



JASON E. MUMPOWER
Comptroller

TENNESSEE STATE FUNDING BOARD
APRIL 26, 2023
AGENDA

1. Call meeting to order
2. Consideration for approval of minutes from the March 27, 2023, meeting
3. Report from the Department of Economic and Community Development for approval of funding for the following FastTrack projects:
 - **6K Energy Tennessee, LLC – Jackson (Madison County)**
FastTrack Economic Development Grant \$1,750,000
 - **Sinova Silicon LLC – Tiptonville (Lake County)**
FastTrack Infrastructure Development Grant \$6,499,653
 - **Kordsa Inc. – Chattanooga (Hamilton County)**
FastTrack Economic Development Grant \$1,000,000
4. 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.
5. Adjourn

TENNESSEE STATE FUNDING BOARD

March 27, 2023

The Tennessee State Funding Board (the “Board”) met on Monday, March 27, 2023, at 2:00 p.m., in the Volunteer Conference Center, Cordell Hull Building, 2nd Floor, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

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

The following member was absent:

The Honorable Bill Lee, Governor

Mr. Mumpower opened the meeting with a request for a moment of silence to acknowledge the tragic events that had occurred at the Covenant School in Nashville, TN, earlier in the day and for the victims and families of those affected by the event.

Mr. Mumpower then established that a quorum was present and called the meeting to order. Mr. Mumpower then presented the minutes from the meeting held on February 15, 2023, for consideration and approval. Mr. Hargett made a motion to approve the minutes, and Mr. Bryson seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Stuart McWhorter, 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 February 15, 2023, Board meeting, the FastTrack balance was \$251,743,093.41. Since that time, \$3,179,792.00 in new appropriations had been added from interest earned through the month of January; \$17,575.75 in funds had been deobligated; \$11,373,400.00 in new grants and loans had been approved; and \$212,631.58 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$243,354,429.58 as of the date of the Report. Mr. VanderMeer reported that total commitments had been made in the amount of \$245,537,333.20, resulting in an uncommitted FastTrack balance of \$(2,182,903.62). Mr. VanderMeer reported that the amount of proposed grants for projects to be considered at this meeting totaled \$3,027,500.00, and if these projects were approved, the uncommitted balance would be \$(5,210,403.62), for a total committed balance of \$248,564,833.20, which represented 102.1% of the FastTrack balance.

Mr. VanderMeer further reported that a \$40,000,000 supplemental appropriation to the FastTrack program had been recommended in the current State Budget. Mr. VanderMeer then stated that he believed this amount would provide ECD with the funding that would be needed through the remainder of the fiscal year. Mr. Hargett then confirmed that ECD was allowed to commit up to 120% of the FastTrack balance. Mr. Hargett then stated that ECD was able to overcommit the FastTrack balance because not all of the commitments made by ECD would be utilized..

Mr. McWhorter then presented the following FastTrack projects:

- **NYX, Linden LLC – Linden (Perry County)**
FastTrack Economic Development Grant \$ 1,027,500.00

- **Formulated Solutions Cleveland, LLC – Cleveland (Bradley County)**
FastTrack Economic Development Grant \$ 2,000,000.00

The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, 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. McWhorter responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protection for the state in the event the entity could not fulfill the agreement, and Mr. McWhorter responded affirmatively. Mr. Hargett made a motion to approve the projects. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Mumpower then stated that the next item on the agenda was the presentation of the staff analysis of “An Economic Report to the Governor of the State of Tennessee” (the Economic report”). Mr. Mumpower stated that at least once each year, the Board shall secure from the Tennessee econometric model a report of the estimated rate of growth of the state's economy and that such report shall include the major assumptions and the methodology used in arriving at such estimate. Mr. Mumpower further stated that the Board shall make comments relating to the reasonableness of the estimate. Mr. Mumpower then stated that the Board may also secure from the Tennessee econometric model the estimated rate of growth of the state's economy as measured by the forecasted change in Tennessee personal income.

Mr. Mumpower then recognized Mr. William Wood, Financial Analyst, Tennessee Comptroller of the Treasury, who presented the staff analysis of the Economic report. Mr. Wood stated that pursuant to state law, Tennessee Code Annotated Section § 9-4-1502, the Board's staff is directed to comment on the reasonableness of the estimates concerning the rate of growth of Tennessee's economy from the Tennessee econometric model published by the University of Tennessee's Boyd Center for Business and Economic Research (“CBER”) in its annual Economic Report. Mr. Wood stated that this was accomplished by comparing estimates of the leading economic indicators in the Economic Report with economic forecasts made by other governmental and non-governmental organizations. Mr. Wood then stated that based on this review, the Economic Report's forecasted estimates of Tennessee nominal personal income growth of 5.80% in fiscal year 2023, 4.90% in calendar 2023, and 4.68% in calendar year 2024, were not unreasonable. Mr. Mumpower then stated that he agreed that the estimates did not appear to be unreasonable. The Board acknowledged receipt of the Report. No further action was necessary.

After Mr. Mumpower requested other business and heard none, Mr. Hargett made a motion to adjourn the meeting, and Mr. Lillard seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved on this _____ day of _____ 2023.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

FastTrack Report to State Funding Board

4/20/2023

1. Previous FastTrack Balance, as of Last Report	243,354,429.58
2. + New Appropriations:	1,618,249.93
3. + Newly Deobligated Funds:	228,151.50
4. + Funds Transferred to FastTrack:	0.00
5. - Funds Transferred from FastTrack:	0.00
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(3,000,000.00)
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(367,500.00)
8. - FastTrack Administration	(120,673.67)
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:	241,712,657.34
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10. Total Amount of Commitments:	235,259,749.53
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11. Uncommitted FastTrack:	6,452,907.81
12. Percentage Committed:	97.3%
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13. Amount of Proposed Grants or Loans:	9,249,653.00
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:	(2,796,745.19)
15. Percentage Committed:	101.2%

See next page for explanations of the above questions.

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



Commissioner of Economic and Community Development

Date: 4-20-23



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

April 26, 2023

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. 6K Energy Tennessee, LLC– Jackson (Madison County)

Founded in 2014 and headquartered in North Andover, Massachusetts, 6K Inc. uses microwave plasma technology to develop materials for industries, including electric vehicle manufacturing, renewable energy, aerospace, and consumer electronics. With the addition of the Jackson facility, 6K will employ nearly 350 people across its operations in Massachusetts, Pennsylvania, and Tennessee.

6K Energy Tennessee, LLC will establish a full-scale battery material manufacturing plant in Jackson, Tennessee.

6K's new PlusCAM factory will be the world's first UniMelt® plasma cathode plant, providing low cost, ultra-sustainable production of battery material for localized supply chains in the U.S. A portion of the factory will be funded by a \$50 million Department of Energy grant opportunity that 6K Inc. was recently awarded.

6K Energy Tennessee, LLC has committed to create 230 net new jobs and make a \$166,388,932 capital investment within five (5) years. The company will have an average hourly wage of \$22.56 for the new positions.

FastTrack Economic Development Grant Funds will help offset expenses such as new building construction, acquisition of real property, and fixture improvements for a total of \$1,750,000. **(\$1,750,000)**



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

Total FastTrack funds for this project - \$1,750,000

2. Sinova Silicon LLC – Tiptonville (Lake County)

Sinova Global, based in Canada, owns a fully permitted quartz deposit in British Columbia that has more than 25 years of high purity quartz available. With multiple uses, the company's quartz is an ideal material for manufacturing the elements that make up silicon anode batteries, solar panels, and semiconductor components, once transformed into silicon metal. Sinova's quartz is the foundation for the creation of silicon metal, which is an essential building block of the clean energy transformation.

Sinova Silicon LLC has chosen a site located in the Lake County Industrial Park, a Select Tennessee Certified Site, adjacent to Port of Cates Landing, which will help facilitate direct access to Sinova's wholly owned quartz deposit in Golden, British Columbia. The silicon metal produced at the Tennessee plant will be supplied to major industrial consumers and used to manufacture silicon anode batteries, solar cells, semiconductors, and aluminum.

On December 7, 2021, Sinova Silicon LLC has committed to create 140 net new jobs and make a \$150,000,000 capital investment within five (5) years. The company will have an average hourly wage of \$29.59 for the new positions.

On December 20, 2021, the State Funding Board approved a FastTrack Economic Development Grant Funds in the amount of \$2,200,000 to offset the costs the company incurred in new construction.

Today, we are asking permission to offer the City of Tiptonville a FastTrack Infrastructure Development Program grant to offset the costs the City of Tiptonville would incur in transportation, rail, roadway improvements, site improvements, water, water storage, water line extensions, sewer system, sewer line extension, gas line, telecommunication. This additional award would increase the total FastTrack award to \$8,699,653. The current request is permission to execute a FastTrack Infrastructure Development Program grant \$6,499,653. **(\$6,499,653)**

Total FastTrack funds for this project - \$6,499,653

3. Kordsa Inc. – Chattanooga (Hamilton County)

Kordsa Inc., the U.S. subsidiary of Kordsa, develops environmentally friendly products in the tire industry that reduce fuel consumption and provide better wet grip. Additionally, the company develops technologies that allow for lighter cars, performing with lower fuel consumption and lower carbon emissions in the composite industry.

Currently, the Chattanooga facility manufactures Nylon 66 yarn and ships it to North Carolina where it is converted into tire cord fabric and sold to tire manufacturers across the U.S.



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

Kordsa Inc. has committed to create 200 net new jobs and make a \$50,000,000 capital investment within five (5) years. The company will have an average hourly wage of \$25.55 for the new positions.

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

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

Sincerely,

Stuart McWhorter

SM/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	City of Jackson	\$1,750,000	
TOTAL		\$1,750,000	

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

*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): 6K Energy Tennessee, LLC

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

GENERAL STATUTORY COMPLIANCE

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

Identify which of the following apply:

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

Applicant must answer "Yes" to a 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

4-20-23

Date



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

March 9, 2023

INCENTIVE ACCEPTANCE FORM

This form serves as notice that 6K Inc. intends, in good faith, to create 230 private sector jobs in Jackson, Madison County and make a capital investment of \$166,388,932 in exchange for incentives that will be memorialized in a grant agreement between 6K Inc. 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:	\$ 1,750,000
Total ECD Commitment:	\$ 1,750,000

Please sign your name in the space below to signify 6K Inc.'s acceptance of ECD's offer set forth above and return it by June 7, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Crystal
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Crystal@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: 4/14/2023

Samuel Trinch
Group President, 6K Energy



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

April 26, 2023

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 City of Jackson for the benefit of 6K Energy Tennessee, LLC in the amount of \$1,750,000 to offset the costs 6K Energy Tennessee, LLC will incur in new building construction, acquisition of real property, and fixture improvements. 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 net new, high wage jobs, and capital investment. 6K Energy Tennessee, LLC has committed to create 230 net new jobs and make a \$166,388,932 capital investment within five (5) years. The company will have an average hourly wage of \$22.56 for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Stuart McWhorter

SM/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	City of Tiptonville	\$6,499,653	
	TRAINING*			
	ECONOMIC DEVELOPMENT	City of Tiptonville	\$2,200,000	
TOTAL			\$8,699,653	

(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): Sinova Silicon LLC

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

GENERAL STATUTORY COMPLIANCE

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

Identify which of the following apply:

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

Applicant must answer "Yes" to a 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

4-20-23
Date



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

November 30, 2021

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Sinova Global Inc. intends, in good faith, to create 140 private sector jobs in Tiptonville, Lake County and make a capital investment of \$150,000,000 in exchange for incentives that will be memorialized in a grant agreement between Sinova Global Inc. 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:	\$ 2,200,000
Total ECD Commitment:	\$ 2,200,000

*This incentive amount reflects an increase of 50% due to the company's investment in a distressed county.

Please sign your name in the space below to signify Sinova Global Inc.'s acceptance of ECD's offer set forth above and return it by February 28, 2022 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: Dec 2/2012



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

April 14, 2023

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Sinova Silicon LLC intends, in good faith, to create 140 private sector jobs in Tiptonville, Lake County and make a capital investment of \$150,000,000 in exchange for incentives that will be memorialized in a grant agreement between Sinova Silicon LLC 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.

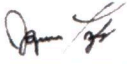
ECD OFFER SUMMARY

FastTrack Infrastructure Grant:	\$ 6,499,653
Total ECD Commitment:	\$ 6,499,653

Please sign your name in the space below to signify Sinova Silicon LLC’s acceptance of ECD’s offer set forth above and return it by July 13, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Crystal
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Crystal@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: Apr 17, 2023 | 9:12 AM PDT

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	Hamilton County Government	\$1,000,000	
TOTAL		\$1,000,000	

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

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

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

GENERAL STATUTORY COMPLIANCE

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

Identify which of the following apply:

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

Applicant must answer "Yes" to a 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

4-20-23
 Date



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

November 10, 2022

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Kordsa Inc. intends, in good faith, to create 200 private sector jobs in Chattanooga, Hamilton County and make a capital investment of \$50,000,000 in exchange for incentives that will be memorialized in a grant agreement between Kordsa Inc. and the State of Tennessee. New jobs must be in addition to the company's baseline of 238 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 1,000,000
Total ECD Commitment:	\$ 1,000,000

Please sign your name in the space below to signify Kordsa Inc.'s acceptance of ECD's offer set forth above and return it by February 8, 2023 to:

Tennessee Department of Economic and Community Development
Attn: Allyson Woodward
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Allyson.Woodward@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: January 20, 2023



Department of Economic and Community Development

Stuart McWhorter
Commissioner

Bill Lee
Governor

April 26, 2023

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 Hamilton County Government for the benefit of Kordsa Inc. in the amount of \$1,000,000 to offset the costs Kordsa Inc. will incur in fixture improvements, building improvements, building expansion, and building retrofit. 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 net new, high wage jobs. Kordsa Inc. has committed to create 200 net new jobs and make a \$50,000,000 capital investment within five (5) years. The company will have an average hourly wage of \$25.55 for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

Stuart McWhorter

SM/js

**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, July 20, 2020, July 22, 2021 and July 26, 2022, 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) 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 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.

(f) 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 and 7 hereof, and
- (ii) any other matters and provisions deemed advisable by such Authorized Officer and not materially in conflict herewith.

(d) 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.

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

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

(a) Amounts, Dates, Interest Rates, Etc. The Bonds shall (i) be in such aggregate principal amount, not to exceed \$510,000,000, (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 5.50% in the case of the Tax-Exempt Bonds and 6.50% 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 General Obligation Bonds, 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. In addition, such Notices of Sale shall include the certification required by Section 12-4-119, Tennessee Code Annotated.

(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 5.50% for Tax-Exempt Bonds of each series and 6.50% 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:

(4) 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: Barclays, FHN Financial Capital Markets, Jefferies LLC, J.P. Morgan, Loop Capital Markets, LLC, Morgan Stanley & Co., LLC, Ramirez & Company, Inc., Raymond James & Associates, Inc., Truist Securities, Inc., Siebert Williams Shank & Co., LLC, 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.

(5) 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, 2021 Series A, 2021 Refunding Series B (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 5.50% for Tax-Exempt Bonds of each series and 6.50% 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) The portion of any premium paid by the Purchasers for each series of Bonds which is not applied as described in subsection (b) above shall be used for purposes described in subsection (d) 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.

(d) 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, and may be made directly as required by any agreement between the State and the grantee pursuant to Section 4(2) of Chapter 1133, Public Acts of 2022.

(e) 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 (d) above, the related bond authorizations shall be accounted for as issued to the extent of the amounts so applied.

SECTION 8. RESERVED.

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, 2021 Series A and General Obligation Bonds, 2021 Refunding 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. Effectiveness of this Resolution. This Resolution shall be in full force and effect from and after its passage.

Adopted this ____ day of April, 2023.

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
2023 SERIES __ [(FEDERALLY TAXABLE)]**

Registered R23 __-[maturity]-[number] Registered \$ _____

<u>BOND DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
_____, 2023	_____%	_____, ____	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 April __, 2023, including as a part thereof a Series Certificate executed and delivered on _____, 2023 (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 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 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.

NEW ISSUE

BOOK-ENTRY ONLY

**STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$510,000,000* 2023 SERIES A**

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, 2023 Series A (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 this Official Statement in its entirety.

The Bonds	Interest on the Bonds is payable semi-annually May 1 and November 1, commencing November 1, 2023. 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: [REDACTED] Moody’s: [REDACTED] S&P: [REDACTED]. See “RATINGS” herein.
Book-Entry Only System	The Depository Trust Company will act as securities depository for the Bonds. See “THE BONDS” and Appendix D – “BOOK-ENTRY ONLY SYSTEM” herein.
Tax Exemption	Interest on the Bonds is excluded from gross income for federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. The principal of and interest on the Bonds are exempt from Tennessee taxes, subject to certain exceptions. See “TAX MATTERS” herein.
Issuer’s Bond Counsel	Hawkins Delafield & Wood LLP, New York, New York.

The Bonds are offered when, as and if issued and received by the Initial Purchasers subject to certain conditions, including the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the State of Tennessee. Certain legal matters in connection with the Bonds are subject to the approval of the Attorney General and Reporter of the State of Tennessee, as counsel to the State Funding Board. The Bonds are expected to be available through the facilities of The Depository Trust Company on or about [REDACTED], 2023.*

The bonds will be awarded pursuant to electronic competitive bidding to be held via the IPREO LLC’s BiDCOMP™/PARITY® Competitive Bidding System on behalf of the State on _____, 2023, unless postponed or canceled, as set forth in the Notice of Sale contained in Appendix F.

_____, 2023

*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
\$510,000,000* 2023 SERIES A**

Due*	Amount *	Interest		CUSIP+	Due *	Amount *	Interest		CUSIP+
		Rate	Yield				Rate	Yield	
May 1, 2024	\$ 25,500,000				May 1, 2034	\$ 25,500,000			
May 1, 2025	25,500,000				May 1, 2035	25,500,000			
May 1, 2026	25,500,000				May 1, 2036	25,500,000			
May 1, 2027	25,500,000				May 1, 2037	25,500,000			
May 1, 2028	25,500,000				May 1, 2038	25,500,000			
May 1, 2029	25,500,000				May 1, 2039	25,500,000			
May 1, 2030	25,500,000				May 1, 2040	25,500,000			
May 1, 2031	25,500,000				May 1, 2041	25,500,000			
May 1, 2032	25,500,000				May 1, 2042	25,500,000			
May 1, 2033	25,500,000				May 1, 2043	25,500,000			

DRAFT

*Preliminary; subject to change. Bonds maturing on or after May 1, 2024, (subject to change) may be structured as Term Bonds as provided in the Notice of Sale attached hereto as Appendix F. See also “**The Bonds** – Redemption – *Mandatory Sinking Fund Redemption*”.

+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 Bond.

THE FUNDING BOARD OF THE STATE OF TENNESSEE

Bill Lee, Governor, **Chairman**
Jason E. Mumpower, Comptroller of the Treasury, **Secretary**
Tre Hargett, Secretary of State
David H. Lillard, Jr., State Treasurer
Jim Bryson, Commissioner of Finance and Administration

STAFF

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

Certain information set forth herein has been provided by the State. Certain other information set forth herein has been obtained by the State from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. In making an investment decision, investors must rely on their own examination of the State and the terms of the offering, including the merits and risks involved.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the respective 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.

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.

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STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$510,000,000* 2023 SERIES A

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 \$510,000,000* General Obligation Bonds, 2023 Series A (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 **April 26, 2023**. The Bonds are being issued to (i) provide funds for the purpose of making a grant to the Metropolitan Government of Nashville and Davidson County for the construction of a domed sports stadium, (ii) fund certain capital projects of the State, (iii) provide for the retirement at maturity of a portion of the State’s outstanding general obligation commercial paper (“CP”) issued to fund certain capital projects of the State, and (iv) fund certain costs of issuance of the Bonds. See “APPLICATION OF BOND PROCEEDS”.

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 May 1 and November 1 of each year, commencing November 1, 2023, 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.

Book-Entry Only System

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

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

*Preliminary; subject to change

Redemption*

Optional Redemption of the Bonds. At the option of the State, the Bonds maturing on or after [redacted] 1, 20 [redacted], 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 May 1, 20 [redacted], as a whole, or in part from time to time in any order of maturity determined by the State, at a redemption price of par, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on May 1, [redacted], are term bonds subject to redemption in part on May 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.

Year	Amount
------	--------

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

The Bonds are being issued to (i) provide funds for the purpose of making a grant to the Metropolitan Government of Nashville and Davidson County for the construction of a domed sports stadium, (ii) fund certain capital projects of the State, (iii) provide for the retirement at maturity of a portion of the State’s outstanding CP issued to fund certain capital projects of the State, (iv) fund certain costs of issuance of the Bonds. CP will be retired on various dates within 90 days after the date of delivery of the Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds:

Par Amount	
Original Issue (Discount) Premium	
Total	\$ -

Uses of Funds:

Retirement of CP	
Grant	
Underwriters' Discount	
Costs of Issuance	
Total	\$ -

*Preliminary; subject to change

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 eight months of the fiscal year ended June 30, 2023, were as follows:

	Fiscal Year Ended		
July 2022 - February 2023*	June 30, 2022	June 30, 2021	
Special Taxes	\$ 1,252,975,000	\$ 1,612,825,000	\$ 1,524,252,000

* Unaudited

Source: TN Department of Revenue

The final maturity of general obligation bonds issued prior to July 1, 2013, is August 1, 2031. Thereafter (or upon the earlier retirement of all general obligation bonds issued prior to July 1, 2013) this pledge of Special Taxes will expire. The Bonds (as with all other State general obligation bonds issued after July 1, 2013, and notes) will not benefit from this specific pledge of Special Taxes.

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

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

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

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

Appropriations for Payment of General Obligation Debt Service

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

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

	Total Sales and Use Tax Collections (Accrual Basis)	Allocation to Debt Service (Modified Accrual Basis)
June 30, 2022	\$ 12,891,509,000	\$ 91,312,000
June 30, 2021	11,052,798,000	78,865,000
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

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 revenues 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 at June 30, 2022	\$ 212,211,108
(b) Assumed maximum annual debt service on the Bonds	49,725,000 ⁽¹⁾⁽³⁾
(c) Total maximum annual debt service	\$ 261,936,108
 (d) State tax revenue allocated for fiscal year ended June 30, 2022 to:	
General Fund	\$ 17,815,557,000 ⁽²⁾
Debt Service Fund	361,474,000 ⁽²⁾
Highway Fund	1,065,304,000 ⁽²⁾
(e) Total of State tax revenue allocated for fiscal year ended June 30, 2022	\$ 19,242,335,000
 (f) (c) divided by (e) expressed as a percentage (must be no greater than 10%)	1.36%

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

(1) *Pro forma* debt service for the Bonds based on equal annual principal payments over 20 years and assumed interest rates of 5%

(2) Includes actual tax revenues collected on a cash basis for fiscal year 2022 (July 2021 - June 2022), net of amounts apportioned to cities and counties as State shared taxes.

(3) Unaudited

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 March 31, 2023, the State had \$1,374,695,000 (unaudited) of outstanding general obligation 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 March 31, 2023, \$72,938,000 (unaudited) principal amount of CP was outstanding under this program. The Bonds are expected to retire approximately \$10,000,000 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.

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Outstanding General Obligation Bonded Indebtedness

As of March 31, 2023, there were \$1,374,695,000 (unaudited) State general obligation bonds outstanding.

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)	Outstanding Debt Service *			Plus Debt Service on the Bonds			Total Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ -	\$ 6,250,982	\$ 6,250,982						
2024	158,325,000	44,741,753	203,066,753						
2025	149,635,000	40,269,749	189,904,749						
2026	145,730,000	35,909,797	181,639,797						
2027	137,300,000	31,577,341	168,877,341						
2028	131,435,000	27,129,456	158,564,456						
2029	122,560,000	22,783,092	145,343,092						
2030	97,150,000	18,947,452	116,097,452						
2031	85,615,000	15,529,590	101,144,590						
2032	77,175,000	12,372,466	89,547,466						
2033	54,365,000	9,881,261	64,246,261						
2034	47,620,000	8,014,601	55,634,601						
2035	46,990,000	6,291,320	53,281,320						
2036	41,375,000	4,612,843	45,987,843						
2037	27,840,000	3,117,005	30,957,005						
2038	19,050,000	1,999,225	21,049,225						
2039	11,335,000	1,125,845	12,460,845						
2040	11,335,000	638,215	11,973,215						
2041	4,930,000	295,800	5,225,800						
2042	4,930,000	98,600	5,028,600						
	<u>\$ 1,374,695,000</u>	<u>\$ 291,586,394</u>	<u>\$ 1,666,281,394</u>						

* As of March 31, 2023; unaudited

Authorized and Unissued Bonds

The State had authorized as of March 31, 2023, \$1,460,602,305 (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, \$836,000,000 is for highway improvements. Bonds for highway improvements 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 March 31, 2023, which excludes the Bonds.

<u>Principal Amount Due Within</u>	<u>Principal Amount</u>	<u>% of Total</u>
5 Years	\$ 590,990,000	42.99%
10 Years	1,104,925,000	80.38%
15 Years	1,323,115,000	96.25%
19 Years	1,374,695,000	100.00%

STATE FINANCES

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 September 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 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. The Boyd Center subscribes to the macroeconomic forecasting services of HIS Markit. The HIS Markit 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 2013 through 2022, the estimated balance for fiscal year 2023 and the budgeted balance at the end of fiscal year 2024, respectively, are as follows:

<u>Fiscal Year Ended</u>	<u>Balance</u>
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	1,200,000,000
June 30, 2021	1,450,000,000
June 30, 2022	1,550,000,000
June 30, 2023	1,800,000,000 *
June 30, 2024	2,050,000,000 **

* Estimated and unaudited

** Budgeted

The Reserve is estimated to increase by \$250,000,000 for the fiscal year ending June 30, 2023, and budgeted to increase by an additional \$250,000,000 for the fiscal year ending June 30, 2024. 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 8.1% for fiscal year ending June 30, 2023, and 9.0% for fiscal year ending June 30, 2024. The State can give no assurance that the budgeted increase in the Reserve for the fiscal year ending June 30, 2024, will be achieved. See “STATE FINANCES - Financial Information and Budget Summary for Fiscal Years 2022-2023 and 2023-2024”.

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 2022-2023 and 2023-2024

Financial Information

The fiscal year 2023-2024 Recommended Budget, as presented by the Governor to the General Assembly on February 6, 2023, projected recurring growth in total taxes of \$690,300,000, or 2.30%, and recurring growth in the general fund of \$547,400,000, or 2.25%, above fiscal year 2022-2023 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 16, 2022, to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2022-2023 and to project revenue estimates for fiscal year 2023-2024. The State Funding Board reconvened on November 28, 2022, and adopted the following revised consensus tax revenue recurring growth projections for the 2022-2023 fiscal year (growth measured against actual results for the 2021-2022 fiscal year, as set forth in the following table) and for the 2023-2024 fiscal year (recurring growth measured against the potential range of results for the 2022-2023 fiscal year, as set forth in the following table):

	Fiscal Year 2021-2022 Results	Fiscal Year 2022-2023		Fiscal Year 2023-2024	
		Low	High	Low	High
Total State Taxes	\$ 20,807,878,300	6.82%	7.27%	1.40%	2.30%
General Fund Only	\$ 18,034,436,100	7.20%	7.70%	1.25%	2.25%

The fiscal year 2023-2024 Recommended Budget was based on these consensus revenue estimates.

The State Funding Board is scheduled to convene in November 2023 to hear and discuss updates on economic and revenue projections for the remainder of fiscal year 2023-2024 and to project revenue estimates for fiscal year 2024-2025. The Board may schedule additional meetings at its discretion.

On an accrual basis, February is the seventh month of fiscal year 2022-2023. Total state tax collections for the eight months (August through February) were \$1,300,000,000 above the July 1, 2022 budgeted estimate, and collections for the general fund were \$1,200,000,000 above the budgeted estimates. Collections for the four other funds that share tax revenue proceeds were \$121,600,000 more than the July 1, 2022, budgeted estimates. Collections are unaudited and subject to final accrual adjustments. The Rainy Day Fund balance is estimated to be \$1,800,000,000 at June 30, 2023, and projected to be \$2,050,000,000 at June 30, 2024. See “STATE FINANCES – Reserve for Revenue Fluctuations”.

Fiscal Year 2023-2024 Budget Summary

As shown in the Recommended Budget, the fiscal year 2023-2024 budget is based on a recurring growth rate in total taxes of 2.30%. General Fund recurring cost increases total \$1,562,700,000, much of which is used to fund salary and benefits, program and inflationary growth in TennCare, Tennessee Investment in Student Achievement (TISA), and Higher Education Recurring appropriations are funded by recurring revenues. The Rainy Day Fund balance is budgeted to increase to \$2,050,000,000 after an additional deposit of \$250,000,000. For a further description of the 2023-2024 Recommended Budget, see “Budgetary Sources and Uses” section below.

The capital budgets as amended and approved by the General Assembly for fiscal year 2022-2023 and the Recommended Budget for fiscal year 2023-2024 are as follows:

	Fiscal Year	
	2022-23	2023-24
State Current Funds	\$ 2,155,747,300	\$ 1,702,117,300
Federal Funds	24,176,500	30,087,500
General Obligation Bonds (excl. Hwy. Imp.)	500,000,000	-
Highway Improvement Bonds	83,500,000	83,800,000
Other Miscellaneous Funds	193,359,200	110,646,200
Facilities Revolving Fund	709,280,000	84,220,000
Total	\$ 3,666,063,000	\$ 2,010,871,000

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 December 31, 2030.

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. 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 1.75 million enrollees consisting of approximately 920,000 children and approximately 830,000 adults. The 2023-2024 Recommended TennCare budget is \$14,540,000,000, including federal funds, and is 26.2% of the total 2023-2024 Recommended Budget. Excluding federal funds, the cost of the TennCare program is budgeted to be 20.8% of the total State tax collections.

In fiscal year 2021-2022, the TennCare Reserve was \$1,113,500,000 and is equal to 23.4% of the State funds contributed to the TennCare program. Historically, the TennCare Unobligated Reserve was \$1,005,800,000 in fiscal year 2020-2021; \$500,000,000 in fiscal year 2019-2020; \$390,400,000 in fiscal year 2018-2019; \$311,300,000 in fiscal year 2017-2018; \$242,500,000 in fiscal year 2016-2017; \$226,200,000 in fiscal year 2015-2016; \$267,700,000 in fiscal year 2014-2015; \$306,900,000 in fiscal year 2013-2014; and \$306,900,000 in fiscal year 2012-2013. 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 2022-2023 and 2023-2024:

2023-2024 Budget Document
2022-2023 Estimated Budget Compared to
2023-2024 Recommended Budget
Sources of Funds

	Estimated Budget	Recommended Budget	Difference
	FY 2022-2023	FY 2023-2024	
Tax Revenue - Revised Estimate			
Sales and Use Taxes	\$ 13,796,000,000	\$ 14,260,200,000	\$ 464,200,000
Other Taxes - Department of Revenue	8,297,700,000	8,523,800,000	226,100,000
Other Miscellaneous Revenues	2,732,747,000	2,329,011,600	(403,735,400)
Tobacco Funds	150,000,000	150,000,000	-
Lottery for Education Funds	452,350,600	456,649,400	4,298,800
Debt Service Fund Transfer	96,068,000 *	-	(96,068,000)
Reserve Transfers and Adjustments	1,499,043,631 *	4,384,853,000 *	2,885,809,369
Reversion - Overappropriation	76,808,500 *	76,808,500 *	-
Rainy Day Fund Transfer	(250,000,000) *	(250,000,000) *	-
Sub-Total	\$ 26,850,717,731	\$ 29,931,322,500	\$ 3,080,604,769
Federal Funds	\$ 22,020,910,700	\$ 18,823,673,300	\$ (3,197,237,400)
Current Services and Other Revenues	4,702,061,600	4,699,814,400	(2,247,200)
Tuition and Student Fees	2,037,960,700	2,037,960,700	-
Bonds	583,500,000	83,800,000	(499,700,000)
Total	\$ 56,195,150,731	\$ 55,576,570,900	\$ (618,579,831)
* Reserves, Transfers and Reversion ⁽¹⁾	\$ 1,421,920,131	\$ 4,211,661,500	\$ 2,789,741,369

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

2023-2024 Budget Document
2022-2023 Estimated Budget Compared to
2023-2024 Recommended Budget
Uses of Funds

	<u>Estimated Budget FY 2022-2023</u>	<u>Estimated Budget FY 2023-2024</u>	<u>Difference</u>
General Government	\$ 2,326,956,650	\$ 2,923,958,600	\$ 597,001,950
Education	14,188,905,300	14,667,879,100	478,973,800
Health and Social Services	23,042,221,700	22,515,423,500	(526,798,200)
Law, Safety, and Correction	2,673,805,031	2,976,707,400	302,902,369
Resources and Regulation	2,872,343,850	1,459,304,700	(1,413,039,150)
Trasnsportation (GF), Business and Economic Development	<u>2,998,244,900</u>	<u>4,361,493,000</u>	<u>1,363,248,100</u>
Total General Fund	<u>\$ 48,102,477,431</u>	<u>\$ 48,904,766,300</u>	<u>\$ 802,288,869</u>
Transportation (Non-GF)	\$ 2,459,108,200	\$ 2,697,493,500	\$ 238,385,300
Debt Service Requirements	378,353,000	342,101,000	(36,252,000)
Capital Outlay Program	3,582,563,000	1,932,161,000	(1,650,402,000)
Facilities Revolving Fund	162,949,100	162,949,100	-
Cities and Counties - State Shared Taxes	<u>1,509,700,000</u>	<u>1,537,100,000</u>	<u>27,400,000</u>
Total State Budget All Programs	<u>\$ 56,195,150,731</u>	<u>\$ 55,576,570,900</u>	<u>\$ (618,579,831)</u>

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 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, real estate and other good and solvent securities subject to the approval of the applicable boards of trustees. See "Appendix A - Financial Statements" - Note 4A "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 2015, GASB issued Statements Nos. 74 and 75 that provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits (“OPEB”). Statement No. 74 was effective for fiscal year ended June 30, 2017, while Statement No. 75 was effective for fiscal year ended 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, 2015, are not eligible to participate in State administered OPEB plans.

The most recent completed actuarial valuations of post-employment medical benefits, as of June 30, 2021, was completed during fiscal year 2022. These studies were conducted using the entry age actuarial cost method and focused on individual employers within each plan. The State’s obligations and OPEB expense resulting from the June 30, 2021 study are summarized below.

	As of June 30, 2022	
	(expressed in thousands)	
	Net/Total OPEB Liability	Total OPEB Expense
State Employee Group Plan		
State obligation for employees	\$ 474,463	\$ 24,087
Local Education Agency Group Plan		
State obligation on behalf of teachers	305,827	24,566
Medicare Supplement Plan		
State obligation for employees (including component unit and LEA)	396,346	26,861
Total State Obligation	\$ 1,176,636	\$ 75,514

The actuary reports may be reviewed at: <https://www.tn.gov/finance/rd-doa/opeb22121.html>. The State has contracted with Aon PLC to provide GASB required valuations for the State Employee Group, Teacher Group, Local Government Group and Tennessee (Medicare Supplement) OPEB plans. The next valuation results, as of June 30, 2022, are expected to be received in late summer of 2023, and will be reported in the fiscal year ended June 30, 2023 financial statements.

The OPEB information above was reported in the State’s Annual Comprehensive Financial Report for fiscal year ended June 30, 2022. 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, 2022, was \$444.9 million. 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 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, 2022. 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, 2022. This was the thirty-fifth 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.

Public Health Epidemic or Outbreaks

Public health epidemics or outbreaks, such as COVID-19, could adversely impact the economy and the economics of the United States and the State of Tennessee. The extent to which such public health epidemics or outbreaks may impact the State will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak and the actions to contain the threat or treat its impact, among others.

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 periodically, which is not uncommon for 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

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 June 30, 2021, valuation established the Actuarially Determined Contribution (“ADC”) for the period July 1, 2022 to June 30, 2023. The actuarial valuation as of June 30, 2022, which establishes the ADC rates effective July 1, 2023, has been completed and will be presented to the Board of Trustees for adoption. The Board certifies to the Governor each year the amount necessary to fund the ADC for State and higher education employees, and by statute the General Assembly is required to appropriate such a 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.

The fiduciary net position (net assets) of the Closed Plan in excess of its total pension liability, or net pension asset, at the June 30, 2021, measurement date, was \$611,848,117. The Closed Plan fiduciary net position as a percentage of the total pension liability, or funded ratio, was 103.3% at June 30, 2021, calculated in accordance with GASB Statement No. 68 (“GASB 68”). The funded ratio was 90.58% for 2020, 91.67% for 2019, 90.26% for 2018, 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 and 88.30% for 2011. 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, 2021, measurement date, the funded ratio of the Hybrid Plan was 121.71% with fiduciary net position exceeding total pension liability by \$84,746,506. The funded ratio was 112.90% for 2020, 122.36% for 2019, 132.39% for 2018, 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, 2021, 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 2019 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 2020. 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, 2022. The latest actuarial valuations for funding and accounting purposes (as of June 30, 2022), and actuarial experience study (as of June 30, 2022) were performed by the actuarial and consulting firm of USI Consulting Group, Inc. The latest actuarial audit (as of June 30, 2019) was performed by the actuarial and consulting firm of Segal. Such reports are available on the Tennessee Treasury website at www.treasury.tn.gov/Retirement/Boards-and-Governance/GASB-and-Actuarial-Information.

As of June 30, 2021, the membership in TCRS was as follows:

TCRS Membership*

	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	32,694	60,964	36,600	130,258
Hybrid Plan	<u>26,219</u>	<u>88</u>	<u>19,369</u>	<u>45,676</u>
Total	58,913	61,052	55,969	175,934
Teachers				
Closed Plan	50,944	53,785	30,951	135,680
Hybrid Plan	<u>29,203</u>	<u>53</u>	<u>11,630</u>	<u>40,886</u>
Total	80,147	53,838	42,581	176,566

* Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

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 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.

The actual allocation of assets and the policy target range at June 30, 2022, are:

<u>Asset Class</u>	<u>Policy Range</u>	<u>Actual Allocation</u>
North American Stock	25-50%	28.6%
Domestic Bonds	0-60%	19.8%
Inflation Indexed Bonds	0-15%	0.0%
Short-term Securities	0-10%	1.3%
International Bonds	0-10%	0.0%
International Stocks	5-25%	13.6%
Private Equity & Strategic Lending	0-40%	23.7%
Real Estate	0-20%	13.0%
		100%

The historical annualized rates of return (net of fees) on TCRS investments as of June 30, 2022, 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>
-3.60%	8.30%	8.10%	8.40%	6.60%	7.02%	6.73%

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

Year Ended June 30	Rate of Return
2022	-3.6%
2021	25.6%
2020	4.9%
2019	7.4%
2018	8.2%
2017	11.4%
2016	2.8%
2015	3.3%
2014	16.7%
2013	9.9%

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, 2021, under the 10-year smoothing of assets methodology net investment losses of approximately \$8.27 billion are being deferred in the Closed plan and \$108 million in the Hybrid plan. The June 30, 2021, actuarial valuation established the employer contribution rate for the period July 1, 2022, through June 30, 2023.

Economic and Demographic Assumptions

The latest actuarial experience study was conducted in 2020 and determined the economic and demographic assumptions to be utilized in the 2021, 2022, 2023 and 2024 actuarial valuations.

The long term investment earnings assumption of 6.75% 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 2.75%. The cost of living adjustment for retirees is assumed to increase 2.125% annually. A rate of inflation of 2.25% 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, 2021 (dollars expressed in thousands)

Group	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability (Asset)	Plan Fiduciary Net Position as a % of the Total Pension Liability	Covered Payroll	Net Pension Liability (Asset) as a % of Covered Employee Payroll
State & Higher Education Employees						
Closed Plan	\$19,125,529	\$18,513,681	(\$611,848)	103.30%	\$2,073,599	-29.51%
Hybrid Plan	475,026	390,279	(84,747)	121.71%	1,223,688	-6.93%
Teachers						
Closed Plan	31,049,698	26,736,458	(4,313,240)	116.13%	3,282,482	-131.40%
Hybrid Plan	611,343	503,022	(108,321)	121.53%	1,442,090	-7.51%

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)

Year ended June 30	State & Higher Education Employees Closed Plan	State & Higher Education Employees Hybrid Plan **	Teachers Closed Plan	Teachers Hybrid Plan **
2021*	\$19,125,529	\$475,026	\$31,049,698	\$611,343
2020	15,746,113	308,241	25,456,437	401,015
2019	15,547,577	226,986	25,033,820	301,166
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	

* Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

** 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
2021*	\$19,125,529	\$18,513,681	(\$611,848)	103.30%	\$2,073,599	-29.51%
2020	15,746,113	17,384,423	1,638,310	90.58%	2,173,446	75.38%
2019	15,547,577	16,959,742	1,412,165	91.67%	2,213,382	63.80%
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%

*Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

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
2021*	\$ 475,026	\$ 390,279	(\$84,747)	121.71%	\$1,223,688	-6.93%
2020	308,241	273,028	(35,213)	112.90%	1,105,290	-3.19%
2019	226,986	185,508	(41,478)	122.36%	900,952	-4.60%
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	-2.75%
2015	9,317	6,536	(2,781)	142.55%	107,086	-2.60%

* Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

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
2021*	\$31,049,698	\$26,736,458	(\$4,313,240)	116.13%	\$3,282,482	-131.40%
2020	25,456,437	24,693,863	(762,574)	103.09%	3,326,751	-22.92%
2019	25,033,820	24,005,640	(1,028,180)	104.28%	3,352,756	-30.67%
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%

* Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

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
2021*	\$ 611,343	\$ 503,022	(\$108,321)	121.53%	\$1,442,090	-7.51%
2020	401,015	344,151	(56,864)	116.52%	1,261,909	-4.51%
2019	301,166	244,718	(56,448)	123.07%	1,056,859	-5.34%
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%

* Information from most recent actuarial valuation (measurement period of 7/1/2020-6/30/2021).

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	
2022	\$ 1,401,972	\$(1,940,418)	\$ 2,468,584	\$ 13,928	\$(3,020,958)
2021	1,115,942	10,644,894	2,398,728	12,428	9,349,680
2020	1,120,238	1,998,828	2,315,382	12,030	791,654
2019	1,090,660	2,889,074	2,229,762	12,608	1,737,364
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

* 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
(dollars expressed in thousands)

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

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

Note: This schedule will not be updated going forward as it was the result of a one-time study.

Actual benefit payments for fiscal year 2018 totaled \$2,520,303,000, for fiscal year 2019 totaled \$2,645,419,170, for fiscal year 2020 totaled \$2,757,155,424, for fiscal year 2021 totaled \$2,871,322,767 and for fiscal year 2022 totaled \$2,967,491,718.

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. 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
2022	\$677,593	158%	\$27,136	100%
2021	426,985	100%	22,790	100%
2020	435,177	100%	19,803	100%
2019	433,581	100%	15,572	100%
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%		

* 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
2022	\$ 339,111	100%	\$ 34,326	100%
2021	337,067	100%	29,153	100%
2020	353,767	100%	25,617	100%
2019	350,734	100%	20,529	100%
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%		

* 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 \$704,729,000 for the fiscal year ended June 30, 2022, as shown on the schedule above.

Employer Contributions

The 2022 actuarial valuation established the employer contribution rates for the Closed Plan for the fiscal year ending June 30, 2024, to be 21.95% of salary for general State employees and higher education employees, 25.62% of salary for public safety employees and 24.62% for State judges. The combined aggregate rate for such period will be 22.10% of salary. LEAs will make employer contributions at the rate of 6.81% of salary for Teachers in the Closed Plan during the fiscal year ending June 30, 2024.

The 2022 actuarial valuation determined the ADC rates for the Hybrid Plan for the fiscal year ending June 30, 2024. The statutorily established 4.0% employer contribution rate will consist of an ADC of 2.57% of salary and a contribution of 1.43% to the SRT for general State employees and higher education employees, an ADC of 3.47% of salary and a contribution of 1.43% to the SRT for public safety employees and an ADC of 8.19% of salary for State Judges. The combined aggregate rate will be 4.00% of salary. LEAs will make an ADC of 2.95% of salary and a contribution of 1.05% to the SRT for Teachers in the Hybrid Plan during the fiscal year ending June 30, 2024. 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 for Higher Education

The Optional Retirement Program (“ORP”) is a defined contribution 401(a) retirement plan that is available to exempt employees of the University of Tennessee System (UT), the Tennessee Board of Regents (TBR), and six locally governed institutions (LGI’s). Exempt employees are those employees who hold positions that are exempt from the Fair Labor Standards Act (FLSA). The State sponsors the ORP as an alternative to the State’s defined benefit 401(a) Plan, known as the Tennessee Consolidated Retirement System (TCRS). Participation in either TCRS or the ORP is a condition of full-time employment for individuals who are exempt from the FLSA and who are employed in State supported institutions of higher education.

Employer and employee contribution amounts are set in statute and made on a pre-tax basis. Members are immediately vested in employer and employee contributions. An ORP participant directs contributions to specific investment products made available by the two ORP service providers. The Teachers Insurance and Annuity Association (TIAA) and Voya are the recordkeeping service providers for the ORP and 403(b) Plans.

Qualifying faculty and staff who became ORP members at any time prior to July 1, 2014, participate in the non-contributory ORP. The employer makes a contribution equal to 10% of the employee’s earnable compensation, plus 1% on the part of the employee’s earnable compensation in excess of the social security wage base.

Qualifying faculty and staff who became ORP members on or after July 1, 2014, are eligible to participate in the contributory ORP. The employer contributes 9% of earnable compensation to the member’s ORP account. The member contributes 5% of earnable compensation to the ORP. All contributions to the member’s ORP account are made on a pre-tax basis and may not be altered.

There were 36,735 ORP accounts with a balance, 13,681 active members, and plan assets totaling \$4,000,000,000 at June 30, 2022. Total contributions for the year ended June 30, 2022, totaled \$119,000,000.

The State of Tennessee 401(k) Plan – A Component of the Hybrid Plan

The State of Tennessee 401(k) Plan is a defined contribution plan available to state and higher education employees, K-12 public school teachers, and employees of political subdivisions that elect to participate. A 401(k) participant directs contributions to specific investment products made available by one 401(k) Plan service provider. The plan is completely voluntary for employees hired prior to July 1, 2014. Full-time state and higher education employees and K-12 teachers hired on or after July 1, 2014, are members of the 401(k) Plan as a condition of employment. For members hired on or after July 1, 2014, the employer contributes 5.00% of earnable compensation to the 401(k) Plan and the member is automatically enrolled to make member contributions of 2.00% of earnable compensation. The member may modify or opt out of the member contribution to the 401(k) Plan at any time. State and higher education employees are additionally eligible for a dollar-to-dollar match up to \$50 each month. Cost control features of the Hybrid Retirement Plan allow for the 5.00% employer contributions to be reduced based on established criteria. Members are immediately vested in employer and employee contributions. Member contributions to the 401(k) Plan may be made on a pre-tax or after-tax basis.

For the year ended June 30, 2022, 109,407 state and higher education employees, 61,473 public school teachers and 13,796 political subdivision employees actively participated in the 401(k) Plan with assets totaling \$6,000,000,000. Contributions for the year ended June 30, 2022 totaled \$475,600,000.

Higher Education 403(b) Plans

In 2018, the Tennessee General Assembly granted the State the authority to administer the existing 403(b) Plans for the University of Tennessee System (UT), the Tennessee Board of Regents (TBR), and six locally governed institutions (LGI’s). The State became plan sponsor and administrator for the UT and TBR 403(b) Plans on October 9, 2019. While administratively separate from TBR, the six LGI’s participate in the TBR 403(b) Plans.

The 403(b) Plans are supplemental deferred compensation plans. Employee participation is voluntary and employer contributions are not allowed. UT System employees may direct contributions to specific investment products made available by five 403(b) service providers. Employees of TBR or the LGI’s may direct contributions to specific investment products made available by two 403(b) service providers. Member contributions to the

403(b) Plans are made on a pre-tax basis. The TIAA and Voya are the recordkeeping service providers for the ORP and 403(b) Plans.

There were 5,865 total 403(b) accounts with a balance, 2,523 active participants, and 403(b) plan assets totaling \$801,000,000 at June 30, 2022. Contributions for the year ended June 30, 2022, totaled \$33,100,000.

The State of Tennessee 457(b) Plan

The State of Tennessee 457(b) Plan is a supplemental deferred compensation plan available to state and higher education employees. K-12 public school teachers may participate in the 457(b) Plan if their local board of education has elected to offer the plan. The 457(b) Plan has the same investment options as the 401(k) Plan. Participation is voluntary and employer contributions are not allowed. Member contributions to the 457(b) Plan are made on a pre-tax basis.

For the year ended June 30, 2022, 9,998 state and higher education employees, 423 public school teachers and 4,802 political subdivision employees actively participated in the 457(b) Plan with assets totaling \$647,000,000. Contributions for the year ended June 30, 2022, totaled \$45,600,000.

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

Year Ended 30-Jun	ORP Employer Contributions	401(k) Employer Contributions*	Total Non-TCRS Employer Contributions
2022+	\$ 101,500,000	\$ 98,200,000	\$ 199,700,000
2021	99,500,000	95,200,000	194,700,000
2020	99,500,000	88,500,000	188,000,000
2019	98,300,000	77,000,000	175,300,000
2018	96,800,000	67,300,000	164,100,000
2017	95,100,000	56,100,000	151,200,000
2016	93,800,000	44,260,831	138,060,831
2015	100,000,000	34,046,882	134,046,882

+ 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.

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 March 31, 2023, TLDA had \$800,000 (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 March 31, 2023, the Authority had outstanding \$1,799,575,000 (unaudited) aggregate principal amount of higher educational facility bonds and \$28,874,107 (unaudited) of higher educational facility revolving credit facility. As of March 31, 2023, 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 \$308,863,216.34 (unaudited) was the book value of assets on deposit as of March 31, 2023.

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 March 31, 2023, was \$2,700,5996,312 (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 (the Federal Home Loan Mortgage Corporation). The amount outstanding on the LOC at March 31, 2023, was \$2,946,312 (unaudited) 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

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 Agreement. 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). If Tennessee were to receive an adverse ruling in a

diligent enforcement arbitration, the State could face payment reductions of over \$100,000,000. Tennessee's annual MSA payment generally ranges from One Hundred and Forty Million Dollars (\$140,000,000) to One Hundred and Sixty Million Dollars (\$160,000,000). Tennessee and thirty-four (34) other states have resolved the NPM Adjustment disputes for the years 2003-2022 in a settlement with the participating tobacco manufacturers. However, as of January 1, 2023, Tennessee will be 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.

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); and *Comcast Holdings Corp. v. David Gerregano, Commissioner of Revenue*, (Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County, No. 20-1277-III). These three franchise and excise tax cases concern whether Comcast's receipts from its Tennessee customers should be included as Tennessee sales in the receipts factor of its franchise-and-excise-tax apportionment formula. In 2019, the State 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 three cases listed above, Comcast makes similar arguments for later years. These cases seek tax refunds in the total amount of approximately \$50,000,000. Despite the previous ruling in the State's favor in a similar case, Comcast is continuing to press this issue. It has produced a new "cost study" on which it bases its claims, and the relevant numbers will be different for the later periods. The 2015 case is currently set for trial the week of July 17, 2023.

Norfolk Southern Railway Co. v. Commissioner of Revenue (in the Chancery Court for the State of Tennessee Twentieth Judicial District, Davidson County); *BNSF Railway Co. v. Department of Revenue*; *CSX Transportation, Inc. v. Department of Revenue*; *Illinois Central Railroad Co. v. Department of Revenue*; *Norfolk Southern Railway Co. v. Department of Revenue*; and *Union Pacific Railroad Co. v. Department of Revenue* (all United States District Court for the Middle District of Tennessee). The cases listed above are the remaining matters concerning Tennessee's taxes on railroads' purchases of diesel fuel which the major railroads allege discrimination against them in violation of the federal Railroad Revitalization and Regulatory Reform Act (the "4-R Act"). The State prevailed in a previous case (*Illinois Central Railroad Co. v. Tennessee Department of Revenue*) that challenged Tennessee's sales tax on diesel fuel purchases as it stood before July 2014, and all other cases challenging the previous law have been settled. The cases listed above challenge the railroads' liability under the current (July 2014 and afterwards) law, the Tennessee Transportation Fuel Equity Act, which placed railroads under the same tax obligations as trucking companies. The railroads contend that this law still singles them out in violation of the 4-R Act and discriminates against them in comparison to water carriers (barges and boats). The federal cases are currently administratively closed. To date, a total of approximately Seventy Million Dollars (\$70,000,000) is at issue under the law in effect since July 1, 2014, which the railroads have paid into escrow or directly to the Department under the 2014 law and will be subject to refund, plus interest, if they prevail. Because of the on-going nature of this issue under the current law, any resolution is difficult to achieve.

Dement Construction Co., LLC v. State of Tennessee (in the Chancery Court for the State of Tennessee Eleventh Judicial District, Hamilton County, No. 23-0166). This breach of contract claim was initiated in the Division of Claims and Risk Management and then transferred to the Claims Commission. Defendant petitioned the Claims Commission for an order removing the claim to Hamilton County Chancery Court and the petition was granted. The case involves highway construction project through downtown Chattanooga; the claim is for approximately \$4 million. There are four claims: reimbursement of liquidated damages, defective traffic control plans, and two different claims for insufficient compensation for differing site conditions at two retaining walls. The case is in the initial stages, and the Answer is due on April 19, 2023.

A.M.C., et al. v. Smith (U.S. District Court, Middle District of Tennessee). Plaintiffs allege TennCare (the State of Tennessee's managed Medicaid agency) uses policies and practices in its eligibility redetermination process that violate the Due Process Clause of the United States Constitution, provisions of the Medicaid Act, and Title II of the Americans with Disabilities Act. Plaintiffs seek declaratory and injunctive relief, ongoing court jurisdiction, attorneys' fees, and other relief. The total amount requested exceeds \$1 billion. On May 22, 2020, Defendants filed a motion to dismiss. On May 29, 2020, Defendants opposed Plaintiffs' motion for class

certification and Plaintiffs' motion for a preliminary injunction. Discovery began. On January 19, 2021, Defendants filed a supplement to their motion to dismiss, arguing that the Center for Medicaid Services formally certified the TennCare eligibility redetermination process. On February 22, 2021, the Court denied all three motions without prejudice and ordered that the parties may file renewed motions that specifically address the Center for Medicaid Service's certification of the eligibility redetermination process 30 days after the Magistrate Judge files notice of the completion of all outstanding discovery disputes. Discovery is ongoing.

Brylee McCutchen, et al. v. Xavier Becerra, et al. (U.S. District Court, District of Columbia). Since 1994, TennCare, Tennessee's managed Medicaid program, has administered the State's Medicaid program through a federally approved project that ultimately became known as "TennCare II." In November 2019, TennCare submitted a proposal to continue TennCare II and make several changes to provide the State more tools to adapt TennCare to better serve its citizens through a more flexible financing model. In January 2021, the U.S. Department of Health and Human Services approved the proposal for what is now TennCare III. TennCare III is, like TennCare II, funded through large federal funding grants. On April 22, 2021, the Tennessee Justice Center filed a lawsuit against the U.S. Department of Health and Human Services seeking to undo its approval of TennCare III and enjoin its implementation of TennCare III and, potentially, the continuation of TennCare II which was supposed to end on June 30, 2021. On May 20, 2021, the Tennessee Attorney General filed an unopposed motion to intervene to defend the State's interest in TennCare III. The Court granted the State's motion. TennCare II did end and the State is now under TennCare III. The Centers for Medicare & Medicaid Services (CMS) the federal agency within the U.S. Department of Health and Human Services that administers Medicare and Medicaid, reopened the TennCare III comment period to review public comments and questions concerning TennCare III and such public comment period has now ended and additional changes to TennCare III are awaiting approval. As a result, the *McCutchen* court held this case in abeyance. The impact an adverse decision would have on the State's finances is unknown at this time.

TAX MATTERS

Opinions of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the State, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however for tax years beginning after December 31, 2022, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of 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 Bonds, and Bond Counsel has assumed compliance by the State and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

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

Bond Counsel expresses no opinion regarding any other federal or state tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated above. 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, any changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequences to any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

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

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

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 Tax-Exempt Bond"). In general, under Section 171 of the Code, an owner of a Premium Tax-Exempt Bond must amortize the bond premium over the remaining term of the Premium Tax-Exempt Bond, based on the owner's yield over the remaining term of the Premium Tax-Exempt Bond determined based on constant yield principles (in certain cases involving a Premium Tax-Exempt 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 Tax-Exempt 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 tax-exempt Premium Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required

to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 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 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

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

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

SALE BY COMPETITIVE BIDDING

The Bonds will be awarded pursuant to electronic competitive bidding to be held via IPREO LLC’s BiDCOMP™/PARITY® Competitive Bidding System on behalf of the State on [REDACTED], 2023, unless postponed or cancelled, as set forth in the Notice of Sale contained in Appendix F.

The Bonds being offered for sale as provided in the Notice of Sale. The Notice of Sale provides that the initial purchaser of the Bonds (“Initial Purchaser”) shall purchase all the Bonds, if any Bonds are purchased. The obligation to such purchase is subject to certain conditions set forth in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions.

The respective Initial Purchasers have supplied the information as to the initial public offering prices of the Bonds set forth on the inside cover of this Official Statement with respect to the Bonds purchased by such Initial Purchaser. The Bonds may be offered and sold to certain dealers, banks and others at prices different than the public offering prices to be set forth on the inside cover page; and such public offering prices may be changed from time to time.

Each Initial Purchaser is required to furnish certifications supporting the determination of the issue price of the Bonds purchased by such Initial Purchaser as provided in the Notice of Sale.

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.

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 [REDACTED], [REDACTED], and [REDACTED], 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. 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; Cash Flows, and Other Employment Contributions for State and Higher Education Employees Participating in the ORP or 401K) 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 Annual Comprehensive Financial Report of the State, including the audited Basic Financial Statements, for the fiscal year ended June 30, 2022, has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure” and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4th Floor, 425 Rep John Lewis Way North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2022 Annual Comprehensive 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 2022 Annual Comprehensive 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 Net/Total OPEB Liability and Related Ratios

Schedule of Contributions

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 Changes in the Plan Net OPEB Liability and Related Ratios

Schedule of Employer Contributions to the State of Tennessee Postemployment Benefit Trust
Schedule of Investment Returns State of Tennessee Postemployment Benefit Trust
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 Annual Comprehensive Financial Report of the State, including selected statistical data (unaudited), for the fiscal year ended June 30, 2022, has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure” and Appendix E) and is obtainable from them in accordance with their procedures. A printed version is also available upon request to the State Funding Board, Cordell Hull State Office Building, 4th Floor, 425 Rep John Lewis Way North, Nashville, Tennessee 37243-1402, telephone (615) 401-7872, fax (615) 741-5986. The 2022 Annual Comprehensive 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-acffin-ar>.

The following statistical data, all of which is included in the 2022 Annual Comprehensive 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

Demographic and Employment 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

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, \$510,000,000***

Dear Sirs:

At your request we have examined into the validity of \$510,000,000* General Obligation Bonds, 2021 Series A (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 April 26, 2023, for public purposes of various State departments and institutions and to provide for the payment at maturity of certain of the State’s general obligation bond anticipation notes constituting commercial paper heretofore issued for public purposes of various State departments and institutions.

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

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

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

(2) Under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code; however, for tax years beginning after December 31, 2022, interest on the Bonds is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of 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 Bonds, and have assumed compliance by the State with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the Bonds from gross income under Section 103 of the Code. Under the Code, noncompliance with such requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is discovered.

Preliminary; subject to change

(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) and (3) 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 [REDACTED], 2023 (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,

DRAFT

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is dated and made as of [REDACTED], by the State of Tennessee (the “State”) in connection with the issuance of the State’s \$ [REDACTED] aggregate principal amount of General Obligation Bonds, 2023 Series A (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 April 26, 2023, 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
- 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 Annual Comprehensive 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, a 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 a 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 [REDACTED], 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, 2023, 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, a additional disclosures or other action in addition to those required by this Undertaking may be required to enable the State to fully discharge all of its duties and obligations under such laws.

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

ARTICLE III

Operating Rules

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

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

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

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

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

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

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

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

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

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

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

Section 4.2. Amendment. (a) This Undertaking may be amended without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) such a 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

NOTICE OF SALE

Dated _____, 2023

State of Tennessee

General Obligation Bonds

\$510,000,000* 2023 Series A

Electronic Bids, as Described Herein
Will Be Accepted Until

9:15 a.m. Central Time**

on _____, 2023

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

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

CONTACTS

Issuer

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lowel@pfm.com

BiDCOMP™/PARITY®

Customer Service

(212) 849-5021

i-Deal Prospectus

Customer Service

(212) 849-5024

NOTICE OF SALE

Dated _____, 2023

**State of Tennessee
General Obligation Bonds
\$510,000,000* 2023 Series A**

NOTICE IS HEREBY GIVEN that electronic bids will be received at the place, on the date and until the time specified below for the purchase of all, but not less than all, of the \$510,000,000* General Obligation Bonds, 2023 Series A (the “Bonds”), to be issued by the State of Tennessee (the “State”).

DATE: _____, _____, 2023**

TIME: **9:15 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 _____, 2023 relating to the Bonds (the “Preliminary Official Statement”), available at the i-Deal Prospectus website, www.i-dealprospectus.com. For assistance in obtaining the Preliminary Official Statement from this website, contact i-Deal Prospectus' customer service or PFM Financial Advisors LLC. See the Contacts page of this Notice of Sale.

Prior to the sale date and time, 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 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. 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.

\$510,000,000 SERIES A BONDS BIDDING PARAMETERS TABLE*

Description	Page No.	Description	Page No.
DATES		REDEMPTION	
Dated Date: Delivery Date	4	Optional On or after May 1, 2033 at 100%	4
Delivery Date: On or about _____, 2023	4, 9	Mandatory: Each sinking fund installment date for term bonds at 100%	4
INTEREST		PRICING	
Interest Payment Dates: May 1 and November 1	4	Max. Reoffering Price:	
First Interest Payment: May 1, 2024	4	Each Maturity: N.A.	7
Coupon Multiples: 1/8 or 1/20 of 1%	7	Aggregate: 130.0%	7
Maximum Coupon: 5.50%	7	Min. Reoffering Price:	
Minimum Coupon: 5.00% on and after May 1, 2034	7	Each Maturity: 98.5%	7
Maximum TIC: 5.00%	7	Aggregate: 100%	7
PRINCIPAL		PROCEDURAL	
Adjustments-Increases:	7, 8	Bid Submission: PARITY® only	3, 7
Each Maturity: + 25%	7, 8	All or None?: Yes	7
Aggregate: + 15%		Bid Award Method: Lowest TIC	7
Adjustments-Decreases:	7, 8	Bid Confirmation: Fax signed PARITY® screen	6
Each Maturity: -20%	7, 8	Award of Bid: Within 6 hours	1, 7
Aggregate: -15%		Good Faith Deposit: \$5,100,000	8
Term Bonds: One or more on or after May 1, 2034 (sinking fund installments must equal amortization)	4		

PRINCIPAL MATURITIES

Year (May 1)	Principal Amount**
2024 NC	\$25,500,000
2025 NC	25,500,000
2026 NC	25,500,000
2027 NC	25,500,000
2028 NC	25,500,000
2029 NC	25,500,000
2030 NC	25,500,000
2031 NC	25,500,000
2032 NC	25,500,000
2033 NC	25,500,000

Year (May 1)	Principal Amount**
2034 T	\$25,500,000
2035 T	25,500,000
2036 T	25,500,000
2037 T	25,500,000
2038 T	25,500,000
2039 T	25,500,000
2040 T	25,500,000
2041 T	25,500,000
2042 T	25,500,000
2043 T	25,500,000

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 Bidding Parameters Table, 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 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 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 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 Bonds may, at their option, combine consecutive principal amounts payable on or after the date indicated on the 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 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.

Optional Redemption

The Bonds maturing on or after May 1, 2034 may be redeemed prior to their respective maturity dates at the option of the State on and after May 1, 2033, in whole or in part at any time at the redemption price of 100% of the principal amount of the Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date. Bonds which are designated to be term bonds as described in “Designation of Term Bonds; Mandatory Sinking Fund Redemption” above shall be subject to mandatory sinking fund redemption as described therein.

AUTHORITY AND SECURITY

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

FORM AND PAYMENT

The Bonds will be issued in fully registered book-entry only form, and a bond certificate for each maturity 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 the Bonds during the 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.

To the extent an accepted bid constitutes a contract to acquire or dispose of services, supplies, information technology, or construction for purpose of Tennessee Code Annotated Section 12-4-119, by submitting a bid each bidder certifies that it (including in each case its wholly-owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates, if any) is not currently engaged in, and will not for the duration of this Agreement engage in, a boycott of Israel. For this purpose, (1) “Israel” means the State of Israel and Israeli-controlled territories, and (2) a “boycott of Israel” means engaging in refusals to deal, terminating business activities, or other commercial actions that are intended to limit commercial relations with Israel, or companies doing business in or with Israel or authorized by, licensed by, or organized under the laws of the State of Israel to do business, or persons or entities doing business in Israel, when such actions are taken (i) in compliance with, or adherence to, calls for a boycott of Israel, or (ii) in a manner that discriminates on the basis of nationality, national origin, religion, or other unreasonable basis, and is not based on a valid business reason.

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 must bid for all maturities of the Bonds. Each bid must specify (1) an annual rate of interest for each maturity of Bonds, (2) the reoffering price or yield of each such maturity and (3) a dollar purchase price for all of the Bonds.

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

As promptly as reasonably possible after bids for the 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 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 BONDS" below.

The winning bidder (the "Purchaser") will be responsible to the State in all respects for the accuracy and completeness of information provided by the Purchaser with respect to such reoffering.

AWARD

The State expects to award the Bonds to the winning bidder within six (6) hours of the bid opening. Bids may not be withdrawn prior to the award. Unless all bids for the Bonds are rejected, the 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 Bonds as being twice the semi-annual discount rate, compounded semi-annually, which, when applied against principal of and interest on the 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 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 a 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, 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 Bonds, or the aggregate principal amount of any maturity thereof, by no more than the individual maturity or aggregate principal percentages shown in the Bidding Parameters Table from the amounts bid on. The State will consult with the winning bidder for the 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 Purchaser from its obligation to purchase all of the 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 Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's discount on the Bonds, as the case may be, shall be held constant. The "Underwriter's discount" for the Bonds shall be the difference between the dollar purchase price submitted by the bidder for the purchase of all of the Bonds and the total dollar price at which all of the Bonds will be offered to the public, calculated from information provided by the bidder, divided by the number of such Bonds. (The number of Bonds equals the par amount of Bonds divided by 1,000.)

RIGHT OF REJECTION

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

RIGHT OF CANCELLATION

The winning bidder for the 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 Bonds is required to submit the good faith amount shown in the 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 for the 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 deposit so wired will be deposited and held by the State until the delivery of the Bonds, at which time each good faith deposit will be applied against the purchase price of the 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 BONDS

If the State receives at least three (3) bona fide bids for the Bonds, the issue price of the 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 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 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 Bonds agrees to take such actions, both before and after the award of the 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 Bonds, the issue price of the Bonds shall be established pursuant to Treasury Regulation Section 1.148-1(f)(2)(ii) (the "hold-the-price" rule). The Purchaser of the 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 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 Bonds agrees to take such actions, both before and after the award of the Bonds, as shall be necessary to enable it to satisfy the requirements of such Issue Price Certificate.

In either event, the Purchaser of the 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 PURCHASER

The 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 bidder and the prices or yields at which the winning bidder 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 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 Purchaser 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 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 Purchaser to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The State’s Financial Advisor will timely apply for CUSIP numbers for the Bonds required by MSRB Rule G-34. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the State; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and will be paid for by the successful bidder.

BLUE SKY

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

CONTINUING DISCLOSURE

In order to assist bidders in complying with Rule 15c2-12, the State will execute and deliver a written Continuing Disclosure Undertaking to provide annual financial information, operating data and notices of certain events. A description of the Continuing Disclosure Undertaking is set forth in the Preliminary Official Statement and will be set forth in the final Official Statement. Execution and delivery of the Continuing Disclosure Undertaking will be a condition precedent to the obligation of the 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 bidder for the Bonds without cost to such winning bidder. 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 Division of State Government Finance of the State or the State's Financial Advisor. See the Contacts page of this Notice of Sale.

STATE OF TENNESSEE

By: *Jason E. Mumpower*
Comptroller of the Treasury and Secretary of the
State Funding Board, State of Tennessee

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STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$[_____] 2023 SERIES A

ISSUE PRICE CERTIFICATE

[_____, 2023]

[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, 2023 Series A (the “**Bonds**”) maturing May 1, [_____] to [_____] pursuant to the Notice of Sale dated _____, 2023, published on _____, 2023, 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: _____

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Attachment I

REOFFERING PRICES AND YIELDS OF MATURITIES TO THE PUBLIC

[List Maturities, Prices and Yields]

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ATTACHMENT II
COPY OF WINNING BID

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STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$[_____] 2023 SERIES A

ISSUE PRICE CERTIFICATE

[_____, 2023]

[NAME OF ORIGINAL PURCHASER], as the original purchaser (the “**Original Purchaser**”) of the \$ _____ aggregate principal amount General Obligation Bonds, 2023 Series A (the “**Bonds**”) issued by the State of Tennessee (the “**Issuer**”), hereby certifies that:

- (i) as of _____, 2023 (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 _____, 2023, 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.

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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: _____

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Schedule A

FINAL PRICING WIRE

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Schedule B

MATURITIES ACTUALLY SOLD AS OF THE SALE DATE

[List Maturity and Sale Price]

AND

UNSOLD MATURITIES

[List Maturity]

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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 a ward, as provided herein.

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

CONTACTS

Issuer

State of Tennessee

Sandra Thompson
Director, Office of State and Local Finance
Cordell Hull State Office Building, 4th Floor
425 Fifth Avenue North
Nashville, TN 37243-1402

(615) 747-5369
Fax: (615) 741-5986
sandi.thompson@cot.tn.gov

Cindy Liddell
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michael.mercer@cot.tn.gov

Bond Counsel to the Issuer

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Financial Advisor

PFM Financial Advisors LLC

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lowel@pfm.com

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”), a available at the i-Deal Prospectus website, www.i-dealprospectus.com. For assistance in obtaining the Preliminary Official Statement from this website, contact i-Deal Prospectus' customer service or 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 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. 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.
DATES		REDEMPTION	
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
INTEREST		PRICING	
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
PRINCIPAL		PROCEDURAL	
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 a mortization)	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.
DATES		REDEMPTION	
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	Mandatory: Each sinking fund installment date for term bonds at 100%	4
INTEREST		PRICING	
Interest Payment Dates: March 1 and September 1	4	Max. Reoffering Price:	
First Interest Payment: March 1, 2020	4	Each Maturity: No Limit	9
Coupon Multiples: 1/8, 1/20 or 1/100 of 1%	9	Aggregate: 120.0%	9
Maximum Coupon: 5.00%	9	Min. Reoffering Price:	
Minimum Coupon: N/A	9	Each Maturity: 99.75%	9
Maximum TIC: 5.00%	9	Aggregate: 99.0%	9
PRINCIPAL		PROCEDURAL	
Adjustments-Increases:		Bid Submission: PARITY® only	3, 8
Each Maturity: + 25%	10	All or None?: Yes	9
Aggregate: + 15%	10	Bid Award Method: Lowest TIC	9
Adjustments-Decreases:		Bid Confirmation: Fax signed PARITY® screen	8
Each Maturity: -20%	10	Award of Bid: Within 6 hours	1, 9
Aggregate: -15%	10	Good Faith Deposit: \$280,000	10
Term Bonds: One or more on or after September 1, 2030 (sinking fund installments must equal amortization)	4		

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.

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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]

**STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$167,755,000
2021 SERIES A**

BOND PURCHASE AGREEMENT

June 23, 2021

The Funding Board of the State of Tennessee
Nashville, Tennessee

Ladies and Gentlemen:

FHN Financial Capital Markets (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 on or before 11:59 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 General Obligation Bonds, 2021 Series A, in the original aggregate principal amount of \$167,755,000.00 (the “Bonds”), at an aggregate purchase price of \$210,996,294.61 (the “Purchase Price”), representing the aggregate principal amount of the Bonds, plus a reoffering premium of \$43,374,134.40, less Underwriters' discount of \$132,839.79. 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 July 13, 2021, 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 Division of State Government Finance, 425 Rep. John Lewis Way, N., 4th Floor, 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 Division of State Government Finance or at the offices of the Attorney General of the Issuer (“Counsel to the Issuer”), John Sevier Building, 425 Rep. John Lewis Way, N., 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 June 14, 2021 (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 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 Representative 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 or three (3) business days prior to Closing, whichever comes first, five (5) executed counterparts of the Official Statement and five (5) conformed copies of the final Official Statement (or such lesser amount which the Representative agrees will be 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 for the longer of thirty (30) days or until 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, 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. herein), 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 Representative such event requires the preparation and distribution of a supplement or amendment to the Official Statement, to prepare and furnish to the Representative, 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 Representative, as the Representative 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 and Issue Price.

1. The Representative confirms that the Underwriters have offered the Bonds to the public on or before the date of this Purchase Agreement, in a bona fide public offering, at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Appendix II attached hereto, except as set forth therein, and the Underwriters intend to continue to make an initial public offering of all the Bonds at a price not in excess of the initial offering price; provided, however, subject to compliance with the rules governing the establishment of issue price as set forth in this Purchase Agreement, that the Underwriters may change such initial offering price or prices as they deem necessary in connection with the offering of the Bonds without any requirement of prior notice, and may offer and sell the Bonds to certain institutions (including dealers depositing the Bonds into investment trusts) at prices lower than those stated in the Official Statement. The Underwriters also reserve the right to: (i) over-allot or effect transactions that stabilize or maintain the market price of any series of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

2. The Representative, on behalf of the Underwriters, agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications (if applicable), substantially in the form attached hereto as Appendix IV, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds. All actions to be taken by the Issuer under this section to establish the issue price of the Bonds may be taken on behalf of the Issuer by the Issuer’s municipal advisor and any notice or report to be provided to the Issuer may be provided to the Issuer’s municipal advisor.
3. Except as otherwise set forth in Appendix IV attached hereto, the Issuer will treat the first price at which at least 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Representative shall report to the Issuer the price or prices at which the Underwriters have sold to the public each maturity of Bonds. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.
4. Appendix II sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied (the “Undersold Maturities”) and for which the Issuer and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the underwriters (as defined in paragraph 7(ii) of this Section E) will neither offer nor sell Undersold Maturities to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:
 - (i) the close of the fifth (5th) business day after the sale date; or
 - (ii) the date on which the underwriters (as defined in paragraph 7(ii) of this Section E) have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether the underwriters (as defined in paragraph 7(ii) of this Section E) have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will note whether a Bond maturity is an Undersold Maturity and subject to the restrictions regarding its offer and sale price on the final pricing wire for the Bonds.

5. The Representative confirms that either (a) it will hold any Undersold Maturity or (b) as follows:
 - (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is

a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A) to comply with the hold-the-offering-price rule if and for so long as directed by the Representative and as set forth in the related pricing wires, and

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined in paragraph 7 of this Section E), and

(C) to acknowledge that, unless otherwise advised by the Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by the Underwriter, dealer or broker-dealer is a sale to the public.

- (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or selling group dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

6. The Issuer acknowledges that, in making the representations set forth in this Section E, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

The foregoing notwithstanding, each underwriter (as defined in paragraph 7(ii) of this Section E) that has been allotted an Undersold Maturity will confirm to the Representative that it has complied with the hold-the-offering-price rule.

7. The Underwriters acknowledge that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this paragraph 7:

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% 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), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% 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), and
- (iv) “sale date” means the date of execution of this Purchase Agreement by all parties.

F. End of Underwriting Period. For purposes of this Purchase Agreement, the “End of the Underwriting Period” shall mean 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 May 24, 2021, 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 Bonds will be applied to the: (i) retirement at maturity of a portion of the Issuer's outstanding general obligation commercial paper issued to fund certain capital projects of the Issuer; (ii) refunding of the Issuer's outstanding general obligation bonds listed on Appendix III hereof (collectively, the "Refunded Bonds") and (iii) payment of certain costs of issuance of the Bonds.

3. In connection with the refunding of the Refunded Bonds, the Issuer will enter into a Refunding Trust Agreement, dated as of the Closing Date (the "Refunding Trust Agreement"), with U.S. Bank National Association, 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 Issuer: (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, at all times during the period from the date hereof to and including the date which is 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 Issuer, including specifically Title 9, Chapter 9, Tennessee Code Annotated (the "Act"), various Public Acts of the General Assembly of the Issuer, 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 to the MSRB through EMMA and to the appropriate state information depository, if any: (a) certain annual financial information, including audited financial statements and operating data, as described in Appendix E to the Official Statement, and (b) timely notice (not in excess of ten business days after the occurrence of the event) of any of the events identified in Rule 15c2-12 with respect to the Bonds.
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.
6. The Issuer shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from federal or state income taxation of the Bonds and the income therefrom.
7. The Issuer will use the proceeds of the Bonds in accordance with the Resolution and the Act.

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 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 Issuer may be liable only for actual damages and certain costs, (iii) compliance with the provisions of the Resolution, the Continuing Disclosure Undertaking, the Refunding Trust Agreement, the Bonds and this Purchase Agreement 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; (iv) the distribution of the Preliminary Official Statement and the execution, delivery, and distribution of the Official Statement have been duly authorized by the Issuer; (v) 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); (vi) the Official Statement has been duly executed and delivered by the Issuer; (vii) 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 (viii) 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 would cause it to contain any untrue statement of a material fact or omit to state a material fact necessary 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 Samuel Klein and Company, Certified Public Accountants, described in the Official Statement under the caption “Verification Agent”; and
- 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 Issuer, 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 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
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 and 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, fees relating to the verification report; 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 Representative 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 (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)) 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
Cordell Hull Building
425 Rep. John Lewis Way N., 4th Floor
Nashville, Tennessee 37243
Attention: Director of the Division of State Government Finance
Facsimile: 615-741-5986

FHN Financial Capital Markets
845 Crossover Lane, Suite 150
Memphis, TN 38117
Attention: Municipal Underwriting Desk
Facsimile: 877-838-0057

Q. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the Issuer.

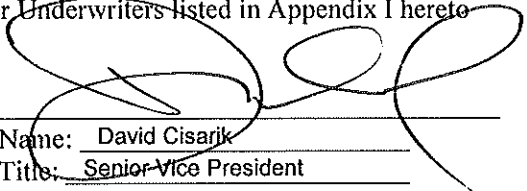
R. Counterparts. This Purchase Agreement may be executed in counterparts with the same force and effect as if all signatures appeared on a single instrument.

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,

FHN FINANCIAL CAPITAL MARKETS, on behalf of itself and as Representative of the other Underwriters listed in Appendix I hereto

By: 
Name: David Cisarik
Title: Senior Vice President

ACCEPTED:

FUNDING BOARD OF THE
STATE OF TENNESSEE

By: _____
Title: Comptroller of the Treasury;
Secretary of the Funding Board of the
State of Tennessee


Very truly yours,

FHN FINANCIAL CAPITAL MARKETS, on
behalf of itself and as Representative of the
other Underwriters listed in Appendix I hereto

By: _____
Name: _____
Title: _____

ACCEPTED:

FUNDING BOARD OF THE
STATE OF TENNESSEE

By: 
Title: Comptroller of the Treasury;
Secretary of the Funding Board of the
State of Tennessee

APPENDIX I

To

Bond Purchase Agreement

UNDERWRITERS

Representative and Senior Manager

FHN Financial Capital Markets

Co-Managers

Loop Capital Markets LLC

Morgan Stanley & Co. LLC

PNC Capital Markets LLC

Raymond James & Associates, Inc.

Wells Fargo Bank, National Association

APPENDIX II

To

Bond Purchase Agreement

**STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$167,755,000
2021 SERIES A**

Maturity Date	Amount	Rate	Yield	Price	
11/1/2022	\$17,030,000	5.000%	0.120%	106.336	
11/1/2023	10,185,000	5.000%	0.200%	111.008	
11/1/2024	10,355,000	5.000%	0.300%	115.421	
11/1/2025	10,485,000	5.000%	0.440%	119.401	
11/1/2026	10,505,000	5.000%	0.560%	123.153	
11/1/2027	10,575,000	5.000%	0.690%	126.525	
11/1/2028	10,645,000	5.000%	0.780%	129.887	
11/1/2029	10,775,000	5.000%	0.890%	132.811	
11/1/2030	10,855,000	5.000%	0.980%	135.648	
11/1/2031	10,940,000	5.000%	1.060%	138.347	
11/1/2032	11,035,000	5.000%	1.110%	137.760	C
11/1/2033	4,930,000	5.000%	1.160%	137.177	C
11/1/2034	4,930,000	5.000%	1.180%	136.944	C
11/1/2035	4,930,000	5.000%	1.200%	136.712	C
11/1/2036	4,930,000	5.000%	1.230%	136.365	C
11/1/2037	4,930,000	4.000%	1.350%	125.400	C
11/1/2038	4,930,000	4.000%	1.380%	125.073	C
11/1/2039	4,930,000	4.000%	1.410%	124.747	C
11/1/2040	4,930,000	4.000%	1.440%	124.422	C
11/1/2041	4,930,000	4.000%	1.470%	124.098	C
\$167,755,000					

C = Priced to call date of November 1, 2031.

Optional Redemption.

At the option of the Issuer, the Bonds maturing on or after November 1, 2032 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 November 1, 2031 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.

Establishment of Issue Price – Satisfaction of 10% Test.

There are no Undersold Maturities.

APPENDIX III

To

Bond Purchase Agreement

REFUNDED BONDS

Series	Maturity Date	Outstanding Principal Amount	Redemption Date	Redemption Price	CUSIP No.
2011B	8/1/2022	\$ 7,085,000	8/1/2021	100%	880541SD0
	8/1/2023	125,000	8/1/2021	100%	880541SE8
	8/1/2024	180,000	8/1/2021	100%	880541SF5
	8/1/2025	185,000	8/1/2021	100%	880541SG3
		<u>\$ 7,575,000</u>			
2012B	10/1/2022	\$ 7,000,000	7/26/2021	100%	880541TF4
	10/1/2023	7,000,000	7/26/2021	100%	880541TG2
	10/1/2024	7,000,000	7/26/2021	100%	880541TH0
	10/1/2025	7,000,000	7/26/2021	100%	880541TJ6
	10/1/2026	7,000,000	7/26/2021	100%	880541TK3
	10/1/2027	7,000,000	7/26/2021	100%	880541TL1
	10/1/2028	7,000,000	7/26/2021	100%	880541TM9
	10/1/2029	7,000,000	7/26/2021	100%	880541TN7
	10/1/2030	7,000,000	7/26/2021	100%	880541TP2
	10/1/2031	7,000,000	7/26/2021	100%	880541TQ0
	10/1/2032	7,000,000	7/26/2021	100%	880541TR8
			<u>\$ 77,000,000</u>		
Total Refunded Bonds		<u>\$ 84,575,000</u>			

APPENDIX IV

To

Bond Purchase Agreement

STATE OF TENNESSEE
GENERAL OBLIGATION BONDS
\$167,755,000
2021 SERIES A

ISSUE PRICE CERTIFICATE

The undersigned, as the duly authorized representative of FHN Financial Capital Markets (the “Representative”), on behalf of itself and the underwriters listed in the Bond Purchase Agreement (together, the “Underwriting Group”), with respect to the above-referenced bonds (the “Bonds”), issued by the State of Tennessee (the “Issuer”) hereby certifies, based upon the information available to it, as follows:

1. ***Sale of the General Rule Maturities.*** As of the date of this Certificate, for the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price-Maturities.***

(a) The Underwriters offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement, the Representative, on behalf of the members of the Underwriting Group, has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, the Underwriters would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. No information has come to the attention of the Representative, after due inquiry, that any underwriter has offered or sold any unsold Bonds of any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-

Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is June 23, 2021.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter(s) interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Hawkins Delafield & Wood LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Representative is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

Dated: July 13, 2021

FHN FINANCIAL CAPITAL MARKETS, as Representative

By: _____

Name: _____

Schedule A to Issue Price Certificate

Sale Prices

Maturity Date	Amount	Rate	Yield	Price	
11/1/2022	\$17,030,000	5.000%	0.120%	106.336	
11/1/2023	10,185,000	5.000%	0.200%	111.008	
11/1/2024	10,355,000	5.000%	0.300%	115.421	
11/1/2025	10,485,000	5.000%	0.440%	119.401	
11/1/2026	10,505,000	5.000%	0.560%	123.153	
11/1/2027	10,575,000	5.000%	0.690%	126.525	
11/1/2028	10,645,000	5.000%	0.780%	129.887	
11/1/2029	10,775,000	5.000%	0.890%	132.811	
11/1/2030	10,855,000	5.000%	0.980%	135.648	
11/1/2031	10,940,000	5.000%	1.060%	138.347	
11/1/2032	11,035,000	5.000%	1.110%	137.760	C
11/1/2033	4,930,000	5.000%	1.160%	137.177	C
11/1/2034	4,930,000	5.000%	1.180%	136.944	C
11/1/2035	4,930,000	5.000%	1.200%	136.712	C
11/1/2036	4,930,000	5.000%	1.230%	136.365	C
11/1/2037	4,930,000	4.000%	1.350%	125.400	C
11/1/2038	4,930,000	4.000%	1.380%	125.073	C
11/1/2039	4,930,000	4.000%	1.410%	124.747	C
11/1/2040	4,930,000	4.000%	1.440%	124.422	C
11/1/2041	4,930,000	4.000%	1.470%	124.098	C
<u>\$167,755,000</u>					

C = Priced to call date of November 1, 2031.

General Rule Maturities

Not Applicable

Maturities Listed Below

All Maturities of the Bonds are General Rule Maturities.

Hold-the-Offering-Price Rule Maturities

Not Applicable

Maturities Listed Below

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is dated and made as of July 13, 2021, by the State of Tennessee (the “State”) in connection with the issuance of the State’s \$167,755,000 aggregate principal amount of General Obligation Bonds, 2021 Series A and \$490,910,000 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 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 June 23, 2021, 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) or (ii) filed with the SEC. The provisions of this Section shall not apply to Notice Event Notices pursuant to Section 2.4 hereof.

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

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

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

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

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

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

ARTICLE IV

Effective Date, Termination, Amendment and Enforcement

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

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

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

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

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

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

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

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


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

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

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

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

STATE OF TENNESSEE

By: 
Sandra Thompson
Assistant Secretary, Funding Board
of the State of Tennessee, *and*
Director, Division of State Government
Finance, State of Tennessee



April 12, 2023

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

pfm

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Suite 160
Memphis, TN 38117
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pfm.com

Dear Ms. Thompson:

PFM, as Financial Advisor to the State of Tennessee ("State"), is recommending the State execute a competitive sale for its upcoming General Obligation Bonds 2023 Series A ("2023 Series A Bonds") which is tentatively scheduled to price in July 2023. The 2023 Series A Bonds will be issued primarily to provide funding of the State's \$500,000,000 grant to the Sports Authority of the Metropolitan Government of Nashville and Davidson County. PFM has prepared our bond sale recommendation understanding the State's 2023 Series A Bonds and all authorizations, either by the State or by the Metropolitan Government of Nashville and Davidson County, will have been obtained prior to the issuance of the 2023 Series A Bonds.

Basis for Recommendation

Competitive bond sales can offer several advantages over negotiated sales. A competitive sale typically assures the lowest interest rates. While underwriting firms may attempt to secure the best interest rates for the issuer, different firms have different perceptions of the market and cater to various investor requirements. This is evidenced by the fact that there are seldom two identical bids submitted at a competitive sale. In addition, interest rate differentials more than 1/4% (0.25%) between low and high bidders in a competitive sale are not uncommon.

Despite the advantages of competitive sales, some bond structures and certain market factors create conditions in which a negotiated sale may be the preferred sale method. The State should select a method of sale based on a thorough analysis of the relevant rating, security and structure pertaining to the proposed bond issue. The following table outlines the general conditions favoring each method of sale.



State of Tennessee General Obligation Bonds

April 12, 2023

Page 2

Attributes	Competitive Sale	Negotiated Sale	Relevance to the State <i>(GO Credit)</i>
Issuer			
<i>Type of Organization</i>	Broad-based, general-purpose government	Special-purpose, independent authority	The State's 2023 Series A Bonds will provide grant funding and fund other capital projects for the State and are securitized by the State's General Obligation credit. These factors imply a Competitive Sale.
<i>Frequency of Issuance</i>	Regular borrower in public market	New or infrequent issuer of debt	The State is a known borrower in the municipal markets.
<i>Market Awareness</i>	Active secondary market with wide investor base	Little or no institutional base, but growing dealer interest	The State has received favorable investor interest on prior sales. The State also has active communication with the investing community.
Credit Quality			
<i>Rating</i>	"A" or better	Below single "A"	The State has the highest credit of Aaa/AAA/AAA and is expected to be received favorably in the competitive market.
<i>Pledged Revenues</i>	General Obligation	Project supported revenues	The 2023 Series A Bonds will be securitized by the State's General Obligation pledge.
<i>Security Structure</i>	Conventional resolution and cashflow; rate covenant and coverage	Unusual or weak covenants; subordinated debt	The State will issue under a conventional bond resolution.
<i>Trend</i>	Stable	Improving or under stress	The State has stable ratings of Aaa/AAA/AAA.
Market Conditions			
<i>Interest Rates</i>	Stable, predictable market	Volatile or declining market	Interest rates have been volatile over the last six (6) months but have recently began decreasing in response to the bank failure scare in March 2023.
<i>Demand</i>	Strong investor demand, good liquidity, light forward calendar	Oversold market, heavy supply	The State has a history of strong investor demand and the flight to quality should be beneficial for the State.
Debt Structure			
<i>Tax Status</i>	Tax-exempt, no concerns	Taxable	2023 Series A Bonds will be issued tax-exempt.
<i>Debt Instrument</i>	Traditional serial and term, full-coupon bonds	Aggressive use of innovative bond structuring, derivative products, swaps, or variable-rate debt instruments	The State plans to sell traditional serial and/or term bonds.



Market Timing

Many proponents of negotiated sales argue that a negotiated sale provides greater flexibility in the timing of the bond's offering. In either method of sale, the issuer selects a tentative pricing date and retains the flexibility to change this date, if needed. In a competitive bond sale, the State's Notice of Sale will allow the State to cancel or change the pricing date until noon on the day preceding the competitive sale. Given either sale methodology, the process of marketing the bonds should begin one or two weeks prior to the pricing date. Should the municipal market become unsettled or volatile, the State can postpone the bond pricing until a more favorable market exists.

PFM is closely monitoring the municipal market as it relates to investor preferences and interest rates to strike a balance between the State's financial objectives and investor preferences.

PFM's Pricing Group

PFM possesses industry-leading expertise and experience regarding both competitive and negotiated bond sales. PFM has a dedicated, in-house bond Pricing Group which has been consulted in our evaluation and recommendation of a competitive bond sale to the State. PFM will also rely on our Pricing Group to evaluate the bond sale parameters to be included in the Notice of Sale.

Debt Management Policy Consideration

A competitive sale process seeks to achieve broad market participation and access, while following the State's Debt Management Policy.

Market Supply

Through Quarter 1 of 2023, municipal supply is down compared to Quarter 1 of 2022, in both par amount and number of issues (see Appendix A). During 2023, there have been no series of bonds with a par amount over \$100 million sold competitively in the State of Tennessee. Municipal bond supply is expected to remain low for the next few months. However, there will be bond redemptions occurring in May which will create a supply-demand opportunity for the State's 2023 Series A Bonds.

Recommendation

Considering the above, PFM continues to believe that the competitive sale process is optimal for the State's 2023 Series A bond issue. We believe that the competitive sale process will encourage the underwriters that the State already works with to offer their best price, while also providing other investment banking firms the opportunity to demonstrate their interest in the State of Tennessee. We would also recommend the authorizing resolution associated with the State's 2023 Series A Bonds include the flexibility of a negotiated sale as well. This will allow the Comptroller's Office to adjust the sale methodology without seeking additional State Funding Board authorization.



State of Tennessee General Obligation Bonds

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I would be happy to provide additional insight or to discuss further. Please call if you have any questions (901) 466-4554.

We appreciate the opportunity to serve the State and value our relationship. We look forward to successful financings in the future.

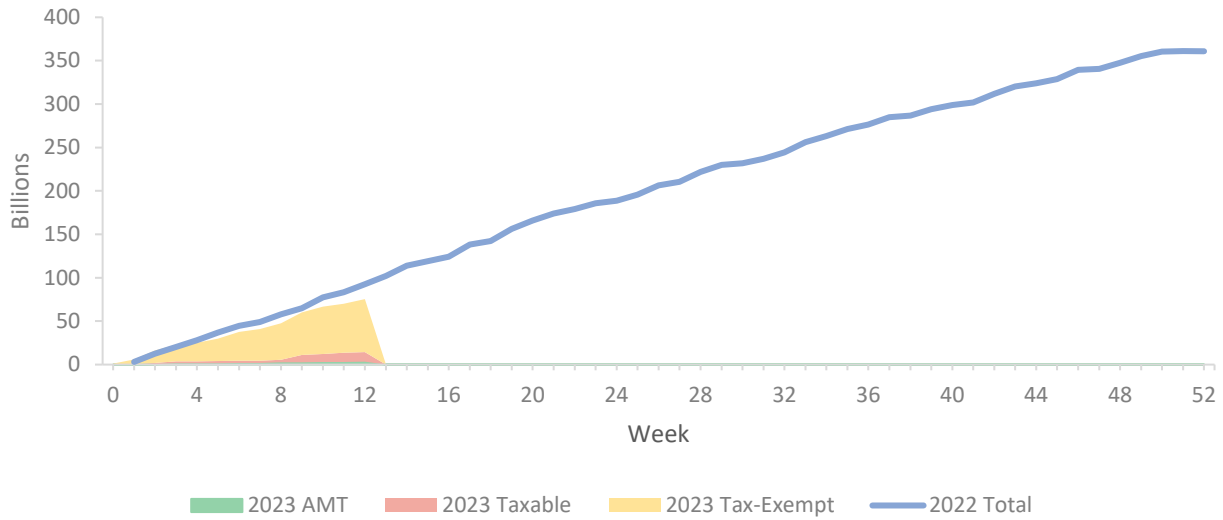
Sincerely,

Lauren S. Lowe
Managing Director
PFM Financial Advisors LLC

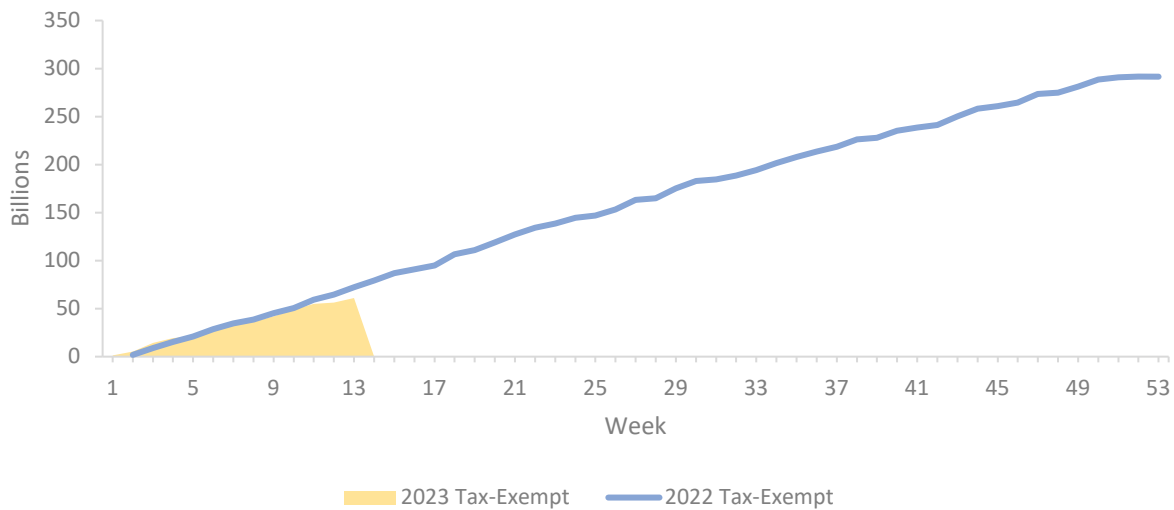


Appendix A

Cumulative YTD Supply - Total



Cumulative YTD Supply - Tax-Exempt



Source: Bloomberg