "Bonds"), at an aggregate purchase price of \$65,337,789.30 (the "2016 Series C Purchase Price" and, together with the 2016 Series A Purchase Price and the 2016 Series B Purchase Price, the "Purchase Price"), representing the aggregate principal amount of the 2016 Series C Bonds, less Underwriters' discount



of \$47,210.70. The Bonds shall mature on the dates and shall bear interest from their dated date at the rates and shall be subject to redemption prior to maturity as set forth in the Official Statement (hereinafter defined) and on Appendix II attached hereto. The Bonds shall be payable at the times and in the manner, and shall otherwise have the terms and provisions, set forth in the Official Statement.

2. If the Issuer accepts this offer and if the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Bonds upon tender thereof by the Issuer in compliance with the provisions of this Purchase Agreement at the Closing (as defined below), the parties hereby agree that the damages to the Issuer shall be fixed at one percent (1%) of the aggregate principal amount of the Bonds, and, upon such failure of the Underwriters to accept and pay for the Bonds, the Underwriters shall be obligated to pay to the Issuer such amount as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters. Upon such payment, the Underwriters shall be fully released and discharged of all claims, rights and damages for such failure and for any and all such defaults. In no event shall the Issuer be entitled to damages of any nature other than the liquidated damages herein specified for such failure.

B. Delivery of and Payment for the Bonds.

1. At or prior to 11:30 a.m., prevailing time in Nashville, Tennessee on August 25, 2016, the date of delivery and payment for the Bonds (the "Closing Date"), or at such other time or date as shall have been mutually agreed upon by the Issuer and the Representative, the Issuer will deliver or cause to be delivered to the Representative, the Bonds, qualified for book-entry delivery through The Depository Trust Company ("DTC") in New York, New York, in definitive form, duly executed by officers of the Issuer designated in the Resolution (as defined herein), together with the other documents hereinafter mentioned; and, subject to the conditions contained herein, the Representative will accept such delivery and pay the Purchase Price by wire transfer of immediately available funds payable to the order of the Issuer.
2. The Issuer and the Representative agree that there shall be a preliminary closing held at the Office of State and Local Finance of the State of Tennessee, 505 Deaderick Street, Suite 1600, Nashville, Tennessee, commencing at least 10 hours prior to the Closing Date, or at such other time or place as the Issuer and the Representative shall agree.
3. Delivery of the definitive Bonds as aforesaid shall be made at the offices of DTC in New York, New York, or at such other location as may be designated by the Representative at least one business day prior to the Closing Date. Payment for the Bonds shall be made as set forth in Section B.1. hereof. The delivery of the other documents shall be made at the Office of State and Local Finance of the State of Tennessee or at the offices of the Attorney General of the State of Tennessee ("Counsel to the Issuer"), John Sevier Building, 425 Fifth Avenue North, Nashville, Tennessee. Such payment and the related delivery are herein called the "Closing." The Bonds will be delivered as fully-registered bonds, bearing proper CUSIP numbers, and registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds.
4. After execution by the Issuer, the Bonds shall be held in safe custody at DTC. The Issuer shall release or authorize the release of the Bonds from safe custody at the Closing upon receipt of payment for the Bonds as aforesaid.

C. Official Statement.

1. Prior to the date hereof, the Issuer has provided to the Underwriters for their review the preliminary official statement dated July 19, 2016 (the "Preliminary Official Statement"). The Issuer hereby represents and warrants that the Preliminary Official Statement previously furnished to the Representative was "deemed final" by the Issuer as of its date for purposes of Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission of the United States (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act") except for the omission of such information as is permitted in Rule 15c2-12. The Issuer hereby consents to and confirms the prior use by the Underwriters of the Preliminary Official Statement delivered to the Underwriters and made available on the Internet at [www.munios.com](http://www.munios.com) in connection with the public offering of the Bonds by the Underwriters, and further confirms the authority of the Underwriters to use, and consents to the use of, a final Official Statement (in printed or electronic form) with respect to the Bonds, to be dated the date hereof, and any amendments or supplements thereto that shall be approved by the Issuer (as so amended and supplemented, the "Official Statement") in connection with the public offering and sale of the Bonds.
2. The Issuer shall provide, or cause to be provided, to the Underwriters as soon as practicable after the acceptance of this Purchase Agreement and in any event no later than seven (7) business days after the date of this Purchase Agreement, fifty (50) copies of the final Official Statement which the Underwriters agree is an amount sufficient to permit the Underwriters to comply with Rule 15c2-12, and other applicable rules of the SEC and the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer shall further cause the Official Statement to be posted on [www.munios.com](http://www.munios.com) for the longer of thirty (30) days or the End of the Underwriting Period as defined herein.
3. The Issuer hereby authorizes the Representative to file, and the Representative hereby agrees to file, the Official Statement with the MSRB through the operation of the Electronic Municipal Market Access System ("EMMA") within one (1) business day after receipt from the Issuer, but by no later than the Closing Date (as defined herein), in such manner and accompanied by such forms as are required by the MSRB, in accordance with applicable MSRB Rules, and shall maintain such books and records as required by MSRB Rules with respect to filing of the Official Statement.

- D. Amendments to Official Statement The Issuer covenants with the Underwriters to notify promptly the Representative if, during the Update Period (as defined in H.3.), any event shall occur that would cause the Official Statement to contain, or information shall come to the attention of the Issuer that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain, any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and if in the opinion of the Underwriters such event requires the preparation and distribution of a supplement or amendment to the Official Statement, to prepare and furnish to the Underwriters, at the Issuer's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the Issuer and approved by the Underwriters, as the Underwriters may reasonably request to comply with Rule 15c2-12 and if such notification shall be given subsequent to the Closing Date, such additional legal opinions, certificates, instruments, and other documents as the Underwriters may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

- E. Public Offering. The Underwriters agree to make a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) of all of the Bonds at initial offering prices not greater than or yields not lower than those shown on the inside cover of the Official Statement. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices in the sole discretion of the Underwriters. Subsequent to such initial public offering, the Underwriters reserve the right to change the initial offering prices as they may deem necessary in connection with the marketing of the Bonds and over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time.
- F. End of Underwriting Period. For purposes of this Purchase Agreement, the "End of the Underwriting Period" shall mean the earlier of the Closing Date, unless the Issuer has been notified to the contrary by the Representative on or prior to the Closing Date, or the date on which the "end of the underwriting period" for the Bonds has occurred under Rule 15c2-12. The Representative shall notify the Issuer when the "end of the underwriting period" for the Bonds has occurred under Rule 15c2-12 with respect to the unsold balance of bonds that are held by any of the Underwriters for sale to the public within the meaning of Rule 15c2-12.
- G. Plan of Financing.
1. The Bonds shall be as described in, and shall be issued under and secured pursuant to the provisions of, a resolution adopted by the Funding Board of the Issuer on June 9, 2016 including as a part thereof a Series Certificate (collectively, the "Resolution"), substantially in the form delivered to the Representative, with only such changes to the Resolution as shall be mutually agreed upon between the Issuer and the Representative prior to Closing.
  2. The net proceeds from the sale of the 2016 Series A Bonds will be applied to the: (i) funding of certain capital projects of the Issuer; (ii) retirement at maturity of a portion of the Issuer's outstanding commercial paper issued to fund certain capital projects of the Issuer; and (iii) payment of certain costs of issuance of the 2016 Series A Bonds.
  3. The net proceeds from the sale of the 2016 Series B Bonds will be applied to the: (i) refunding of the Issuer's outstanding General Obligation Bonds, 2010 Series A, dated October 27, 2010, maturing May 1, 2024, May 1, 2026 and May 1, 2029 through May 1, 2031, inclusive; and General Obligation Bonds, 2011 Series A, dated October 26, 2011, with portions maturing October 1, 2023 through October 1, 2031, inclusive (collectively, the "Series B Refunded Bonds"); and (ii) payment of certain costs of issuance of the 2016 Series B Bonds.
  4. The net proceeds from the sale of the 2016 Series C Bonds will be applied to the: (i) refunding of the Issuer's outstanding General Obligation Bonds, 2008 Series B (Federally Taxable), dated September 1, 2008, maturing September 1, 2020 through September 1, 2024, inclusive, and September 1, 2028; General Obligation Bonds, 2009 Series D (Federally Taxable), dated December 16, 2009, maturing May 1, 2023, May 1, 2024 and May 1, 2029; and General Obligation Bonds, 2011 Series A, dated October 26, 2011, with portions maturing October 1, 2023 through October 1, 2031, inclusive (collectively, the "Series C Refunded Bonds" and, together with the Series B Refunded Bonds, the "Refunded Bonds"); and (ii) payment of certain costs of issuance of the 2016 Series C Bonds.

5. In connection with the refunding of the Refunded Bonds, the Issuer will enter into Refunding Trust Agreements, dated as of the Closing Date (collectively, the "Refunding Trust Agreement"), with Regions Bank, Nashville, Tennessee, as refunding trustee, for the benefit of the holders of the Refunded Bonds.

H Representations and Warranties of the Issuer.

The Issuer hereby agrees with, and makes the following representations and warranties to the Underwriters, as of the date hereof and as of the Closing Date, which representations and warranties shall survive the Closing:

1. The Issuer is authorized by the Constitution and statutes of the State of Tennessee: (i) to issue the Bonds for the purposes set forth in the Resolution, (ii) to secure the Bonds in the manner contemplated in the Resolution, and (iii) to execute, deliver and perform its obligations under the Bonds, the Resolution, the Official Statement, the Continuing Disclosure Undertaking, to be dated the Closing Date, in substantially the form attached as Appendix E to the Official Statement (the "Continuing Disclosure Undertaking"), the Refunding Trust Agreement and this Purchase Agreement.
2. The Issuer, has, and at the Closing Date will have, full legal right, power, and authority pursuant to the Resolution to execute and deliver the Purchase Agreement, the *Continuing Disclosure Undertaking* and the *Refunding Trust Agreement*, to issue, sell, and deliver the Bonds as provided herein, and to carry out and to consummate the transactions contemplated by this Purchase Agreement, the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement, and the Official Statement.
3. On and as of the date hereof and, unless an event of the nature described in Section K hereof subsequently occurs, until the earlier of (i) ninety (90) days from the End of the Underwriting Period or (ii) the time when the Official Statement is available to any person from EMMA (but in no case less than twenty-five (25) days following the End of the Underwriting Period (the "Update Period")), the information in the Official Statement with respect to the Issuer and its affairs does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
4. The Bonds are issued under and pursuant to and in full compliance with the Constitution and laws of the State, including specifically Title 9, Chapter 9, Tennessee Code Annotated (the "Act"), various Public Acts of the General Assembly of the State of Tennessee, and the Resolution.
5. By official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement, and has duly authorized and approved the issuance and sale of the Bonds upon the terms set forth herein and in the Resolution and the Official Statement, and the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Bonds, the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement and this Purchase Agreement.
6. The Issuer is not in breach of or in default under the Act or any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument to which

the Issuer is a party or is otherwise subject or by which it or its properties may be bound, that is material to the issuance, payment or security for the Bonds (a "Material Adverse Effect"). The issuance and sale of the Bonds upon the terms set forth herein and in the Resolution and the Official Statement, and the execution and delivery by the Issuer of the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement and this Purchase Agreement, and its compliance with the provisions of each thereof, will not conflict with or constitute a material breach of or default under the Act or any law, administrative regulation, judgment, decree, indenture, loan agreement, note, resolution, agreement, or other instrument to which the Issuer is a party or is otherwise subject, except for such conflicts, breaches and/or defaults as would not, individually or in the aggregate, result in a Material Adverse Effect.

7. All approvals, consents, and orders of any governmental authority, board, agency, or commission having jurisdiction that would constitute a condition precedent to the performance by the Issuer of its obligations under this Purchase Agreement, the issuance of the Bonds, and the execution, delivery and performance by the Issuer of the Resolution, the Continuing Disclosure Undertaking, this Purchase Agreement, and the Refunding Trust Agreement, have been obtained or will be obtained prior to the Closing.
8. The Bonds, when issued, authenticated, and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be the valid contractual general obligations of the Issuer issued in conformity with and entitled to the benefit and security of the Resolution and for the payment of which, as to both principal and interest, the full faith and credit of the State is pledged; and 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 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 and subject to the pledge of Special Taxes (as defined in the Official Statement) to the payment of certain bonds of the Issuer outstanding on July 1, 2013.
9. The Resolution has been duly adopted by the Issuer. The terms and provisions of the Resolution comply in all respects with the requirements of the Act, and the Resolution and, when executed and delivered by the parties thereto, the Continuing Disclosure Undertaking and the Refunding Trust Agreement will constitute the valid contractual obligations of the Issuer, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law; and, further, the Issuer has not waived immunity from suit or extended its consent to be sued, and monetary actions against the Issuer for breach of contractual obligations may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where the State may be liable only for actual damages and certain costs.
10. This Purchase Agreement has been duly authorized, executed and delivered, and constitutes a valid contractual obligation of the Issuer, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law; and, further, the Issuer has not waived immunity from suit or extended its consent to be sued, and monetary actions against the Issuer for breach of contractual obligations may be heard and determined under current

law exclusively in the Tennessee Claims Commission, an administrative tribunal, where the State may be liable only for actual damages and certain costs.

11. There is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, pending or, to the knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices or seeking to prohibit, restrain, or enjoin the issuance, sale, or delivery of the Bonds or the collection of the revenues or assets of the Issuer pledged or to be pledged to pay the principal of, premium, if any, and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement or this Purchase Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, or contesting the power or authority of the Issuer to issue the Bonds or to execute and deliver the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement or this Purchase Agreement, or wherein an unfavorable decision, ruling, or finding would materially adversely affect the validity of the Bonds, the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement or this Purchase Agreement.
12. The proceeds received from the sale of the Bonds shall be used in accordance with the Act and the Resolution and as set forth herein and in the Preliminary Official Statement and the Official Statement.
13. Any certificate signed by an authorized officer of the Issuer and delivered to the Representative shall be deemed a representation and warranty of the Issuer to the Underwriters as to the accuracy in material respects of the statements made therein.
14. The Issuer has entered or will enter into, in accordance with Rule 15c2-12, the Continuing Disclosure Undertaking in substantially the form set forth in Appendix E to the Preliminary Official Statement and to the Final Official Statement for the benefit of bondholders to provide annual financial information and notices of certain events to the MSRB through EMMA and to the appropriate state information depository, if any.
15. Except as otherwise provided in the Preliminary Official Statement and Official Statement, the Issuer has complied in all material respects during the preceding five years with all previous undertakings in its written continuing disclosure undertakings, contracts and agreements under Rule 15c2-12.
16. The Preliminary Official Statement, as supplemented and amended through the date hereof, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
17. At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to Section D of this Purchase Agreement) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
18. If the Official Statement is supplemented or amended pursuant to Section D of this Purchase Agreement, at the time of each supplement or amendment thereto and (unless

subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which made, not misleading.

19. The financial statements of, and other financial information regarding, the Issuer in the Preliminary Official Statement and in the Official Statement fairly present the financial position and results of the Issuer as of the dates and for the periods therein set forth. The financial statements of the Issuer have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Preliminary Official Statement and in the Official Statement, the other historical financial information set forth in the Preliminary Official Statement and in the Official Statement has been presented on a basis consistent with that of the Issuer's audited financial statements included in the Preliminary Official Statement and in the Official Statement. Prior to the Closing, the Issuer will not take any action within or under its control that will cause any adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the Issuer. Except as described in the Preliminary Official Statement and in the Official Statement, the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer would have a material adverse effect on the financial condition of the Issuer.
20. The Issuer will not, prior to the Closing Date, offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, except in the ordinary course of business, without the prior approval of the Underwriters; provided, however, upon notice to the Underwriters, the Issuer may issue commercial paper from time to time without the prior approval of the Underwriters.

I. Covenants of the Issuer. The Issuer hereby covenants with the Underwriters that:

1. The Issuer shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended prior to the end of the Update Period without the prior written consent of the Representative, which will not be unreasonably withheld
2. The Issuer shall not amend, terminate, or rescind, and will not agree to any amendment, termination, or rescission of the Resolution or this Purchase Agreement without the prior written consent of the Representative prior to the Closing Date, which will not be unreasonably withheld.
3. The Issuer shall promptly advise the Representative by written notice of any matter arising or discovered after the date of this Purchase Agreement and prior to the end of the Update Period that if existing or known at the date hereof would render any of the representations or warranties set forth herein to be untrue or misleading or might adversely affect the correctness or completeness of any statement of material fact regarding the Issuer contained in the Official Statement; or any developments that affect the accuracy and completeness of the key representations (within the meaning of Rule 15c2-12) regarding the Issuer contained in the Official Statement that may occur during the Update Period.
4. The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriters, at no expense to the Issuer, as the

Underwriters may reasonably request (a) to (1) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (2) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and (b) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction) and will advise the Underwriters immediately of receipt by the Issuer of any written notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

5. The Issuer shall not voluntarily undertake any course of action inconsistent with satisfaction of the requirements applicable to the Issuer as set forth in this Purchase Agreement.

J. Certain Conditions to Underwriters' Obligations. The Underwriters have entered into this Purchase Agreement in reliance upon the representations, warranties, and agreements of the Issuer contained herein and upon the accuracy of the statements to be contained in the documents and instruments to be delivered at the Closing. Accordingly, the Underwriters' obligations under this Purchase Agreement to purchase, accept delivery of, and pay for the Bonds are subject to the performance by the Issuer of its obligations hereunder required to be performed at or prior to the Closing Date, and to the following additional conditions precedent:

1. On the Closing Date, the representations and warranties of the Issuer contained herein shall be true, complete, and correct as if made on and as of the Closing Date; the Official Statement shall have been executed and delivered by the Issuer; the Resolution, the Continuing Disclosure Undertaking and the Refunding Trust Agreement shall have been duly executed and delivered by the appropriate parties thereto, shall be in full force and effect, and shall not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Representative; the proceeds of the sale of the Bonds shall have been paid to the Issuer for deposit for use as described in the Official Statement and in the Resolution; and the Issuer shall have adopted and there shall be in full force and effect such resolutions as, in the opinions of Hawkins Delafield & Wood LLP, Bond Counsel, and Bass, Berry & Sims PLC, counsel for the Underwriters, shall be necessary in connection with the transactions contemplated hereby.
2. At or prior to the Closing, the Representative shall receive the following:
  - a) The unqualified approving opinion of Bond Counsel, addressed to the Issuer, dated the Closing Date and in substantially the form attached as Appendix C to the Official Statement with only such changes thereto as are satisfactory to the Representative, and a letter of such Bond Counsel, dated the Closing Date and addressed to the Underwriters, to the effect that their opinion addressed to the Issuer may be relied upon by the Underwriters to the same extent as if such opinion was addressed to them;
  - b) A supplementary opinion of Bond Counsel, dated the Closing Date, addressed to the Underwriters and the Issuer, to the effect that: (i) this Purchase Agreement has been duly authorized, executed and delivered by the Issuer, and constitutes a valid contractual agreement of the Issuer, subject to sovereign immunity, applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and the application of principles of equity relating to or affecting the enforcement of contractual



obligations, whether such enforceability is considered in a proceeding in equity or at law; (ii) no approval or other action is required to be obtained by the Issuer from any governmental authority or agency in connection with the issuance and sale of the Bonds, the adoption of the Resolution, or the execution by the Issuer of this Purchase Agreement, the Continuing Disclosure Undertaking, the Refunding Trust Agreement or the Official Statement that has not already been obtained or taken, except that the offer and sale of the Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions (as to which no opinion need be expressed); (iii) the statements contained in the Official Statement under the captions "THE BONDS" (other than information relating to The Depository Trust Company and its book-entry only system), "APPLICATION OF BOND PROCEEDS AND PLAN OF REFUNDING," "SECURITY FOR THE BONDS," and "TAX MATTERS" fairly summarize the provisions of the documents or matters of law indicated therein, and the statements contained in the Official Statement describing the Resolution fairly summarize the provisions of such document purported to be summarized; and (iv) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

- c) A certificate of Counsel to the Issuer, dated the Closing Date, and in form and substance satisfactory to the Representative, to the effect that: there is no action, suit, or proceeding or investigation at law or in equity before or by any court, public board, or body pending, or, to the knowledge of such counsel, threatened against or affecting the Issuer to restrain or enjoin the issuance or delivery of any of the Bonds or the security pledged under the Resolution, or in any way contesting or affecting the power of the Issuer relating to the issuance or validity of the Bonds or any provision of the Resolution, or the execution, delivery, and performance by the Issuer of the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement, or this Purchase Agreement or materially adversely affecting the financial condition of the Issuer;
- d) An opinion of Counsel to the Issuer addressed to the Issuer to the effect that: (i) the Issuer has full legal right, power, and authority to adopt the Resolution and to execute and deliver the Continuing Disclosure Undertaking, the Refunding Trust Agreement, the Bonds and this Purchase Agreement, and to issue the Bonds and apply the proceeds thereof pursuant to the Resolution; (ii) the Issuer has duly authorized, executed, and delivered the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement, the Bonds and this Purchase Agreement and, assuming due authorization, execution, and delivery by the other parties thereto where required, each constitutes a valid contractual agreement of the Issuer, subject to sovereign immunity, applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law, and compliance with the provisions of each thereof will not conflict with or constitute a violation or breach of or default under any existing law or administrative rule or regulation, or, to the best of the knowledge of such counsel, any court order or decree, or any agreement, contract, or other instrument to which the Issuer is a party or is otherwise subject or bound; (iii) the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official

Statement have been duly authorized by the Issuer; (iv) no approval or other action is required to be obtained by the Issuer from any governmental authority or agency in connection with the issuance and sale of the Bonds, or the execution by the Issuer of this Purchase Agreement, the Resolution, the Bonds, the Continuing Disclosure Undertaking, the Refunding Trust Agreement or the Official Statement which has not already been obtained or taken, except that the offer and sale of the Bonds in certain jurisdictions may be subject to compliance with the provisions of the securities or blue sky laws of such jurisdictions (as to which no opinion need be expressed); (v) the Official Statement has been duly executed and delivered by the Issuer; (vi) the execution and delivery of this Purchase Agreement, the Bonds, the Continuing Disclosure Undertaking, the Refunding Trust Agreement, and the Official Statement were duly authorized pursuant to the Resolution at one or more meetings of the Issuer that were called and held pursuant to all applicable laws and regulations, and with all public notice required by all applicable laws and regulations and at which a quorum was present and acting throughout; and (vii) the representations and warranties of the Issuer as set forth in this Purchase Agreement are, as to all matters of law, true and accurate on and as of the Closing Date as if made on the Closing Date;

- e) The opinion of counsel to the Underwriters, dated the Closing Date, to the effect that (i) the Bonds are exempt from registration under the Securities Act, and the Resolution is exempt from qualification under the Trust Indenture Act; (ii) without having undertaken to determine independently, or to assume responsibility for, the accuracy, completeness or fairness thereof, and based solely on their participation in meetings and telephone conferences at which representatives of the Issuer, Issuer's Counsel, Bond Counsel, and the Representative were at various times present, nothing has come to their attention that would lead them to believe that the information and statements in the Preliminary Official Statement, as of the date thereof and as of the date of pricing of the Bonds, or the Official Statement, as of the date thereof and as of the Closing Date (excluding therefrom information regarding DTC, the Book-Entry System, the financial statements and statistical data included in the Preliminary Official Statement and the Official Statement, as to which no view need be expressed) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (iii) the Continuing Disclosure Undertaking of the Issuer complies in all material respects with the requirements of Section (b)(5)(i) of Rule 15c2-12;
- f) A certificate dated the Closing Date by the Secretary or Assistant Secretary to the Funding Board of the Issuer to the effect that: (i) the representations and warranties of the Issuer contained herein are true and correct on and as of the Closing Date (except to the extent the same relate to an earlier date) with the same effect as if made on the Closing Date; and (ii) the Issuer has complied with all agreements and satisfied all the conditions on its part to be performed or satisfied with respect to the Bonds at or prior to the Closing;
- g) A certificate dated the Closing Date by the Secretary or Assistant Secretary to the Funding Board of the Issuer to the effect that: no event affecting the Issuer has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purpose for which it is to be used or that it is necessary

to disclose therein in order to make the statements and information therein with respect to the Issuer not misleading in any material respect;

- h) A certificate of an officer of the Issuer, acceptable to the Representative, dated the Closing Date, to the effect that the Bonds have been executed in accordance with the Resolution by duly authorized officers or signatories of the Issuer; and an incumbency certificate of the Issuer, in form and content acceptable to the Representative and Bond Counsel, dated the Closing Date, with respect to the officers or other signatories of the Issuer who have executed and delivered the Bonds and all other financing documents to be signed by the Issuer;
- i) Evidence satisfactory to the Representative that the Bonds have been rated not less than "Aaa", "AAA" and "AAA" respectively, by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Service ("S&P") and Fitch Ratings ("Fitch"), which ratings remain in effect on the Closing Date;
- j) Copies of the Resolution certified by the Secretary or Assistant Secretary to the Funding Board as having been duly adopted by the Funding Board and as being in full force and effect, with such changes or amendments as may have been approved by the Representative;
- k) Executed counterparts of the Continuing Disclosure Undertaking, the Refunding Trust Agreement, this Purchase Agreement, and the tax certificate for the Bonds executed by the parties thereto, or copies thereof certified by the Secretary or Assistant Secretary of the Funding Board;
- l) The Preliminary Official Statement and an executed Official Statement, together with any supplements or amendments thereto in the event either has been supplemented or amended, in the case of the Official Statement executed on behalf of the Issuer by a duly authorized officer thereof;
- m) Specimen of the Bonds;
- n) The verification report prepared by Robert Thomas CPA, LLC, described in the Official Statement under the caption "Verification Agent";
- o) Such additional legal opinions, signatures, other certificates and other instruments and documents, including but not limited to a comfort letter addressed to the Underwriters by the Issuer's auditors, as the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date of this Purchase Agreement and as of the date of Closing, of the representations and warranties of the Issuer contained in this Purchase Agreement and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer at or prior to Closing of all agreements then to be performed and of all conditions then to be satisfied by the Issuer.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Agreement, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the Issuer shall have any further obligations hereunder, except as provided in Section L. hereof. However, the Representative may in its

discretion waive one or more of the conditions imposed by this Purchase Agreement for the protection of the Underwriters and proceed with the Closing.

- K. Termination. The Underwriters shall have the right to terminate this Purchase Agreement by notification to the Issuer from the Underwriters at the election of the Underwriters to do so if, after the execution hereof and prior to the Closing:
1. An event shall occur which makes untrue or incorrect in any material respect, as of the time of such event, any statement or information contained in the Official Statement or which is not reflected in the Official Statement but should be reflected therein in order to make the statements contained therein in the light of the circumstances under which they were made not misleading in any material respect and, in either such event, (a) the Issuer refuses to permit the Official Statement to be supplemented to supply such statement or information in a manner satisfactory to the Underwriter or (b) the effect of the Official Statement, as so supplemented, in the reasonable judgment of the Underwriters, would materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Bonds; or
  2. Legislation shall be introduced in, enacted by, reported out of committee, or recommended for passage by the State of Tennessee, either House of the Congress, or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives (including sponsorship or co-sponsorship), or legislation is proposed for consideration by either such committee or by the staff of such committee or presented as an option for consideration by either such committee or by the staff of such committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Internal Revenue Code of 1986 (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either House, or a decision by a court of competent jurisdiction shall be rendered, or a regulation or filing shall be issued or proposed by or on behalf of the Department of the Treasury or the Internal Revenue Service of the United States, or other agency of the federal government, or a release or official statement shall be issued by the President, the Department of the Treasury or the Internal Revenue Service of the United States, in any such case with respect to or affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of any of the Bonds which, in the reasonable judgment of the Underwriters, materially adversely affects the market price or marketability of one or more series of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields), of one or more series of the Bonds; or
  3. A stop order, ruling, regulation, proposed regulation or statement by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering, sale or distribution of obligations of the general character of the Bonds (including any related underlying obligations) is in violation or would be in violation of any provisions of the Securities Act, the Exchange Act or the Trust Indenture Act; or
  4. Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling,

regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

5. There shall have occurred (1) any outbreak or escalation of hostilities, declaration by the United States of a national or international emergency or war, (2) any other calamity or crisis in the financial markets of the United States or elsewhere, (3) a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations, or (4) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000, the effect of which on financial markets is such as to, in the reasonable judgment of the Underwriters, materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds; or
6. There shall have occurred a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the SEC or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers such as to, in the reasonable judgment of the Underwriters, materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds; or
7. A general banking moratorium shall have been declared by federal, New York or Tennessee state authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred such as to, in the reasonable judgment of the Underwriters, materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale, at the contemplated offering prices (or yields) of the Bonds; or
8. A downgrading or suspension of any rating (without regard to credit enhancement) by Moody's, S&P or Fitch of any debt securities issued by the Issuer, or there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating by Moody's, S&P or Fitch of any debt securities issued by the Issuer, including the Bonds.

L. Payment of Expenses.

1. The Underwriters shall be under no obligation to pay, and the Issuer shall pay from available funds or from the proceeds of the Bonds or from other funds of the Issuer, certain expenses set forth in this Section that are incidental to the performance of the Issuer's obligations hereunder, including but not limited to: all expenses in connection with the printing of the Preliminary Official Statement, the Official Statement, and any amendment or supplement to either thereof; all expenses in connection with the printing, issuance, and delivery of the Bonds; the fees and disbursements of Bond Counsel, Issuer's Counsel, auditors, the fees and disbursements of the refunding trustee; all expenses in connection with obtaining a rating or ratings for the Bonds; all expenses, if any, of the Issuer in connection with the preparation, printing, execution, and delivery, and any recording or filing fees required of the Resolution, the Continuing Disclosure Undertaking, and the Refunding Trust Agreement; any recording or filing fees required by this Purchase Agreement (excluding the costs of qualifying the Bonds for sale in various states); the Issuer's administrative fees; rating agency fees, and all other expenses and costs of the Issuer incident to its obligations in connection with the authorization, issuance, sale, and distribution of the Bonds. Expenses of the Underwriters, including fees and expenses of Underwriters' counsel and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review, shall be paid or reimbursed through the expense component of the Underwriters' discount
2. The Underwriters shall pay (from the expense component of the Underwriters' discount) the costs of qualifying the Bonds for sale in various states chosen by the Representative, all advertising expenses in connection with the public offering of the Bonds, and all other expenses incurred by it or the other Underwriters in connection with the public offering and distribution of the Bonds, including the fees and disbursements of their counsel and the cost of obtaining CUSIP numbers.
3. The Issuer shall pay for expenses (which may be included in the expense component of the Underwriters' discount) incurred on behalf of Issuer's employees which are directly related to the offering of the Bonds, including, but not limited to, meals, transportation and lodging of those employees.

M. Indemnity and Contribution.

1. The Issuer agrees, to the extent permitted by law, and without any representation as to the extent permitted by law, to indemnify and hold harmless the Underwriters, any member, officer, official, employee, counsel, consultant and agent of the Underwriters, and each person, if any, who controls the Underwriters within the meaning of the Securities Act or Exchange Act (the "Indemnitees") against any and all losses, claims, damages, liabilities or expenses (or actions in respect thereof) (each, a "Claim") that are caused by, arise out of or are based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact relating to the Issuer made, provided or certified by the Issuer or any agent thereof and contained in the Preliminary Official Statement or the Official Statement, or caused by, arising out of or based upon any omission or alleged omission from the Preliminary Official Statement or the Official Statement of any material fact relating to the Issuer necessary in order to make the statements made therein in the light of the circumstances under which they were made not misleading, except with respect to matters described in paragraph 2 below. In case any action shall be brought against any person indemnified pursuant to this Section and in respect of which indemnity may be sought against the Issuer, such person shall promptly notify the Issuer in writing, and the Issuer shall promptly assume the defense thereof,

including the employment of counsel reasonably satisfactory to such person, and the payment of all expenses, provided that the Issuer shall have the right to negotiate and consent to settlement and such person shall cooperate with the Issuer in such defense. Such person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such person unless the employment of such counsel has been specifically authorized by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Issuer or if there be a final judgment for the plaintiff in any such action, with or without consent, the Issuer shall indemnify and hold harmless such party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding anything above to the contrary, the Issuer shall not consent to any settlement under which an indemnified party admits guilt to any allegation without the consent of such person.

2. Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Issuer, each of its officials, directors, officers and employees, and each person who controls the Issuer within the meaning of either the Securities Act or the Exchange Act, to the same extent as the foregoing indemnity from the Issuer to each Underwriter, but only with reference to written information furnished by the Underwriters to the Issuer or information provided by the Underwriters specifically for inclusion in the Preliminary Official Statement or the Official Statement (or in any amendment or supplement thereto).

N. Blue Sky Qualification. The Issuer agrees to cooperate with the Underwriters and their counsel in any endeavor to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided that the Issuer shall not be required to qualify as a foreign corporation in, or submit to the jurisdiction of, any other state. The Issuer consents to the use of the Preliminary Official Statement and the Official Statement by the Representative in obtaining such qualification

O. No Advisory or Fiduciary Role.

1. The Issuer acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm's-length commercial transaction between the Issuer and the Underwriters, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent, advisor or fiduciary of the Issuer, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the Issuer with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Issuer on other matters) and the Underwriters have no obligation to the Issuer with respect to the offering contemplated hereby other than those arising out of their role as Underwriters pursuant to the terms of this Purchase Agreement, (iv) the Issuer has consulted its own legal, financial and other advisors to the extent it has deemed appropriate, and (v) the Underwriters have financial and other interests that differ from those of the Issuer.
2. The Issuer and the Underwriters represent and warrant, respectively, that no finder or other agent has been employed by either the Issuer or the Underwriters in connection with this transaction.

- P. Notices. All notices provided for in this Purchase Agreement shall be made in writing either by actual delivery of the notice into the hands of the parties entitled thereto, by confirmed facsimile transmission, or by sending the notice by air courier or mailing by certified or registered mail, return receipt requested, in the United States mail to the address as stated below (or at such other address as may have been designated by written notice) of the party entitled thereto. The notice shall be deemed to be received in case of actual delivery on the date of its actual receipt by the party entitled thereto, in case of delivery by facsimile, on the date receipt is confirmed, in case of delivery by air courier on the date of delivery, and in case of mailing on the date of receipt by United States mail, postage prepaid.

All communications hereunder, except as herein otherwise specifically provided, shall be in writing and mailed or delivered to the Issuer and to the Underwriters at the following addresses:

The Funding Board of the State of Tennessee  
16<sup>th</sup> Floor, James K. Polk Building  
505 Deaderick Street  
Nashville, Tennessee 37243-0273  
Attention: Director of State and Local Finance  
Facsimile: 615-741-5986

Citigroup Global Markets Inc  
11780 US Highway One, Suite 201  
North Palm Beach, Florida 33408  
Attention: Michael Hole, Managing Director  
Facsimile: 561-694-7086

- Q. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.
- R. Counterparts. This Purchase Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument
- S. Miscellaneous. This Purchase Agreement is made solely for the benefit of the signatories hereto (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. The term "successor" shall not include any holder of any Bonds merely by virtue of such holding. All representations, warranties, agreements, and indemnities contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of delivery of and payment for the Bonds and any termination of this Purchase Agreement.

*[signature page follows]*



Very truly yours,

CITIGROUP GLOBAL MARKETS INC., on behalf of itself and as Representative of the other Underwriters listed in Appendix I hereto

By: Michael Hole  
Name: Michael Hole  
Title: Managing Director

ACCEPTED:

FUNDING BOARD OF THE  
STATE OF TENNESSEE

By: [Signature]  
Title: Comptroller of the Treasury;  
Secretary of the Funding Board of the  
State of Tennessee

Date: July 27, 2016

Time: 11:49 Am

APPENDIX I

To

Bond Purchase Agreement

UNDERWRITERS

**Representative and Senior Manager**

Citigroup Global Markets Inc.

**Co-Managers**

Merrill Lynch, Pierce, Fenner and Smith Incorporated  
Morgan Stanley & Co. LLC  
Wells Fargo Bank, National Association

APPENDIX II

To

Bond Purchase Agreement

**\$175,865,000**

**GENERAL OBLIGATION BONDS, 2016 SERIES A**

Maturity Date	Amount	Rate	Yield	Price
8/1/2017	\$8,790,000	3 000%	0 450%	102 372
8/1/2018	\$8,795,000	5 000%	0 540%	108 565
8/1/2019	\$8,795,000	5 000%	0 610%	112 743
8/1/2020	\$8,795,000	5 000%	0 760%	116 399
8/1/2021	\$8,795,000	5.000%	0 880%	119 847
8/1/2022	\$8,795,000	5 000%	1 040%	122 727
8/1/2023	\$8,795,000	5 000%	1 180%	125 358
8/1/2024	\$8,795,000	5.000%	1 300%	127 803
8/1/2025	\$8,795,000	5 000%	1 400%	130 130
8/1/2026	\$8,795,000	5 000%	1 500%	132 187
8/1/2027	\$8,795,000	5 000%	1 600%	131 110 C
8/1/2028	\$8,795,000	5 000%	1 680%	130 256 C
8/1/2029	\$8,795,000	5 000%	1.740%	129 619 C
8/1/2030	\$8,795,000	5.000%	1 790%	129 091 C
8/1/2031	\$8,790,000	5 000%	1 820%	128 776 C
8/1/2032	\$8,790,000	5 000%	1 870%	128.253 C
8/1/2033	\$8,790,000	5 000%	1 920%	127 732 C
8/1/2034	\$8,790,000	5 000%	1.960%	127 317 C
8/1/2035	\$8,790,000	5 000%	2 010%	126 800 C
8/1/2036	\$8,790,000	5 000%	2.050%	126 389 C
<b>\$175,865,000</b>				

C = Priced to call date of August 1, 2026

*Optional Redemption.*

At the option of the Issuer, the 2016 Series A Bonds maturing on or after August 1, 2027 are subject to redemption prior to their respective stated maturities, from any monies that are available to the Issuer for such purpose, at any time on and after August 1, 2026, as a whole or in part, from time to time, in any order of maturity determined by the Issuer, at a redemption price of par together with accrued interest to the redemption date.

**\$124,900,000**  
**GENERAL OBLIGATION BONDS, 2016 REFUNDING SERIES B**

Maturity Date	Amount	Rate	Yield	Price	
2/1/2017	\$2,795,000	5.000%	0.400%	101.989	
8/1/2023	\$16,670,000	5.000%	1.180%	125.358	
8/1/2024	\$9,365,000	5.000%	1.300%	127.803	
8/1/2025	\$16,810,000	5.000%	1.400%	130.130	
8/1/2026	\$9,365,000	5.000%	1.500%	132.187	
8/1/2027	\$9,365,000	5.000%	1.600%	131.110	C
8/1/2028	\$16,945,000	5.000%	1.680%	130.256	C
8/1/2029	\$17,055,000	5.000%	1.740%	129.619	C
8/1/2030	\$17,170,000	5.000%	1.790%	129.091	C
8/1/2031	\$9,360,000	5.000%	1.820%	128.776	C
<b>\$124,900,000</b>					

C = Priced to call date of August 1, 2026

*Optional Redemption.*

At the option of the Issuer, the 2016 Series B Bonds maturing on or after August 1, 2027 are subject to redemption prior to their respective stated maturities, from any monies that are available to the Issuer for such purpose, at any time on and after August 1, 2026, as a whole or in part, from time to time, in any order of maturity determined by the Issuer, at a redemption price of par together with accrued interest to the redemption date.

**\$65,385,000**  
**GENERAL OBLIGATION BONDS, 2016 REFUNDING SERIES C (FEDERALLY TAXABLE)**

Maturity Date	Amount	Rate	Yield	Price
2/1/2017	\$2,110,000	0.630%	0.630%	100.000
8/1/2018	\$1,405,000	0.966%	0.966%	100.000
8/1/2019	\$1,415,000	1.123%	1.123%	100.000
8/1/2020	\$2,105,000	1.295%	1.295%	100.000
8/1/2021	\$2,090,000	1.445%	1.445%	100.000
8/1/2022	\$4,980,000	1.749%	1.749%	100.000
8/1/2023	\$7,390,000	1.849%	1.849%	100.000
8/1/2024	\$7,350,000	1.966%	1.966%	100.000
8/1/2025	\$7,305,000	2.066%	2.066%	100.000
8/1/2026	\$7,270,000	2.116%	2.116%	100.000
8/1/2027	\$7,235,000	2.166%	2.166%	100.000
8/1/2028	\$7,210,000	2.266%	2.266%	100.000
8/1/2029	\$2,565,000	2.366%	2.366%	100.000
8/1/2030	\$2,505,000	2.516%	2.516%	100.000
8/1/2031	\$2,450,000	2.666%	2.666%	100.000
<u>\$65,385,000</u>				

*Optional Redemption.*

At the option of the Issuer, the 2016 Series C Bonds maturing on or after August 1, 2027 are subject to redemption prior to their respective stated maturities, from any monies that are available to the Issuer for such purpose, at any time on and after August 1, 2026, as a whole or in part, from time to time, in any order of maturity determined by the Issuer, at a redemption price of par together with accrued interest to the redemption date.

Prior to August 1, 2026, the 2016 Series C Bonds are subject to redemption prior to their stated maturities at the option of the Issuer, at any time as a whole or in part, from time to time, in any order of maturity as determined by the Issuer, at a redemption price equal to the Make-Whole Redemption Price (as defined below).

The "Make-Whole Redemption Price" of any 2016 Series C Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such 2016 Series C Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2016 Series C Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such 2016 Series C Bonds are to be redeemed, discounted on a semiannual basis to the date on which such 2016 Series C Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus twenty (20) basis points; plus, in each case, accrued and unpaid interest on such 2016 Series C Bonds on such redemption date.

"Treasury Rate" means, with respect to any redemption date for any particular 2016 Series C Bond, the greater of:

(i) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Issuer at the Issuer's expense and such determination shall be conclusive and binding on the owners of the 2016 Series C Bonds, or

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

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2016 Series C Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2016 Series C Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2016 Series C Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

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

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

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2016 Series C Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

The redemption price of such 2016 Series C Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Issuer to calculate such redemption price. The Issuer may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is dated and made as of October 3, 2019, by the State of Tennessee (the “State”) in connection with the issuance of the State’s \$100,105,000 aggregate principal amount of General Obligation Bonds, 2019 Series A and \$28,000,000 aggregate principal amount of General Obligation Bonds, 2019 Series B (Federally Taxable) (collectively, the “Bonds”). As authorized by Section 10 of the resolution (the “Bond Resolution”) of the Funding Board of the State of Tennessee (the “Funding Board”) adopted on August 9, 2019, authorizing the Bonds, the State agrees as follows:

### ARTICLE I

#### Definitions

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

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

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

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

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

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

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

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

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

(6) “GAAP” means generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

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

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

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



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

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

- (xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (xv) incurrence of a Financial Obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the State, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the State, any of which reflect financial difficulties.
- (9) “Notice Event Notice” means notice of a Notice Event.
- (10) “Official Statement” means the Official Statement dated September 17, 2019, of the State relating to the Bonds.
- (11) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the effective date hereof, including any official interpretations thereof.
- (12) “SEC” means the United States Securities and Exchange Commission.
- (13) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

## ARTICLE II

### The Undertaking

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

Section 2.2. Annual Financial Information. (a) The State shall provide Annual Financial Information with respect to each fiscal year of the State, commencing with the fiscal year ending June 30, 2019, by no later than 7 months after the end of the respective fiscal year, to the MSRB.

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

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

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

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

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

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

### ARTICLE III

#### Operating Rules

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

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

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

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

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

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

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

#### ARTICLE IV

##### Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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


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

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

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

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

STATE OF TENNESSEE

By:   
Sandra Thompson  
Assistant Secretary, Funding Board  
of the State of Tennessee, and  
Director, Office of State and Local Finance,  
State of Tennessee

**NOTICE OF SALE**

Dated September 10, 2019

**State of Tennessee**

**General Obligation Bonds**

**\$98,550,000\* 2019 Series A**  
**\$28,000,000\* 2019 Series B (Federally Taxable)**

Electronic Bids, as Described Herein  
Will Be Accepted Until

9:15 a.m. Central Time\*\*  
for Series A Bonds

*and*

9:45 a.m. Central Time\*\*  
for Series B Bonds

on September 17, 2019

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

\*\* Subject to change before the sale date and time as provided herein.

## CONTACTS

### Issuer

#### State of Tennessee

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### Bond Counsel to the Issuer

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### Financial Advisor

#### PFM Financial Advisors LLC

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### BiDCOMP™/PARITY®

Customer Service

(212) 849-5021

### i-Deal Prospectus

Customer Service

(212) 849-5024

## NOTICE OF SALE

Dated September 10, 2019

**State of Tennessee**  
**General Obligation Bonds**  
**\$98,550,000\* 2019 Series A**  
**\$28,000,000\* 2019 Series B (Federally Taxable)**

*NOTICE IS HEREBY GIVEN* that electronic bids will be received at the place, on the date and until the respective times specified below for the purchase of all, but not less than all, of (i) the \$98,550,000\* General Obligation Bonds, 2019 Series A (the “Series A Bonds”) and/or (ii) separately, the \$28,000,000\* General Obligation Bonds, 2019 Series B (Federally Taxable) (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”), to be issued by the State of Tennessee (the “State”).

DATE: Tuesday, September 17, 2019\*\*

TIME: Series A Bonds: 9:15 a.m. Central Time\*\*  
Series B Bonds: 9:45 a.m. Central Time\*\*

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

The Bonds are more particularly described below and in the Preliminary Official Statement dated September 10, 2019 relating to the Bonds (the “Preliminary Official Statement”), available at the i-Deal Prospectus website, [www.i-dealprospectus.com](http://www.i-dealprospectus.com). For assistance in obtaining the Preliminary Official Statement from this website, contact i-Deal Prospectus' customer service or PFM Financial Advisors LLC. See the Contacts page of this Notice of Sale.

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

[Bidding Parameters Tables follow]

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

\*\* Subject to change before the sale date and time as provided herein.



**\$98,550,000 SERIES A BONDS BIDDING PARAMETERS TABLE\***

Description	Page No.	Description	Page No.
<b>DATES</b>		<b>REDEMPTION</b>	
Dated Date: Delivery Date	4	Optional On or after September 1, 2027 at 100%	4
Delivery Date: On or about October 3, 2019	4, 12	Mandatory: Each sinking fund installment date for term bonds at 100%	4
<b>INTEREST</b>		<b>PRICING</b>	
Interest Payment Dates: March 1 and September 1	4	Max. Reoffering Price:	
First Interest Payment: March 1, 2020	4	Each Maturity: N.A.	9
Coupon Multiples: 1/8 or 1/20 of 1%	9	Aggregate: 130.0%	9
Maximum Coupon: 5.00%	9	Min. Reoffering Price:	
Minimum Coupon: 5.00% on and after September 1, 2028	9	Each Maturity: 98.5%	9
Maximum TIC: 5.00%		Aggregate: 100%	9
<b>PRINCIPAL</b>		<b>PROCEDURAL</b>	
Adjustments-Increases:	10	Bid Submission: PARITY® only	3, 8
Each Maturity: + 25%	10	All or None?: Yes	9
Aggregate: + 15%		Bid Award Method: Lowest TIC	9
Adjustments-Decreases:	10	Bid Confirmation: Fax signed PARITY® screen	8
Each Maturity: -20%	10	Award of Bid: Within 6 hours	1, 9
Aggregate: -15%		Good Faith Deposit: \$990,000	10
Term Bonds: One or more on or after September 1, 2028 (sinking fund installments must equal amortization)	4		

**PRINCIPAL MATURITIES**

Year (September 1)	Principal Amount**
2020 NC	\$4,925,000
2021 NC	4,930,000
2022 NC	4,930,000
2023 NC	4,930,000
2024 NC	4,930,000
2025 NC	4,930,000
2026 NC	4,930,000
2027 NC	4,930,000
2028 T	4,930,000
2029 T	4,930,000

Year (September 1)	Principal Amount**
2030 T	\$4,930,000
2031 T	4,925,000
2032 T	4,925,000
2033 T	4,925,000
2034 T	4,925,000
2035 T	4,925,000
2036 T	4,925,000
2037 T	4,925,000
2038 T	4,925,000
2039 T	4,925,000

NC: Non-callable.

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

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

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

**\$28,000,000 SERIES B BONDS BIDDING PARAMETERS TABLE\***

Description	Page No.	Description	Page No.
<b>DATES</b>		<b>REDEMPTION</b>	
Dated Date: Delivery Date	4	Optional On or after September 1, 2029 at 100%; Prior to September 1, 2029 at the Make-Whole Redemption Price	4
Delivery Date: On or about October 3, 2019	4, 12		
<b>INTEREST</b>		Mandatory: Each sinking fund installment date for term bonds at 100%	4
Interest Payment Dates: March 1 and September 1	4		
First Interest Payment: March 1, 2020	4	<b>PRICING</b>	
Coupon Multiples: 1/8, 1/20 or 1/100 of 1%	9	Max. Reoffering Price:	
Maximum Coupon: 5.00%	9	Each Maturity: No Limit	9
Minimum Coupon: N/A	9	Aggregate: 120.0%	9
Maximum TIC: 5.00%	9	Min. Reoffering Price:	
<b>PRINCIPAL</b>		Each Maturity: 99.75%	9
Adjustments-Increases:		Aggregate: 99.0%	9
Each Maturity: + 25%	10	<b>PROCEDURAL</b>	
Aggregate: + 15%	10	Bid Submission: PARITY® only	3, 8
Adjustments-Decreases:		All or None?: Yes	9
Each Maturity: -20%	10	Bid Award Method: Lowest TIC	9
Aggregate: -15%	10	Bid Confirmation: Fax signed PARITY® screen	8
Term Bonds: One or more on or after September 1, 2030 (sinking fund installments must equal amortization)	4	Award of Bid: Within 6 hours	1, 9
		Good Faith Deposit: \$280,000	10

**PRINCIPAL MATURITIES**

Year (September 1)	Principal Amount**
2020 NC	\$1,400,000
2021 NC	1,400,000
2022 NC	1,400,000
2023 NC	1,400,000
2024 NC	1,400,000
2025 NC	1,400,000
2026 NC	1,400,000
2027 NC	1,400,000
2028 NC	1,400,000
2029 NC	1,400,000

Year (September 1)	Principal Amount**
2030 T	\$1,400,000
2031 T	1,400,000
2032 T	1,400,000
2033 T	1,400,000
2034 T	1,400,000
2035 T	1,400,000
2036 T	1,400,000
2037 T	1,400,000
2038 T	1,400,000
2039 T	1,400,000

NC: Non-callable.

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

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

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

## *THE BONDS*

### *General*

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

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

### *Designation of Term Bonds; Mandatory Sinking Fund Redemption*

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

### *Optional Redemption*

Series A Bonds. The Series A Bonds maturing on or after September 1, 2028 may be redeemed prior to their respective maturity dates at the option of the State on and after September 1, 2027, in whole or in part at any time at the redemption price of 100% of the principal amount of the Series A Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date. Series A Bonds which are designated to be term bonds as described in “Designation of Term Bonds; Mandatory Sinking Fund Redemption” above shall be subject to mandatory sinking fund redemption as described therein.

Series B Bonds. The Series B Bonds maturing on or after September 1, 2030 may be redeemed prior to their respective maturity dates at the option of the State on and after September 1, 2029, in whole or in part at any time at the redemption price of 100% of the principal amount of the Series B Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date. Series B Bonds which are designated to be term bonds as described in “Designation of Term Bonds; Mandatory Sinking Fund Redemption” above shall be subject to mandatory sinking fund redemption as described therein.

Prior to September 1, 2029, the Series B Bonds may be redeemed prior to their respective maturity dates, at the option of the State, in whole or in part at any time at the Make-Whole Redemption Price (as defined below).

The “Make-Whole Redemption Price” of any Series B Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Series B Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Series B Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such Series B Bonds are to be

redeemed, discounted on a semiannual basis to the date on which such Series B Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 15 basis points; plus, in each case, accrued and unpaid interest on such Series B Bonds on such redemption date.

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

(i) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; all as will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State at the State's expense and such determination shall be conclusive and binding on the owners of the Series B Bonds, or

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

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

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

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

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

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, on the third business day preceding such redemption date.

The redemption price of such Series B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the State to calculate such redemption price. The State may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

## *AUTHORITY AND SECURITY*

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

## *FORM AND PAYMENT*

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

## *BIDDING PROCEDURE; CONFIRMATION OF BID*

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

Each electronic bid submitted via PARITY® for the purchase of the Bonds shall be deemed an offer to purchase such Bonds in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the State. The winning bidder must confirm the details of such bid by a signed PARITY® Bid Form delivered by fax to (615) 741-5986 no later than one hour after being notified by the State of being the winning bidder, the original of which must be received by the Director of State and Local Finance of the State on the following business day at the address shown on the Contacts page of this Notice of Sale. Failure to deliver this confirmation does not relieve the bidder of its obligation to complete the purchase of the Bonds bid for.

## *ELECTRONIC BIDDING*

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

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

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

## *ELIGIBILITY TO BID*

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

## *ESTABLISHED INDUSTRY REPUTATION REQUIRED OF BIDDERS*

**By submitting a bid for the Bonds, each bidder certifies it has an established industry reputation for underwriting new issuances of municipal bonds.** The State will not accept bids from firms without an established industry reputation for underwriting new issuances of municipal bonds.

## *CONTENTS OF BID, INTEREST RATES, BID PRICES AND REOFFERING PRICES*

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

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

As promptly as reasonably possible after bids for the respective Bonds are received, the State will notify the winning bidder for such Bonds that it is the apparent winner. Upon such notice, such bidder must confirm to the State the initial reoffering prices and Underwriter's discounts by maturity for the Bonds bid for. Reoffering prices must meet the criteria shown on the respective Bidding Parameters Table. The initial reoffering prices and Underwriter's discount for each maturity confirmed to the State will be used by the State to calculate the final annual principal amounts and will be included in the final Official Statement. See "ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD" below. The State will not include in the final Official Statement an "NRO" ("not reoffered") designation with respect to any maturity of the Bonds.

Reoffering prices for the Bonds also must be confirmed as described under "ESTABLISHMENT OF ISSUE PRICE FOR THE SERIES A BONDS" below.

Each winning bidder (a "Purchaser") will be responsible to the State in all respects for the accuracy and completeness of information provided by such Purchaser with respect to such reoffering.

## *AWARD*

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

#### *ADJUSTMENTS OF AMOUNTS AND MATURITIES AFTER AWARD*

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

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

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

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

#### *RIGHT OF REJECTION*

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

#### *RIGHT OF CANCELLATION*

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

#### *GOOD FAITH DEPOSIT*

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

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

***acknowledgement and acceptance of the terms of the good faith deposit requirements, including liquidated damages, as provided herein.***

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

***ESTABLISHMENT OF ISSUE PRICE FOR THE SERIES A BONDS***

If the State receives at least three (3) bona fide bids for the Series A Bonds, the issue price of the Series A Bonds shall be established pursuant to Treasury Regulation Section 1.148-1(f)(2)(iii) based on the reasonably expected initial offering price to the public as of the sale date. The Purchaser of the Series A Bonds agrees to execute the Issue Price Certificate attached hereto as Exhibit A not later than 2:00 P.M., Central Time, on the business day prior to the date of delivery of the Series A Bonds (by delivery of manually signed hard copy, or by electronic transmission confirmed with manually signed hard copy delivered the following day), with such modifications as may be appropriate or necessary in the reasonable judgment of the State or Bond Counsel. The Purchaser of the Series A Bonds agrees to take such actions, both before and after the award of the Series A Bonds, as shall be necessary to enable it to satisfy the requirements of such Issue Price Certificate.

If the State does not receive at least three (3) bona fide bids for each series of the Series A Bonds, the issue price of the Series A Bonds shall be established pursuant to Treasury Regulation Section 1.148-1(f)(2)(ii) (the “hold-the-price” rule). The Purchaser of the Series A Bonds agrees to execute the Issue Price Certificate attached hereto as Exhibit B not later than 2:00 P.M., Central Time, on the business day prior to the date of delivery of the Series A Bonds (by delivery of manually signed hard copy, or by electronic transmission confirmed with manually signed hard copy delivered the following day), with such modifications as may be appropriate or necessary in the reasonable judgment of the State or Bond Counsel. The Purchaser of the Series A Bonds agrees to take such actions, both before and after the award of the Series A Bonds, as shall be necessary to enable it to satisfy the requirements of such Issue Price Certificate.

In either event, the Purchaser of the Series A Bonds also will be required to provide to the State and Bond Counsel such additional information as may be requested by Bond Counsel.

***ADDITIONAL RESPONSIBILITIES OF PURCHASERS***

Each Purchaser agrees to make a bona fide public offering of all of the Bonds bid for, and represents that it shall reoffer such Bonds in compliance with all applicable securities laws of the jurisdictions in which such Bonds are offered.

***PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT***

The Preliminary Official Statement comprises the “deemed final” Official Statement for purposes of Rule 15c2-12 of the Securities and Exchange Commission and, when amended to reflect, among other things, the actual amount of the Bonds sold, the interest rates specified by the winning bidders and the prices or yields at which the winning bidders will reoffer the Bonds to the public, will constitute a “Final Official Statement” (as defined in Rule 15c2-12) with respect to the Bonds. No more than seven business days after the date of the sale, the State will provide without cost to the winning bidder for the Series A Bonds up to 25 copies of the final Official Statement and to the winning bidder for the Series B Bonds up to 25 copies of the final Official Statement. If Bonds are awarded to a syndicate, the State will deliver final Official Statements only to the entity submitting the successful bid, which shall be responsible for distributing copies of the final Official Statement among the participating underwriters.



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

#### *DELIVERY AND PAYMENT*

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

#### *CUSIP NUMBERS*

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for a failure or refusal by the Purchasers to accept delivery of and pay for the respective Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The State's Financial Advisor will timely apply for CUSIP numbers for the Bonds required by MSRB Rule G-34 but the respective Purchasers shall be responsible for the payment of the CUSIP Service Bureau charge for the assignment of said numbers. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the State.

#### *BLUE SKY*

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

#### *CONTINUING DISCLOSURE*

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

#### *LEGAL OPINION*

The legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the State, with respect to the Bonds will be furnished in reasonable quantity to the winning bidders for the Bonds without cost to such winning bidders. For the proposed form of such opinion, see the Preliminary Official Statement.

*ADDITIONAL INFORMATION*

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

STATE OF TENNESSEE

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

STATE OF TENNESSEE  
GENERAL OBLIGATION BONDS  
\$[\_\_\_\_\_] SERIES 2019A

ISSUE PRICE CERTIFICATE

[October 3, 2019]

[NAME OF ORIGINAL PURCHASER], as the winning bidder (the “**Original Purchaser**”), on behalf of itself and other Underwriters as defined below, in connection with the sale by the State of Tennessee (the “**State**”) of its \$[\_\_\_\_\_] aggregate principal amount of General Obligation Bonds, 2019 Series A (the “**Bonds**”) maturing September 1, [\_\_\_\_\_] to [\_\_\_\_\_] pursuant to the Notice of Sale dated September 10, 2019, published on September 10, 2019, hereby certifies as follows:

1. The Original Purchaser reasonably expected on the date the sale of the Bonds was awarded to it (the “**Sale Date**”) to reoffer the Bonds to the Public at the prices and/or yields set forth in **ATTACHMENT I** hereto.

2. Attached hereto as **ATTACHMENT II** is a copy of the bid provided by the Original Purchaser to purchase the Bonds.

3. The Original Purchaser was not given the opportunity to review other bids prior to submitting its bid.

4. The bid submitted by the Original Purchaser constituted a firm offer to purchase the Bonds.

5. For purposes of this certificate, the following definitions will apply:

“**Public**” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a Related Party, as defined below, to an Underwriters;

“**Underwriter**” means (i) the Original Purchaser, (ii) any person that agrees pursuant to a written contract to participate in the initial sale of the Bonds to the Public, and (iii) any person that agrees pursuant to a written contract directly or indirectly with the Original Purchaser or a person described in clause (ii) of this definition to participate in the initial sale of the Bonds to the Public, including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public;

“**Related Party**” means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50 percent common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50 percent common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50 percent common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other);

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We understand that the representations contained herein may be relied upon by the State in making certain of the representations contained in the Tax Certificate, and we further understand that Hawkins Delafield & Wood LLP, as bond counsel to the State, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned’s interpretation of any laws; in particular the regulations under the Code, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other Underwriters who may be considered Related Parties to the Original Purchaser and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

Very truly yours,

**[NAME OF ORIGINAL PURCHASER]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Attachment I**

REOFFERING PRICES AND YIELDS OF MATURITIES TO THE PUBLIC

[List Maturities, Prices and Yields]

**ATTACHMENT II**  
**COPY OF WINNING BID**

STATE OF TENNESSEE  
GENERAL OBLIGATION BONDS  
\$[\_\_\_\_\_] SERIES 2019A

ISSUE PRICE CERTIFICATE

[October 3, 2019]

[NAME OF ORIGINAL PURCHASER], as the original purchaser (the “**Original Purchaser**”) of the \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, 2019 Series A (the “**Bonds**”) issued by the State of Tennessee (the “**Issuer**”), hereby certifies that:

- (i) as of September 17, 2019 (the “**Sale Date**”), all of each Maturity, as defined below, of the Bonds has been the subject of a bona fide offering to the Public, as defined below, at the prices (the “**Initial Offering Price**”) shown on the final pricing wire in respect of the Bonds dated (the “**Final Pricing Wire**”) attached hereto as Schedule A;
- (ii) as of the Sale Date, except for the Maturities [**PLEASE IDENTIFY UNSOLD/UNDERSOLD MATURITIES**] (the “**Unsold Maturities**”), shown on Schedule B attached hereto, the price at which the first 10 percent of each Maturity of the Bonds was sold by the Underwriters (which includes the Original Purchaser) to the Public is set forth on such Schedule B;
- (iii) following the Sale Date, with respect to each Unsold Maturity, the Underwriters, as defined below, in compliance with the applicable provisions described in the Notice of Sale, dated \_\_\_\_\_, 2019, relating to the Bonds (the “**Notice of Sale**”), have neither offered nor sold the bonds comprising any such Unsold Maturity to the Public at a price that is higher or yield lower than the Initial Offering Price during the period starting on the Sale Date and ending on the earlier of the following: (a) the close of the fifth business day after the Sale Date, or (b) the date on which at least 10 percent of the bonds of the Unsold Maturity has been sold to the Public at or below the Initial Offering Price.

For purposes of this certificate the following definitions apply:

“**Public**” means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a Related Party, as defined below, to an Underwriter;

“**Underwriter**” means (i) the “Original Purchaser”, (ii) any person that agrees pursuant to a written contract to participate in the initial sale of the Bonds to the Public, and (iii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (ii) of this definition to participate in the initial sale of the Bonds to the Public, including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public;

“**Related Party**” means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50 percent common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50 percent common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50 percent common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a

partnership (including direct ownership of the applicable stock or interests by one entity of the other);

**“Maturity”** shall refer to Bonds with the same maturity date, interest rate and credit terms.

[Balance of Page Intentionally Left Blank]



We understand that the representations contained herein may be relied upon by the Issuer in making certain of the representations contained in the Tax Certificate, and we further understand that Hawkins Delafield & Wood LLP, as bond counsel to the Issuer, may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned’s interpretation of any laws; in particular the regulations under the Code, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other Underwriters and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

Very truly yours,

**[NAME OF ORIGINAL PURCHASER]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Schedule A

FINAL PRICING WIRE

Schedule B

MATURITIES ACTUALLY SOLD AS OF THE SALE DATE

[List Maturity and Sale Price]

AND

UNSOLD MATURITIES

[List Maturity]



JASON E. MUMPOWER  
*Comptroller*

**May 24, 2021**

**City of Memphis**

The City of Memphis (the “City”) is requesting approval from the Tennessee State Funding Board (SFB) to issue federally taxable revenue bonds in a not-to-exceed principal amount of \$75 million (“Bonds”) through the Economic Development Growth Engine Development Board of the City of Memphis and County of Shelby, Tennessee to finance a portion of the costs associated with the Liberty Park Project. The Bonds will be secured by and payable from TDZ Revenues pursuant to the Convention Center and Tourism Development Act of 1998 (Title 7, Chapter 88 of the Tennessee Code Annotated), as amended.; however, should there be a deficiency in the TDZ Revenues, the debt service on the Bonds will be payable from Non-Property Tax Revenues as annually appropriated by the City. Additionally, the Bonds will be secured by a temporary Debt Service Reserve Fund, funded from proceeds of the Bonds in the approximate amount of \$4 million. Request for approval from the State Funding Board is required by Public Chapter 816, Acts of 2018, which amended the 1998 Act.

**A. *Approval Request Letter***

**1) Timing of Approval Request:**

The municipality submitted the request with all applicable accompanying items at least 60 calendar days prior to the proposed sale date of the debt.

The municipality did not submit the request with all applicable accompanying items at least 60 calendar days prior to the proposed sale date of the debt.

Alternate timeframe agreed upon in writing

No agreed upon alternate timeframe

**2) The requestor is a:**

Municipality

Industrial Development Board (IDB)

Other Entity

Contact information of entity:

Jim Strickland, Mayor  
City of Memphis  
125 N. Main Street, 7<sup>th</sup> Floor  
Memphis, TN 38103  
(901) 636-6000

Shirly Ford, Chief Financial Officer  
City of Memphis  
125 N. Main Street, 3<sup>rd</sup> Floor  
Memphis, TN 38103  
(901) 636-6374  
[shirley.ford@memphistn.gov](mailto:shirley.ford@memphistn.gov)

**3) Type of Debt:**

Federally taxable revenue bonds in the not-to-exceed principal amount of \$75 million

**4) Type of Security:**

The Bonds will be secured by and payable from TDZ revenues. In the event of a deficiency in the TDZ Revenues, the Bonds will be payable from Non-Property Tax Revenues as annually appropriated by the City. Additionally, the Bonds will be secured by a temporary Debt Service Reserve Fund, funded from the proceeds of the Bonds in the approximate amount of \$4 million.

**5) The purpose of the proposed debt issuance is:**

Refunding

New Money, to finance a portion of the costs of the Liberty Park Project, which consists of 230,000 square feet Memphis Sports & Event Center and improvements to the Liberty Park campus, primarily focused on infrastructure, right of way and new outdoor public gathering spots; preparation and improvement to an 18-acre tract that will be leased to a private developer to develop a mixed-use development.

Both

**6) Proposed Structure of the Debt:**

Level Debt Service maturing 2025 through 2052

Level Principal maturing \_\_\_\_\_ through \_\_\_\_\_

Other maturing \_\_\_\_\_ through \_\_\_\_\_

**7) Method of Sale:**

Competitive

Negotiated

Direct Placement

**8) Expected Sale Date of the Debt:** June 2021

**9) Binding Statements Present**

Municipality will use debt proceeds for specified QPUF in the TDZ or to refund debt that financed a QPUF in requirements of State law

Municipality will not issue new money or refunding debt secured, in whole or in part, by a pledge of TDZ revenue with a final maturity extending beyond the fiscal year in which the final date of the apportionment and distribution of state and local sales and use taxes occurs

- Final date of apportionment and distribution is expected to occur in FY2052

Municipality will repay the debt if TDZ revenues are not sufficient

- Non-Property Tax Revenues as annually appropriated by the City pursuant to Authorizing Resolution approved by the Budget Committee of the City Council on April 6, 2021 and the City Council on April 20, 2021.

**B. Additional Documentation**

Confirmation from Issuer that the project to be financed is certified as a QPUF by Finance and Administration and if applicable confirmation the project financed by the original debt is still in service.

- Approved by State Building Commission Executive Subcommittee on November 18, 2018

- Debt Amortization schedule with approval letter from the Commissioner of Finance and Administration or evidence of submission for approval
- Adopted Debt Authorizing Resolution
- Draft POS or offering memorandum (If bank loan, a loan agreement or promissory note)
- Issuer's Debt Management Policy that authorizes the issuance of the intended financing transaction and that any such debt cannot be structured for longer than the useful or authorized life of the project financed, whichever is shorter
- Lease Agreement (If one is associated with this debt)
  - Loan agreement between City of Memphis and Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, TN
- Approved Plan of Balloon Indebtedness (If required)
- Positive Report of Compliance with SFB Guidelines for Interest Rate and Forward Purchase Agreements (If required)

**C. Additional Documentation – Refunding Only**

- Confirmation of the filing of all required Annual Reports with the Commissioner of the Department of Finance and Administration and the State Building Commission
- Report of the Plan of Refunding from Division of Local Government Finance, if applicable



**JIM STRICKLAND  
MAYOR**

**DIVISION OF FINANCE  
Shirley Ford  
Chief Financial Officer**

March 23, 2021

Sandra W. Thompson, Director  
Comptroller of the Treasury  
Division of State Government Finance  
425 Rep. John Lewis Way, N.  
Nashville, Tennessee 37243  
[Sandi.Thompson@cot.tn.gov](mailto:Sandi.Thompson@cot.tn.gov)

RE: Notice of Proposed Debt to be paid for by Tourism Development Zone Revenues

Dear Ms. Thompson:

This letter serves as notice to the Tennessee State Funding Board that the City of Memphis, TN (the "City") intends to request approval to issue revenue bonds to be paid from Tourism Development Zone revenues. The proceeds of the revenue bonds will be applied to improvements on the campus of the Memphis Fairgrounds, now known as Liberty Park Fairgrounds, campus, including the Memphis (Fairgrounds) Youth Sports and Events Center, which was approved as a Qualified Public Use Facility on November 19, 2018, and ancillary structures and facilities and associated development consisting of public improvements and a mixed-use development. The City will submit its request in compliance with the Guidelines for Requests for Approval to Issue Tourism Development Zone debt. The anticipated sale date for this debt is mid-June 2021. Should there be questions prior to the submission of the request, please contact André D. Walker, Deputy Chief Financial Officer, at 901-636-6324 or [Andre.Walker@memphistn.gov](mailto:Andre.Walker@memphistn.gov).

Sincerely,

Shirley Ford  
Chief Financial Officer  
City of Memphis, Tennessee  
(901) 636-6657  
[Shirley.Ford@memphistn.gov](mailto:Shirley.Ford@memphistn.gov)





**JIM STRICKLAND**  
**MAYOR**

**TENNESSEE**

April 19, 2021

Ms. Sandra Thompson, Assistant Secretary  
State Funding Board  
Tennessee Comptroller of the Treasury  
425 Rep. John Lewis Way, N.  
Nashville, TN 37243

Re: Request for Approval of Proposed Debt to be paid from Tourism Development Zone Revenues

Dear Ms. Thompson:

Pursuant to Title 7, Chapter 88 of the Tennessee Code Annotated ("TCA"), the Convention Center and Tourism Development Financing Act of 1998, as amended, ("Financing Act"), the City of Memphis, Tennessee ("City") hereby submits this Request for Approval to the Tennessee State Funding Board ("SFB") to issue revenue bonds to be paid from Tourism Development Zone Revenues ("TDZ Revenues").

**Contact Information**

Jim Strickland, Mayor  
City of Memphis  
125 N. Main Street, 7<sup>th</sup> Floor  
Memphis, TN 38103  
(901) 636-6000

Shirley Ford, Chief Financial Officer  
City of Memphis  
125 N. Main Street, 3<sup>rd</sup> Floor  
Memphis, TN 38103  
(901) 636-6374  
shirley.ford@memphistn.gov

**Background**

Pursuant to the Financing Act, the Memphis (Fairgrounds) Youth Sports and Events Center was approved as a Qualified Public Use Facility ("QPUF") at the State Building Commission meeting on November 19, 2018, along with associated and ancillary development. The Memphis Fairgrounds has since been renamed as Liberty Park, and the current phase of redevelopment is based on the following primary subprojects (collectively, the "Liberty Park Project"). The Liberty Park Project is located in a newly created tourism development zone in the midtown Memphis area ("Liberty Park TDZ"). The 230,000 square foot Memphis Sports and Event Center will occupy a 22-acre portion of the park campus and will contain a hardcourt pavilion with basketball and volleyball courts, a multi-use events pavilion containing 75,000 square feet of column free space with approximately 2,000 fixed bleacher seats, and three outdoor turf fields. Additionally,

improvements will be made to the Liberty Park campus, primarily focused on improving public infrastructure, rights-of-way, and creating new outdoor public gathering spots. Finally, the Liberty Park Project will involve the preparation and improvement by the City of an 18-acre portion of the campus, to be leased to a private developer and developed into a mixed-use development focused on hospitality, retail, entertainment, and market-rate housing. The Memphis Sports and Events Center and the initial phase of the mixed-use development are expected to open in early October 2022.

### **Description of the Debt**

The City intends to issue federally taxable revenue bonds in the not-to-exceed principal amount of \$75 million ("Bonds") through the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE" or "Issuer") to finance a portion of the costs associated with the Liberty Park Project. The proceeds of the Bonds will be loaned to the City and will be used to: (a) pay the costs of the Liberty Park Project; (b) capitalized interest on the Bonds (from the delivery date, through and including, June 1, 2024); (c) pay certain expenses incurred in connection with the issuance of the Bonds; (d) fund a temporary debt service reserve fund ("Debt Service Reserve Fund"); and (e) pay or provide for the payment of the Bonds or any portion thereof, all as permitted under the Financing Act.

The Bonds will be secured by and payable from TDZ Revenues; however, should there be a deficiency in the TDZ Revenues, the debt service on the Bonds will be payable from Non-Property Tax Revenues as annually appropriated by the City. Additionally, the Bonds will be secured by a temporary Debt Service Reserve Fund, funded from proceeds of the Bonds in the approximate amount of \$4 million.

The Bonds will be structured to achieve level debt service beginning in FY2025 with a final maturity in FY2052. The Bonds are expected to be sold via negotiated sale in June 2021.

### **City Assertions and Binding Statements**

1. The City hereby asserts to use the proceeds of the Bonds to fund the Liberty Park Project and certain additional costs constituting a QPUF in accordance with the requirements pursuant to the Financing Act.
2. The City hereby asserts that new money or subsequent refunding debt that is secured, in whole or in part, by a pledge of the TDZ Revenues with a final maturity extending beyond the fiscal year in which the final date of the apportionment and distribution of state and local sales and use taxes derived from the Liberty Park TDZ shall not be issued, except as provided in the Financing Act and approved by the SFB. The final date of apportionment and distribution is expected to occur in FY2052.
3. The City hereby asserts if TDZ Revenues are insufficient to pay debt service on the Bonds, the City has agreed to the repayment of debt service on the Bonds using Non-Property Tax Revenues as annually appropriated by the City pursuant to an Authorizing Resolution approved by the Budget Committee of the City Council on April 6, 2021, for subsequent approval by the City Council expected on April 20, 2021.

City of Memphis, Tennessee

Request for Approval of Proposed Debt to be paid from Tourism Development Zone Revenues

April 19, 2021

Page 3

4. The City hereby confirms that the projects to be financed have been certified as a QPUF by the State of Tennessee Department of Finance and Administration, and as described in the minutes of the State Building Commission's Executive Subcommittee meeting held on November 19, 2018. See page 8 of Appendix A.

#### **Requested Attachments**

The City has attached the following information as requested by the State which includes:

1. Pursuant to TCA, Section 7-88-109, a request submitted to the Commissioner of the Department of Finance and Administration dated March 22, 2021, to approve the debt amortization schedule for the financing, Appendix B;
2. An Authorizing Resolution as approved by the Budget Committee of the City Council on April 6, 2021, for subsequent approval by the City Council expected on April 20, 2021, Appendix C;
3. A Loan Agreement between the City and the Issuer as approved by the Budget Committee of the City Council on April 6, 2021, for subsequent approval by the City Council expected on April 20, 2021, Appendix D and
4. A Preliminary Official Statement, in substantially final form, as approved by the Budget Committee of the City Council on April 6, 2021, for subsequent approval by the City Council expected on April 20, 2021, Appendix E.

#### **Legislative Review and Approval**

The City is requesting that the SFB consider its request by June 7, 2021, in order to sell the Bonds via negotiated sale by mid-June 2021.

#### **Summary**

The City appreciates the assistance provided by the SFB. If you have any questions or comments to the above Request for Approval or require additional information, please do not hesitate to contact Shirley Ford, Chief Financial Officer at (901) 636-6374 (T) or [shirley.ford@memphistn.gov](mailto:shirley.ford@memphistn.gov); or André D. Walker, Deputy Chief Financial Officer at (901) 636-6324 (T) or [andre.walker@memphistn.gov](mailto:andre.walker@memphistn.gov).

Sincerely yours,



Mayor Jim Strickland

Cc: Shirley Ford, Chief Financial Officer  
André D. Walker, Deputy Chief Financial Officer

## SPIF/LGIP Monthly Net Rate versus Fed Funds Past and Future 2016 - 2021

