

**NEW ISSUE**

**(BOOK-ENTRY ONLY)**

**RATINGS: See "RATINGS" herein**

*In the opinions of Co-Bond Counsel to the Authority, interest on the Series 2010 Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended. In addition, in the opinions of Co-Bond Counsel to the Authority, under existing laws of the State of Tennessee (the "State"), the Series 2010 Bonds and the income therefrom are exempt from taxation by the State or any county, municipality or taxing district of the State, except for estate and gift taxes and taxes on transfers, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State. See "TAX MATTERS" herein.*

**\$212,440,000**

**TENNESSEE STATE SCHOOL BOND AUTHORITY  
QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2010  
(FEDERALLY TAXABLE-DIRECT SUBSIDY PAYMENT)**

<u><b>Dated</b></u>	<u><b>Interest Rate</b></u>	<u><b>Price</b></u>	<u><b>CUSIP*</b></u>	<u><b>Due</b></u>
Date of Delivery	4.848%	100.00%	8805577X5	September 15, 2027

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors are advised to read the entire official statement to obtain information essential to the making of an informed investment decision.*

The Qualified School Construction Bonds, Series 2010 (Federally Taxable-Direct Subsidy Payment) (the "Series 2010 Bonds") are being issued by the Tennessee State School Bond Authority (the "Authority") to make loans to participating counties and metropolitan governments in the State of Tennessee (collectively, the "Borrowers") to finance eligible public school projects and to pay costs of issuance of the Series 2010 Bonds. See "PLAN OF FINANCE" herein. The Series 2010 Bonds shall bear interest at the rate stated above, payable on each March 15 and September 15, commencing March 15, 2011. See "SERIES 2010 BONDS" herein.

The Series 2010 Bonds initially will be in book-entry form only, in denominations of \$5,000 principal amount or integral multiples thereof, and issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2010 Bonds. Purchasers will not receive physical delivery of the Series 2010 Bonds purchased by them. Payments of principal of and interest on the Series 2010 Bonds will be made by The Bank of New York Mellon Trust Company, N.A., as paying agent, registrar and trustee with respect to the Series 2010 Bonds, to DTC, for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2010 Bonds. See APPENDIX F- "BOOK-ENTRY ONLY SYSTEM" attached hereto.

Each Borrower will execute a loan agreement (collectively, the "Loan Agreements") pursuant to which it will agree to pay the principal of and interest on its loan and will pledge to such payments its full faith and credit and unlimited taxing power and its Unobligated State-Shared Taxes (as defined herein) in the event of non-payment by such Borrower. The Series 2010 Bonds are limited obligations of the Authority and are payable from and secured by Borrowers' payments under the Loan Agreements, receipts of Unobligated State-Shared Taxes and otherwise as more fully described herein. **The Authority has no taxing power. The State of Tennessee will not be liable on the Series 2010 Bonds, and such Series 2010 Bonds will not be a debt of the State of Tennessee.** See "PLAN OF FINANCE" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS" herein.

The Series 2010 Bonds are being issued as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended, with respect to which the Authority will irrevocably elect to receive direct interest subsidy payments (the "Subsidy Payments") from the United States Treasury rather than to provide a tax credit to owners of the Series 2010 Bonds. The Loan Agreements provide that Subsidy Payments received by the Authority will be transferred to the Borrowers except to the extent allocable to a Borrower and required, upon receipt, to satisfy a default under such Borrower's Loan Agreement; however, Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS" herein.

The Series 2010 Bonds are subject to redemption prior to maturity, as more fully described herein. See "THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds" herein.

The Series 2010 Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriters, subject to the approving opinions of Hawkins Delafield & Wood LLP, New York, New York, and Waller Lansden Dortch & Davis LLP, Nashville, Tennessee, Co-Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority by its counsel, the Attorney General and Reporter of the State of Tennessee, Nashville, Tennessee, and for the Underwriters by their counsel, Wyatt, Tarrant & Combs, LLP, Nashville, Tennessee.

The Series 2010 Bonds in definitive form are expected to be delivered to The Depository Trust Company in New York, New York, on or about October 7, 2010.

**Citi**

**Goldman, Sachs & Co.**

**Morgan Stanley**

**J.P. Morgan**

**RBC Capital Markets**

**Barclays Capital**

**Morgan Keegan & Company, Inc.**

**Siebert Brandford Shank & Co., L.L.C.**

\* CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included on this inside cover page solely for convenience of the Owners of the Bonds. Neither the Underwriters nor the Authority makes any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future.

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**TENNESSEE STATE SCHOOL BOND AUTHORITY**

Phil Bredesen, Governor, *Chairman*  
Justin P. Wilson, Comptroller of the Treasury, *Secretary*  
Tre Hargett, Secretary of State  
David H. Lillard, Jr., State Treasurer  
Dave Goetz, Commissioner of Finance and Administration  
Dr. Jan Simek, Acting President of the University of Tennessee  
Dr. Charles Manning, Chancellor of the Tennessee Board of Regents\*

**STAFF**

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Sandra Thompson, Assistant Director of State and Local Finance  
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*Nashville, Tennessee*

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*Nashville, Tennessee*

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
*Memphis, Tennessee*

**PAYING AGENT, REGISTRAR AND TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.  
*Atlanta, Georgia*

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\* Beginning October 1, 2010, John Morgan will be the Chancellor of the Tennessee Board of Regents

This Official Statement does not constitute an offering of any security other than the Series 2010 Bonds specifically offered hereby. No dealer, broker or other person has been authorized by the Authority to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the Series 2010 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Certain information set forth herein has been provided by the Authority and the Borrowers. Certain other information set forth herein has been obtained by the Authority from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances in this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2010 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES AGENCY. NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SERIES 2010 BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

The prices and other terms respecting the offering and sale of the Series 2010 Bonds may be changed from time to time by the Underwriters after such Series 2010 Bonds are released for sale, and the Series 2010 Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Series 2010 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 SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL SERIES 2010 BONDS TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE INITIAL PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID INITIAL PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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# OFFICIAL STATEMENT

Relating to

**\$212,440,000**

## **TENNESSEE STATE SCHOOL BOND AUTHORITY QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2010 (FEDERALLY TAXABLE-DIRECT SUBSIDY PAYMENT)**

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### INTRODUCTION

*This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents attached, summarized or described herein. Potential investors should fully review the entire Official Statement. The offering of the Series 2010 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.*

### **General**

This Official Statement, which includes the cover page and Appendices hereto, provides information in connection with the delivery and sale by the Tennessee State School Bond Authority (the "Authority") of \$212,440,000 in aggregate principal amount of its Qualified School Construction Bonds, Series 2010 (Federally Taxable-Direct Subsidy Payment) (the "Series 2010 Bonds"), as described more fully herein.

### **The Authority and the Borrowers**

The Authority, created in 1965 under the Tennessee State School Bond Authority Act, Title 49, Chapter 3, Part 12, Tennessee Code Annotated, as amended (the "Act"), is a corporate governmental agency and instrumentality of the State of Tennessee (the "State"). See "THE AUTHORITY" herein.

The "Borrowers" are participating cities and counties in the State which contain public school systems that have qualified public school bond projects that have been approved for financing by the Authority. The Borrowers are: (1) Blount County, (2) Cocke County, (3) Coffee County, (4) Dyer County, (5) Hawkins County, (6) Jefferson County, (7) Knox County, (8) Lauderdale County, (9) Maury County, (10) The Metropolitan Government of Nashville and Davidson County, (11) Sevier County, (12) Shelby County, (13) Sullivan County, (14) Trousdale County, and (15) Warren County, Tennessee. See "PLAN OF FINANCE – Borrower and Projects" herein, and APPENDIX E – "DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES" attached hereto.

## **Authority and Purpose for Issuance of the Series 2010 Bonds**

The Authority is empowered to issue the Series 2010 Bonds, and the Series 2010 Bonds will be issued under the Act and the Tennessee State School Bond Authority Qualified School Construction Bonds General Bond Resolution, adopted on November 5, 2009 (the “General Bond Resolution”), as supplemented by the Second Supplemental Resolution adopted by the Authority on August 26, 2010, including a series certificate authorized thereby. The General Bond Resolution as so supplemented is referred to herein as the “Bond Resolution.”

The Act empowers the Authority, among other things, to issue its bonds and notes for the purpose of providing moneys to make loans to certain cities, towns, counties, metropolitan governments and special districts (collectively, “Local Government Units”), including the Borrowers. The Series 2010 Bonds are being issued to finance eligible public school projects of the Borrowers and to pay the costs of issuing the Series 2010 Bonds, as more fully described herein. The proceeds of the Series 2010 Bonds will be loaned to the Borrowers for such purposes under the Loan Agreements as described in “– Security and Sources of Payment for the Series 2010 Bonds” below.

## **Security and Sources of Payment for the Series 2010 Bonds**

The Series 2010 Bonds are limited obligations payable as to principal and interest from the sources hereinafter described.

**The Authority has no taxing power. Furthermore, the State shall not be liable for the Series 2010 Bonds, and the Series 2010 Bonds shall not be a debt of the State.**

Pursuant to the Bond Resolution, (a) all payments made by each Borrower pursuant to its Loan Agreement as described herein, (b) funds held under the Bond Resolution and the earnings thereon (subject to the application thereof to the purposes and on the conditions set forth in the Bond Resolution), (c) Unobligated State-Shared Taxes (as defined in “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2010 BONDS-Unobligated State-Shared Taxes”) at such time as such taxes have been withheld pursuant to law and any Loan Agreement and which have become property of the Authority, and (d) all rights under the Loan Agreements or otherwise to receive the amounts pledged thereunder are pledged for the benefit of the owners of the Series 2010 Bonds, subject to the application thereof in accordance with the provisions of the Bond Resolution. The Bank of New York Mellon Trust Company, N.A., as the Trustee under the Bond Resolution, has the legal right to enforce such pledge; however, the Trustee has no duties or obligations as Trustee under the Bond Resolution prior to the occurrence of an Event of Default under the Bond Resolution.

Each Borrower will execute a Loan Agreement in which it agrees to pay the principal of its loan under the Loan Agreement, which corresponds to a proportionate share of the principal of the Series 2010 Bonds and all other obligations payable by it under the Loan Agreement including interest on its loan and its share of administrative expenses of the Authority and investment losses, and pledges to such payments its full faith and credit and unlimited taxing power. In addition, in its Loan Agreement, each Borrower (a) pledges its Unobligated State-Shared Taxes to the extent necessary, if available, to provide for the payment of the principal of, interest on and premium, if any, with respect to its loan and (b) authorizes the Authority to direct that such Unobligated State-Shared Taxes be withheld by the Commissioner of Finance and Administration of the State and paid to the Authority to the extent any such payment of the Borrower under the Loan Agreement with respect to such payment is delinquent.

The Attorney General and Reporter of the State has received a request to opine on whether general obligation taxes specially levied and collected for the payment of amounts due under the Loan Agreements must be shared with cities located within a county which operate their own city school systems. The Attorney General and Reporter has taken this matter under advisement. The Authority cannot predict whether or when the Attorney General and Reporter will opine or what the opinion, if issued, will be, or the effect of the opinion on a Borrower, including any decision by a Borrower not to enter into a Loan Agreement with the Authority. The request does not, however, question the levy or collection of taxes by a Borrower sufficient to satisfy payment obligations under the Loan Agreements.



See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” herein and APPENDIX A – “TENNESSEE STATE SCHOOL BOND AUTHORITY QUALIFIED SCHOOL CONSTRUCTION BONDS GENERAL BOND RESOLUTION” and APPENDIX B – “PROPOSED FORM OF LOAN AGREEMENTS.”

### **Description of the Series 2010 Bonds**

*Designation of Series 2010 Bonds as Qualified School Construction Bonds; Subsidy Payments.* The Series 2010 Bonds are being issued as “qualified school construction bonds” as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”), with respect to which the Authority will irrevocably elect to receive periodic direct cash subsidy payments (“Subsidy Payments”) from the United States Treasury in amounts equal to the lesser of: (i) 100% of the interest at the tax credit rate in effect at the time of pricing of the Series 2010 Bonds; or (ii) 100% of the amount of interest payable on the Series 2010 Bonds. See “THE SERIES 2010 BONDS” and “TAX MATTERS” herein. Subsidy Payments are expected to be received by the Authority contemporaneously with each Interest Payment Date, as defined below. Owners of Series 2010 Bonds will not be eligible to claim tax credits pursuant to Section 54A of the Code with respect to the Series 2010 Bonds. The Loan Agreements provide that Subsidy Payments received by the Authority will be transferred to the Borrowers except to the extent allocable to a Borrower and required, upon receipt, to satisfy a default under such Borrower’s Loan Agreement; however, Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds. See “THE SERIES 2010 BONDS” and “TAX MATTERS” herein.

*Interest Payments.* Interest on the Series 2010 Bonds shall be payable on March 15 and September 15 of each year, commencing on March 15, 2011 (each, an “Interest Payment Date”) and will be calculated on the basis of a 360-day year on twelve 30-day months. Each Series 2010 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a day during the period after the Record Date immediately preceding any Interest Payment Date to and including such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event interest thereon shall be payable from the date of the Series 2010 Bond, to the owner as of the applicable Record Date. The Record Date with respect to each Interest Payment Date is the first day of the month in which occurs such Interest Payment Date.

Interest payments on the Series 2010 Bonds will be funded by Loan Repayments consisting of principal and interest payments made by each Borrower under its respective Loan Agreement to the Principal Subaccounts and Interest Subaccounts, respectively, within the appropriate Borrower Accounts within the Loan Repayment Account in the Series 2010 Bond Fund Account, as set forth in the Bond Resolution. Each Borrower shall pay its gross monthly payment of the interest due on the Series 2010 Bonds without reduction for any Subsidy Payment. The Authority shall transfer to each Borrower for deposit in such Borrower’s Local Government Investment Pool Account maintained with the State, the Borrower’s proportionate share of any Subsidy Payment received by the Authority; provided, however, that if at the time the Authority receives a Subsidy Payment any amount payable by a Borrower under a Loan Agreement shall be due and owing, the Authority may apply such share of the Subsidy Payment in whole or in part as may be necessary to satisfy such obligation. Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds.

*Payment of Principal.* Principal of the Series 2010 Bonds is payable on the maturity date thereof.

*Denominations, Form and Registration.* The Series 2010 Bonds initially will be in book-entry form only, in denominations of \$5,000 principal amount or integral multiples thereof, and issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2010 Bonds and registered ownership of the Series 2010 Bonds may not thereafter be transferred except as provided in the Bond Resolution.

Purchasers will not receive physical delivery of the Series 2010 Bonds purchased by them. Payments of principal of and interest on the Series 2010 Bonds will be made by the Paying Agent with respect to the Series 2010 Bonds, to DTC, for subsequent disbursement to DTC Participants, who are expected to remit such payments to the beneficial owners of the Series 2010 Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

*Redemption of Series 2010 Bonds.* The Series 2010 Bonds are subject to extraordinary mandatory redemption, make-whole optional redemption and extraordinary make-whole optional redemption prior to maturity, as more fully described herein. See “THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds” herein.

### **Continuing Disclosure**

The Authority has authorized a Continuing Disclosure Undertaking with respect to the Series 2010 Bonds (the “Undertaking”) in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The Undertaking will be for the benefit of the holders of the Series 2010 Bonds and beneficial owners will be third-party beneficiaries thereof. In the Undertaking, the Authority agrees for the benefit of the holders and beneficial owners of the Series 2010 Bonds to provide certain financial information relating to the Borrowers and State-Shared Taxes (the “Annual Financial Information”) by not later than 240 days (one year for fiscal years ended June 30, 2010 and 2011 and for certain financial information relating to the Borrowers as described in the Continuing Disclosure Undertaking) following the end of the Authority’s and Borrowers’ fiscal years, commencing with fiscal year ended June 30, 2010, and to provide such Annual Financial Information and provide notices of occurrences of certain enumerated events, if material. The Authority will cause Annual Financial Information and such notices to be provided to, and in the manner prescribed by, the Municipal Securities Rulemaking Board. The information to be contained in the Annual Financial Information and the events, if material, requiring notice are set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” attached hereto. These agreements have been made in order to assist the Underwriters in complying with the Rule.

Each Borrower has agreed in its Loan Agreement to furnish any and all financial information and operating data pertaining to it which is required to be disclosed by the Authority annually pursuant to the Rule, at the times required by the Authority to comply with its secondary market disclosure obligations under the Rule. Also in each Loan Agreement, the Authority agrees to provide to the Borrower a list of the information and data required to be furnished by the Borrower and the time frame within which the same is to be furnished to the Authority. See APPENDIX B – “PROPOSED FORM OF LOAN AGREEMENTS.”

### **Tax Matters**

In the opinions of Co-Bond Counsel to the Authority, interest on the Series 2010 Bonds is included in gross income for federal income tax purpose pursuant to the Internal Revenue Code of 1986, as amended. In addition, in the opinions of Co-Bond Counsel to the Authority, under existing laws of the State, the Series 2010 Bonds and the income therefrom are exempt from taxation by the State or any county, municipality or taxing district of the State, except for estate and gift taxes and taxes on transfers, except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State. See “TAX MATTERS” herein.

### **Other Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Authority, the Borrowers, the Series 2010 Bonds, the Bond Resolution, the Loan Agreements and the security and sources of payment for the Series 2010 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The forms of the Bond Resolution, the Loan Agreements, and other documents are qualified in their entirety by reference to such documents, and references herein to the Series 2010 Bonds are qualified in their entirety to the form thereof included in the Bond Resolution. Copies of such documents are available upon request to the Director of State and Local Finance, Assistant Secretary of the Authority, at Suite 1600, James K. Polk Building, 505 Deaderick Street, Nashville, Tennessee 37243-0273, Telephone No. (615) 401-7872, and, following delivery of the Series 2010 Bonds, will be on file at the designated office of the Paying Agent.

## **THE AUTHORITY**

The Authority was created under the Act and is a corporate governmental agency and instrumentality of the State of Tennessee.

The members of the Authority consist of the Governor, the Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of Finance and Administration, the Chancellor of the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee and the President of The University of Tennessee. The Governor serves as the Chairman of the Authority, and the Comptroller of the Treasury serves as the Secretary.

The Government Entity Review Law (Title 4, Part 9, Tennessee Code Annotated, as amended) provides for the termination of various governmental entities on specified dates. In the case of the Authority, the date is June 30, 2014. 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 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.

In addition to its authority to issue the Series 2010 Bonds, the Authority was empowered by the General Assembly, and on December 17, 2009 issued Qualified School Construction Bonds, Series 2009 (the "2009 QSCBs"), in which a federal tax credit will be given to bondholders in lieu of the payment of interest on the bonds. In the past, the Authority has issued Qualified Zone Academy Bonds ("QZABs") in which, generally, a federal income tax credit is given to investors in lieu of the payment of interest on the bonds. Also, the Authority is empowered to issue bonds or notes to provide funds to finance higher education facilities for The University of Tennessee and the Tennessee Board of Regents institutions.

The Series 2010 Bonds are secured separate and apart from any other bonds and notes issued by the Authority.

## **PLAN OF FINANCE**

### **The Program**

The proceeds of the Series 2010 Bonds will be used for the purposes of (i) making loans to the Borrowers pursuant to the Loan Agreements to finance various qualified public school bond projects (the "Qualified Projects"), and (ii) paying the costs of issuance of the Series 2010 Bonds.

Pursuant to the Loan Agreements, the proceeds of the Series 2010 Bonds shall be expended by the Borrowers within two and one-half years of their date of delivery, unless otherwise approved by the Authority. See "THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds – Extraordinary Mandatory Redemption" herein.

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## Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2010 Bonds are estimated below.

Sources of Funds:	
Proceeds from Sale of Series 2010 Bonds	\$212,440,000.00
Total Sources	<u>\$212,440,000.00</u>
Uses of Funds:	
Deposit to Loan Fund	\$210,680,389.20
Costs of Issuance <sup>(1)</sup>	<u>\$ 1,759,610.80</u>
Total Uses	<u>\$212,440,000.00</u>

<sup>(1)</sup> Includes legal and accounting fees, Underwriters' discount, rating agency fees, printing costs and other costs of issuance.

## Participating Borrowers and Projects

As described in more detail in "SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2010 BONDS," the Authority has entered into Loan Agreements with each of the participating Borrowers. The Borrowers are participating cities and counties in the State containing public school systems that have qualified public school bond projects that have been approved for financing by the Authority. The Borrowers are: (1) Blount County, (2) Coker County, (3) Coffee County, (4) Dyer County, (5) Hawkins County, (6) Jefferson County, (7) Knox County, (8) Lauderdale County, (9) Maury County, (10) The Metropolitan Government of Nashville and Davidson County, (11) Sevier County, (12) Shelby County, (13) Sullivan County, (14) Trousdale County, and (15) Warren County, Tennessee.

Certain demographic and financial information of each Borrower, a description of each Borrower's Project, and information relating to each Borrower's loan amount, Loan Repayment requirements and Unobligated State-Shared Taxes, is provided in APPENDIX E – "DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES" attached hereto.

## SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2010 BONDS

### General

The Series 2010 Bonds are limited obligations payable as to principal and interest from the sources hereinafter described.

**The Authority has no taxing power. Furthermore, the State shall not be liable for the Series 2010 Bonds, and the Series 2010 Bonds shall not be a debt of the State.**

Pursuant to the Bond Resolution, (a) all payments made by each Borrower pursuant to its Loan Agreement as described herein, (b) funds held under the Bond Resolution and the earnings thereon (subject to the application thereof to the purposes and on the conditions set forth in the Bond Resolution), (c) Unobligated State-Shared Taxes at such time as such taxes have been withheld pursuant to law and any Loan Agreement and which have become property of the Authority, and (d) all rights under the Loan Agreements or otherwise to receive the amounts pledged thereunder, are pledged for the benefit of the owners of the Series 2010 Bonds, subject to the application thereof in accordance with the provisions of the Bond Resolution. The Bank of New York Mellon Trust Company, N.A., as the Trustee under the Bond Resolution, has the legal right to enforce such pledge; however, the Trustee has no duties or obligations as Trustee under the Bond Resolution prior to the occurrence of an Event of Default under the Bond Resolution. See APPENDIX A – "TENNESSEE STATE SCHOOL BOND AUTHORITY QUALIFIED SCHOOL

CONSTRUCTION BONDS GENERAL BOND RESOLUTION” and APPENDIX B – “PROPOSED FORM OF LOAN AGREEMENTS.”

Each Borrower will execute a Loan Agreement in substantially the form of APPENDIX B-“PROPOSED FORM OF LOAN AGREEMENT” in which it agrees to pay the principal of, interest on and premium, if any, with respect to its loan under the Loan Agreement, which corresponds to a proportionate share of the principal of, interest on and premium, if any, with respect to the Series 2010 Bonds, and all other obligations payable by it under the Loan Agreement including its share of administrative expenses of the Authority and investment losses, referred to as Loan Repayments in the Loan Agreement, and has pledged to such payments its full faith and credit and unlimited taxing power. The proceeds of any tax levied and collected by a Borrower and paid to the Authority to satisfy obligations under a Loan Agreement will be deposited under the Resolution and used exclusively for the purpose of paying amounts due by the Borrower under the Loan Agreement. In addition, in its Loan Agreement, each Borrower pledges its Unobligated State-Shared Taxes to the extent necessary, if available, to provide for the payment of the principal of, interest on and premium, if any, with respect to its loan and authorizes the Authority to direct that such Unobligated State-Shared Taxes be withheld by the State of Tennessee and paid to the Authority to the extent any payment of the Borrower under the Loan Agreement is delinquent. Section 49-3-1206(e)(2), Tennessee Code Annotated, as amended, authorizes the Tennessee Commissioner of Finance and Administration, after notice from the Authority, without further authorization, (1) to deduct from any State-Shared Taxes which are otherwise apportioned to such Borrower the amount required to make such Borrower current with respect to the unpaid amounts due the Authority under its Loan Agreement, and (2) to pay such amounts to the Authority. See APPENDIX B – “PROPOSED FORM OF LOAN AGREEMENTS.”

The Attorney General and Reporter of the State has received a request to opine on whether general obligation taxes specially levied and collected for the payment of amounts due under the Loan Agreements must be shared with cities located within a county which operate their own city school systems. The Attorney General and Reporter has taken this matter under advisement. The Authority cannot predict whether or when the Attorney General and Reporter will opine or what the opinion, if issued, will be, or the effect of the opinion on a Borrower, including any decision by a Borrower not to enter into a Loan Agreement with the Authority. The request does not, however, question the levy or collection of taxes by a Borrower sufficient to satisfy payment obligations under the Loan Agreements.

The Loan Agreements provide that Subsidy Payments received by the Authority will be transferred to the Borrowers except to the extent allocable to a Borrower and required, upon receipt, to satisfy a default under such Borrower’s Loan Agreement; however, Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds. Each Borrower shall pay its gross monthly payment of the interest due on the Series 2010 Bonds without reduction for any Subsidy Payment. The Authority shall transfer to each Borrower for deposit in such Borrower’s Local Government Investment Pool Account maintained with the State, the Borrower’s proportionate share of any Subsidy Payment received by the Authority; provided, however, that if at the time the Authority receives a Subsidy Payment any amount payable by a Borrower under a Loan Agreement shall be due and owing, the Authority may apply such share of the Subsidy Payment in whole or in part as may be necessary to satisfy such obligation. Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds.

**Unobligated State-Shared Taxes**

State-Shared Taxes are certain specified taxes appropriated and allocated by law to the Borrowers (the “State-Shared Taxes”), as described under “State-Shared Taxes” below, and Unobligated State-Shared Taxes, at any time, are all State-Shared Taxes which are not required to cure a then-existing default pursuant to any prior pledge of State-Shared Taxes (the “Unobligated State-Shared Taxes”). In each Loan Agreement, each Borrower pledges to its payment obligations under the Loan Agreement as much of its Unobligated State-Shared Taxes as is necessary to cover any such payments not made by the Borrower.

In addition to the Act, other provisions of State law permit the withholding of State-Shared Taxes to secure loans made to Local Government Units for various purposes. Blount County, Dyer County, Hawkins County, Knox County, The Metropolitan Government of Nashville and Davidson County, Shelby County, and Sullivan County, have previously pledged a portion of their State-Shared Taxes pursuant to various loan agreements with the Tennessee Local Development Authority and the Authority (in addition to the Loan Agreements). Unobligated

State-Shared Taxes not required at any particular time to cure a default under the Loan Agreements may be applied to cure other defaults for which they have been pledged, whether such pledge is prior to or subordinate to the Loan Agreements, and State-Shared Taxes pledged under other programs, whether such pledge is prior to or subordinate to the Loan Agreements, likewise may be available to cure defaults under the Loan Agreements as long as they are not required at any particular time to cure a default under a prior pledge. See also “– State-Shared Taxes – Description of State-Shared Taxes” below for certain circumstances that could affect the amount and availability of State-Shared Taxes. Each Borrower has agreed in its Loan Agreement that so long as its Loan Agreement remains outstanding, the Borrower will not create, assume or incur any pledge, encumbrance, lien or charge on parity with or prior to the lien created under its Loan Agreement on the Borrower’s Unobligated State-Shared Taxes. See APPENDIX C – “PROPOSED FORM OF LOAN AGREEMENTS.” APPENDIX E – “DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES” sets forth the amount of Unobligated State-Shared Taxes for each Borrower for the fiscal years ended June 30, 2009, and 2010 (estimated).

Each Loan Agreement authorizes the Authority to direct that Unobligated State-Shared Taxes due to the related Borrower be withheld and paid over to the Authority to cover any Loan Repayments due under its Loan Agreement. Section 49-3-1206(e)(2), Tennessee Code Annotated, as amended, authorizes the Tennessee Commissioner of Finance and Administration, after notice from the Authority, without further authorization, (1) to deduct from any State-Shared Taxes which are otherwise apportioned to such Borrower the amount required to make such Borrower current with respect to the unpaid amounts due the Authority under its Loan Agreement, and (2) to pay such amounts to the Authority.

### **State-Shared Taxes**

#### *Description of State-Shared Taxes*

State-Shared Taxes are defined in the Act with the meaning established by the Tennessee Local Development Authority Act (Title 4, Part 31, Tennessee Code Annotated, as amended) (the “Tennessee Local Development Authority Act”). The Tennessee Local Development Authority Act authorizes the Tennessee Local Development Authority to identify, from time to time, by resolution, the taxes constituting State-Shared Taxes, and upon approval of the form and substance of such resolution by the State Attorney General, such identification is conclusive as to the identified taxes. The Tennessee Local Development Authority has adopted a resolution, approved by the State Attorney General, pursuant to the Tennessee Local Development Authority Act, declaring certain taxes to be State-Shared Taxes. Those taxes are as follows and were disbursed to Local Government Units in the following respective aggregate amounts during the fiscal years of the State ended June 30, 2008, 2009, and 2010 (estimated).

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**State-Shared Taxes Information**

<u>State-Shared Tax</u>	<u>Year Tax Created</u>	<u>Year Current Revenue Distribution Formula was Instituted</u>	<u>Disbursements to Local Government Units<sup>1</sup></u>			<u>State Code Reference</u>
			<u>(Fiscal Years)</u>			
			<u>2008</u>	<u>2009</u>	<u>2010</u> (estimated)	
Gasoline Tax and Motor Vehicle Fuel Use Taxes	1923 Gasoline Tax, 1941 Motor Vehicle Fuel Tax	1931 Gasoline Tax, 1953 Motor Vehicle Fuel Tax	\$284,465	\$268,460	\$271,385	Title 67, Chapter 3
Sales and Use Tax (municipalities only)	1947	1984	262,429	252,659	245,833	Title 67, Chapter 6
Federal Payments in Lieu of Taxes	1947	1977	107,658	115,658	135,739	Title 67, Chapter 9
Tax on Income from Stocks and Bonds (Hall Income Tax)	1931	1937	84,576	99,246	78,539	Title 67, Chapter 2
Mixed Drink Tax	1967	1967	27,262	26,958	27,804	Title 57, Chapter 4
Alcoholic Beverage Tax (counties only)	1939	1978	7,155	7,419	7,801	Title 57, Chapter 3
Beer Tax	1933	1981	<u>3,651</u>	<u>3,553</u>	<u>3,397</u>	Title 57, Chapter 5
Total			<u>\$777,196</u>	<u>\$773,953</u>	<u>\$770,498</u>	

Source: Finance & Administration, Division of Accounts

<sup>1</sup> Expressed in Thousands (\$000)

State-Shared Taxes allocated to a particular Borrower are not authorized to be withheld to make payments under the Loan Agreement of any other Borrower. APPENDIX E – “DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES” sets forth the Unobligated State-Shared Taxes in fiscal years 2009 and 2010 (estimated) for each of the Borrowers and the estimated debt service requirements of these Borrowers and sets forth the amount of State-Shared Taxes allocated in each fiscal year from 2006 to 2009 and 2010 (estimated) to each of the Borrowers.

Moneys withheld from State-Shared Taxes apportioned to the Borrowers as permitted under the terms of the Loan Agreements shall be paid to the Authority as described in “– Unobligated State-Shared Taxes” above. Under the Bond Resolution, the Authority will deposit such amounts into the Bond Fund created in the Bond

Resolution and applied by the Authority solely to the payment of the principal of and interest on the Series 2010 Bonds.

**Although State-Shared Taxes are currently imposed and collected by the State and allocated to Local Government Units, including the Borrowers, by statutory formulae, there is no assurance that the State will continue to impose or collect State-Shared Taxes, impose or collect such taxes at current rates or with respect to current tax bases, or allocate such taxes to the Borrowers in accordance with current practices or statutory formulae. There can be no assurance that the General Assembly will not in subsequent sessions adopt legislation that may materially reduce or eliminate the amount of State-Shared Taxes or other revenues flowing to the Borrowers or eliminate growth in the distributed amount that the Borrowers may be anticipating.**

**The Authority cannot predict the form that future revisions, if any, to the State tax structure or to the allocation of State-Shared Taxes will take, the level of funding that the Borrowers will receive from State revenues or the effects any reduction in such revenues may have on the activities of the Borrowers. In addition, there can be no assurance that State-Shared Taxes will be available if they are withheld to satisfy withholdings permitted by other State law.**

See “– Unobligated State-Shared Taxes” above.

#### *Gasoline Tax and Motor Vehicle Fuel Use Taxes*

The tax imposed on distributors and dealers of gasoline was first enacted in 1923. The motor vehicle fuel use taxes (excise taxes on fuels other than gasoline, as defined by statute) were first imposed in 1941. The gasoline tax rate is currently 20 cents per gallon. Of the total gasoline tax rate, 11 cents is distributed under a formula which allocates approximately 14.3% of revenues to municipalities and 28.6% to counties. Three cents of the gasoline tax is allocated entirely to local governments, with approximately one-third being distributed to municipalities and approximately two-thirds to counties. The remaining gasoline tax is retained by the State. Effective January 1, 1989, gasohol is taxed and the tax revenue is distributed in the same manner as gasoline.

The taxes on motor vehicle fuels are composed of the diesel tax, which is currently 17 cents per gallon, and the tax on compressed natural gas used as motor vehicle fuel, which is currently 13 cents per gallon. Twelve cents of the motor vehicle fuel tax plus taxes derived from the issuance of “diesel tax prepaid user authorizations” and nine cents of the compressed natural gas tax is distributed under a formula which allocates approximately 12.38% to municipalities and 24.75% to counties. The remainder of the motor vehicle fuel taxes is retained by the State.

In fiscal year 2009, counties received a total combined allocation of \$178,845,000 pursuant to the Gasoline Tax and Motor Vehicle Fuel Use Taxes and municipalities received a total of \$89,615,000.

#### *Sales and Use Tax*

The retail sales and use tax (the “Sales Tax”), first enacted in 1947 at the rate of 2%, immediately became the State's largest revenue producer. From April 1, 1984, until April 1, 1992, the rate was 5.5%. Pursuant to 1992 Tennessee Public Acts Chapter 529, which became law March 4, 1992, the General Assembly increased the Sales Tax rate to 6.0%, effective April 1, 1992, through June 30, 1994. This increase is earmarked for the State's general fund, to be used for educational purposes. In 1994, the General Assembly enacted legislation making this increase permanent. In 2002, the General Assembly increased the Sales Tax rate to 7%, effective July 15, 2002; this increase is also earmarked for the State's general fund but is allocated exclusively for general State purposes. In general, under current law, approximately 4.59% of the Sales and Use Taxes collected are distributed among the incorporated municipalities based on population. Municipalities received \$252,659,000 in fiscal year 2009.

#### *Federal Payments in Lieu of Taxes*

The federal legislation creating the Tennessee Valley Authority (“TVA”) requires TVA to pay to the State a percentage of its gross revenues each year in lieu of taxes. In 1978, the State set the current base amounts for



determining annual distributions to counties and municipalities of such TVA payments. Approximately 51.5% of the subsequent increase in proceeds from such TVA payments is allocated to counties and municipalities each year. Impacted areas experiencing TVA construction activities receive 3% of such increase. The remaining 48.5% of the increase is allocated 30% to municipalities, based on population, and 70% to counties, based on population, area, and, in part, on the percentage of TVA-owned land in the county. In fiscal year 2009, counties received a total of \$81,925,000 and municipalities a total of \$33,733,000 in state-shared TVA payments.

#### *Tax on Income from Stocks and Bonds*

The income tax levied upon State taxpayers on their income derived by way of dividends on stocks and interest on bonds (commonly called the Hall Income Tax) was enacted in 1931. The rate is 6% per annum on such income, after applying an exemption. Of the taxes collected, three-eighths of the net tax is distributed among municipalities and counties based on the residence of the taxpayer. In fiscal year 2009, \$76,850,000 was distributed to municipalities and \$22,396,000 was distributed to counties. Legislation enacted in 1985 for tax years ending on or after January 1, 1986, raised the amount of such income exempt from the tax, increased the total annual income limits below which senior citizens are not required to pay the tax and eliminated a lower tax rate on stock dividends from certain corporations.

#### *Mixed Drink Tax*

The mixed drink tax was first enacted in 1967. The tax is levied at the rate of 15% of the sales price of all alcoholic beverages sold for consumption on the premises where sold. Fifty percent of the tax is allocated to counties and municipalities in which the alcoholic beverage is consumed that gives rise to the tax. One-half of such allocation is distributed to either the county or municipality in which the taxed liquor is consumed, depending on the form of organization of the local public school system; the remaining one-half of such allocation is allocated to the municipality if collected therein and to the county if collected outside the corporate limits of a municipality. Municipalities received a total allocation of \$18,167,000 and counties received a total of \$8,790,000 in fiscal year 2009 pursuant to this tax.

#### *Alcoholic Beverage Tax*

The alcoholic beverage tax was first enacted in 1939. The tax is levied at the rate of \$1.21 on each gallon of wine (other than wine produced in the State) and \$4.40 on each gallon of spirits. Approximately 17.5% of the proceeds of the tax is allocated to counties, based predominantly on county population and in part on area. Counties received a total allocation of \$7,419,000 pursuant to the alcoholic beverage tax in fiscal year 2009.

#### *Beer Tax*

The beer tax was first enacted in 1933. The tax is levied at the rate of \$4.29 per thirty-one liquid gallon barrel. Of the proceeds of the tax, 10.05% is allocated equally to counties and 10.05% is allocated based on population to municipalities. In fiscal year 2009, counties received \$1,777,000 and municipalities an equal amount, pursuant to allocations of the beer tax.

## **THE SERIES 2010 BONDS**

### **Authority for Issuance**

The Series 2010 Bonds are being issued pursuant to the provisions of the Act and the Bond Resolution, and are subject to certain requirements of the American Recovery and Reinvestment Act of 2009 as amended by the Hiring Incentives to Restore Employment Act of 2010 (collectively, the "Recovery Act") and the Code and other applicable law.

## **Designation of Series 2010 Bonds as Qualified School Construction Bonds**

The Series 2010 Bonds will be designated by the Authority as “qualified school construction bonds” under the provisions of Section 54F of the Code. The Authority will make an irrevocable election pursuant to the Code to receive a direct interest subsidy (the “Subsidy Payment”) from the United States Treasury for each interest payment made with respect to the Series 2010 Bonds. Owners of Series 2010 Bonds will not be eligible to claim tax credits pursuant to Section 54A of the Code with respect to the Series 2010 Bonds.

## **Payment of Principal**

Principal of the Series 2010 Bonds is payable on the maturity date thereof shown on the cover page hereof. The principal of the Series 2010 Bonds will be payable, when due or upon redemption prior thereto, in lawful money of the United States of America to the person whose name appears on the registration books of the Paying Agent as the registered owner thereof upon the surrender thereof at the designated office of the Paying Agent.

## **Denominations, Form and Registration**

The Series 2010 Bonds initially will be issued in book-entry form only, in denominations of \$5,000 principal amount or integral multiples thereof, and issued and registered in the name of Cede & Co., as nominee for DTC. DTC will act as securities depository for the Series 2010 Bonds and registered ownership of the Series 2010 Bonds may not thereafter be transferred except as provided in the Bond Resolution.

Purchasers will not receive physical delivery of the Series 2010 Bonds purchased by them. Payments of principal of and interest on the Series 2010 Bonds will be made by the Paying Agent to DTC, for subsequent disbursement to DTC Participants, who are expected to remit such payments to the beneficial owners of the Series 2010 Bonds. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

## **Redemption of the Series 2010 Bonds**

*Extraordinary Mandatory Redemption from Unexpended Proceeds.* If there are unexpended proceeds of the Series 2010 Bonds on the date three years after their date of delivery, the Series 2010 Bonds shall be subject to extraordinary mandatory redemption from such unexpended bond proceeds (and additional amounts, if any, necessary to redeem bonds in Authorized Denominations), in whole or in part, on any Business Day on or prior to the date that is 90 days after the expiration of such three year period or, in the event of an extension granted by the Commissioner of the Internal Revenue Service for the expenditure of Series 2010 Bond proceeds beyond such three year period, on any Business Day that is on or before the date that is 90 days after the expiration of such extended period, in Authorized Denominations, at a redemption price equal to the principal amount of the Series 2010 Bonds to be redeemed, plus accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

*Make-Whole Optional Redemption.* The Series 2010 Bonds shall be subject to redemption prior to their stated maturities, in whole or in part, at any time at the “Make-Whole Redemption Price.” The Make-Whole Redemption Price is equal to the greater of:

- (a) 100 % of the principal amount of the Series 2010 Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate (defined below) plus 25 basis points (0.25%);

plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

“United States Treasury Rate” means, with respect to any redemption date for a particular Series 2010 Bond, 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) that has become publicly available at least two business days, but not more than 45 calendar days, prior to the redemption date, excluding inflation indexed securities, or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2010 Bonds to be redeemed; provided, however, that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

*Extraordinary Make-Whole Optional Redemption.* The Series 2010 Bonds shall be subject to extraordinary optional redemption prior to maturity, at the option of the Authority, upon the occurrence of an Extraordinary Event (defined below), in whole or in part, on any Business Day at the “Extraordinary Make-Whole Redemption Price.” The Extraordinary Make-Whole Redemption Price is equal to the greater of:

- (a) 100 % of the principal amount of the Series 2010 Bonds to be redeemed; or
- (b) the sum of the present value of the remaining scheduled payments of principal of and interest on the Series 2010 Bonds to be redeemed to the maturity date of such Series 2010 Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010 Bonds are to be redeemed, discounted to the date on which the Series 2010 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30 day months, at the United States Treasury Rate (defined above) plus 100 basis points (1.00%);

plus, in each case, accrued interest on the Series 2010 Bonds to be redeemed to the redemption date.

An “Extraordinary Event” will have occurred if the Authority determines that a material adverse change has occurred to Section 54A or 6431 of the Code (pertaining to, among other things, “qualified school construction bonds” that are “qualified bonds”) or there is guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of an act or omission by the Authority to satisfy the requirements to receive a cash subsidy payment from the United States Treasury, pursuant to which the Authority’s currently applicable cash subsidy payment from the United States Treasury is reduced or eliminated.

*Selection of Offered Bonds to be Redeemed.* If less than all of the Series 2010 Bonds of a maturity are to be redeemed, the particular Series 2010 Bonds or portions thereof of such maturity to be redeemed shall be selected by the Paying Agent pro rata, subject to the authorized denominations applicable to the Series 2010 Bonds.

For so long as a book-entry only system is in effect with respect to a series of the Series 2010 Bonds and DTC or a successor securities depository is the sole registered owner of such Series 2010 Bonds, in the event of a redemption of less than all of the Series 2010 Bonds of such series of a maturity, the particular ownership interests of such Series 2010 Bonds of such series and maturity to be redeemed will be determined by DTC and Direct DTC Participants and Indirect DTC Participants (all as defined in APPENDIX F - “BOOK-ENTRY ONLY SYSTEM”), or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption of Series 2010 Bonds, DTC’s rules and procedures currently provide for the redemption to be processed by random lottery. The Series 2010 Bonds will be made eligible for partial redemptions to be treated by DTC, in accordance with its rules and procedures, as a “pro-rata pass-through distribution of principal”, and partial redemptions are expected to be processed by DTC on a pro-rata pass-through distribution of principal basis in accordance with such rules and procedures. In the event of a partial redemption of Series 2010 Bonds, the security position at DTC will not be reduced but the balance will be subject to adjustment by a factor to be provided to DTC by the Paying Agent. If, at the time of a partial redemption of Series 2010 Bonds, the Paying Agent fails to identify the Series 2010 Bonds being redeemed as being subject to a pro-rata pass-through distribution of principal and/or fails to furnish such factor to DTC, DTC’s rules and procedures provide that such redemption will be processed by random lottery. The Authority provides no assurance that DTC and any Direct DTC Participant and Indirect DTC Participant, or any successor securities depository or other intermediary, will make any such determination by lot in the case of a partial redemption of Series 2010

Bonds, and will make such determination on a pro rata basis or effectuate a pro-rata pass-through distribution of principal in the case of a partial redemption of Series 2010 Bonds, and that the Paying Agent will identify the Series 2010 Bonds and provide the appropriate factor as described above in the case of a partial redemption of Series 2010 Bonds, and in each case any failure to do so shall not affect the sufficiency or the validity of the related redemption of Series 2010 Bonds.

Notice of redemption of any Series 2010 Bond will be given by the Paying Agent. Notice of any redemption of Series 2010 Bonds shall be mailed postage prepaid, not less than 30 days prior to the redemption date, by first class mail to the respective registered owners thereof at the addresses appearing on the registration books. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of the Series 2010 Bonds. When notice of redemption has been given as described above, and when the redemption price of the Series 2010 Bonds called for redemption is set aside for such purpose, the Series 2010 Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date.

Any notice of redemption of the Series 2010 Bonds may be conditional and if any condition stated in the notice of redemption will not have been satisfied on or prior to the redemption date, said notice: (i) will be of no force and effect; (ii) the Authority will not be required to redeem such Series 2010 Bonds; (iii) the redemption will not be made and (iv) the Paying Agent will within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

The Authority may rescind any redemption and notice thereof for any reason on any date prior to or on the date fixed for redemption by causing written notice of the rescission to be given to the registered owners of the Series 2010 Bonds so called for redemption. Notice of rescission of redemption will be given in the same manner in which notice of redemption was originally given. The actual receipt by the registered owner of any Series 2010 Bond, or by any securities depository or information service, of notice of such rescission will not be a condition precedent to rescission, and failure of any of them to receive such notice or any defect in such notice will not affect the validity of the rescission.

### **Application and Investment of Bond Proceeds and Funds**

The proceeds to be derived by the Authority from the sale of the Series 2010 Bonds and investment earnings thereon, other than proceeds to be applied to pay costs of issuance incurred in connection with the Series 2010 Bonds, are to be loaned to participating Borrowers to pay the costs of “school credit bond projects” as such term is defined in the Act. Such proceeds will be deposited in the Loan Fund established under Section 6.03 of the Bond Resolution (the “Loan Fund”). The Borrowers will have sole responsibility that such proceeds be used for the purpose for which the Series 2010 Bonds are being issued and in compliance with the requirements of the Recovery Act and the Code. Such net proceeds and interest earnings on the investment of moneys held in the Loan Fund will be retained in the Loan Fund and used only for capital expenditures eligible under the Act, the Recovery Act and the Code or to pay the cost of redeeming the Series 2010 Bonds in the event an extraordinary mandatory redemption occurs. See “PLAN OF FINANCE” and “THE SERIES 2010 BONDS – Redemption of the Series 2010 Bonds – Extraordinary Mandatory Redemption” herein.

In accordance with the Bond Resolution, the Authority will deposit into the Bond Fund the Loan Repayments (as defined in the Bond Resolution) representing payments of principal and interest and other amounts under the Borrowers’ Loan Agreements relating to such Series 2010 Bonds. The Authority will also deposit into the Bond Fund all intercepted Unobligated State-Shared Taxes necessary to pay the principal of, interest on and premium, if any, with respect to Series 2010 Bonds. All income derived from the investment of such amounts as realized shall be retained in the Bond Fund. The custodian of the Bond Fund, whether the State Treasurer, the Trustee or other entity, shall disburse, from time to time, sufficient moneys from the Bond Fund to the Paying Agent to pay the principal of, interest on and premium, if any, with respect to the Series 2010 Bonds at least one business day prior to the due date. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS” herein.

All Subsidy Payments received by the Authority with respect to the Series 2010 Bonds shall be deposited, when received, into the Series 2010 Bond Fund. The Loan Agreements provide that Subsidy Payments received by the Authority will be transferred to the Borrowers except to the extent allocable to a Borrower and required, upon receipt, to satisfy a default under such Borrower's Loan Agreement; however Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds. Each Borrower shall pay its gross monthly payment of the interest due on the Series 2010 Bonds without reduction for any Subsidy Payment. The Authority shall transfer to each Borrower for deposit in such Borrower's Local Government Investment Pool Account maintained with the State, the Borrower's proportionate share of any Subsidy Payment received by the Authority; provided, however, that if at the time the Authority receives a Subsidy Payment any amount payable by a Borrower under a Loan Agreement shall be due and owing, the Authority may apply such share of the Subsidy Payment in whole or in part as may be necessary to satisfy such obligation. Subsidy Payments are not pledged as security for payment of the Series 2010 Bonds.

### **Mandatory Series 2010 Bond Fund Deposits**

Pursuant to the Loan Agreements, each Borrower agrees to pay to the Authority all Loan Repayments on each Loan Repayment Date, in the amounts and in the manner therein provided, to be deposited by the Authority to the Series 2010 Bond Fund. The term "Loan Repayment Date" is defined in the Loan Agreements to mean (i) with respect to that portion of Loan Repayments consisting of scheduled Administrative Expenses (as defined in the Loan Agreement), the first day of each month commencing on February 1, 2011 and continuing on the first day of each month thereafter until the loan is paid in full, or if such day is not a business day, then on the next succeeding business day, or with respect to non-scheduled payments, at any time on demand of the Authority; (ii) with respect to that portion of Loan Repayments attributable to any payment into the Borrower Loan Repayment Sub-Account (as defined in the Loan Agreements) related to the principal of the Series 2010 Bonds, monthly, on the first day of the month commencing September 1, 2011, and continuing on the first day of each month thereafter until the loan is paid in full, or if such day is not a business day, then on the next succeeding business day, in approximately equal monthly amounts on the first day of each month (acknowledging that scheduled principal payments for the last ten months may differ from prior months' payments), and as more fully described in Exhibit D to the Loan Agreement; (iii) with respect to that portion of Loan Repayments attributable to any payment into the Borrower Loan Repayment Sub-Account (as defined in the Loan Agreements) related to interest on the Series 2010 Bonds, monthly, on the first date of the month commencing November 1, 2010, and continuing on the first day of each month thereafter until the loan is paid in full, or if such day is not a business day, then on the next succeeding business day, and as more fully described on Exhibit D to the Loan Agreement, except that no Loan Repayment with respect to interest shall be made on September 1 of each year; and (iv) with respect to all other amounts payable by the Borrowers under the Loan Agreements, at any time on demand by the Authority.

In the event on any Interest Payment Date the amounts deposited by a Borrower with respect to interest, together with available Unobligated State-Shared Taxes, are insufficient to pay the interest on its Loan corresponding to a share of the interest on the Series 2010 Bonds, amounts deposited by the Borrower with respect to principal may be used to satisfy the deficiency. In such event, the deficiency will remain as an unpaid amount under the Borrower's Loan Agreement payable upon demand of the Authority.

With respect to that portion of the Loan Repayments attributable to principal of the Series 2010 Bonds, the estimated annual payments made by the Borrowers, collectively, to the Authority to be deposited into the Series 2010 Bond Fund are in the following amounts for the following bond years ending September 15 of each year (each Borrower shall receive a credit against each related Loan Repayment attributable to principal on the Series 2010 Bonds in an amount equal to the earnings derived from the investment of the Principal Subaccount of the related Borrower and reported to the Authority):

<u>Bond Years</u> <u>Ended September 15</u>	<u>Annual</u> <u>Principal/Sinking Fund</u> <u>Payments<sup>(1)</sup></u>
2011	1,104,660
2012	13,255,925
2013	13,255,925
2014	13,255,925
2015	13,255,925
2016	13,255,925
2017	13,255,925
2018	13,255,925
2019	13,255,925
2020	13,255,925
2021	13,255,925
2022	13,255,925
2023	13,255,925
2024	13,255,925
2025	13,255,925
2026	13,255,925
2027	<u>12,496,471</u>
Total	\$212,440,000

<sup>(1)</sup> Totals may not add due to rounding.

Each Borrower shall pay its gross monthly payment of the interest due on the Series 2010 Bonds without reduction for any Subsidy Payment. Subsidy Payments received by the Authority shall be transferred to each Borrower except to the extent allocable to a Borrower and required, upon receipt, to satisfy a default under such Borrower’s Loan Agreement, for deposit in such Borrower’s Local Government Investment Pool Account maintained with the State.

The obligations of each Borrower to make the Loan Repayments and to perform and observe all other covenants, conditions and agreements under its Loan Agreement shall be absolute and unconditional until payment of such Borrower obligations thereunder, irrespective of any defense or any rights of setoff, recoupment or counterclaim which such Borrower might otherwise have against the Authority or the Trustee, if any. Until payment of all Borrower obligations thereunder, the Borrower shall not suspend or discontinue any such payment under its Loan Agreement or fail to observe and perform any of their other covenants, conditions and agreements hereunder for any cause, including without limitation failure of consideration, failure of title to any part of all of its projects financed with the proceeds of the Series 2010 Bonds (the “Projects”), or commercial frustration of purpose, or any damages to or destruction or condemnation of all or any part of the Projects, or any change in the tax or other laws of the United States of America, the State or any political subdivision of either, or any failure of the Authority, or the Trustee or Paying Agent, to observe and perform any covenant, condition or agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with any document in connection with the financing of the Projects.

## **TAX MATTERS**

### **Opinions of Co-Bond Counsel to the Authority**

In the opinions of Hawkins Delafield & Wood LLP and Waller Lansden Dortch & Davis LLP, Co-Bond Counsel to the Authority, interest on the Series 2010 Bonds is included in gross income for federal income tax purposes pursuant to the Code.

In the opinions of Co-Bond Counsel to the Authority, under existing laws of the State, the Series 2010 Bonds and the income thereon are free from taxation by the State or any county, municipality or taxing district of the State, except for estate and gift taxes and taxes on transfers, except to the extent such income may be included within the measure of privilege taxes imposed pursuant to the laws of the State.

Co-Bond Counsel to the Authority express no opinion regarding any other federal, state or local tax consequences with respect to the Series 2010 Bonds.

Co-Bond Counsel to the Authority render their opinions under existing statutes and court decisions as of the issue date of the Series 2010 Bonds, and assume no obligation to update their opinions thereafter to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise.

The proposed form of the opinions of Co-Bond Counsel to the Authority is attached hereto as APPENDIX C – “PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL TO THE AUTHORITY.”

### **General**

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Series 2010 Bonds by original purchasers thereof who are “U.S. Holders”, as defined herein. This summary (i) is based on certain relevant provisions of the Code under existing law that are subject to change at any time, possibly with retroactive effect; (ii) assumes that the Series 2010 Bonds will be held as “capital assets”; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Series 2010 Bonds as a position in a “hedge” or “straddle”, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or holders who acquire Series 2010 Bonds in the secondary market.

Prospective holders of the Series 2010 Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2010 Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

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

The Code establishes certain ongoing requirements that must be met subsequent to the issuance of the Series 2010 Bonds in order to ensure the continuing qualification of the Series 2010 Bonds as “qualified school construction bonds” which are “qualified bonds” under Section 54A of the Code entitling the Authority to receive Subsidy Payments from the United States government. These requirements include, but are not limited to, requirements relating to the use and expenditure of the available project proceeds of the Series 2010 Bonds, yield and other restrictions on investments of available project proceeds, funding and yield restriction on investments of sinking funds established for the Series 2010 Bonds, and the arbitrage rebate requirement that certain excess earnings on the proceeds of the Series 2010 Bonds be rebated to the federal government. Noncompliance with such requirements may cause the Series 2010 Bonds to lose their qualification as “qualified school construction bonds”, possibly retroactively to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, in executing the Issuer’s Tax Certificate concurrently with the delivery of the Series 2010 Bonds, will covenant to comply with certain applicable requirements of the Code to ensure the continuing qualification of the Series 2010 Bonds as “qualified school construction bonds” which are eligible for federal cash subsidy payments under Section 54A of the Code.

### **U.S. Holders**

The term “U.S. Holder” means a beneficial owner of a Series 2010 Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States

federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

### **Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to many classes of holders of the Series 2010 Bonds with respect to payments of the principal of and interest on the Series 2010 Bonds and proceeds of sale of such Series 2010 Bonds before maturity within the United States. Backup withholding may apply to holders of the Series 2010 Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitute over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax, provided the required information is furnished to the Internal Revenue Service.

### **IRS Circular 230 Disclosure**

The advice under the caption "Tax Matters," concerning certain income tax consequences of the acquisition, ownership and disposition of the Series 2010 Bonds, was written to support the marketing of the Series 2010 Bonds. To ensure compliance with the requirements imposed by the Internal Revenue Service, each prospective purchaser of the Series 2010 Bonds is advised that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Co-Bond Counsel to the Authority (including any opinions of Co-Bond Counsel to the Authority) is not intended to be used, and cannot be used, by any owner of a Series 2010 Bond for the purpose of avoiding penalties that may be imposed on the owner under the Code, and (ii) the owner should seek advice based on the owner's particular circumstances from an independent tax advisor.

### **Miscellaneous**

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the federal or State level, may adversely affect the classification of the Series 2010 Bonds as "qualified school construction bonds", the ability of the Authority to receive Subsidy Payments, or the tax-exempt status of the interest on the Series 2010 Bonds under State law, and could affect the market price or marketability of the Series 2010 Bonds.

Prospective purchasers of the Series 2010 Bonds should consult their own tax advisors regarding the foregoing matters.

## **LEGAL MATTERS**

### **Continuing Disclosure**

The Authority has authorized a Continuing Disclosure Undertaking with respect to the Series 2010 Bonds (the "Undertaking") in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The Undertaking will be for the benefit of the holders of the Series 2010 Bonds and beneficial owners will be third-party beneficiaries thereof. In the Undertaking, the Authority agrees for the benefit of the holders and beneficial owners of the Series 2010 Bonds to provide certain financial information relating to the Borrowers and State-Shared Taxes (the "Annual Financial Information") by not later than 240 days (one year for fiscal years ended June 30, 2010 and 2011 and for certain financial information relating to the Borrowers as described in the Continuing Disclosure Undertaking) following the end of the Authority's and Borrowers' fiscal years, commencing with fiscal year ended June 30, 2010, and to provide such Annual Financial Information and provide notices of occurrences of certain enumerated events, if material. The Authority will cause Annual Financial Information and such notices to be provided to, and in the manner prescribed by, the Municipal Securities Rulemaking Board. The Authority has not failed during the previous five years to comply with any previous undertakings in a written continuing disclosure contract or agreement under the Rule. The information to be contained in the Annual Financial Information and a notice of material event is set forth in APPENDIX D – "FORM



OF CONTINUING DISCLOSURE UNDERTAKING” attached hereto. These agreements have been made in order to assist the Underwriters in complying with the Rule.

Each Borrower has agreed in its Loan Agreement to furnish any and all financial information and operating data pertaining to it which is required to be disclosed by the Authority annually pursuant to the Rule, at the times required by the Authority to comply with its secondary market disclosure obligations under the Rule. Also in each Loan Agreement, the Authority agrees to provide to the Borrower a list of the information and data required to be furnished by the Borrower and the time frame within which the same is to be furnished to the Authority. See APPENDIX B – “PROPOSED FORM OF LOAN AGREEMENTS.”

### **Legal Opinions**

The validity of the Series 2010 Bonds and certain other legal matters are subject to the approving opinions of Hawkins Delafield & Wood LLP, New York, New York, and Waller Lansden Dortch & Davis LLP, Nashville, Tennessee, Co-Bond Counsel to the Authority. A complete copy of the proposed form of opinions of Co-Bond Counsel to the Authority is set forth in APPENDIX C – “PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL TO THE AUTHORITY” hereto. Co-Bond Counsel to the Authority undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

### **No Litigation**

No litigation is pending and the Authority is not aware of any litigation threatened concerning the validity of the Series 2010 Bonds, or the Loan Agreements, or contesting the Authority's ability to issue the Series 2010 Bonds. No litigation is pending and the Borrowers are not aware of any litigation threatened questioning the political existence of the Borrowers or contesting the title to their offices of the officials of the Borrowers who will sign certifications relating to the Series 2010 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished at the time of the original delivery of the Series 2010 Bonds.

## **RATINGS**

Moody's Investors Service, Inc. (“Moody's”), Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies (“S&P”) and Fitch Ratings (“Fitch”) have assigned underlying ratings on the Series 2010 Bonds of “Aa2,” “AA” and “AA,” respectively.

The ratings reflect only the respective views of Moody's, S&P and Fitch. An explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041, (212) 438-2081. An explanation of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, (212) 908-0500.

The Authority furnished to the rating agencies certain information and materials concerning the Series 2010 Bonds. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that the ratings might not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating might have an adverse effect on the market price or marketability of the Series 2010 Bonds.

## **UNDERWRITING**

Citigroup Global Markets Inc., on behalf of itself and Barclays Capital Inc., and the other underwriters named on the cover page (the “Underwriters”), has agreed to purchase the Series 2010 Bonds, pursuant to a Bond Purchase Agreement entered into between the Authority and the Underwriters, at a price of \$211,484,833.20 (representing the principal amount of \$212,440,000, less an underwriting discount of \$955,166.80). The Bond

Purchase Agreement provides that the Underwriters will purchase all of the Series 2010 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriters intend to offer the Series 2010 Bonds to the public initially at the offering prices shown on the cover page of this Official Statement, which offering prices may subsequently be changed from time to time by the Underwriters without any requirement of prior notice. The Underwriters have reserved the right to join with other dealers and underwriters in offering the Series 2010 Bonds to the public. The Underwriters may offer and sell the Series 2010 Bonds to certain dealers at prices lower than the public offering.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Series 2010 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2010 Bonds.

### **FINANCIAL ADVISOR**

Public Financial Management, Inc. (“PFM”) is employed by the Authority to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Authority, PFM has provided advice on the plan of financing and structure of the Series 2010 Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the Authority and other sources and the Authority’s certification as to the Official Statement.

### **ADDITIONAL INFORMATION**

Any statements in this Official Statement involving estimates or matters of opinion, 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 quotations from, and summaries and explanations of, any document, statute, report or other instrument referred to herein, including, without limitation, the Act, the Series 2010 Bonds, the Bond Resolution and the Bond Purchase Agreement, do not purport to be complete and reference is hereby made to each for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement.

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 Series 2010 Bonds.

The Authority has duly authorized the execution and delivery of this Official Statement.

**TENNESSEE STATE SCHOOL BOND  
AUTHORITY**

/S/ Justin P. Wilson, Secretary

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APPENDIX A

TENNESSEE STATE SCHOOL BOND AUTHORITY QUALIFIED SCHOOL  
CONSTRUCTION BONDS GENERAL BOND RESOLUTION

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TENNESSEE STATE SCHOOL BOND AUTHORITY

QUALIFIED SCHOOL CONSTRUCTION BONDS  
GENERAL BOND RESOLUTION

Adopted November 5, 2009

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TENNESSEE STATE SCHOOL BOND AUTHORITY  
QUALIFIED SCHOOL CONSTRUCTION BONDS  
GENERAL BOND RESOLUTION

BE IT RESOLVED by the Tennessee State School Bond Authority:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. Definitions. The following terms shall, for all purposes of the Resolution, have the following meanings:

“Account” or “Accounts” means each account or all of the accounts established pursuant to Article VI, as the case may be, and shall include each subaccount or all subaccounts established pursuant to Article VI, as the case may be.

“Act” means the Tennessee State School Bond Authority Act, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated, as amended from time to time.

“Administrative Expenses” means the Authority’s fees and expenses of carrying out and administering its powers, duties and functions in connection with the Loan Agreements, the Projects and the Resolution, and shall include, without limiting the generality of the foregoing: administrative costs and expenses with respect to the Loans, construction management, legal, accounting and consultant’s services and expenses, the fees and expenses of the State Treasurer, the Trustee, the Paying Agents and the Registrar, payments to the United States Treasury to satisfy any arbitrage rebate requirements under the Code and any other expenses required or permitted to be paid by the Authority under the provisions of the Act, the Loan Agreements and the Resolution or otherwise required to be paid by a Borrower under a Loan Agreement.

“Authenticating Agent” means an authenticating agent appointed pursuant to Section 8.14.

“Authority” means the Tennessee State School Bond Authority, the corporate governmental agent and instrumentality created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Authority.

“Authorized Authority Representative” means any member of the Authority, any Assistant Secretary of the Authority, and any other officer or employee of the Authority authorized by law, by resolution of the Authority or by a certificate of the Secretary of the Authority to perform the act or sign the document in question.

“Authorized Borrower Representative” means such Persons designated in the Loan Agreement and any such other Persons from time to time authorized to act on behalf of a Borrower pursuant to charter, or ordinance or resolution of the governing body of such Borrower, a copy of which is filed with the Secretary of the Authority, to perform such act or execute such document on behalf of the Borrower pursuant to a certificate signed by any of the above and giving the name and specimen signature of the Person or Persons so designated.

“Bond” or “Bonds” means any Bond or Bonds issued under the Resolution, including but not limited to Refunding Bonds.

“Bond Fund” means the Fund by that name established by, and described in, Section 6.02. The Bond Fund shall constitute the “reserve fund” contemplated by Section 54A of the Code.

“Borrower” means a Local Government now or hereafter authorized by law that executes a Loan Agreement to finance a Project.

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal United States office of the Trustee, any Paying Agent or the Registrar is located are required or authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

“Closing” means, with respect to each Loan, the events resulting in the effectiveness of the related Loan Agreement as provided thereby.

“Closing Date” means, with respect to each Series of Bonds, the date of initial delivery of and payment for the Bonds of such Series.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings thereunder, and reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of this Resolution, but include any successor provisions thereof to the extent applicable to a Series of Bonds.

“Cost” or “Costs of the Projects” shall have the meaning ascribed thereto in the Loan Agreement; *provided*, however, that all Costs of the Projects shall relate to purposes specified in Section 54F(a)(1) of the Code.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Authority (who may be counsel to the Authority) which attorney or firm of attorneys is of recognized standing in the field of law relating to municipal bonds; *provided*, however, that such Counsel’s Opinion may take customary exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization, laws affecting creditors’ rights, the exercise of judicial discretion and other matters, and may state that no opinion is being rendered as to the availability of any particular remedy or as to the limitation of remedies resulting from sovereign immunity or the partial waiver thereof, and may contain such other references and qualifications as are acceptable to the Fiduciary receiving the same.

“Credit Facility” means any irrevocable letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond or agreement, guarantee or similar instrument which is obtained by the Authority and is issued by a financial, insurance or other institution, or by the State or any of its agencies or instrumentalities, and which provides credit enhancement, in respect of Bonds of a Series (and which, with respect to a policy of bond insurance, guarantees the payment of principal of Bonds of a Series).

“Custodian” means the custodian of any Fund or Account designated by the Authority pursuant to Section 6.01.

“Defeasance Obligations” means direct obligations of (including issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America which will not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

“Fiduciary” or “Fiduciaries” means the Trustee (including, where appropriate, any co-Trustee appointed pursuant to Section 8.13 or Authenticating Agent), any Paying Agent, the Registrar, or any other Person appointed to act as a Fiduciary as provided in the Resolution, or any or all of them as may be appropriate.

“Fiscal Year” means the fiscal year of the State as established from time to time, which as of the date of adoption of this Resolution is the twelve month period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year.

“Fitch” means Fitch Inc., or any successor then maintaining a rating on any Series of Bonds at the request of the Authority.

“Fund” or “Funds” means each fund or all of the funds established in Article VI, as the case may be.

“Interest Payment Date”, with respect to any particular Bonds, means each date on which interest on such Bonds shall be due and payable.

“Investment Obligations” means and includes any instruments, securities, certificates, obligations or the like if and to the extent the same are at the time permitted and legal for investment of the Authority’s funds pursuant to the Act or, in accordance with any other law, regulation, guideline or policy, as in effect from time to time, applicable to the Authority with respect to investments; *provided*, however, that an investment in the State’s State Pooled Investment Fund and/or Local Government Investment Fund shall be deemed to be an investment in Investment Obligations.

“Loan” shall mean a loan made by the Authority to a Borrower under a Loan Agreement.

“Loan Agreement” or “Loan Agreements” means the Loan Agreements between the Authority and Local Governments in connection with a Series of Bonds, or any of them as may be appropriate.

“Loan Fund” means the Fund by that name established by, and described in Section 6.03.

“Loan Repayments” means the payments on account of principal of and interest on a Loan, Administrative Expenses and any other amounts payable by a Borrower under a Loan Agreement.

“Local Government” means any county, metropolitan government, incorporated city or town, or special school district in the State.

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

“Optional Prepayment Price” means the amount determined by the Authority to be payable by the Borrower in order to prepay in whole or in part its Loan Repayments.

“Outstanding” when used with reference to Bonds or any Series of Bonds means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except:

- (A) any Bonds cancelled at or prior to such date;
- (B) any Bonds (or portions of Bonds) the principal or Redemption Price, if any, of and interest, if any, on which shall have been paid in accordance with the terms thereof;
- (C) any Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III or Section 4.07 or Section 12.06;
- (D) Bonds deemed to have been paid as provided in Section 15.01; and
- (E) Bonds owned or held by or for the account of the Authority, but only for the purposes as described in Section 12.05.

“Owner” or “Bondowner” (when used with reference to Bonds), or any similar term, means any Person who shall be the registered owner of any Outstanding Bond.

“Paying Agent” means (i) any paying agent for the Bonds of any Series, its successor or successors and any other Person which may at any time be substituted in its place, pursuant to the Resolution, and (ii) with respect to any Paying Agent also appointed the Registrar for such Bonds pursuant to Section 8.02(a), such Paying Agent acting as such Registrar.

“Person” means any individual, corporation, partnership, limited partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability corporation or partnership, or government or any agency or subdivision thereof, or other legal entity or group of entities.

“Pledged Revenues” with respect to each Series of Bonds (i) all payments made by each Local Government pursuant to its Loan Agreement funded by such Series of Bonds; (ii) funds held under the Resolution with respect to such Series of Bonds and the earnings thereon (subject to the application thereof to the purposes and on the conditions set forth in the Resolution); and (iii) Unobligated State-Shared Taxes at such time as such taxes have been withheld pursuant to law and any Loan Agreement related to such Series of Bonds and which have become property of the Authority.

“Project” means a Project as such term is defined in the Loan Agreement; *provided*, however, that each Project shall consist of a “school credit bond project” as defined in the Act that consists of a “qualified school construction project” as defined in Section 54F of the Code.

“Proportionate Share” shall have the meaning set forth in each Loan Agreement.

“Rating Agency” means, at any applicable time, Moody’s, S&P, Fitch and any other nationally recognized rating agency, or any of them, as appropriate; *provided*, however, that the same maintains at such time a rating on a Series of Bonds at the request of the Authority.

“Redemption Price” means, with respect to any Bond of a Series, the principal amount thereof plus the applicable premium, if any, payable upon maturity or redemption thereof pursuant to the Resolution and the Supplemental Resolution pursuant to which the same was issued.

“Refunding Bonds” means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to Section 2.03.

“Registrar” means the registrar for the Bonds of any Series, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

“Reimbursement Obligation” means any obligation of the Authority to make payments to a provider of a Credit Facility in reimbursement of or as interest on an advance, loan or other payment made by such provider for the purpose of paying the principal, Term Bond Installment, if any, or Redemption Price, if any, of or interest, if any, on any Bonds of a Series, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Administrative Expenses.

“Resolution” means this Qualified School Construction Bonds General Bond Resolution as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof.

“S&P” means Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, or any successor then maintaining a rating on any Series of Bonds at the request of the Authority.

“Securities Depository” means any depository or depositories for Bonds issued in book-entry form as may be specified by Supplemental Resolution.

“Serial Bonds” means the Bonds of a Series which mature in annual or semi-annual installments of principal, which need not be equal and the first installment of which may be deferred, or Bonds of a Series so designated in a Supplemental Resolution.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds authorized by a Supplemental Resolution designated as being the same series initially delivered as part of a simultaneous transaction evidencing a

borrowing authorized by the Resolution to fund one or more Loans made under one or more Loan Agreements under the Resolution and any Bonds thereafter authenticated and delivered in lieu thereof or in exchange therefor.

“Series Certificate” means the certificate of determination of the Authority fixing terms, conditions and other details of a Series of Bonds in accordance with the delegation of power to do so hereunder and under an applicable Supplemental Resolution.

“State” means the State of Tennessee.

“State-Shared Taxes” means taxes imposed and collected by the State pursuant to law and appropriated and allocated by law to a Local Government, whether appropriated or allocated for a particular purpose or for the general use of such Local Government, as identified by resolution of the Tennessee Local Development Authority approved as to form and substance by the Attorney General and Reporter of the State pursuant to Sections 4-31-102 and 4-31-105(c)(1), Tennessee Code Annotated, as amended from time to time.

“Supplemental Resolution” means any resolution adopted by the Authority pursuant to and in compliance with the provisions of Article XI of the Resolution providing for the issuance of the first Series of Bonds and any additional Series of Bonds or Refunding Bonds (including but not limited to any Series Certificate issued pursuant to any such resolution), and shall also mean any other resolution adopted pursuant to and in compliance with the provisions of Article XI hereof amending or supplementing the provisions of this Resolution as originally executed or as theretofore amended or supplemented.

“Tax Credits” means the entitlement, pursuant to Section 54A(a) of the Code, of a taxpayer to recognize a credit against the tax imposed by Chapter 1 of the Code.

“Term Bonds” means the Bonds so designated in a Supplemental Resolution and payable in part from Term Bond Installments.

“Term Bond Installment” means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds of such Series are Outstanding, the amount of money required by the Resolution or the applicable Supplemental Resolution to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date and which is unsatisfied, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“Term Bond Installment Payment Date” means each date on which a Term Bond Installment is payable on Bonds, provided that such date shall be a date on which a Term Bond Installment is payable as provided in or pursuant to each Supplemental Resolution hereof.

“Trustee” means the bank, trust company or national banking association appointed pursuant to Section 8.01 to act as trustee hereunder, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.

“Unobligated State-Shared Taxes” means, at any time, all State-Shared Taxes which are not required to cure a then-existing default pursuant to any prior pledge of State-Shared Taxes.

Section 1.02. Interpretation.

(a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa.

(b) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any words of similar import, as used in the Resolution, refer to the Resolution.



(c) Words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies and political subdivisions, as well as natural persons.

(d) All approvals, consents and acceptances required to be given or made by any Person hereunder shall be at the sole discretion of the party whose approval, consent or acceptance is required.

(e) Except as otherwise specified herein, all references in the Resolution to Articles, Sections, and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Resolution, and the words “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and other words of similar import refer to the Resolution as a whole and not to any particular Article, Section or subdivision of the Resolution. The headings or titles of the several Articles and Sections of the Resolution, and any Table of Contents appended to copies of the Resolution, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the Resolution.

(f) If any one or more of the covenants or agreements provided herein on the part of the Authority, the Trustee, any Paying Agent or the Registrar to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed separable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of the Resolution or of the Bonds.

Section 1.03. Authority for this Resolution. This Resolution is made and entered into by virtue of and pursuant to the provisions of the Act. The Authority has ascertained and hereby determines and declares that the adoption and delivery of this Resolution is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of the Authority in accordance with the Act and to carry out powers expressly given thereby, and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure each Series of Bonds and necessary, useful or convenient to carry out and effectuate its purposes under the Act.

Section 1.04. Resolution to Constitute Contract. In consideration of the purchase and acceptance of each Series of Bonds and any and all Bonds therein authorized to be issued hereunder by those who are Owners of the Bonds of such Series from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of such Series of Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds of such Series, all of which, regardless of the time or times of their authentication, issuance and delivery, or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds of such Series over any other Bonds of such Series, except as expressly provided in or permitted by the Resolution. Each Series of Bonds shall have the benefit of such lien and security interest only with respect to the Pledged Revenues for such Series of Bonds and Loan Agreements funded by such Series of Bonds.

Section 1.05. Accounting Terms.

(a) Accounting terms as used herein shall be interpreted in accordance with accounting principles applicable to and used in auditing the books and records of the Authority; *provided*, however, that use of the terms “Fund” or “Account” herein shall not impart on such terms any meaning, interpretation or significance derived from professional auditing or accounting standards.

(b) Any fund required by the Resolution to be established and maintained by the Authority may be established and maintained in the accounting records of the Authority either as a fund, an account or a sub-account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated as a fund, an account or a sub-account; *provided*, however, all records with respect to all such funds shall at all times be maintained so as to protect the security of each Series of Bonds and the rights of the Owners of each such Series.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.01. Authorization for Bonds. (a) There is hereby established and created an issue of Bonds to be known and designated as “Qualified School Construction Bonds” (herein defined and referred to as the “Bonds”) of the Authority, in one or more Series and subject to the terms and conditions provided in the Resolution. Each Series of Bonds may be issued as hereinafter provided without limitation as to amount except as may be limited by law, and as provided in or permitted by this Resolution. Each Series of such Bonds shall be special limited obligations of the Authority the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on which shall be payable solely from and secured solely by the Pledged Revenues with respect to a related Series of Bonds and to no other Series of Bonds, and other moneys and securities held or set aside under the Resolution with respect to the related Series of Bonds, subject to the application thereof to the purposes and on the conditions permitted by the Resolution. The State of Tennessee shall not be liable on the Bonds and the Bonds shall not be a debt of the State of Tennessee and the Bonds shall contain on the face thereof a statement to such effect.

(b) The Bonds of any Series may be made issuable in a form entitling the Owner thereof to all principal and Redemption Price, if any, of and interest, if any, and Tax Credits relating to such Bonds or in forms that permit (i) the separation, whether upon initial issuance or thereafter, of the ownership of the principal component of such Bonds from the entitlement of the Owner thereof to the related Tax Credit component, (ii) the recombination of the evidences of such principal and Tax Credit components into Bonds, (iii) the conversion of such Bonds to bear interest in lieu of Tax Credits, (iv) the separation of the ownership of the principal component of an interest bearing Bond from the entitlement of the Owner thereof to the related cash interest payment component, and (v) the recombination of evidences of the principal and cash interest components into interest bearing Bonds, all as may be provided by the Supplemental Resolution authorizing the issuance thereof or by an ancillary agreement authorized thereby. Any such Supplemental Resolution or ancillary agreement may allocate rights and remedies of Owners of such Bonds under the Resolution among the owners of such Bonds and the several components thereof as aforesaid, notwithstanding that the Resolution purports to grant such rights to the Owners of Bonds, and in such event references herein to Bondholders in connection with the exercise of such rights and remedies shall be deemed to refer to the owners of such evidences as provided by or pursuant to the Supplemental Resolution authorizing such Bonds.

### Section 2.02. Provisions for Issuance of Bonds.

(a) The issuance of each Series of Bonds shall be authorized by a Supplemental Resolution of the Authority. The Bonds of each Series shall, in addition to the title “Qualified School Construction Bonds,” contain an appropriate Series designation.

(b) Each Supplemental Resolution authorizing the issuance of a Series of Bonds shall also specify, or delegate to an Authorized Authority Representative the power to determine, supplement, modify or amend and carry out, by means of a Series Certificate, which shall be filed with the Trustee, whereupon it shall be deemed for all purposes of the Resolution to have been adopted by the Authority and to be a part of the Supplemental Resolution to which it relates, any or all of the following matters:

1. The authorized principal amount of said Series of Bonds.
2. The interest rate or rates, if any, and the method of determining such rate or rates to be borne by such Series of Bonds, the Interest Payment Dates of such interest and the record date or dates with respect to the payment thereof.
3. The purposes for which such Series of Bonds is being issued, which shall be to finance Costs of Projects of Borrowers and costs of issuance of said Series by making Loans for such purposes to Borrowers under the Loan Agreements.

4. The date or dates of issue, maturity date or dates and amount of each maturity of the Bonds of said Series.
5. The denomination or denominations of, and subject to paragraph (c) of Section 3.01, the manner of dating, numbering and lettering, the Bonds of such Series.
6. The initial Paying Agent or Paying Agents and, subject to the provisions of Section 8.02, the place or places, or method, of payment of the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the Bonds of such Series.
7. The initial Registrar.
8. The Redemption Price or Prices, if any, or the method of determining such Redemption Price or Prices, and, subject to the provisions of Article IV, the redemption terms, if any, for the Bonds of such Series.
9. The designation of Bonds of a Series as either Serial Bonds or Term Bonds, or a combination thereof, and the provision for principal maturities or Term Bond Installments, or both, as the case may be; and with respect to Term Bond Installments, the amount, and/or the method for determining such amount, and due date of each Term Bond Installment, if any, for the Term Bonds of each maturity of such Series. Notwithstanding the provisions herein, a Term Bond may be payable only at maturity without Term Bond Installments.
10. The sale of the Bonds of such Series at public or private sale or, if so determined by the Authority, provisions for the exchange of the Bonds of such Series; the approval of the terms of and distribution of an official statement or other offering document describing the Bonds of such Series, if any, and, if such Bonds are to be sold at public sale, publication and/or distribution of a notice of sale; and the execution of a contract or contacts of purchase at public or private sale on behalf of the Authority.
11. The form or forms of the Bonds of such Series (including whether or not such Bonds shall be issued in book-entry only form) and of the Registrar's certificate of authentication, if any, or whether such Bonds shall be issued in uncertificated form.
12. Provisions relating to a Credit Facility, if any, in connection with the issuance of the Bonds of such Series.
13. Directions for the application of the proceeds of the Bonds of such Series, including, if applicable, provisions relating to application of proceeds of a Series of Bonds solely to payment of other obligations (other than Bonds) whether or not issued in anticipation of such Bonds, including pledging and granting a lien on such proceeds to the holders of such obligations and, accordingly, with a priority over any other lien on or pledge of such proceeds otherwise created by the Resolution.
14. The amount, if any, necessary for deposit in any Fund or Account not specified above.
15. If so determined by the Authority, provisions for the application of any moneys available therefor to the purchase or redemption of Bonds of such Series and for the order of purchase or redemption of Bonds of such Series.
16. Any matters necessary or desirable to effectuate the provisions of Section 2.01(b).
17. Any matters necessary or desirable in connection with crediting investment earnings pursuant to Section 6.02(a)(1)(C) or Section 6.03(c).

18. Any other provisions determined to be necessary, convenient or desirable to better secure the Bonds of such Series or to make the Bonds of such Series more marketable, or otherwise, and which are in the best interests of the Authority and not in conflict with the provisions of the Act nor materially in conflict with the Resolution.

(c) After the original issuance of Bonds of any Series, no Bonds of such Series shall be issued except in lieu of or in substitution for other Bonds of such Series pursuant to Article III, Section 4.07 or Section 12.06.

(d) Except for the issuance of Bonds upon exchange or transfer or pursuant to Section 3.06, all (but not less than all) of the Bonds of such Series shall be executed and delivered by the Authority or, if Registrar authentication is required by Section 3.03(b), executed by the Authority for issuance under the Resolution and delivered to the Registrar and thereupon shall be authenticated by the Registrar from time to time and in such amounts as directed by the Authority, and by it delivered to the Authority or upon its order, but only upon:

1. the receipt by the Trustee and the Registrar of a Counsel's Opinion to the effect that (i) the Authority has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution, as supplemented by the Supplemental Resolution (with such approvals as may be required by the Act as so amended), and the Resolution, as supplemented by the Supplemental Resolution, has been duly and lawfully adopted by the Authority and such approvals given, is in full force and effect and is valid and binding upon the Authority; (ii) the Resolution, as supplemented by the Supplemental Resolution, creates the valid pledge which it purports to create of the Pledged Revenues; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution and entitled to the benefits of the Resolution, as supplemented by the Supplemental Resolution, and of the Act as amended to the date of such Counsel's Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Counsel's Opinion, and in accordance with the Resolution, as supplemented by the Supplemental Resolution;
2. if Registrar authentication is required, the receipt by the Registrar of a written order as to the delivery of such Bonds, signed by an Authorized Authority Representative;
3. the receipt by the Trustee and the Registrar of a copy of the Supplemental Resolution authorizing such Bonds, and a copy of the Series Certificate, if any, executed in connection with such Series of Bonds, each certified by an Authorized Authority Representative (unless manually executed);
4. the receipt by the Trustee and the Registrar of a certificate of an Authorized Authority Representative stating that:
  - (i) the principal amount of the Series of Bonds then to be issued, together with the principal amount of the Series of Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
  - (ii) the Authority is not in default in the performance of any other covenants, conditions, agreements or provisions contained in the Resolution, if, upon the application of the proceeds of such Series of Bonds or upon the issuance and delivery of such Series of Bonds, all such defaults shall be cured;
  - (iii) the Loan Agreements funded by the Series of Bonds to be issued obligate the Authority to finance the Cost of the Projects in amounts not less than the principal amount of the additional Series of Bonds being issued, as provided in the Supplemental Resolution authorizing the issuance of such additional Series of Bonds; and

- (iv) the Loan Agreements in the aggregate related to such Series of Bonds obligate the Borrowers in the aggregate to pay as the same shall become due Loan Repayments equal to the principal of, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the related Series of Bonds being issued to fund such Loan Agreements; and.

- 5. such further documents, moneys and securities as are required by the provisions of Section 2.03, or Article XI, or any Supplemental Resolution adopted pursuant to Article XI.

Section 2.03. Provisions for Refunding Bonds. All or any part of one or more Series of Refunding Bonds may be authenticated (if Registrar authentication is required by Section 3.03(b)) and delivered upon original issuance to refund any Outstanding Series of Bonds, upon satisfaction of the conditions of Section 2.02 and the following:

(a) if the Series of Bonds to be refunded are to be redeemed, the Authority shall have given to the Registrar instructions, satisfactory to it, to give due notice of redemption of all the Bonds so to be refunded on a redemption date specified in such instructions, subject to the provisions of Section 15.01 hereof if the Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in Section 15.01;

(b) if the Series of Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in Section 15.01, the Authority shall have given to a Paying Agent instructions, satisfactory to it, to give due notice in the manner provided in Section 15.01 with respect to the payment of such Bonds pursuant to said Section; and

(c) if the Series of Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in Section 15.01, a Paying Agent shall have received (i) moneys and/or (ii) Investment Obligations (as defined in Section 15.01) as shall be necessary to comply with the provisions of Section 15.01, which Investment Obligations and moneys shall be held in trust and used only as provided in Section 15.01.

The proceeds of the Series of Refunding Bonds shall be applied in the manner provided in the Supplemental Resolution.

Section 2.04. Credit Facilities and Other Arrangements.

(a) The Authority may authorize a Series of Bonds to be supported by a provider of a Credit Facility and may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds insured by a Credit Facility as the Authority deems appropriate, including but not limited to:

(i) The provider of the Credit Facility shall have all or any of the rights and remedies of the Owners of the Series of Bonds to which such Credit Facility relates and that the related Reimbursement Obligations shall have all or any of the payment, security and other rights applicable to the Series of Bonds to which such Reimbursement Obligations relate.

(ii) In the event that the principal, Term Bond Installments, if any, Redemption Price, if any, and interest, if any, due on any Series of Bonds Outstanding shall be paid under the provisions of a Credit Facility, the issuer of such Credit Facility shall be subrogated to the rights of such Bondowners in accordance with the terms of such Credit Facility.

(iii) Such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the issuer of the Credit Facility, (iii) to provide a mechanism for paying principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the issuer of a Credit Facility.

(iv) Authorization to enter into such agreements with the issuer of any Credit Facility providing for, *inter alia*: (i) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility, as provided for herein or permitted hereby. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; *provided*, however, that no Reimbursement Obligation shall arise, for purposes of this Resolution, until amounts are paid under such Credit Facility. Interest on any such Reimbursement Obligation calculated at any rate, and principal amortization requirements with respect to such Reimbursement Obligation, may be secured by a pledge of and a lien on any of the items pledged in Section 5.01 on a parity with the lien created by Section 5.01. Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be payable from the Administrative Expense Fund. All Reimbursement Obligations shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Reimbursement Obligations relates.

(b) The Authority by Supplemental Resolution may include any or all of the covenants and agreements set forth in Article IX and such additional covenants and agreements as it may in its sole discretion determine to be necessary or appropriate (but not inconsistent with the Resolution) to provide for or secure a Credit Facility, in an agreement with the provider thereof or in an applicable Supplemental Resolution. In such event, the Resolution shall continue in full force effect as a part of the contract of the Authority with the provider thereof until all payments by the Authority under such Credit Facility shall have been paid in accordance therewith, as applicable, or deemed paid hereunder, if applicable, or thereunder.

### ARTICLE III

#### GENERAL TERMS AND PROVISIONS OF THE BONDS

##### Section 3.01. Medium of Payment; Form and Date; Letters and Numbers.

(a) Except as may otherwise be provided in a Supplemental Resolution authorizing a particular Series of Bonds, the Bonds shall be payable, with respect to principal, Term Bond Installments, if any, Redemption Price, if any, and interest, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

(b) The Bonds of each Series shall be in such form as provided in the Supplemental Resolution authorizing such Series; *provided*, however, that the Bonds of each Series shall be issued in the form of fully registered Bonds without coupons unless otherwise authorized by a Supplemental Resolution adopted pursuant to paragraph (b) of Section 11.01.

(c) Each Bond of a Series shall be dated, lettered and numbered so as to be distinguished from every other Bond in such Series, as provided in a Supplemental Resolution.

(d) Except as may otherwise be provided in a Supplemental Resolution authorizing a particular Series of Bonds, the Bonds shall not bear interest.

(e) All Bonds of each Series shall mature and/or be subject to Bond Fund Redemption and shall bear interest, if any, in such years and amounts as shall be fixed by a Supplemental Resolution.

Section 3.02. Legends. Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of the Resolution as may be necessary or desirable to comply with custom or otherwise, as may be determined by the Authority prior to the authentication and delivery thereof.

Section 3.03. Execution and Authentication.

(a) The Bonds of each Series shall be signed in the name of the Authority by the manual or facsimile signatures of any two of the following: (1) the Chairman, (2) the Secretary, (3) any Assistant Secretary, or (4) any other Authorized Authority Representative, and the seal of the Authority shall be affixed thereto or impressed or imprinted thereon or a facsimile thereof shall be affixed thereto or reproduced thereon. Unless a Bond is authenticated by the Registrar, at least one of such signatures on such Bond shall be a manual signature. Such Bonds may be issued notwithstanding that any of the officials signing them or whose facsimile signatures appear on the Bonds has ceased to hold office at the time of such issue or at the time of the delivery of such Bonds to the purchaser.

(b) If so provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, the Bonds of each Series shall bear thereon a certificate of authentication, in such form as provided in such Supplemental Resolution, executed by the Registrar either by manual or facsimile signature. Except as otherwise provided in a Supplemental Resolution authorizing the issuance of a Series of Bonds, if authentication is required, only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under the Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the Authority shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the Owner thereof is entitled to the benefits of the Resolution.

Section 3.04. Exchange, Transfer and Registry of Bonds.

(a) So long as any of the Bonds of a Series remain Outstanding, the Authority shall maintain and keep, or cause to be maintained and kept, at an office of the Registrar, books for the registration and transfer of Bonds of such Series and, upon presentation thereof for such purpose at said office, the Authority shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as it or the Registrar may prescribe, any Bond. So long as any of the Bonds of a Series remain Outstanding, the Authority shall make all necessary provision to permit the exchange of such Bonds at such office of the Registrar for such Series of Bonds.

(b) Each Series of Bonds shall be transferable only upon the registration books of the Authority, upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar for such Series of Bonds duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such registered Bond, the Authority shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, tenor and Series and maturity as the surrendered Bond.

(c) The Owner of any Bond or Bonds of one or more denominations shall have the right to exchange such Bond or Bonds for a new Bond or Bonds of any authorized denomination of the same aggregate principal amount, tenor and Series and maturity of the surrendered Bond or Bonds. Such Bond or Bonds shall be exchanged by the Authority for a new Bond or Bonds, upon surrender of such Bond or Bonds together with a written instrument requesting such exchange satisfactory to the Registrar for such Series of Bonds duly executed by the Owner or his duly authorized attorney.

(d) The Authority and each Fiduciary may deem and treat the Person in whose name any Bond shall be registered upon the books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal, Term Bond Installments, if any, or Redemption Price, if any, of or interest, if any, on such Bond and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

Section 3.05. Regulations with Respect to Exchanges and Transfers.

(a) In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Authority shall execute and make available for delivery or, if Registrar authentication is required, the Registrar for such Series of Bonds shall authenticate and make available for delivery Bonds in accordance with the provisions of the Resolution.

(b) All Bonds surrendered in any such exchanges or transfers shall be promptly cancelled by the Registrar for such Series of Bonds.

(c) For every exchange or transfer of Bonds, whether temporary or definitive, the Authority or the Registrar for such Series of Bonds may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and, except (i) with respect to the delivery of definitive Bonds in exchange for temporary Bonds, (ii) in the case of a Bond issued upon the first exchange or transfer of a Bond or Bonds surrendered for such purpose within 60 days after the first authentication and delivery of any of the Bonds of the same Series, or (iii) as otherwise provided in the Resolution, may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sum or sums shall be paid by the Person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Except as otherwise provided in the preceding sentence, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Authority or the Registrar for such Series of Bonds incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Authority as an Administrative Expense.

(d) Neither the Authority nor the Registrar for such Series of Bonds shall be required (i) to register, transfer or exchange Bonds of any Series for a period of fifteen days next preceding an interest payment date, if any, on the Bonds of such Series or next preceding any selection of Bonds to be redeemed or thereafter until after the first mailing of any notice of redemption or (ii) to register, transfer or exchange any Bonds called for redemption.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.

(a) In case any Bond shall become mutilated or be destroyed, stolen or lost, the Authority shall execute, and thereupon the Authority shall make available for delivery or, if Registrar authentication is required, the Registrar for such Series of Bonds shall authenticate and make available for delivery a new Bond of like Series, tenor, maturity and principal amount 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 substitution for the Bond destroyed, stolen or lost, upon filing with the Registrar for such Series of Bonds of evidence satisfactory to the Authority and the Registrar for such Series of Bonds that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Authority and the Registrar for such Series of Bonds with indemnity satisfactory to them and complying with such other reasonable regulations as the Authority and the Registrar for such Series of Bonds may prescribe and paying such expenses as the Authority and Registrar may incur. The provisions of Sections 3.05(a) and (c) shall apply to the substitution of Bonds pursuant to this Section as if such substitution constituted an exchange. All Bonds so surrendered to the Registrar for such Series of Bonds shall forthwith be promptly cancelled by it. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Authority, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall in all respects be entitled to the same benefits and security as the original Bonds issued pursuant to the Resolution.

(b) Notwithstanding the provisions of paragraph (a) of this Section 3.06 as to the issuance of duplicate or replacement Bonds, (i) if any such lost, stolen, destroyed, defaced or mutilated Bond has matured or been called for redemption and the date fixed for the redemption thereof has arrived, at the option of the Authority payment of the amount due thereon may be made without the issuance of any duplicate or replacement Bond upon receipt of like evidence, indemnity, security and expenses and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the Authority may prescribe; (ii) if any such lost, stolen, destroyed, defaced or mutilated Bond shall mature within one year following the date of application for a duplicate



Bond, or has been called or will be called for redemption within one year following such date, instead of issuing a duplicate or replacement Bond, the Authority, upon receiving like evidence, indemnity, security and expenses and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the Authority may prescribe, may issue or cause to be issued a transferable certificate of ownership to the applicant and pay on such certificate the principal, Term Bond Installment, if any, Redemption Price, if any, and interest, if any, on the respective payment date, as the case may be, upon surrender of such certificate, and all such transferable certificates of ownership shall be in such form as may be determined by the Authority or as otherwise provided by law; and (iii) if the provisions of applicable law shall provide for the payment of lost, stolen, destroyed, mutilated or defaced Bonds in lieu of the issuance of duplicates or certificates of ownership therefor, such lost, stolen, destroyed, mutilated or defaced Bonds may be paid in accordance with the provisions of such laws.

Section 3.07. Preparation of Bonds, Temporary Bonds.

(a) Bonds may be prepared, printed or reproduced in any manner determined by an Authorized Authority Representative.

(b) Until the definitive Bonds of any Series are prepared, the Authority may execute, in the same manner as is provided in Section 3.03 and deliver or, upon the request of the Authority, the Registrar for such Series of Bonds shall authenticate and make available for delivery, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to exchangeability for registered Bonds, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Authority, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and the cancellation of such surrendered temporary Bonds, the Registrar for such Series of Bonds shall authenticate and, without charge to the Owner thereof, make available for delivery in exchange therefor, definitive Bonds of the same aggregate principal amount, tenor and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to the Resolution.

(c) If the Authority shall authorize the issuance of temporary Bonds in more than one denomination, the Owner of any temporary Bond or Bonds may, at his option, surrender the same to the Registrar for such Series of Bonds in exchange for another temporary Bond or Bonds of like aggregate principal amount and Series and maturity of any other authorized denomination or denominations, and thereupon the Authority shall execute and the Registrar for such Series of Bonds shall authenticate and, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 3.05, the Registrar for such Series of Bonds shall make available for delivery a temporary Bond or Bonds of like aggregate principal amount, tenor, Series and maturity in such other authorized denomination or denominations as shall be requested by such Owner.

(d) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be promptly cancelled by the Registrar for such Series of Bonds.

Section 3.08. Book-Entry Bonds.

(a) Anything to the contrary notwithstanding, Bonds of any Series may be issued in book-entry form, either by immobilization or in uncertificated form, pursuant to and as shall be provided by Supplemental Resolution. Notwithstanding any other provision of this Article III, any book-entry Bonds may be paid without presentation and surrender, and book-entry Bonds shall not be required to be cancelled upon payment at maturity, upon redemption or purchase, or otherwise, except as to any such Bonds actually surrendered for payment in whole or in part, but instead such matters shall be governed by agreement between the Authority and/or any Fiduciary and the Securities Depository.

(b) In connection with any notice or other communication to be provided to registered owners of Bonds pursuant to the Resolution by the Authority or any Fiduciary with respect to any consent or other

action to be taken by Owners of Bonds, the Authority or the Fiduciary, as the case may be, may establish a record date for such consent or other action and give the nominee or Securities Depository advance notice thereof.

Section 3.09. Cancellation and Destruction of Bonds. All Bonds paid or redeemed, either at or before maturity shall be delivered to the Registrar when such payment or redemption is made, and such Bonds, together with all Bonds purchased which have been delivered to any Paying Agent for such Series of Bonds for application as a credit against Term Bond Installments and all Bonds purchased by any Paying Agent, shall thereupon be promptly cancelled; *provided*, however, that Bonds of a Series purchased by a Paying Agent which are not applied as credit against Term Bond Installments may, upon written direction of an Authorized Authority Representative, be registered in the name of the Authority or otherwise as directed by an Authorized Authority Representative and shall not be cancelled. Bonds so cancelled may at any time be destroyed by the Registrar for such Series of Bonds, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the Authority and the other executed certificate shall be retained by the Registrar for such Series of Bonds.

## ARTICLE IV

### REDEMPTION OF BONDS

Section 4.01. Privilege of Redemption and Redemption Price. Bonds of a Series subject to redemption prior to maturity pursuant to the provisions of a Supplemental Resolution shall be redeemable, upon notice as provided in this Article IV, at such times, at such Redemption Prices and upon such terms as may be specified in the Supplemental Resolution authorizing such Series.

Section 4.02. Redemption at the Election or Direction of the Authority. In the case of any redemption of Bonds other than as provided in Section 4.03, Bonds of a Series may be redeemed at the option of the Authority as provided in the applicable Supplemental Resolution. In exercising such option, the Authority shall give written notice to the Registrar and each Paying Agent for such Series of Bonds of its election or direction so to redeem, on the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Resolution and any Supplemental Resolution) and of the moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least thirty (30) days prior to the redemption date or such shorter period as shall be acceptable to the Registrar for such Series of Bonds. In the event notice of redemption shall have been given as provided in Section 4.05, any Paying Agent for such Series of Bonds, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise the Authority, shall, on or prior to the redemption date, pay to the appropriate Paying Agent for such Series of Bonds an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent for such Series of Bonds, will be sufficient to redeem, on the redemption date at the Redemption Price thereof; together with interest, if any, accrued to the redemption date, all of the Bonds of such Series to be redeemed.

Section 4.03. Redemption Other Than at Authority's Election or Direction. Whenever by the terms of this Resolution or a Supplemental Resolution the Registrar for a Series of Bonds is required to redeem Bonds other than at the election or direction of the Authority, such Registrar shall select the Bonds to be redeemed, give the notice of redemption and pay the Redemption Price, together with interest, if any, accrued to the redemption date, to itself and the appropriate Paying Agents in accordance with the terms of this Article IV.

Section 4.04. Selection of Bonds to Be Redeemed. If less than all the Outstanding Bonds of a Series and maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Registrar of such Series from Outstanding Bonds of such Series not previously called for redemption by such method as it shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denominations) of the principal of Bonds of a denomination larger than the minimum authorized denomination of the Bonds, subject to the provisions of the applicable Supplemental Resolution. The Authority may provide by Supplemental Resolution that any and all Bonds held by the provider of a Credit Facility may be redeemed prior to any other Bonds redeemed hereunder, and that any related Reimbursement Obligation shall be fully paid as though such Reimbursement Obligation constituted the first Bonds so redeemed. The Authority may direct the Registrar for

such Series of Bonds to call for redemption any Bond previously acquired by the Authority if and to the extent the acquisition of such Bond has not been credited against any redemption requirement of the Authority hereunder.

Section 4.05. Notice of Redemption. When the Registrar shall receive notice from the Authority of its election or direction to redeem Bonds pursuant to Section 4.02, or when redemption of Bonds is required by the Resolution as contemplated by Section 4.03, the Registrar for such Series of Bonds shall give notice, in the name of the Authority, of the redemption of such Bonds, by first-class mail, postage prepaid, to the Owners of Bonds of the Series which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Authority 15 days but not more than 30 days prior to the redemption date (or within such other time period as may be specified in the Supplemental Resolution pursuant to which such Bonds are issued or otherwise is acceptable to the Registrar for such Series of Bonds). Such notices shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notices shall also specify the respective portions of principal amount thereof to be redeemed. Such notices shall further state that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest, if any, accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. The Registrar shall promptly certify to the Authority that it has mailed or caused to be mailed such notice to such Bondowners, and such certificate shall be conclusive evidence that such notice was given in the manner required hereby. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of Bonds.

Section 4.06. Conditional Notices. Any notice to the Registrar, to the Owners of Bonds or to any other Person pursuant to Section 4.05 may be made conditional upon the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date.

Section 4.07. Payment of Redeemed Bonds.

(a) Notice having been given in the manner provided in Section 4.05, but subject to Section 4.06, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest, if any, accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the offices specified in such notice, together with a written instrument of transfer duly executed by the Owner or his duly authorized attorney satisfactory to the Registrar for such Series of Bonds duly executed by the Owner or his duly authorized attorney, such Bonds or portions thereof shall be paid at the Redemption Price plus interest, if any, accrued and unpaid to the redemption date.

(b) If there shall be selected for redemption less than all of a Bond, the Authority shall execute and deliver or, if Registrar authentication is required pursuant to Section 3.03(b), the Registrar for such Series of Bonds shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, at the option of the owner thereof, Bonds of like Series and maturity in any of the authorized denominations.

(c) If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent for such Series of Bonds so as to be available thereof on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date, interest, if any, on the Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue. Except in the case of any conditional notice pursuant to Section 4.06, if said moneys shall not be so 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 and, except with respect to any mandatory redemption, shall not be deemed to be in default hereunder.

(d) Notwithstanding the foregoing, presentation and surrender and written instruments of transfer shall not be required for the payment of the Redemption Price or accrued interest, if any, upon redemption

of any Bonds held in book-entry form, but instead such payment shall be governed by agreement between the Authority and/or any Fiduciaries and the Securities Depository.

## ARTICLE V

### PLEDGE; LIEN AND ASSIGNMENT

Section 5.01. Pledge. The Pledged Revenues and all rights under the Loan Agreements or otherwise to receive the same, and all moneys and Investment Obligations credited to the Funds and Accounts established by the Resolution with respect to the Series of Bonds issued by the Authority to fund such Loan Agreements, are hereby pledged for the payment of the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the Series of Bonds issued by the Authority to fund such related Loan Agreements in accordance with the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution and limiting the lien of such pledge of certain such moneys and Investment Obligations to particular Bonds as provided in Section 5.02. With respect to each Series of Bonds, subject to Section 8.05, this pledge shall be valid and binding from and after the date of adoption of this Resolution, as supplemented by each Supplemental Resolution authorizing such Series of Bonds, and the Pledged Revenues and all rights under the Loan Agreements related to such Series of Bonds or otherwise to receive the same, and all moneys and Investment Obligations credited to the Funds and Accounts established by the Resolution with respect to the Series of Bonds issued by the Authority to fund such Loan Agreements, hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof. Pursuant to the Act, neither the Act, the Resolution, as supplemented by each Supplemental Resolution, nor any other instrument by which such pledge is created need be recorded.

Section 5.02. Lien of Certain Bondowners.

(a) The moneys and Investment Obligations set aside from time to time with the Paying Agents for the payment of the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on each particular Bond or Series of Bonds shall be held in trust for the Owners of such Bond or Series of Bonds in respect of which the same shall have been so set aside and for no other Bond or Series of Bonds. Monies so set aside for the payment of principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on a Series of Bonds and all moneys and Investment Obligations in the related Series Bond Fund Account of the Bond Fund shall be held in trust for the benefit of the Owners of all Bonds of such Series at the time Outstanding, and for the Owners of no other Series of Bonds, equally and ratably without preference or distinction as between Bonds of such Series of different maturities.

(b) The moneys and Investment Obligations credited to each Borrower Account in the Loan Fund shall be held in trust and applied only to the payment of the Borrower Costs of the Project to which such Borrower Account relates, in accordance with the provisions of Article VI, and, pending such application, are pledged for the benefit of the Owners of the Bonds of the Series, and for the security of the payment of the principal, Term Bond Installments, if any, and Redemption Price of and interest, if any, on such Bonds, and shall at all times be subject to the lien of such pledge until paid out and transferred as herein provided.

Section 5.03. Assignment of Pledged Revenues; Enforcement Rights of Trustee.

(a) The Pledged Revenues and all rights (a) under the Loan Agreements or otherwise to receive the same, which are to be transferred to the Funds or Accounts held by the Authority, are hereby pledged and assigned to the Trustee for the benefit of the Owners of the Series of Bonds to which such Loan Agreements relate and for the application thereof in accordance with the provisions of the Resolution, as supplemented by the Supplemental Resolution, and the Trustee shall have the legal right to enforce such assignment.

(b) All Pledged Revenues which are to be transferred to the Funds or Accounts held by the Trustee may at the direction of the Authority be paid directly to the Trustee for the account of the Authority and deposited by the Trustee as if transferred by the Authority. The Trustee, upon receiving any checks for payments on

account thereof, shall endorse the same in the name and on behalf of the Authority and cause the same to be presented for collection in due course and deposit the proceeds thereof, and upon receiving payment by any other means shall credit the same to such Funds and Accounts, in accordance with the provisions of Article VI.

## ARTICLE VI

### ESTABLISHMENT OF FUNDS AND ACCOUNTS AND APPLICATION THEREOF

Section 6.01. Establishment and Custody of Funds and Accounts. The Funds and Accounts of the Authority established pursuant to this Article VI are hereby established and shall be held, maintained and administered by a Custodian thereof, which may be the State Treasurer, the Trustee or another custodian, at the direction of the Authority, as and to the extent agreed to between the Authority and such Custodian, subject to the provisions of the Resolution; *provided*, however, that upon an Event of Default all such Accounts shall be transferred to and held by the Trustee. Amounts held at any time in any of the Funds or Accounts established pursuant to this Article by any Custodian therefor or the Trustee or any Paying Agent shall be held in trust separate and apart from all other funds, subject to Section 7.01.

#### Section 6.02. Bond Fund.

(a) A special trust fund of the Authority is hereby established and designated as the “Bond Fund.” There shall be established within the Bond Fund an account for each Series of Bonds to be identified by its Series designation (the “Series Bond Fund Account”). Within each Series Bond Fund Account there shall be established a Loan Repayment Account and an Administrative Expenses Account. Within each Loan Repayment Account there shall be established for each Borrower a separate Borrower Account. Within each such Borrower Account there shall be established a Principal Subaccount and an Interest Subaccount.

(1) (A) With respect to each Series of Bonds, there shall be deposited to the Principal Subaccount and to the Interest Subaccount in each Borrower Account in the Loan Repayment Account in the related Series Bond Fund Account in the Bond Fund, as and when received, each Loan Repayment representing payments of, respectively, (i) principal and the principal portion of any Optional Prepayment Price under the respective Borrowers’ Loan Agreements relating to such Series of Bonds, and investment losses allocable to such Principal Account, and (ii) interest and the interest portion of any Optional Prepayment Price under such respective Borrowers’ Loan Agreements, and investment losses allocable to such Interest Account. All funds held in the Principal Subaccount and Interest Subaccount in each Borrower Account within a Series Bond Fund Account in the Bond Fund shall be invested by the Authority or any Custodian thereof at the direction of the Authority in Investment Obligations, subject to Section 7.01. Except as otherwise provided herein, all income derived from the investment of amounts on deposit in each Principal Subaccount and Interest Subaccount as realized shall be retained therein. Amounts on deposit in each Interest Subaccount shall be applied solely to the payment of the interest on the related Bonds as and when the same become due, subject to the provisions of Section 6.02(e). Amounts on deposit in each Principal Subaccount shall be applied solely to the payment of the principal of the related Bonds as and when the same shall become due, subject to the provisions of Section 6.02(e); *provided*, however, that if, following the application of State-Shared Taxes pursuant to Sections 9.12(b) and 6.02(a)(3) to satisfy any failure of a Borrower to make Loan Repayments representing interest, there exists on the Business Day immediately preceding any Interest Payment Date a deficiency in such Borrower’s Interest Subaccount, the amount of such deficiency may be paid from such Borrower’s Principal Subaccount, but only if an election is made in the Supplemental Resolution authorizing the initial Series of Bonds that the provisions of this proviso shall apply.

(B) Except as may otherwise be provided by the Supplemental Resolution authorizing a Series of Bonds, each Borrower shall receive a credit against each related Loan Repayment representing principal and interest in an amount equal to the earnings derived from the investment of the Principal Subaccount and Interest Subaccount, respectively, of the related Borrower Account and reported to the Authority; *provided*, however, that the Authority may transfer any amounts to the Administrative Expenses Account in the related Series Bond Fund Account the amount deemed by it necessary to satisfy any arbitrage rebate requirements under the Code and the amount of any such transfer shall not be credited as aforesaid.

(C) A Borrower may pay the principal portion and interest, if any, of the Optional Prepayment Price by depositing moneys to its Borrower Account in the Loan Repayment Account of the Series Bond Fund Account of the Bond Fund in an amount sufficient for such payment or, with the consent of the Authority, moneys which together with the credit provided in (B) above will be sufficient to pay the Borrower's principal of and interest, if any, on its Loan. If a Borrower has paid the Optional Prepayment Price and Bonds of the related Series in a like amount are still Outstanding and have not been redeemed, then the credit provided in (B) above (to the extent it does not constitute a part of the Optional Prepayment Price) shall be held for the benefit of the Borrower and paid to the Borrower (i) upon payment in full of the Series of Bonds or upon redemption of a like amount of Bonds in such Series of Bonds or (ii) on the next succeeding Loan Repayment date or dates, at the option of the Authority. If a Borrower has paid the Optional Prepayment Price or has fully paid the principal portion of its Loan Repayments, and Bonds of the related Series are still Outstanding and have not been redeemed, then the Authority, at its option, may deduct from the credit which may be allocated and paid to the Borrower as provided in (ii) of the preceding sentence (to the extent it does not constitute a part of the Optional Prepayment Price) an amount equal to such Borrower's share of the Administrative Expenses which shall then be credited to the Administrative Expenses Account in such Series Bond Fund Account in the Bond Fund, and an amount equal to a reasonable reserve as determined by the Authority prior to remitting any credit to such Borrower. Upon payment in full of the Outstanding related Series of Bonds, all such amounts shall be disbursed to each such Borrower.

(2) With respect to each Series of Bonds, there shall be deposited to the Administrative Expenses Account in the related Series Bond Fund Account in the Bond Fund, when and as received, (i) costs of issuance of the Series of Bonds, and (ii) all portions of Loan Repayments constituting Administrative Expenses received pursuant to any of the provisions of this Resolution or the Borrowers' Loan Agreements relating to such Series of Bonds, including the Administrative Expenses of any Optional Prepayment Price. All income derived from the investment of such amounts on deposit in the Administrative Expenses Account relating to such Series of Bonds shall be credited to such Administrative Expenses Account and allocated to each Borrower Account in the Loan Repayment Account in the related Series Bond Fund Account by a fraction, the numerator of which is an amount equal to the related Borrower's prior Loan Repayments on deposit in its Borrower Account and the denominator of which is an amount equal to the total of all Borrowers' prior Loan Repayments on deposit in the Borrower Accounts in the Loan Repayment Account of such Series Bond Fund Account.

(3) With respect to each Series of Bonds, there shall be deposited to the applicable Borrower Account (and to the Principal Subaccount or Interest Subaccount therein, as appropriate) in the Loan Repayment Account in the related Series Bond Fund Account all intercepted Unobligated State-Shared Taxes necessary to pay the principal, Term Bond Installments, if any, or Redemption Price, if any, of and interest, if any, on such Series of Bonds.

(b) The Custodian shall transfer from the Loan Repayment Account in the Series Bond Fund Account in the Bond Fund, and from the amounts on deposit in each Principal Subaccount and Interest Subaccount in each Borrower Account that is allocable thereto, to the Paying Agents sufficient moneys and at such times as will provide the Paying Agents with funds sufficient to pay the principal, Term Bond Installments, if any, or Redemption Price, if any, of and interest, if any, on the Series of Bonds to which such Borrowers' Loan Agreements are pledged as the same become due and payable.

(c) With respect to each Series of Bonds, funds for payment of costs of issuance and Administrative Expenses of the Series of Bonds shall be disbursed from the Administrative Expenses Account in the Series Bond Fund Account in the Bond Fund for such Series of Bonds as and when due and payable.

(d) If any Bond shall not be presented for payment at maturity, provided moneys sufficient to pay such Bond shall have been made available to the custodian of the Bond Fund, all liability of the Authority to the Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of such custodian to hold such moneys, subject to the provisions of Section 6.02(e), without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on his part hereunder or on, or with respect to, such Bond.

(e) Except as may be set forth in the Supplemental Resolution authorizing such Series of Bonds, any moneys remaining in a Borrower Account in the Loan Repayment Account or in the Administrative Expenses Account in the Series Bond Fund Account in the Bond Fund after payment of the Series of Bonds to which Borrowers' Loan Agreements were pledged, and after payment of the fees, charges and expenses accrued and to accrue and all other items required to be paid or held hereunder (including pursuant to Section 6.02(d) above) with respect to such Series of Bonds not otherwise held as a credit and paid to a Borrower pursuant to Section 6.02(a)(1)(C) above, shall be paid to the respective Borrowers, in the case of the Administrative Expenses Account *pro rata* based upon the original principal amount of each Borrower's Loan Agreement and the original principal amount of the related Series of Bonds.

Section 6.03. Loan Fund. (a) A special trust fund of the Authority is hereby established and designated as the "Loan Fund." There shall be established within the Loan Fund an account for each Series of Bonds to be identified by its Series designation (the "Series Loan Account"). Within each Series Loan Account, there shall be established for each Borrower a separate Borrower Account.

(b) The proceeds from the sale of each Series of Bonds shall be deposited in each Borrower Account in the related Series Loan Account in the Loan Fund in an amount equal to each Borrower's Loan under the Loan Agreement less each Borrower's Proportionate Share of the costs of issuance of such Series of Bonds.

The Authority is hereby authorized and directed to make disbursements from each Borrower Account of a Series Loan Account of the Loan Fund required by the provisions of this Resolution. The Authority shall keep and maintain adequate records pertaining to the Loan Fund and each Series Loan Account and Borrower Account therein and all disbursements therefrom.

(c) The Authority shall disburse moneys within each Borrower Account solely to pay Costs of the Projects of the respective Borrower, except as set forth in subsection (f) below. Before any payment shall be made from a Borrower Account, there shall be filed with the Authority pursuant to the respective Loan Agreement, a requisition appropriately completed and signed by an Authorized Borrower Representative in the form attached as an Exhibit to such Loan Agreement, and pursuant to such additional procedures and regulations as the Authority may from time to time prescribe.

The Authority shall be entitled to conclusively rely upon the information stated in any requisition and shall not be liable for any disbursement made in accordance therewith. If any payment from a Borrower Account is made without timely filing of any document provided for above, timely filing thereof shall be deemed to have been waived by the Authority, but only with respect so the payment so made and not with respect to any future payment.

All funds held in each Borrower Account within a Series Loan Account in the Loan Fund shall be invested by the Authority or the Custodian thereof in Investment Obligations, subject to Section 7.01. Except as may otherwise be provided by the Supplemental Resolution authorizing a Series of Bonds, all earnings received on funds in a related Borrower Account in the Bond Fund shall be retained in such Borrower Account and, as reported to the Authority, such earnings shall be credited to the Borrower's next succeeding Loan Repayment.

(d) If all conditions precedent to payment from a Borrower Account of the Loan Fund have been performed, the Authority shall make or cause the Custodian to make such payment by check or wire made payable to the respective Borrower as provided in the requisition. Such disbursement shall be made as soon as reasonably possible after receipt of the requisition. The proceeds of each disbursement hereunder shall be applied exclusively to payment, or to reimbursement of the Borrower for payment, of Costs of the Projects specified in the requisition.

(e) When requesting the final payment from any Borrower Account within the Loan Fund for a Project, the Borrower shall file a certificate stating that the Project has been completed in all material respects and in the form required by Section 2.05 of the Loan Agreement.

(f) The balance of any moneys remaining in a Borrower Account in the Loan Fund upon completion of all related Projects may be used for other projects of the related Borrower approved by the Authority which do not adversely affect either the qualification of the Bonds as “qualified school construction bonds” within the meaning of Section 54F of the Code or the credit allowed under Section 54A of the Code in respect thereof, and, if permitted or required by the Supplemental Resolution, used to redeem Bonds.

Section 6.04. Effect of Certain Loan Defaults under Loan Agreements; Assignment of Loan Agreement. Upon the occurrence of a Loan Default under Section 5.01 of a Loan Agreement consisting of the failure to timely make Loan Repayments, the Authority shall take all actions to enforce the remedies of the Authority set forth in Section 5.02 of the Loan Agreement.

## ARTICLE VII

### INVESTMENT OF FUNDS AND ACCOUNTS

#### Section 7.01. Investment of Funds and Accounts, Value of Investment Obligation.

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

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

(c) Obligations purchased as an investment of moneys credited to any Fund or Account held by a Custodian (or, as contemplated by the last sentence of paragraph (a) of this Section, the moneys invested) under the Resolution shall be deemed at all times to be part of such respective Fund or Account, but, except for defeasance as provided for in Article XV, the income or interest earned, profits realized or losses suffered by a Fund or Account due to the investment thereof shall be retained therein.

(d) In computing the value of any Investment Obligations held in any Fund or Account held by the Trustee or the State Treasurer under the provisions of the Resolution, (i) obligations shall be valued at the lower of the amount invested or fair market value and (ii) amounts invested as contemplated by the last sentence of paragraph (b) of this Section shall be valued at the amount invested. Valuations shall be made annually as of the end of each fiscal year of the Authority or otherwise as may be deemed by the Authority to be necessary or advisable.

(e) Except as otherwise provided in the Resolution, the Custodian shall sell at the best price obtainable by the Custodian through its ordinary and customary practices, or present for redemption or exchange, or as directed in writing by the Authority, any Investment Obligation held by it in any Fund or Account whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The Custodian shall advise the Authority in writing, on or before the twentieth day of each calendar month, of the details of all investments held for the credit of each Fund and Account in its custody under the provisions of the Resolution as of the end of the preceding month; *provided*, however, details of investments held for the credit of the Borrower Accounts within the Loan Fund shall be provided by the Custodian, in writing, not later than June 30 of each year.



(f) (i) The Authority shall have the power and duty to make, subject to the provisions of the Resolution and, in the case of moneys invested by the State Treasurer as contemplated by the last sentence of paragraph (b) of this Section, subject to State policy, any and all investment decisions respecting moneys in the Funds and Accounts, and each Custodian including the Trustee, and the State Treasurer, shall, with respect to the investment of moneys held by it in the Funds and Accounts, act at the written direction of the Authority as specified in this Section; (ii) the Authority shall determine the securities and other investments in which moneys held in the Funds and Accounts shall be invested, shall order any and all purchases and sales of securities in the Funds and Accounts and shall authorize and direct each Custodian orally or by facsimile transmission, promptly confirmed in writing, to deliver, redeliver or receive any and all securities held or to be held in the Funds and Accounts hereunder except, in the case of moneys invested by the State Treasurer as contemplated by the last sentence of paragraph (b) of this Section, such determination shall be made in accordance with State policy; and (iii) subject to compliance with the provisions of paragraph (b) of this Section, the Trustee shall not be responsible for making any investment decisions under this subsection (f); *provided*, however, that the liability of the Trustee for any and all actions with respect to securities and investments of the Funds and Accounts shall be as provided in Section 7.02 hereof.

Section 7.02. Liability of Trustee for Investments. Subject to compliance with the provisions of paragraph (b) of Section 7.01, the Trustee shall not be liable or responsible for the making of any decision authorized by the provisions of this Article, in the manner provided in this Article, or for any loss resulting from any such investment decision. Notwithstanding any other provision to the contrary hereunder, the Trustee shall, however, be liable for the unexplained loss of funds or securities in its custody and its own negligence, default or misconduct in acting shall in the course of fulfilling its duties and responsibilities hereunder, hold, and subject to the provisions of Section 7.01, invest, the moneys and securities in the Funds and Accounts designated to be held by it hereunder with the same care as it uses in respect of its own similar property and in accordance with the standard of care required by law of a Fiduciary acting as a trustee.

## ARTICLE VIII

### THE FIDUCIARIES

Section 8.01. Appointment and Acceptance of Duties of Trustee. The Authority shall appoint the initial Trustee in the initial Supplemental Resolution authorizing Bonds or by a resolution of the Authority adopted prior to the authentication and delivery of such Bonds. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance deposited with the Authority. Anything in the Resolution to the contrary notwithstanding, prior to the occurrence of an Event of Default under the Resolution, the Trustee shall have no duties or obligations as Trustee under the Resolution other than to act as Paying Agent or Registrar with respect to a Series of Bonds, if so appointed pursuant to Section 8.02, or to hold, maintain and administer any Funds or Accounts as the Custodian thereof as contemplated by Section 6.01.

Section 8.02. Appointment and Acceptance of Duties of Paying Agents and Registrar.

(a) The Trustee is hereby appointed as Paying Agent and Registrar for the Bonds of each Series. The Authority may at any time or from time to time appoint one or more additional Paying Agents and Registrars in the manner and subject to the conditions set forth in Section 8.12 for the appointment of a successor Paying Agent and/or Registrar. Notwithstanding the foregoing, the Authority or the State Treasurer may be appointed to act as Paying Agent, and the Authority or the State Comptroller of the Treasury may be appointed to act as Registrar.

(b) Each Paying Agent and Registrar shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance deposited with the Authority and the Trustee.

(c) The appropriate offices of the Paying Agents are hereby designated as the respective agencies of the Authority for the payment of the principal, Term Bond Installments, if any, and Redemption Price, if any, of or interest, if any, on the Bonds.

Section 8.03. Responsibilities of Fiduciaries. The recitals of fact herein and in the Bonds shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No

Fiduciary shall be deemed to make any representations as to the validity or sufficiency of the Resolution or of any Bonds issued hereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Except as otherwise set forth in Section 7.02, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default or unexplained disappearance of funds or securities in its custody. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others. The duties and obligations of the Fiduciaries shall be determined by the express provisions of the Resolution, and no Fiduciary shall be liable except for the performance of such duties and obligations as are specifically set forth in the Resolution. No Fiduciary shall be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Resolution.

Section 8.04. Evidence on Which Fiduciaries May Act.

(a) The Fiduciaries shall be protected in acting upon any notice, direction, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Fiduciaries may consult with counsel, who may or may not be of counsel to the Authority, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

(b) Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively provided and established by a certificate of an Authorized Authority Representative, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

(c) Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Authority to a Fiduciary shall be sufficiently executed if executed in the name of the Authority by an Authorized Authority Representative.

Section 8.05. Compensation. The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. To the extent permitted by law, and without representation as to permissible by law, the Authority further agrees to indemnify and save each Fiduciary harmless against any expenses and liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence, misconduct or default or the unexplained loss of funds or securities in its custody or to any liability arising under Section 7.02 hereof. The Trustee shall not be required to take any action at the request or direction of a Credit Facility provider made or given pursuant to Article XIII hereof unless and until such Credit Facility provider shall have indemnified and saved the Trustee harmless against any liabilities and all reasonable expenses, charges, counsel fees and other disbursements, including those of the Trustee's attorneys, agents and employees, incurred in connection with or as a result of taking the action requested or directed by the Credit Facility provider to be taken.

Section 8.06. Permitted Acts and Functions. (a) A Fiduciary may not become the owner of any Bonds.

(b) A Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners or

to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

Section 8.07. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Authority and mailing notice thereof, specifying the date when such resignation shall take effect, to each registered Bondowner. Such resignation shall take effect upon the date specified in the notice to the Authority unless previously a successor shall have been appointed, as provided in Section 8.09, in which event such resignation shall take effect immediately on the appointment of such successor; *provided*, however, that no resignation shall take effect until a successor Trustee shall have been appointed and shall have accepted such appointment.

Section 8.08. Removal of Trustee.

(a) During any period in which no Event of Default shall have occurred or be continuing, the Trustee may be removed for any reason, with or without cause (i) by the Authority, by written instrument delivered to the Trustee, or (ii) by the Owners of at least 25% of the Outstanding Bonds, by written instrument or concurrent instruments in writing signed and acknowledged by such Owners or by their attorneys-in-fact and delivered to the Authority and the Trustee.

(b) During any period in which any Event of Default shall have occurred or be continuing, the Trustee may be removed (i) by the Authority, with cause, by written instrument delivered to the Trustee, or (ii) by the Owners of at least 25% of the Outstanding Bonds, with cause, by written instrument or concurrent instruments signed and acknowledged by such Owners or by their attorneys-in-fact and delivered to the Authority and the Trustee. Notwithstanding the foregoing, Owners of at least 25% of the Outstanding Bonds may cancel or overturn any removal of the Trustee undertaken by the Authority pursuant to this paragraph (b) by written instrument or concurrent written instruments signed and acknowledged by such Owners or their attorneys-in-fact and delivered to the Authority and the Trustee prior to the date of removal of the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Resolution with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Authority or of the Owners of not less than ten percent of the Outstanding Bonds.

(c) The removal of the Trustee will not relieve the Trustee of liability for (i) any action or omission to act in breach of its fiduciary duties hereunder that occurred prior to the date of removal, or (ii) acting or proceeding in violation of, or failing to act or proceed in accordance with, any provision of the Resolution with respect to the duties and obligations of the Trustee that occurred prior to the date of removal.

Section 8.09. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Authority covenants and agrees that it will thereupon appoint a successor Trustee. If in the reasonable judgment of the Authority any such event referred to in the preceding sentence is likely to occur, the Authority, in its sole discretion and without the request of Owners of Bonds as required in Section 8.08, may remove the Trustee and the Authority covenants and agrees that it will thereupon appoint a successor Trustee. The Authority shall mail, or cause to be mailed, notice of any such appointment made by it to each registered Bondowner, such notification to be made within thirty (30) days after such appointment.

(b) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have given to the Authority written notice, as provided in Section 8.07, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) Any Trustee appointed under the provisions of this Section 8.09 shall be a bank or trust company organized under the laws of any state of the United States of America, or a national banking association, and having a capital and surplus aggregating at least One Hundred Million Dollars (\$100,000,000) if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Section 8.10. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Authority, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee. However, the Trustee ceasing to act shall nevertheless, on the written request of the Authority, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Authority be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Authority. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

Section 8.11. Merger, Conversion or Consolidation. Any Person into which the Trustee or any Paying Agent may be merged or converted or with which it may be consolidated or any Person resulting from any merger, conversion or consolidation to which it shall be a party or any Person to which the Trustee or any Paying Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Trustee or Paying Agent upon the execution and filing of notice with the Authority; *provided*, however, with respect to the Trustee that such Person shall meet the requirements of Section 8.09(c).

Section 8.12. Resignation or Removal of the Paying Agents and Registrars and Appointment of Successors.

(a) Any Paying Agent or the Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Authority, the Trustee, the other Paying Agents and the Registrars, as the case may be. Any Paying Agent or the Registrar may be removed at any time by an instrument filed with such Paying Agent or the Registrar and the Trustee and signed by an Authorized Authority Representative. Any successor Paying Agent or the Registrar shall be appointed by the Authority and shall be a bank or trust company organized under the laws of any state of the United States of America or a national banking association, having a capital and surplus aggregating at least Ten Million Dollars (\$10,000,000), or a clearing agency registered with the Securities and Exchange Commission, which is willing and able to accept the office of Paying Agent or Registrar, as the case may be, on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(b) In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it to its successor. In the event that for any reason there shall be a vacancy in the office of all Paying Agents, the Trustee shall act as Paying Agent.

(c) In the event of the resignation or removal of the Registrar, the Registrar shall transfer and deliver all records, certificates and documents held by it as Registrar to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of Registrar, the Trustee shall act as Registrar.

Section 8.13. Co-Trustee.

(a) It is the intent of the Resolution that there shall be no violation of any law of any jurisdiction (including, without limitation, the laws of the State) denying or restricting the right of banks or trust

companies to transact business as trustees in that jurisdiction. It is recognized that (i) if there is litigation under the Resolution or other instruments or documents relating to the Bonds, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (ii) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (1) exercise any of the powers, rights or remedies granted herein to the Trustee, (2) hold title to the properties, in trust, as granted herein, or (3) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a co-Trustee. The following provisions of this Section 8.13 are adopted to these ends.

(b) In the event that the Trustee appoints an additional Person as a co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Resolution to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that co-Trustee shall run to and be enforceable by it.

(c) Should any instrument or document in writing from the Authority reasonably be required by the co-Trustee so appointed by the Trustee for vesting and conveying more fully and certainly in and to that co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Authority. In case any co-Trustee or a successor to it shall become incapable of acting, resign or be removed, all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of the co-Trustee shall be exercised by, vest in and be conveyed to the Trustee, to the extent permitted by law, until the appointment of a successor to the co-Trustee.

#### Section 8.14. Authenticating Agent.

(a) With the consent of the Authority, a Registrar for a Series of Bonds may appoint an additional Person to act as an authenticating agent, in addition to the Registrar, with power to act on its behalf and subject to its direction in the authentication and delivery of Bonds in connection with transfers and exchanges under Article III. For all purposes of the Resolution, the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section 8.14 shall be deemed to be authentication and delivery of those Bonds by the Registrar and the provisions of Article III hereof shall be applicable to any Authenticating Agent and all references therein to "Registrar" insofar as they pertain to the authentication, transfer of registration of Bonds shall also mean "Authenticating Agent" if such an entity has been appointed for such purposes.

(b) Any Person with or into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party or any Person succeeding to the trust or agency business of any Authenticating Agent, shall be the successor of that Authenticating Agent hereunder, without the execution or filing of any paper or any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation or association.

(c) Any Authenticating Agent may at any time resign by giving written notice of resignation to the Registrar and to the Authority. The Registrar may at any time terminate the agency of any Authenticating Agent, by giving written notice of termination to such Authenticating Agent and the Authority. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Registrar may appoint a successor Authenticating Agent acceptable to the Authority. The Registrar shall give written notice of appointment of a successor Authenticating Agent to the Authority and shall mail, within ten (10) days after that appointment, notice thereof to the Registered Owners of Bonds as their names and addresses appear on the books of registry on the date of such appointment.

(d) The Registrar shall pay to any Authentication Agent from time to time reasonable compensation for its services, and the Registrar shall be entitled to be reimbursed for such payments, subject to Section 8.05.

## ARTICLE IX

### COVENANTS OF THE AUTHORITY

The Authority covenants and agrees with the Owners of the Bonds as follows:

Section 9.01. Payment of Bonds. The Authority shall duly and punctually pay or cause to be paid, but solely from the sources pledged hereunder, the principal, Term Bond Installments, if any, or Redemption Price, if any, of and interest, if any, on every Bond, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

Section 9.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of interest, if any, by the purchase or funding of such Bonds or claims for interest or by any other arrangement. In case the maturity of any of the Bonds or time for payment of such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any payment out of any assets of the Authority or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by any other Fiduciary, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claim for interest. Nothing herein shall be deemed to limit the right of the Authority (i) to issue Refunding Bonds as provided in Section 2.03 and such issuance shall not be deemed to constitute an extension of maturity of Bonds or the time of payment of claims for interest, (ii) to issue Reimbursement Obligations and neither the issuance nor the operation of the provisions of such Reimbursement Obligations shall be deemed to constitute an extension of maturity of the Bonds, or (iii) to apply any amount in the Bond Fund to the purchase or redemption of a related Series of Bonds.

Section 9.03. Offices for Payment and Registration of Bonds. The Authority shall at all times maintain one or more offices or agencies where Bonds may be presented for payment, registration, transfer or exchange.

Section 9.04. Further Assurances. At any and all times the Authority shall, so far as it may be authorized or permitted by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning, confirming and effecting all and singular the rights, Pledged Revenues and all rights under the Loan Agreements or otherwise to receive the same, and other moneys, securities, funds and property hereby pledged or assigned, or intended to be, or which the Authority may hereafter become bound to pledge or assign.

Section 9.05. Power to Issue Bonds and Make Pledges. The Authority is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and to pledge to each Series of Bonds the related Pledged Revenues, all rights under the Loan Agreements or otherwise to receive the same, and other moneys, securities, funds and property purported to be pledged by the Resolution to such Series of Bonds, and assign certain rights accruing to it under the Loan Agreements in the manner and to the extent provided in the Resolution. The Pledged Revenues and all rights under the Loan Agreements or otherwise to receive the same, and other moneys, securities, funds and property so pledged and assigned are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and assignment created by the Resolution, except for the liens in favor of Fiduciaries provided in Section 8.05, and all official action on the part of the Authority to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues, and all rights under the Loan Agreements or otherwise to receive the same, and other moneys, securities, and property pledged and assigned under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all Persons whomsoever.

Section 9.06. Agreement of the State. In accordance with the provisions of the Act, the Authority, on behalf of the State, does hereby pledge to and agree with the Owners of the Bonds that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bondowners, or

in any way impair the rights and remedies of such Owners, until the Bonds together with the interest, if any, thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf such Owners are fully met and discharged.

Section 9.07. Creation of Liens. Until the pledge created in Section 5.01 shall be discharged and satisfied as provided in Section 15.01, the Authority shall not issue any bonds or other evidences of indebtedness, other than the Series of Bonds (or any related Reimbursement Obligations) secured by a prior or equal pledge of the Pledged Revenues and all rights under the related Loan Agreements or otherwise to receive the same, or any moneys and securities in the funds and property pledged and assigned under the Resolution, and shall not create or cause to be created any lien or charge equal or prior to the Series of Bonds (or any related Reimbursement Obligations), on Pledged Revenues, and all rights under the related Loan Agreements or otherwise to receive the same, in each such case except as permitted by Section 2.04, or on any funds and property pledged and assigned under the Resolution; provided, however, that State-Shared Taxes in excess of Unobligated State-Shared Taxes included in Pledged Revenues may be pledged to other obligations.

Section 9.08. Tax Qualification. The Authority may include in the applicable Supplemental Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the Bonds of a Series as “qualified school construction bonds” within the meaning of Section 54F of the Code.

Section 9.09. Purpose for Which Bonds, Etc. May Be Issued. The Authority shall not issue any Bonds except for the purposes specified in or permitted by the Act.

Section 9.10. Accounts and Reports. The Authority shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of its transactions relating to Projects, the Loan Agreements, the intercepted Unobligated State-Shared Taxes and all Funds and Accounts which shall at all reasonable times be subject to the inspection of the Trustee or the Owner(s) of an aggregate of not less than five percent (5%) in principal amount of the applicable Series of Bonds then Outstanding or their representatives duly authorized in writing.

Section 9.11. General.

(a) The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act as then in effect and the Resolution in accordance with the terms of such provisions.

(b) Upon the date of issuance of any of the Series of Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Series of Bonds, shall exist, shall have happened and shall have been performed and the issuance of such Series of Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the State.

Section 9.12. Compliance with Agreements; Unobligated State-Shared Taxes.

(a) The Authority will at all times comply with the covenants, terms and conditions of the Loan Agreements related to each Series of Bonds and shall take all steps, actions and proceeding as may be necessary in order to require compliance by the Borrowers with the covenants, terms and conditions thereof, the breach of which would in any way materially adversely affect or impair the obligation of the Borrowers to pay Loan Repayments at the times and in the manner and amounts provided in the Loan Agreements, including taking all actions necessary to enforce the obligations of the Borrowers to make Loan Repayments under their Loan Agreements.

(b) In the event any Borrower shall fail to remit funds in accordance with the payments established by the Authority pursuant to a Loan Agreement, the Authority shall give prompt notice of such event to the Commissioner of Finance and Administration of the State, who is required by Section 49-3-1206(c)(2), Tennessee Code Annotated, without further authorization, to deduct from any State-Shared Taxes which are

otherwise apportioned to the Borrower the amount required to make the Borrower current with respect to the unpaid amounts due the Authority under the Loan Agreement and pay such amount to the Authority. The Authority shall deliver by certified mail to the Borrower a written notice of such deduction.

Section 9.13. Amendment of Agreements. The Authority shall not amend any Loan Agreement in any manner that would materially adversely affect or impair the obligation of the applicable Borrower to pay Loan Repayments at such times, in such manner and in such amounts sufficient, together with other moneys available for the purpose, to pay the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the Bonds as the same becomes due and payable, but reserves the right to amend the Loan Agreements in any other respect without the consent of any Fiduciary or any Bondowner.

Section 9.14. Waiver of Laws. The Authority shall not at any time insist upon or pledge in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution or in any Supplemental Resolution or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority.

## ARTICLE X

### LOANS

Section 10.01. Terms and Conditions of Loans. Moneys in the Loan Fund shall be used to make loans to Borrowers under Loan Agreements funded by a related Series of Bonds to finance the Cost of the Projects upon the terms and conditions set forth in the Loan Agreements and upon submission of the documents contained in this Article X.

Section 10.02. Restrictions on Loans. (a) Each Loan Agreement shall require the related Borrower to make Loan Repayments in such amounts and at such times as shall be sufficient to permit the Authority to pay the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the Bonds issued to provide such Borrower's Loan, as and when the same shall become due and payable, and shall contain (i) representations and covenants of the Borrower thereunder substantially to the effect set forth in Section 4.02 of the initial Loan Agreements, and (ii) defaults substantially the same as those contained in Section 5.01 of the initial Loan Agreements.

(b) No Loan Agreement shall be entered into with any Borrower unless the Authority determines (by written certificate of an Authorized Authority Representative, which determination shall be conclusive) that the amount of State-Shared Taxes allocable to the Borrower in the preceding Fiscal Year (determined without regard to the application of State-Shared Taxes in such Fiscal Year to amounts payable under Loan Agreements or other obligations of the Borrower), as determined by the Commissioner of the Department of Revenue of the State or the director of any other appropriate department of the State, which determination shall be conclusive, less the maximum amount of principal and interest that is to be paid, or that is or may be payable, in the balance of the then-current Fiscal Year or in any Fiscal Year thereafter on (i) all other Loan Agreements of the Borrower and (ii) all other indebtedness of the Borrower, in each case for the payment of which State-Shared Taxes have been pledged on a parity with or with priority over the proposed Loan Agreement, is at least 1.5 times the maximum total amount required to be paid in the then-current Fiscal Year or in any Fiscal Year thereafter under the proposed Loan Agreement of the Borrower for principal and interest (excluding interest in lieu of Tax Credits) on Bonds and at least 1.1 times the maximum total amount required to be paid in the then-current Fiscal Year or in any Fiscal Year thereafter under the proposed Loan Agreement and all other Loan Agreements of the Borrower for principal of and interest (including interest in lieu of Tax Credits) on Bonds. The provisions of this subsection (b) shall not apply to the Loan Agreements funded from the initial Series of Bonds.

Section 10.03. Loan Term and Loan Repayments. The term of each Loan funded with proceeds of each Series of Bonds shall commence on the Closing of such Loan as provided in the Loan Agreement and end on a date specified in the Loan Agreement, which latter date shall not be later than the useful life of the Project or the final maturity of the related Series of Bonds, whichever is less. Principal of and interest, if any, on each Loan (including any such principal and interest, if any, and redemption premium, if any, payable upon redemption of related Bonds



prior to maturity) shall be repaid in such amounts and on such dates as shall be set forth or provided in the Loan Agreement. The portions of each Loan Repayment constituting principal and interest, if any, shall be calculated by the Authority (and recalculated when necessary) as provided in Article III of the Loan Agreement and shall be paid on the dates specified in the Loan Agreement, or such other times as may be designated by the provider of a Credit Facility, if applicable. The portion of each Loan Repayment constituting Administrative Expenses shall be calculated and apportioned among the Series of Bonds by the Authority and among the Borrowers with Loan Agreements relating to such Series of Bonds as set forth in Section 3.04 of the Loan Agreement and shall be payable on the dates provided in the Loan Agreement.

Section 10.04. Closing Submissions. Prior to or at each Closing Date, the Authority shall have received the documents required by Section 2.02 of this Resolution.

Section 10.05. Defaults. The Authority shall enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Loan Agreements and any documents securing such Loan Agreements including the prompt payment of all Loan Repayments and all other amounts due thereunder. The Authority shall promptly notify the Trustee and the provider of a Credit Facility, if any, with respect to the related Series of Bonds of the occurrence of any Loan Default of which it has knowledge. The Authority shall not (without the prior written consent of the Trustee and the provider of a Credit Facility, if any) release the obligations of any Borrower under any Loan Agreement and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the owners of each Series of Bonds and of the Trustee under or with respect to such Loan Agreement, *provided* that this provision shall not be construed to prevent the Authority, with the consent of the provider of a Credit Facility, if any, with respect to the related Series of Bonds, from settling a default under any Loan Agreement on terms as the Authority shall determine to be in the best interest of the Owners of the Bonds, the Authority and the provider of a Credit Facility, if any.

Section 10.06. Requirements. In connection with its activities provided for hereunder, the Trustee upon receipt of indemnity for its liabilities, fees and expenses agrees to comply with the directions of and any reasonable requirements imposed by the Authority and by the provider of a Credit Facility, if any, for such Series of Bonds and with all relevant state and federal laws and to take such reasonable actions as shall be necessary to permit recovery under the Credit Facility for such Series of Bonds.

Section 10.07. Payment or Prepayment by Borrowers. Upon the payment of all sums due and to become due under a Loan Agreement or the prepayment of a Loan Agreement by a Borrower by payment of the Optional Prepayment Price pursuant to Article VI of a Loan Agreement, the Authority and the Trustee shall cancel the Loan Agreement and shall take any other actions required of the Authority and the Trustee under the Loan Agreement and shall execute in their own names all relevant documents in connection with such actions.

If a Loan made under this Resolution is prepaid, the Borrower's Proportionate Share of Administrative Expense shall be calculated as if it were making its regular Loan Repayments until the prepayment is used to redeem the related Series of Bonds as set forth the Loan Agreement or until maturity of the Series of Bonds.

Section 10.08. Loan Files. The Authority shall retain all the documents it receives under this Resolution at each Closing which documents shall be available for inspection by the Trustee and the provider of a Credit Facility, if applicable. All documents received by the Authority with regard to a particular Loan shall be retained by the Authority in a file pertaining to that Loan (a "Loan File"). The Loan File shall be kept at the principal office of the Authority and shall be available for inspection by the Trustee and the provider of a Credit Facility, if applicable, at such reasonable times and under reasonable circumstances.

Section 10.09. Trustee and Authority Not to Impair Tax Status of the Bonds. The Trustee and the Authority shall not take any action or omit to take any action or permit any action, except actions required to be taken or omitted hereunder and under the Loan Agreements, which is within their respective control to be taken or omitted which would to the actual knowledge of their respective officers adversely affect either the qualification of any Series of Bonds as "qualified school construction bonds" under Section 54F of the Code or the credit allowed under Section 54A of the Code in respect thereof; *provided*, however, that the Trustee shall not be deemed to have constructive knowledge of the Code or regulations, rulings and judicial decisions concerning the Code; and *provided*, further, that the Trustee shall not be liable for an act or omission which is required hereunder or under the

Loan Agreements which act or omission is directed by the Authority, the provider of a Credit Facility, if any, or, with respect to disbursements from a Borrower Account in the Loan Fund, the Borrowers, notwithstanding that such act or omission adversely affects either the qualification of any Series of Bonds as “qualified school construction bonds” under Section 54F of the Code or the credit allowed under Section 54A of the Code in respect thereof.

Section 10.10. Incomplete Payments. If a Borrower shall pay only a portion of a Loan Repayment when due, the payment shall be applied first as interest on the Loan, second as principal of the Loan and then as Administrative Expenses.

## ARTICLE XI

### SUPPLEMENTAL RESOLUTIONS

Section 11.01. Modification and Amendment Without Consent. Notwithstanding any other provisions of this Article XI, or Article XII, the Authority may at any time or from time to time adopt Supplemental Resolutions without the consent of Bondowners and, except as may be agreed to in or in connection with any Credit Facility, the provider of any Credit Facility, for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative:

(a) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Article II, and also any other matters and things relative to such Series of Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to or, if and to the extent so provided therein for amendments affective only as to such Series of Bonds, after the first issuance and delivery of such Series of Bonds.

(b) To authorize Bonds of any Series to be issued in uncertificated form without physical delivery of any Bond, with indebtedness evidenced by means of electronic record keeping on the database or systems of the Authority, any Fiduciary and/or the Securities Depository or any other Person performing a similar central depository or clearinghouse function in the capital markets as a nominee of beneficial owners, or in such other comparable form and manner as shall then be an acceptable practice of issuing and delivering securities.

(c) To modify, amend or supplement the Resolution in any manner in order to obtain or provide for or with respect to a Credit Facility with respect to any Series of Bonds, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the rights of the Owners of Outstanding Bonds (taking into account, among other things, the provisions of Section 2.04) and grant such rights and remedies and make such other covenants (subject to the Resolution including any prior Supplemental Resolution) as may be necessary therefor.

(d) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds or any Series of Bonds provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution as theretofore in effect.

(e) To prescribe further limitations and restrictions upon the issuance of a Series of Bonds by the Authority.

(f) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution.

(g) To confirm as further assurance any pledge under the Resolution subject to any lien, claim or pledge created or to be created by the provisions of the Resolution, the Loan Agreements, Pledged Revenues, Loan Repayments, intercepted Unobligated State-Shared Taxes or of any other moneys, securities or funds.

(h) At any time prior to the first authentication and delivery of any Bonds under the Resolution or at any other time when no Bonds are Outstanding under the Resolution, to modify the provisions of the Resolution in such manner as the Authority deems necessary or appropriate.

(i) To modify, amend or supplement the Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if the Authority so determines, to add hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar Federal statute.

(j) With respect to any Supplemental Resolution, as may be provided therein if not otherwise materially in conflict with this Resolution.

(k) With the consent of the Trustee, (i) to cure any ambiguity, or defect or inconsistent provision in the Resolution, or (ii) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect; or to make any other modification or amendment of the Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the rights of Bondowners, provided that in making any such determination, the Trustee may conclusively rely upon a Counsel's Opinion or certificate of any Person deemed by the Trustee in its sole discretion to be reliable.

(l) To comply with the requirements of any Rating Agency in order to maintain or improve a rating on a Series of Bonds by such Rating Agency.

(m) To modify any of the provisions of the Resolution in any respect whatsoever; *provided*, however, that (i) such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution either shall cease to be Outstanding or the requisite percentage of the principal amount of such Bonds shall have consented thereto, as provided in Article XII and such Supplemental Resolution, or (ii) the provisions of such Supplemental Resolution shall be effective only as to Series of Bonds issued after the effective date of the Supplemental Resolution.

Section 11.02. Supplemental Resolutions Effective With Consent of Bondowners. The provisions Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondowners of such Series of Bonds affected in accordance with and subject to the provisions of Article XII, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Authority Representative and upon satisfaction of the other requirements of Article XII.

Section 11.03. General Provisions Relating to Supplemental Resolutions.

(a) This Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article XI and Article XII. Nothing contained in this Article XI or Article XII shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 9.04 or the right or obligation of the Authority to execute and deliver to any Fiduciary any instrument elsewhere in Resolution provided or permitted to be delivered to the Fiduciary.

(b) A copy of every Supplemental Resolution adopted by the Authority when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that the Authority has the right and power under the Act and the Resolution to adopt the Supplemental Resolution, and that the Resolution as so supplemented has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority.

(c) The Trustee is hereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the provisions of this Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be

fully protected in relying on a Counsel's Opinion that such Supplemental Resolution is authorized or permitted by the provisions of this Resolution.

(d) No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written consent thereto.

## ARTICLE XII

### AMENDMENTS

#### Section 12.01. Powers of Amendment.

(a) Any modification or amendment of the Resolution requiring Bondowner consent and of the rights and obligations of the Authority and of the Owners of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent, given as provided in Section 12.02, (i) of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding, are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Term Bond Installment, of the Owners of one hundred percent (100%) in principal amount of the Bonds of the particular Series, maturity and interest rate, if any, entitled to such Term Bond Installment Outstanding at the time such consent is given; *provided*, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section.

(b) No such modification or amendment shall (i) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest, if any, thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest, if any, thereon without the consent of the Owner of such Bond, (ii) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to Section 5.01, which pledge, lien, charge or encumbrance would be prior to, or of equal rank with, the pledge or source of payment for the Bonds created by the Resolution, without the consent of the Owners of all Outstanding Bonds affected by such change, or deprive any Owner of any Outstanding Bond of the benefit of such pledge or source of payment for the Bonds, without the consent of such Owner, except as permitted by Section 13.02, (iii) create, with respect to the pledge of the items set forth in Section 5.01, a preference or priority of any Bond of a Series over any other Bond of a Series without the consent of each Owner of a Bond affected by such change, or (iv) reduce the percentages of the Bonds the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment.

(c) For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects the rights of the Owners of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. The Trustee may receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of this Resolution.

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

Section 12.02. Consent of Bondowners. The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 12.01 to take effect when

and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority (or by the Trustee at the request of the Authority) to Bondowners (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (A) the written consents of Owners of the percentages of Outstanding Bonds specified in Section 12.01 and (B) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted, is authorized or permitted by this Resolution, and is valid and binding upon the Authority, and (ii) a notice shall have been mailed to Owners of Bonds then Outstanding as hereinafter in this Section 12.02 provided. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 14.01. A certificate or certificates by the Trustee, to be retained by the Trustee, that it has examined such proof and that such proof is sufficient in accordance with Section 14.01 shall be conclusive that the consents have been given by the Owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Owner of the Bonds giving such consent and, anything in Section 14.01 to the contrary notwithstanding, upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) and, once given, shall be irrevocable as to such Owner and any subsequent Owner. At any time after the Owners of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Bonds and will be effective as provided in this Section 12.02, shall be given to Bondowners by the Authority (or by the Trustee at the request of the Authority) by mailing such notice to Bondowners (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section 12.02 provided). The Authority shall file with the Trustee, or the Trustee shall retain on file, proof of their respective mailing of such notice to Bondowners. A transcript, consisting of the papers required or permitted by this Section 12.02 to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, each Fiduciary and the Owners of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of notice referred to above, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; *provided*, however, that the Authority and any Fiduciary during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem appropriate.

Section 12.03. Modifications by Unanimous Consent. The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Owners of the Bonds hereunder may be modified or amended in any respect upon the adoption by the Authority and filing with the Trustee of a Supplemental Resolution and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in Section 12.02, except that no notice to Bondowners shall be required.

Section 12.04. Mailing and Publication. Any provision in this Article for the mailing of a notice or other document to Bondowners shall be fully complied with if it is mailed postage prepaid only (i) to each Owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Authority and (ii) to the Trustee.

Section 12.05. Exclusion of Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Resolution, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Resolution, the Authority shall furnish the Trustee a certificate of an Authorized Authority Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 12.06. Notation on Bonds. Bonds issued and delivered after the effective date of any action taken as in Article XI or this Article XII provided may, and, if the Trustee so determines, shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the corporate trust office of the Trustee suitable notation shall be made on such Bond by the Trustee as to any such action. If the Authority or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Authority to conform to such action shall be prepared and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Bondowner, for Bonds of the same Series, principal amount and maturity then Outstanding, upon surrender of such Bonds. Any action taken as in Article XI or this Article XII provided shall be effective and binding upon all Bondowners notwithstanding that the notation is not endorsed on all Bonds.

Section 12.07. Consent of Provider of Credit Facility. For purposes of this Article XII, but only so long as the Credit Facility provider has not defaulted on obligations under the Credit Facility, (i) the provider of a Credit Facility shall be considered the sole Owner of all Series of Bonds to which such Credit Facility relates, except as otherwise provided in an applicable Supplemental Resolution, and (ii) any provision of this Article XII may be waived by such provider with respect to its consent to any amendment, by an instrument in writing filed with the Authority and the Trustee.

Section 12.08. Notices to Rating Agencies. The Authority shall furnish written notice to each Rating Agency providing a rating with respect to a Series of Bonds of any amendment, change or modification of the Resolution. Such notices shall be furnished to each Rating Agency at the address specified in writing to the Authority by such Rating Agency.

### ARTICLE XIII

#### DEFAULTS AND REMEDIES

Section 13.01. Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and hereby is vested with all of rights, powers and duties of a trustee appointed by Bondowners pursuant to paragraph (a) of Section 49-3-1208 of the Act and the right of Bondowners to appoint a trustee pursuant to such clause is hereby abrogated in accordance with paragraph (d)(8) of Section 49-3-1207 of the Act.

Section 13.02. Events of Default. Each of the following events is hereby declared an “Event of Default” with respect to any Series of Bonds:

(a) the Authority shall default in the payment of the principal, Term Bond Installments, if any, or Redemption Price, if any, of or interest, if any, on any Bond of such Series when and as the same shall become due, whether at maturity or upon call for mandatory redemption or otherwise; which default, in the case of interest, shall continue for a period of three (3) days; or

(b) the pledge created in Section 5.01 of the Resolution shall, at any time and for any reason, cease to be in full force and effect or a judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted, shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the exclusive benefit of the Owners of the Series of Bonds, except as provided in or permitted by the Resolution; or

(c) the Authority shall fail or refuse to comply with the provisions of the Act as then in effect, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Supplemental Resolution, or in such Series of Bonds, and such failure, refusal or default shall continue for a period of ninety (90) days after notice thereof (specifying such default and requiring that such notice is a “Notice of Default” hereunder) is given to the Authority by the Trustee or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series; however, in the event that the default be such that it cannot be corrected within

such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued (as determined by the Trustee) until the default is corrected; or

(d) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the Authority in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Authority, or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or

(e) the Authority shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Authority, or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing;

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

Except as provided in this Section 13.02, no default under any resolution, agreement or other instrument shall constitute or give rise to a default under the Resolution.

#### Section 13.03. Remedies.

(a) Upon the happening and continuance of (i) any Event of Default specified in paragraph (a), (d) or (e) of Section 13.02, the Trustee shall proceed, and (ii) any other Event of Default specified, subject to Section 8.05 hereof, the Trustee may proceed, and (iii) upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or if the Event of Default arises from the failure of the Authority to duly and punctually perform the covenant contained in Section 9.08, twenty-five percent (25%) in principal amount of the Outstanding Bonds of such Series affected thereby, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

1. by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to enforce the related Loan Agreements on behalf of the Authority and collect the Loan Repayments payable thereunder, and, in the event of a Borrower's failure to remit a Loan Repayment in accordance with its Loan Agreement, require the Authority to notify the Commissioner of Finance and Administration of such failure in accordance with the Act and the Loan Agreement to commence the proceedings to intercept the Unobligated State-Shared Taxes or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the related Loan Agreements and the Resolution;
2. bring suit upon the Series of Bonds;

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

(b) In the enforcement of any remedy under the Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any, and all amounts then or during any default becoming, and at any time remaining, due from the Authority for principal, Term Bond Installments, if any, Redemption Price, if any, interest, if any, or otherwise, under any provision of this Resolution or a Supplemental Resolution or of the Series of Bonds, and unpaid, with interest, if any, on overdue payments of principal, Term Bond Installments, if any, and Redemption Price, if any, and, to the extent permitted by law, interest, if any, at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Series of Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) All remedies conferred upon or reserved to the Owners of Bonds of such Series under the Resolution may be conferred upon and reserved in lieu thereof to the provider of a related Credit Facility authorized by a Supplemental Resolution and may be cumulative as provided in Section 3.10 hereof. Nothing herein shall preclude the Authority from providing in an applicable Supplemental Resolution, or in any Credit Facility authorized thereby, that the exercise of any remedy hereunder or the waiver of any Event of Default hereunder by the Trustee or the Owner of any such Bond shall be subject to the prior written consent of the provider of any related Credit Facility. Such Supplemental Resolution or related Credit Facility may provide that any and all notices required to be given under this Article by the Authority or the Trustee to the Owner of any Bond shall also be given to the provider of any related Credit Facility.

Section 13.04. Priority of Payments After Default. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal, Term Bond Installments, if any, Redemption Price, if any, or interest, if any, then due on the applicable Series of Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and this Article XIII, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any other Fiduciaries in the performance of their respective duties under the Resolution, shall be applied as follows:

(a) Unless the principal of all of the applicable Series of Bonds shall have become due and payable.

First: to the payment of interest, if any, on Bonds of such Series then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof, ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

Second: to the payment to the Persons entitled thereto of the unpaid principal, Term Bond Installments, if any, or Redemption Price, if any, of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds of such Series due on any date, then to



the payment thereof ratably, according to the amounts of principal, Term Bond Installments, if any, or Redemption Price, if any, due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: to the payment to other Persons entitled to payment hereunder or under the applicable Supplemental Resolution.

(b) if the principal of all of the Bonds of such Series shall have become due and payable, all such moneys shall be applied to the payment of the principal, Term Bond Installments, if any, Redemption Price, if any, and interest, if any, then due and unpaid upon the Bonds of such Series without preference or priority, ratably, according to the amounts due respectively for principal and premium, if any, and interest, if any, to the Persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

The provisions of this Section 13.04 are in all respects subject to the provisions of Section 9.02.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Authority, to any Bondowner or to any other Person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be a principal payment date or if interest is payable on the Bonds, an interest payment date, unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest, if any, on the amounts of principal to be paid on said date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. Unless otherwise required by the book-entry system for the Bonds, the Trustee shall not be required to make payment to the Owner of any unpaid principal of or premium, if any, and interest, if any, unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 13.05. Termination of Proceedings. In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Authority, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 13.06. Bondowners' Direction of Proceedings. Anything in the Resolution to the contrary notwithstanding, the Owners of not less than a majority in principal amount of the applicable Series of Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, subject to the provisions of Section 8.05 and paragraph (c) of Section 13.03; *provided*, however, that such direction shall not be otherwise than in accordance with law or the provisions of the Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

Section 13.07. Limitation on Rights of Bondowners.

(a) No Owner of any Bond shall have any right to institute any suit, action, or other proceeding hereunder, or for the protection or enforcement of any right under the Resolution or any right under law unless such Owner shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds of such Series then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall

have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, all subject to paragraph (c) of Section 13.03. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Resolution or for any other remedy hereunder or under law. It is understood and intended that no one or more Owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right hereunder or under law with respect to the Bonds or the Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners of the Outstanding Bonds.

(b) Notwithstanding the foregoing provisions of this Section or any other provisions of this Article XIII, except subject Section 13.04, the obligation of the Authority shall be absolute and unconditional to pay the principal, Term Bond Installments, if any, and Redemption Price, if any, of and interest, if any, on the Bonds to the respective Owners thereof on the respective due dates thereof, from the sources specified hereunder and in the related Series of Bonds, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment specifically granted from the sources pledged hereunder as security therefor.

(c) Anything to the contrary notwithstanding contained in this Section 13.07, or any other provision of the Resolution, each Owner of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Resolution or any Supplemental Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondowner or group of Bondowners holding at least twenty-five percent (25%) in principal amount of the related Series of Bonds Outstanding, or to any suit instituted by any Bondowner for the enforcement of the payment of the principal, Term Bond Installments, if any, or Redemption Price, if any, of or interest, if any, on any Bond on or after the respective due date thereof expressed in such Bond.

Section 13.08. Trustee May File Proof of Claim. (a) In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Authority or any Borrower, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Authority for the payment of overdue principal and interest, if any) shall be entitled and empowered, by intervention in such proceeding or other means:

- (i) to file and prove a claim for the whole amount of the principal, Term Bond Installments, if any, Redemption Price, if any, and interest, if any, owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and
- (ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Owner to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.05.

(b) No provision of the Resolution shall empower the Trustee to authorize or consent to or accept or adopt on behalf of any Owners of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding.

Section 13.09. Possession of Bonds by Trustee Not Required. All rights of action under the Resolution or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds appertaining thereto or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the Owners of such Bonds, subject to the provisions of the Resolution.

Section 13.10. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 13.11. Effect of Waiver and Other Circumstances.

(a) No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Resolution to the Trustee and the Owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(b) Prior to the declaration of maturity of the Bonds as provided in Section 13.03, the Owners of not less than a majority in aggregate principal amount of the applicable Series of Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the applicable Series of Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest, if any, on or principal of or premium, if any, on any of the applicable Series of Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 13.12. Notice of Event of Default. The Trustee shall promptly mail to the Bondowners of the related Series of Bonds notice of each Event of Default hereunder known to the Trustee within fifteen (15) Business Days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; *provided*, however, that, except in the case of default in the payment of the principal, Term Bond Installment, if any, or Redemption Price, if any, of or interest, if any, on any of the Bonds, or in the making of any payment required to be made into the Bond Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Bondowners.

#### ARTICLE XIV

##### EXECUTION OF INSTRUMENTS BY BONDOWNERS AND PROOFS OF OWNERSHIP OF BONDS

Section 14.01. Evidence of Signatures of Bondowners and Ownership of Bonds.

(a) Any request direction, consent, revocation of consent, or other instrument in writing required or permitted by the Resolution to be signed or executed by Bondowners may be in any number of concurrent instruments of similar tenor, and shall be signed or executed by such Bondowners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, shall be sufficient for any purpose of the Resolution (except as otherwise herein provided), if made in the following manner, or in any other manner satisfactory to the Authority, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondowner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by delivery of a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company, financial institution or other member of the National Association of Securities Dealers Inc., or of any notary public, or other officer authorized to take acknowledgments. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership such certificate shall also constitute sufficient proof of his authority.
2. The ownership of registered Bonds and the amount, numbers and other identification, and date of holding the same, shall be proved by the registry books kept by the Trustee under the provisions of the Resolution.

(b) Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Authority or Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Owner of any Bond shall bind such Owner and every future Owner of the same Bond in respect of anything done or suffered to be done by the Authority or any Fiduciary in pursuance of such request or consent.

## ARTICLE XV

### DEFEASANCE; UNCLAIMED MONEYS

#### Section 15.01. Discharge and Satisfaction.

(a) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds or any Series of Bonds then Outstanding, the principal, Term Bond Installments, if any, or Redemption Price, if any, and interest, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the covenants, agreements and other obligations of the Authority to the Bondowners of such Series shall be discharged and satisfied, unless and except as otherwise may be elected by the Authority in an instrument in writing signed by an Authorized Authority Representative and delivered to the Trustee. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of all Bonds or any Series of Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of any Outstanding Series of Bonds the principal, Term Bond Installments, if any, interest, if any, or Redemption Price, if any, due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds or Series of Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, unless and except as otherwise may be elected by the Authority in an instrument in writing signed by an Authorized Authority Representative and delivered to the Trustee. Notwithstanding any other provision of the Resolution, the provisions of the following Sections of the Resolution shall survive such cessation, termination, voidance, discharge and satisfaction: all Sections in Article III and Article VIII except Section 8.05 (in the case of each of the foregoing Sections, such survival shall continue only until such Bonds are in fact paid) and Section 8.05.

(b) Bonds or interest, if any, installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this Section, but subject to the election of the Authority referred to in paragraph (a) of this Section. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect, but subject to the election of the Authority referred to in paragraph (a) of this Section, if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Registrar of such Series

instructions accepted in writing by the Registrar of such Series to give notice of redemption, as provided in Article IV of the Resolution, on said date of such Series of Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent as hereinafter provided prior to the mailing of such notice of redemption), (ii) there shall have been deposited with any Paying Agent either (1) moneys in an amount which shall be sufficient, or (2) Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Paying Agent at the same time, shall be sufficient, to pay, when due, the principal or Redemption Price, if any, and interest, if any (calculated at the maximum rate applicable thereto), due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Registrar for such Series in form satisfactory to it instructions to mail, as soon as practicable, a notice to the Owners of such Bonds, at their last addresses appearing upon the registry books at any time (but not more than fifteen (15) days) prior to such mailing, that the deposit required by (ii) above has been made with a Paying Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if any, of said Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (i) hereof). In the event that the notice required to be mailed pursuant to clause (iii) above would cover less than all of the Bonds of any maturity within a Series then Outstanding, the Registrar shall prior to mailing such notice, select the Bonds of such maturity to be redeemed in the manner provided in Section 4.04, but only if directed to do so in an instrument in writing signed by an Authorized Authority Representative. Any notice of redemption mailed pursuant to clause (i) above or, if so directed by the Authority, notice of deposit of required moneys required to be mailed pursuant to clause (iii) above with respect to Bonds which constitute less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond to which such notice applies. Such Paying Agent shall, as and to the extent necessary, apply moneys held by it pursuant to this Section to the retirement of Bonds in amounts equal to the unsatisfied balances.

(c) Such Paying Agent shall, if so directed by an instrument in writing signed by an Authorized Authority Representative, (i) prior to the maturity date of Bonds of a Series deemed to have been paid in accordance with this Section which are not to be redeemed prior to their maturity date or (ii) prior to the time of the mailing of the notice referred to in clause (i) of paragraph (b) above with respect to any Bonds of a Series deemed to have been paid in accordance with this Section which are to be redeemed on any date prior to their maturity, apply moneys deposited with such Paying Agent in respect of such Bonds, and redeem or sell Defeasance Obligations so deposited with such Paying Agent and apply the proceeds thereof, to the purchase of such Bonds and such Paying Agent shall immediately thereafter cancel all such Bonds so purchased; *provided*, however, that the moneys and Defeasance Obligations remaining on deposit with such Paying Agent after the purchase and cancellation of such Bonds shall be sufficient to pay when due the principal of or Redemption Price, if any, and interest, if any, due or to become due on all remaining Bonds respect of which such moneys and Defeasance Obligations are being held by such Paying Agent on or prior to the redemption date or maturity date thereof, as the case may be.

(d) If, at any time (i) prior to the maturity date of Bonds deemed to have been paid in accordance with this Section which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (i) of paragraph (b) above with respect to any Bonds deemed to have been paid in accordance with this Section which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Bonds and deliver such Bonds to the Registrar prior to their maturity date or redemption date, as the case may be, the Registrar shall immediately cancel all such Bonds so delivered. The Authority shall give such Paying Agent written directions signed by an Authorized Authority Representative as to the manner in which such Bonds are to be applied against the obligation of such Paying Agent to pay or redeem Bonds deemed paid in accordance with this Section. The directions given by the Authority to such Paying Agent referred to in the preceding sentence shall also specify the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of such Paying Agent to pay Bonds deemed paid in accordance with this Section upon their maturity date or dates and the portion, if any, of such Bonds so purchased or delivered and cancelled to be applied against the obligation of such Paying Agent to redeem Bonds deemed paid in accordance with this Section on any date or dates prior to their maturity.

(e) In the event that, on any date as a result of any purchases, acquisitions and cancellations of Bonds as provided in this Section, the total amount of moneys and Defeasance Obligations remaining on deposit with such Paying Agent under this Section is in excess of the total amount which would have been required to be deposited with such Paying Agent on such date in respect of the remaining Bonds in order to satisfy clause (ii) of paragraph (b), such Paying Agent shall, if requested by an instrument in writing signed by an Authorized Authority Representative, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

(f) Except as otherwise provided in this Section 15.01, neither Defeasance Obligations nor moneys deposited with such Paying Agent pursuant to this Section nor principal or interest payments, if any, on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest, if any, on said Bonds; *provided*, however, that any cash received from such principal or interest payments on such Defeasance Obligations deposited with such Paying Agent, (i) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by such Paying Agent, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (ii) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient, together with other moneys available to such Paying Agent for the purpose, to pay when due the principal or Redemption Price, if any, and interest, if any, to become due on said Bonds on or prior to such maturity date or redemption date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by such Paying Agent, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

Section 15.02. Unclaimed Moneys. Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price, if any, of or interest, if any, on any of the Bonds of any Series which remain unclaimed for three years (or such other period as may at the time be prescribed by the laws of the State) after the date when such principal or Redemption Price, if any, or interest, if any, respectively, became due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years (or such other period as may be prescribed by the laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such principal or Redemption Price, if any, or interest, if any, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of such Bonds.

## ARTICLE XVI

### MISCELLANEOUS

Section 16.01. Preservation and Inspection of Documents. All documents received by the Trustee or any other Fiduciary under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the Trustee or any other Fiduciary and after written request received by the Trustee at least five (5) Business Days prior to the date of inspection, by the Owner(s) of an aggregate of not less than five percent (5%) in principal amount of any Series of Bonds then Outstanding and their agents and representatives, any of whom may make copies thereof.

Section 16.02. Parties in Interest. Nothing in this Resolution or in any Supplemental Resolution adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any Person other than the Authority, the Trustee, any provider of a Credit Facility, and the Owners of the Bonds pertaining thereto any rights, remedies or claims under or by reason of the Resolution or any covenant, condition or stipulation thereof; and all covenants, stipulations, promises and agreements in the Resolution contained by or on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, any provider of a Credit Facility, and the Owners from time to time of the Bonds.

Section 16.03. No Personal Liability with respect to Execution Bonds. Neither an Authorized Authority Representative nor any Person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 16.04. No Recourse Under Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price, if any, of or interest, if any, on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Authority or any natural person executing the Bonds, or a Credit Facility.

Section 16.05. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Authority or any Fiduciary 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 the Resolution.

Section 16.06. Governing Law and Place of Enforcement. The Resolution shall be construed and governed in accordance with the laws of the State and all suits and actions arising out of the Resolution or on the Bonds shall be instituted in the State.

Section 16.07. Conflict. All resolutions or parts of resolutions or other proceedings of the Authority in conflict herewith be and the same are repealed insofar as such conflict exists.

Section 16.08. Payments Due on Holidays. Except as otherwise provided herein, if a payment date its not a Business Day, then payment may be made on the next succeeding Business Day, and no interest, if any, shall accrue for the intervening period.

Section 16.09. Notices to the Authority and the Trustee. Wherever in the Resolution notice or direction is required to be given to or request is required to be made of the Authority or the Trustee, the same shall be in writing signed by an Authorized Authority Representative and mailed (by first class mail, postage prepaid) or delivered, or transmitted by telecopier or other telecommunication device promptly confirmed by such a writing, as follows:

(i) if to Authority, addressed to Tennessee State School Bond Authority, Suite 1600, James K. Polk State Office Building, 505 Deaderick Street, Nashville, Tennessee 37243-0273, telephone (615) 747-5370 or (615) 747-7872, telecopier (615) 741-5986 or at such other address or telecopier telecommunication number as the Authority may have designated by written notice to the Trustee; and

(ii) if to the Trustee, set forth in the resolution of the Authority appointing the Trustee pursuant to Section 8.01, or otherwise as the Trustee may have designated by written notice to the Authority.

Section 16.10. Waiver of Notice. Whenever in the Resolution the giving of notice by mail, publication or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 16.11. Effective Date. This Resolution shall take effect as of the date hereof.

ADOPTED this 5th day of November, 2009.

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APPENDIX B

PROPOSED FORM OF LOAN AGREEMENTS

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**LOAN AGREEMENT  
(\$[1] SERIES 2010)**

**DATED AS OF OCTOBER 1, 2010**

**BETWEEN**

**TENNESSEE STATE SCHOOL BOND AUTHORITY**

**AND**

**[2], TENNESSEE**

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## LOAN AGREEMENT

This Loan Agreement is made and entered into as of the 1<sup>st</sup> day of October, 2010, by and between the TENNESSEE STATE SCHOOL BOND AUTHORITY (the "Authority"), and [2], TENNESSEE (the "Borrower").

### WITNESSETH:

WHEREAS, the Authority is a corporate governmental agency and an instrumentality of the State of Tennessee (the "State"), organized and existing pursuant to the Tennessee State School Bond Authority Act, Sections 49-3-1201 et seq., Tennessee Code Annotated, as amended (the "Act"), and is authorized to issue its bonds or notes to make loans to any county, metropolitan government, incorporated city or town in the State (each a "Local Government") for qualified school credit bond projects as defined in the Act, including buildings, structures, improvements, and equipment for schools and land to be acquired on which any projects are to be constructed with part of the proceeds of such bonds; and

WHEREAS, it has heretofore been determined by the governing body of the Borrower to be in the best interest of the Borrower to finance the acquisition of any land on which a public school facility is to be constructed with a portion of the loan proceeds if any land is to be acquired and to finance the construction, repair, rehabilitation, improvement and equipping of certain public school facilities (as more fully defined hereinafter, the "Project" or "Projects"); and

WHEREAS, under Tennessee law, the Borrower is authorized to enter into a loan agreement with the Authority to finance the Projects; and

WHEREAS, the Borrower has determined that it is necessary and desirable to borrow sufficient funds to accomplish the purposes set forth above; and

WHEREAS, the Authority has determined to lend money to the Borrower for the purposes set forth above on the terms and conditions set forth herein; and

WHEREAS, to obtain funds for such purposes the Authority will issue and sell its Qualified School Construction Bonds, Series 2010 (the "Series 2010 Bonds"), to be secured by and to contain such terms and provisions as are set forth in that certain resolution adopted by the Authority on November 5, 2009, as supplemented by the Second Supplemental Resolution adopted by the Authority on August 26, 2010, including as a part thereof the 2010 Series Certificate authorized thereby, and as from time to time amended or supplemented (the "Resolution"), and deposit the proceeds from the sale of the Series 2010 Bonds with the Authority to be disbursed in the manner and for the purposes set forth in the Resolution, all as more fully provided therein.

NOW, THEREFORE, in consideration of the respective representations and agreements hereinafter contained, the Authority and the Borrower agree as follows:

## ARTICLE I

### Definitions

Section 1.01. Defined Terms. In addition to the words, terms and phrases elsewhere defined in this Loan Agreement or in the Resolution, the following words, terms and phrases as used in this Loan Agreement shall have the following respective meanings:

“Act” means the Tennessee State School Bond Authority Act, Sections 49-3-1201 et seq., Tennessee Code Annotated, as amended from time to time.

“Additional Payment” means the amounts described in Section 3.04(b)(ii) through Section 3.04(b)(v) hereof.

“Administrative Expenses” means the Authority’s fees and expenses of carrying out and administering its powers, duties and functions in connection with the Loan Agreement, the Projects and the Resolution, and shall include without limiting the generality of the foregoing: administrative costs and expenses with respect to the Loan, construction monitoring, legal, accounting and consultant’s services and expenses, the fees and expenses of the State Treasurer, the Trustee, the Paying Agent and the Registrar, payments to the United States Treasury to satisfy any arbitrage rebate requirements under the Code and any other expenses required or permitted to be paid by the Authority under the provisions of the Act, the Loan Agreement and the Resolution or otherwise required to be made by the Borrower pursuant to Section 3.04 hereof.

“Administrative Expenses Account” means the Administrative Expenses Account of the Series 2010 Bond Fund Account of the Bond Fund.

“Authority” means the Tennessee State School Bond Authority, the corporate governmental agency and instrumentality created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the powers, duties and functions of the Authority.

“Authorized Authority Representative” means any member of the Authority, any Assistant Secretary of the Authority and any other officer or employee of the Authority authorized by law, by resolution of the Authority or by a certificate of the Secretary of the Authority to perform the act or sign the document in question.

“Authorized Borrower Representative” means the [4], the Budget or Finance Director of the Borrower or his designee as evidenced by a designation in writing of the Budget or Finance Director, and any such other Person from time to time authorized to act in behalf of a Borrower pursuant to the Charter, or ordinance or resolution of the governing body of such Borrower, a copy of which is filed with the Secretary of the Authority, to perform such act or execute such document on behalf of the Borrower pursuant to a certificate signed by any of the above and giving the name and specimen signature of the Person or Persons so designated.

“Available Project Proceeds” means (A) the excess of (i) the proceeds from the sale of the Series 2010 Bonds allocable to the Project, over (ii) the issuance costs of the Series 2010



Bonds allocable to the Loan financed by the issue (to the extent that such costs do not exceed 2% of such proceeds), and (B) the proceeds from any investment of the excess described in subparagraph (A).

“Bond Fund” means the fund established under Section 6.02 of the Resolution.

“Bonds” means the Authority’s Qualified School Construction Bonds issued pursuant to the Resolution, as supplemented by any Supplemental Resolution.

“Borrower” means [2], Tennessee.

“Borrower Account” means the account in the Loan Fund designated for the Borrower pursuant to Section 6.03 of the Resolution in which the proceeds of the Loan to the Borrower are deposited.

“Borrower Interest Sub-Account” means that portion of the Borrower Loan Repayment Sub-Account created for interest payments within the Series 2010 Bond Fund Account for the Borrower in accordance with Section 3.04(a) hereof.

“Borrower Loan Repayment Sub-Account” means that portion of the Borrower Loan Repayment Account created within the Series 2010 Bond Fund Account for the Borrower in accordance with the Resolution as described in Section 3.04(b) hereof.

“Borrower Request”, “Borrower Order” and “Borrower Consent” means, respectively, a written request, order or consent signed by an Authorized Borrower Representative and delivered to the Authority.

“Borrower Principal Sub-Account” means that portion of the Borrower Loan Repayment Sub-Account created for principal payments within the Series 2010 Bond Fund Account for the Borrower in accordance with Section 3.04(a) hereof.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions located in the State or in any of the cities in which the principal United States office of the Trustee, any Paying Agent or the Registrar is located are required or authorized by law or executive order to close, or (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means the date of issuance and delivery of the Series 2010 Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, including applicable regulations and revenue rulings thereunder. Reference herein to sections of the Code are to the sections thereof as they exist on the date of execution of this Loan Agreement, but include any successor provisions thereof to the extent applicable to the Series 2010 Bonds.

“Cost” or “Cost of the Projects” means the following to the extent for Qualified Purposes:

(a) The cost of improving, equipping, and repairing the Projects, or any combination of such purposes, demolishing structures on the Project sites, and acquiring the site

upon which any of the Projects is to be constructed and easements necessary or convenient for the Projects;

(b) The cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the Projects;

(c) Governmental charges levied or assessed during equipping of the Projects or upon any property acquired therefor, and premiums on insurance in connection with the Projects during construction;

(d) Fees and expenses of architects and engineers for estimates, surveys and other preliminary investigations, environmental tests, soil borings, appraisals, preparation of plans, drawings and specifications and supervision of the Projects properly chargeable to the Projects, as well as for the performance of all other duties of architects and engineers in relation to the construction and installation of the Projects;

(e) Expenses of administration, supervision and inspection properly chargeable to the acquisition and construction of Projects, including the fees of the Borrower relating to the design, construction and equipping of the Projects and all other items of expense, not elsewhere specified herein, incident to the construction, installation and placing in operation of the Projects;

(f) Fees and expenses incurred in connection with the issuance, sale, execution and delivery of the Series 2010 Bonds and this Loan Agreement, including but not limited to, fees and expenses of the Authority and its counsel, Bond Counsel, the Trustee, Paying Agent and Registrar and its counsel, printing costs, rating fees and discount; and

(g) Any other cost of the Projects permitted to be financed pursuant to the Act and the Code.

“Event of Default” means any event defined in Section 5.01 hereof.

“General Bond Resolution” means the Qualified School Construction Bonds General Bond Resolution adopted by the Authority on November 5, 2009.

“Interest Payment Date” means, with respect to the Series 2010 Bonds, March 15 and September 15 of each year commencing on March 15, 2011.

“Interest Subsidy Payments” means cash payments received by the Authority from the United States Treasury with respect to the Series 2010 Bonds as a result of, among other things, an election by the Authority pursuant to Section 6431(f) of the Code to treat the Series 2010 Bonds as “qualified school construction bonds” within the meaning of Section 54F of the Code that are “qualified bonds” within the meaning of Sections 54AA(g) and 6431(e) of the Code including without duplication any funds appropriated by the State on account of any offset by the United States government reducing the amount of any Interest Subsidy Payment received by the Authority.

“Investment Income” means, with respect to the applicable period of determination, all amounts received by the Authority during such period in connection with the Authority’s investment of amounts in the applicable Fund or Account subject to such determination, established for the Borrower under the Resolution in connection with the Series 2010 Bonds, excluding the principal portion of any such investments.

“Investment Losses” means, with respect to the applicable period of determination, all losses of principal incurred during such period in connection with the Authority’s investment of amounts in the applicable Fund or Account subject to such determination, established for the Borrower under the Resolution in connection with the Series 2010 Bonds.

“Investment Obligations” means and includes any instruments, securities, certificates, obligations and the like if and to the extent the same are at the time permitted and legal for investment of the Authority’s funds pursuant to the Act or in accordance with any other law, regulation, guideline or policy, in effect from time to time, applicable to the Authority with respect to investments; provided, however, that an investment in the State’s Pooled Investment Fund and/or Local Government Investment Fund shall be deemed to be an investment in Investment Obligations.

“Loan” means the loan made by the Authority to the Borrower pursuant to this Loan Agreement as described in Section 2.02 hereof.

“Loan Agreement” means this Loan Agreement as it now exists and as it may thereafter be amended.

“Loan Fund” means the fund established under Section 6.03 of the Resolution.

“Loan Repayments” means the payments on account of principal of and interest on the Loan, Administrative Expenses and any and all other amounts payable by the Borrower hereunder, including amounts attributable to any Additional Payments, Investment Losses and Redemption Price or Borrower’s Proportionate Share of the foregoing, when applicable.

“Loan Repayment Dates” means: (i) with respect to that portion of Loan Repayments consisting of scheduled Administrative Expenses, the first day of each month, commencing on February 1, 2011, and continuing on the first day of each month thereafter until all Administrative Expenses and the Loan are paid in full, or if such day is not a Business Day, then on the next succeeding Business Day; (ii) with respect to that portion of Loan Repayments attributable to any payment into the Borrower Interest Sub-Account relating to the interest on the Series 2010 Bonds, the first day of each month, commencing on November 1, 2010, (other than September 1 of each year) until the Loan is paid in full, or if such day is not a Business Day, then on the next succeeding Business Day; (iii) with respect to that portion of the Loan Repayments attributable to any payment into the Borrower Principal Sub-Account relating to the principal of the Series 2010 Bonds, on each of the dates set forth on **Exhibit D** attached hereto, or if such day is not a Business Day, then on the next succeeding Business Day, and (iv) with respect to all other Loan Repayments, at any time on demand by the Authority.

“Local Government” means any county, metropolitan government, incorporated city or town in the State.

“Mandatory Prepayment Date” means the date selected by the Authority, with written notice thereof provided to the Borrower, as the date on which the Loan shall be mandatorily prepaid in whole or in part.

“Mandatory Prepayment Price” means the amount determined pursuant to the provisions of Section 6.02 hereof required to be paid by the Borrower in prepayment of its Loan pursuant to Section 2.05, Section 3.04 and Section 6.01 hereof.

“Maturity” means September 15, 2027, the maturity date of the Series 2010 Bonds.

“Optional Prepayment Price” means the amount determined pursuant to the provisions of Section 6.01 hereof required to be paid by the Borrower in prepayment of its Loan pursuant to Section 3.04 and Section 6.01 hereof.

“Outstanding”, when used with respect to the Series 2010 Bonds or any Series of Bonds issued pursuant to the Resolution, means as of any date, all Series 2010 Bonds or other Series of Bonds, respectively, theretofore authenticated and delivered under the Resolution, except:

- (a) any Bonds cancelled at or prior to such date;
- (b) any Bonds (or portions of Bonds) the principal of, interest on and Redemption Price, if any, of which shall have been paid in accordance with the terms hereof;
- (c) any Bonds in lieu or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution; and
- (d) Bonds deemed to have been paid as provided in the Resolution.

“Outstanding Loan Principal Amount” means that amount necessary to repay the original principal amount of the Loan reduced only by the Redeemed Amount, if any, at the time of determination.

“Paying Agent” means any Paying Agent for the Series 2010 Bonds, its successors and any other Person which may at the time be substituted in its place, pursuant to the Resolution.

“Person” means any individual, corporation, partnership, limited partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability corporation or partnership, or government or any agency or subdivision thereof, or other legal entity or group of entities.

“Pledged Revenues” means with respect to the Series 2010 Bonds (i) all payments made or required to be made by the Borrower pursuant to this Loan Agreement; (ii) funds held under the Resolution with respect to the Series 2010 Bonds and the earnings thereon (subject to the application thereof to the purposes and on the conditions set forth in the Resolution); and (iii) Unobligated State-Shared Taxes at such time as such taxes have been withheld pursuant to law and the Loan Agreement and which have become property of the Authority.

“Prepayment Date” means the date on which the Borrower is required to deposit the Mandatory Prepayment Price or Optional Prepayment Price with the Paying Agent or Trustee pursuant to Section 6.01 or Section 6.02 hereof, which day may be any Business Day.

“Prior Lien Obligations” means the following: [none, or where appropriate for the applicable Borrower, insert: [5], between the \_\_\_\_\_ and the Borrower.]

“Project” or “Projects” means the construction, rehabilitation or repair of public school facilities, acquisition of land for construction of public school facilities, if any, and equipment for public school facilities as described in **Exhibit C** hereto. **Exhibit C** shall be amended automatically and without further action required by the Borrower to conform **Exhibit C** to any additional project that is approved pursuant to Section 2.05 hereof. Where more than one Project is being financed, Project applies to each Project individually or collectively, as the context requires.

“Proportionate Share” means, (x) with respect to interest on the Series 2010 Bonds, a fraction the numerator of which is the principal amount of the Loan made under this Loan Agreement and the denominator of which is the principal amount of the Series 2010 Bonds adjusted to account for any reduction in Outstanding Loan Principal Amount that is not proportionate to all loans derived from the proceeds of the Series 2010 Bonds (in such event the numerator shall be the then Outstanding Loan Principal Amount and the denominator shall be the then outstanding principal amount of Series 2010 Bonds at the time of the determination), (y) with respect to the allocation of Administrative Expenses and any Redemption Price on the Series 2010 Bonds, (1) if such payment is directly attributable to the actions of the Borrower (including the Borrower’s action or failure to act when otherwise required to act hereunder), one hundred percent (100%) of such expense or Redemption Price, and (2) if such payment is attributable to the general administration of the Series 2010 Bonds and the Authority’s Obligations in connection therewith, or if such payment is attributable to the general administration of all Series of Bonds and the Authority’s obligations in connection therewith, a fraction the numerator of which is the Outstanding Loan Principal Amount and the denominator of which is an amount equal to the principal amount of all Series of Bonds which are Outstanding, and (z) with respect to the allocation of Interest Subsidy Payment following an event which causes the Interest Subsidy Payment to be lost or reduced from the initial subsidy provided by the United States Treasury, with respect to any borrower whose action or failure to act when otherwise required to act hereunder causes such loss or reduction, zero percent (0%) or such other percentage as shall be permitted by the Authority to allow such borrower to receive such portion of the Interest Subsidy Payment as shall be determined by the Authority, in its discretion, to be warranted without allowing such borrower to profit in the share of other borrowers’ Interest Subsidy Payments.

“Qualified Purposes” shall include only costs properly allocable to (i) the construction, rehabilitation or repair of a public school facility, (ii) the acquisition of land on which such a facility is to be constructed with part of the proceeds of the Series 2010 Bonds, and (iii) the acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the Series 2010 Bonds.

“Redeemed Amount” means the principal portion of Series 2010 Bonds redeemed from the Mandatory Prepayment Price or Optional Prepayment Price.

“Redemption Date” means that date any portion of the Series 2010 Bonds are required to be redeemed.

“Redemption Price” means the amount required to be paid to the holders of the Series 2010 Bonds upon early redemption of the Series 2010 Bonds as described in the Resolution, as supplemented by the 2010 Series Certificate and as described in Section 6.01 or Section 6.02 hereof.

“Registrar” means the registrar for the Series 2010 Bonds and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.

“Resolution” means the General Bond Resolution, as supplemented by the Second Supplemental Resolution adopted by the Authority on August 26, 2010, including as a part thereof the 2010 Series Certificate authorized thereby, as from time to time amended or supplemented in accordance with the terms and provisions thereof.

“Series” or “Series of Bonds” or “Bonds of a Series” means all Bonds authorized by a Supplemental Resolution designated as being of the same series initially delivered as part of a simultaneous transaction evidencing a borrowing authorized by the Resolution to fund one or more Loans made under one or more related Loan Agreements under the Resolution, and any Bonds thereafter authenticated and delivered in lieu thereof or in exchange therefor.

“Series 2010 Bonds” means the Qualified School Construction Bonds, Series 2010, of Authority from time to time Outstanding under the Resolution.

“State” means the State of Tennessee.

“State-Shared Taxes” means taxes imposed and collected by the State pursuant to law and appropriated and allocated by law to a Local Government, whether appropriated or allocated for a particular purpose or for the general use of such Local Government, as identified by resolution of the Tennessee Local Development Authority and as established by Section 4-31-102, Tennessee Code Annotated, as amended from time to time.

“Tax Certificate” means the Tax Certificate executed and delivered by the Authority in connection with the issuance of the Series 2010 Bonds.

“Trustee” means the bank, trust company or national banking association appointed pursuant to Section 13.01 of the Resolution to act as trustee, paying agent and registrar under the Resolution, if any, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.

“Unobligated State-Shared Taxes” means State-Shared Taxes which have not been pledged or applied to any other prior indebtedness.

Section 1.02. Interpretation. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The words “Bond”, “holder”, and “person” shall include the plural as well as the singular number unless the context shall otherwise indicate. The word “person” shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate.

Any certificate or opinion made or given by an Authorized Authority Representative or an Authorized Borrower Representative may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any certificate or opinion made or given by counsel may be based (insofar as it relates to factual matters, information with respect to which is in the possession of the Authority or a Borrower), upon the certificate or opinion of or representations by an officer or officers or officials of the Authority or the Borrower, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

## **ARTICLE II**

### **The Series 2010 Bonds and the Loan**

Section 2.01. Issuance of the Series 2010 Bonds. In order to obtain funds to lend to the Borrower to assist in financing the Projects and pay costs of issuance in connection with the Series 2010 Bonds and the Loan Agreement as provided in Section 2.02 hereof, the Authority agrees to issue and deliver its Series 2010 Bonds. The Series 2010 Bonds shall bear interest as provided in the Resolution. The portion of the proceeds received from the sale of the Series 2010 Bonds in an amount equal to the costs of issuance of the Series 2010 Bonds allocable to the Loan shall be deposited by the Authority in the Administrative Expenses Account of the Series 2010 Bond Fund Account and the portion of the balance of the proceeds of the Series 2010 Bonds allocable to the Loan shall be deposited by the Authority in the Borrower Account of the Loan Fund pursuant to Section 6.03 of the General Bond Resolution.

Section 2.02. Loan. The Authority hereby agrees to lend and advance to the Borrower and the Borrower hereby agrees to borrow and accept from the Authority, the Loan in the principal amount of \$[1]. The Authority shall disburse the proceeds of the Loan to the Borrower from amounts on deposit in the Borrower Account of the Loan Fund derived from proceeds of the Series 2010 Bonds, upon receipt of a requisition as set forth in Section 2.04 hereof.

Section 2.03. Use of Proceeds by the Borrower. The Borrower will use the funds loaned to it by the Authority pursuant to Section 2.02 hereof solely to pay the Costs of the Projects.

Section 2.04. Disbursements of Loan Proceeds. Pursuant to Section 6.03 of the General Bond Resolution, the Authority shall use the moneys in the Borrower Account of the Loan Fund solely to pay the Costs of the Projects, including the reimbursement of the Borrower for advances and payments made or costs incurred by the Borrower for or in connection with the

Projects to the extent permitted by Section 2.08(k) hereof. The Authority shall disburse funds from the Borrower Account of the Loan Fund only upon receipt of a requisition, appropriately completed and signed by an Authorized Borrower Representative in the form attached hereto as **Exhibit A**.

Section 2.05. Completion of the Projects. When requesting final payment from the Borrower Account of the Loan Fund, the Borrower shall cause to be submitted the requisition required by Section 2.04 hereof and a certificate signed by an Authorized Borrower Representative in the form attached hereto as **Exhibit B**. Said certificate shall state that no further funds will be withdrawn from the Borrower Account of the Loan Fund to pay the Cost of the Projects. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. All moneys shall be expended from the Borrower Account of the Loan Fund within two and one-half (2½) years of the date of the issuance of the Series 2010 Bonds unless otherwise approved by the Authority. All moneys remaining in the Borrower Account of the Loan Fund, including investment earnings thereon, may be used for other Qualified Purposes of the Borrower or for other borrower(s) as may be approved in the opinion of such bond counsel (with appropriate adjustment being made to the amounts to be repaid by Borrower) upon receipt of an opinion of nationally recognized bond counsel that the additional projects or additional borrower(s), as the case may be, do not adversely affect the qualification of the Series 2010 Bonds as “qualified school construction bonds” within the meaning of Section 54F of the Code or shall be used to redeem Series 2010 Bonds on a Redemption Date as set forth in the Resolution. Any premium required to redeem Series 2010 Bonds shall be paid from Borrower’s funds other than any derived from the proceeds of the sale of the Series 2010 Bonds. The Authority does not make any warranty, either express or implied, that the moneys which will be paid into the Borrower Account of the Loan Fund and which, under the provisions of this Loan Agreement, will be available for payment of the Costs of the Projects, will be sufficient to pay all of the Costs of the Projects.

Section 2.06. Investment of Funds; Application of Investment Earnings. Any moneys held by the Authority in the Borrower Account of the Loan Fund shall be invested or reinvested by the Authority in Investment Obligations and shall be retained in the Loan Fund to be used for Costs of the Projects or for partial redemption of the Series 2010 Bonds as set forth in the Resolution and as contemplated by Sections 2.05 and 2.08(k) hereof.

Section 2.07. Interest Subsidy Payment Transfer. The Authority shall transfer to Borrower for deposit in Borrower’s Local Government Investment Pool Account maintained with the State the Borrower’s Proportionate Share of any Interest Subsidy Payment; provided, however, that if at the time the Authority receives an Interest Subsidy Payment any amount payable by the Borrower to the Authority under this Loan Agreement shall be due and owing, the Borrower agrees that the Authority may apply such share in whole or in part as may be necessary to satisfy such obligations. In the event any Interest Payment Subsidy is reduced by the United States government on account of any offset, the Authority will promptly take such action as may be required to obtain from the State of Tennessee from amounts appropriated for the purpose the amount of the offset and deposit the same in the Borrower’s Local Government Investment Pool Account, subject to application if appropriate consistent with the proviso to the preceding sentence. In the event all or any portion of the Interest Payment Subsidy is not received due to



an error, omission or failure to act on the part of the Authority, the Authority will promptly take such action as may be required to obtain from the State of Tennessee from amounts appropriated for the purpose the amount of the resulting deficiency and deposit the same in the Borrower's Local Government Investment Pool Account subject to application if appropriate consistent with the proviso to the second preceding sentence.

Section 2.08. Tax Status of the Series 2010 Bonds. It is the intention of the parties hereto that the Series 2010 Bonds be and remain "qualified school construction bonds" within the meaning of Section 54F of the Code that are "qualified bonds" within the meaning of Sections 54AA(g) and 6431(e) of the Code entitling the Authority pursuant to an election made pursuant to Section 6431(f) of the Code to receive Interest Subsidy Payments, and to that end the Borrower hereby represents, warrants and agrees as follows:

(a) It shall not take any action or fail to take any action, or permit such action to be taken on its behalf, or use or permit the use of any proceeds of the Series 2010 Bonds, or cause or permit any circumstances within its control to arise or continue, if the same would adversely affect either the status of the Series 2010 Bonds as "qualified school construction bonds" under Section 54F of the Code or as "qualified bonds" under Sections 54AA(g), 6431(e) and 6431(f) of the Code.

(b) The Borrower designates the Series 2010 Bonds as "qualified school construction bonds" within the meaning of Section 54F of the Code and "qualified bonds" within the meaning of Sections 54AA(g) and 6431(e) of the Code and authorizes the Authority to make an election pursuant to Section 6431(f) of the Code to receive Interest Subsidy Payments with respect to the Series 2010 Bonds.

(c) The Borrower will not take or omit to take any action, which action or omission will in any way cause the proceeds from the Loan to be applied in a manner other than as provided in this Loan Agreement or which would cause the Authority to lose eligibility to receive Interest Subsidy Payments.

(d) All Available Project Proceeds will be spent on Qualified Purposes and costs of issuance of the Series 2010 Bonds not to exceed 2% of such proceeds. The description of the Projects to be financed with the proceeds of the Series 2010 Bonds is included as **Exhibit C** attached hereto. The Borrower may finance additional Qualified Purposes from proceeds of the Series 2010 Bonds only with the express approval by the Authority upon receipt of opinion of nationally recognized bond counsel as provided in Section 2.05 hereof.

(e) Subject to Sections 2.05 and 6.02(a) and (c), 100% of the Available Project Proceeds shall be used for Qualified Purposes within the 3-year period beginning on the date of issuance of the Series 2010 Bonds. A binding commitment with a third party to spend at least 10% of the Available Project Proceeds will be incurred within the 6-month period beginning on the date of issuance of the Series 2010 Bonds, and Borrower will promptly provide written evidence thereof to the Authority;

(f) All applicable State and local law requirements governing conflicts of interest are satisfied with respect to the Series 2010 Bonds.

(g) If the United States Secretary of the Treasury prescribes additional conflicts of interest rules governing appropriate Members of Congress, Federal, State and local officials and their spouses, such additional rules will be satisfied with respect to the Series 2010 Bonds.

(h) Without limiting the generality of subsection (g) above, the Borrower (i) has complied with and will comply with all requirements of the Davis-Bacon Act (40 U.S.C. § 3141 *et seq.*), (ii) has caused and will cause all contractors and subcontractors who are employed at the actual work sites to comply with all requirements of the Davis-Bacon Act, (iii) will monitor such compliance by contractors and subcontractors, and (iv) upon request of the Authority, will confirm compliance with this subsection (h), all in connection with the acquisition, construction, rehabilitation, repair and equipping of the Projects. The Borrower acknowledges that such compliance includes but is not limited to causing contractors and subcontractors employed at the Projects to pay workers who are employed on the actual work sites to pay no less than the prevailing wage locally, as established by the Wage and Hour Division of the US Department of Labor, plus fringe benefits normally paid on similar projects in conformity with the Davis-Bacon Act, the inclusion in contracts of required contractual language and the posting of job-site notices as required by the Davis-Bacon Act.

(i) The Borrower agrees not to change the ownership, use or nature of any property financed with the proceeds of the Loan or take any deliberate action that will adversely affect the qualification of the Series 2010 Bonds as a “qualified school construction bond” under Section 54F of the Code or “qualified bonds” under Sections 54AA(g), 6431(e) and 6431(f) of the Code as long as any portion of the Series 2010 Bond remains outstanding (whether or not defeased).

(j) The Borrower acknowledges and understands that (i) to the extent that less than 100% of the Available Project Proceeds are expended for Qualified Purposes by the close of the 3 year period beginning on the date of issuance of the Series 2010 Bonds, or any longer period permitted by the Secretary of the Treasury pursuant to Section 54A(d)(2)(B)(iii) of the Code, the unspent Available Project Proceeds may be required to be used to redeem Series 2010 Bonds within 90 days after the end of such period, and (ii) the Authority may be required to call any or all of the Series 2010 Bonds for redemption prior to maturity in the event the Borrower (or other borrowers under similar loan agreements) defaults in its obligations hereunder (or such other borrowers default in their obligations under such other loan agreements), any or all of which may result in increased costs hereunder including costs incidental to redeeming Series 2010 Bonds in authorized denominations.

(k) No costs of the Projects to be paid from Available Project Proceeds have been expended to date, or if there have been costs paid, no such costs to be reimbursed from Available Project Proceeds will have been expended more than 60 days prior to the earlier of (i) the date the resolution approving this Loan Agreement was approved by the governing body of the Borrower, unless otherwise permitted under applicable law relating to use of bond proceeds for reimbursement applicable to qualified school construction bonds, or (ii) the date the governing body of the Borrower adopted a reimbursement resolution for purposes of Section 1.150-2 of the Regulations under the Code, but in no event earlier than April 27, 2009, the date Internal Revenue Service Notice 2009-35 allocating the Qualified School Construction Bond cap

was published, in the case of projects to which unused 2009 cap is allocated, and March 17, 2010, the date Internal Revenue Service Notice 2010-17 allocating the Qualified School Construction Bond cap was published in the case of projects to which 2010 cap is allocated.

### ARTICLE III

#### Payment Obligations of Borrower

Section 3.01. Loan Repayments. The Borrower agrees to pay to the Authority all Loan Repayments on each Loan Repayment Date, in the amounts and in the manner hereinafter provided, to be deposited by the Authority to the Series 2010 Bond Fund Account in the Bond Fund to be applied to the payment of principal on the Series 2010 Bonds, whether at Maturity or upon redemption, interest thereon, Administrative Expenses, Additional Payments and Investment Losses.

Section 3.02. Return of Excess Payments. Upon payment in full of all Loan Repayments due under the Loan Agreement, any funds remaining in the Borrower's Loan Repayment Sub-Account, including any sub-account thereof, shall be returned to the Borrower promptly following payment in full of the Series 2010 Bonds.

Section 3.03. Time and Manner of Payment. Except as provided in Section 3.05 hereof, the Borrower agrees to make each Loan Repayment directly to the Authority on or before each Loan Repayment Date in lawful money of the United States of America by electronic funds transfer of immediately available funds. The Authority shall send a statement to the Borrower setting forth the amount of the Borrower's Loan Repayment with respect to each Loan Repayment Date.

Section 3.04. Amount, Allocation and Deposit of Loan Repayments. The amount of each of the Loan Repayments to be made on each Loan Repayment Date shall be determined, allocated and deposited as set forth below:

(a) *Borrower Principal Sub-Account and Borrower Interest Sub-Account.* There shall be established the Borrower Principal Sub-Account and Borrower Interest Sub-Account within the Borrower Loan Repayment Sub-Account within the Loan Repayment Account created within the Series 2010 Bond Fund Account. The following amounts shall be deposited to and retained in the Borrower Principal Sub-Account and Borrower Interest Sub-Account for use as hereinafter provided:

(i) On the first day of each month (other than September 1 of each year), commencing on November 1, 2010, until the Loan is paid in full, or if such day is not a Business Day, then on the next succeeding Business Day, the Borrower shall pay to the Authority the amount of interest set forth on **Exhibit D**, representing the portion of Borrower's Proportionate Share of the interest due to be paid on the Series 2010 Bonds' next Interest Payment Date, which amount shall be adjusted as hereinafter provided. Borrower acknowledges that it is responsible for the gross monthly payment of its Proportionate Share of the interest due on the Series 2010 Bonds without reduction for any Interest Subsidy Payment.

(ii) On each of the dates set forth on **Exhibit D**, or if such day is not a Business Day, then on the next succeeding Business Day, the Borrower shall pay to the Authority the related “Principal/Sinking Fund” amount set forth on **Exhibit D**, as such amount may be adjusted at the time of determination to account for any prior redemption of the Series 2010 Bonds appropriately credited for the benefit of the Borrower and with such payments to be made in approximately equal monthly amounts (prior to any adjustment as hereafter provided and [acknowledging that the scheduled principal payments for the last \_\_\_\_ monthly payments are increased over the prior \_\_\_\_\_ scheduled principal payments]), which amount shall be adjusted as hereinafter provided.

(iii) In calculating the amounts to be paid pursuant to Section 3.04(a)(i) and (ii), such amounts shall be:

(A) decreased by an amount equal to the Borrower’s Investment Income in the Borrower Principal Sub-Account and Borrower Interest Sub-Account, or for August by an amount equal to an assumed amount of Investment Income for that month and for September (to be trued up thereafter when actual investment results are determined), in each case to the extent not required to make payments to the United States Treasury to satisfy any arbitrage rebate requirements under the Code, to be applied as directed by an Authorized Authority Representative toward the particular Loan Repayment as the same shall become due;

(B) decreased by the Borrower’s Proportionate Share of the Redeemed Amount, if any, appropriately credited for the benefit of the Borrower, in inverse order of the Loan Repayment Date; and

(C) increased by an amount equal to the Borrower’s Investment Losses in the Borrower Principal Sub-Account and Borrower Interest Sub-Account.

(iv) the Optional Prepayment Price or the Mandatory Prepayment Price, if any, and earnings thereon; and

(v) the Borrower’s Investment Income reduced by the Borrower’s Investment Losses, if any, from amounts on deposit in the Borrower Principal Sub-Account and Borrower Interest Sub-Account.

(b) *Borrower Loan Repayments.* (i) The amounts deposited to the Borrower Principal Sub-Account and Borrower Interest Sub-Account as heretofore or hereafter provided shall be used by the Authority to pay principal of and interest on the Series 2010 Bonds as the same shall become due and in the manner provided by the Resolution, and no additional transfer to any other fund herein established shall be required with respect thereto. Use of Borrower Principal Sub-Account moneys to pay interest does not discharge the obligation to pay interest and any such payment of interest shall be deemed to be on account of principal and deposited into the Borrower Principal Sub-Account to the extent of the transfer at the demand of the Authority.

(ii) The Borrower shall also pay to the Authority upon demand by the Authority (but in all events prior to the Maturity of the Series 2010 Bonds) the Borrower's Investment Losses resulting in insufficient funds to pay the Series 2010 Bonds when due, and any such payment by the Borrower shall be deposited by the Authority to the Borrower Principal Sub-Account or the Borrower Interest Sub-Account, as the case may be, to be applied to the payment of the Series 2010 Bonds.

(iii) Upon demand by the Authority (but in all events prior to the Redemption Date), the Borrower shall also pay to the Authority an amount equal to (a) the Borrower's Proportionate Share of any Redemption Price required to be paid to the holders of the Series 2010 Bonds upon partial redemption of the Series 2010 Bonds from funds on deposit in the Borrower Account of the Loan Fund which will not be used to pay Costs of the Projects plus (b) such additional amount, if any, as shall be determined to be required by the Authority to effect the contemplated redemption of the Series 2010 Bonds in authorized denominations, and any such payment by the Borrower shall be deposited by the Authority to the Borrower Principal Sub-Account or the Borrower Interest Sub-Account to be applied to the payment of any such Redemption Price on the Series 2010 Bonds upon redemption.

(iv) Upon demand by the Authority, the Borrower shall pay to the Authority the Mandatory Prepayment Price which shall be used to redeem the Series 2010 Bonds, in whole or in part, in accordance with the Resolution and to pay any redemption premium thereon.

(v) The Borrower shall pay to the Authority the Optional Prepayment Price which shall be used to redeem the Series 2010 Bonds, in whole or in part, in accordance with the Resolution and to pay any redemption premium thereon.

(c) *Administrative Expense Account of the Series 2010 Bond Fund Account.* The Administrative Expenses portion of each of the Loan Repayments shall be paid by the Borrower in an amount equal to the Borrower's Proportionate Share of Administrative Expenses for any period commencing on the Closing Date, or the Business Day on which Administrative Expenses were last paid to and ending on the day next preceding the Loan Repayment Date and shall be deposited to the Administrative Expenses Account. The Administrative Expense Account shall not be invested and all amounts deposited therein shall be the property of the Authority.

Section 3.05. Payments Assigned. It is understood and agreed that the rights of the Authority under this Loan Agreement (except its rights to indemnification, payment of expenses and receive notices), are assigned to the Trustee, if any, pursuant to the Resolution. The Borrower consents to such assignment. The Borrower agrees to pay to the Authority or at the direction of the Authority, the State Treasurer, or a separate custodian, all amounts payable by the Borrower that are so assigned unless the Borrower shall have been notified in writing that an Event of Default exists hereunder which is continuing, in which event all amounts payable hereunder shall be paid to the Trustee. All such assigned payments shall be deposited as provided in the Resolution.

Section 3.06. Payments; Obligation of Borrower Unconditional. The obligation of the Borrower to make payments hereunder and to perform and observe all other covenants, conditions and agreements hereunder shall be absolute and unconditional until payment of all Borrower obligations hereunder, irrespective of any defense or any rights of setoff, recoupment or counterclaim which the Borrower might otherwise have against the Authority or the Trustee, if any. Until payment of all Borrower obligations hereunder, the Borrower shall not suspend or discontinue any such payment hereunder or fail to observe and perform any of their other covenants, conditions and agreements hereunder for any cause, including without limitation failure of consideration, failure of title to any part of all of the Projects, or commercial frustration of purpose, or any damages to or destruction or condemnation of all or any part of the Projects, or any change in the tax or other laws of the United States of America, the State of Tennessee or any political subdivision of either, or any failure of the Authority, or the Trustee, if any, to observe and perform any covenant, condition or agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with any document in connection with the financing of the Projects. Nothing contained in this Section, however, shall be construed to release the Authority or the Trustee, if any, from the performance of any of their respective obligations hereunder or under any documents related hereto.

Section 3.07. Pledge of Taxing Power. Pursuant to Section 49-3-1206(e)(1), Tennessee Code Annotated, the Borrower covenants that it shall provide for the annual levy and collection of a tax sufficient to pay when due the Loan Repayments payable under the Loan Agreement if and when they become due and payable. The Borrower hereby pledges its full faith and credit to such payments. The tax to be levied pursuant to this Section shall be assessed, levied, collected and paid in like manner as other taxes of the Borrower. Such tax shall not be included within any statutory or other limitation of rate or amount for the Borrower but shall be excluded therefrom and be in addition thereto and in excess thereof, notwithstanding and without regard to the prohibitions, restrictions or requirements of any other law. To the extent other moneys are not available therefor, there shall be set aside by the Borrower from the tax to be levied pursuant to this Section and the Act in a special fund an amount sufficient for the payment of the amounts under this Loan Agreement, and such fund shall be used exclusively for such purpose and shall not be used for any other purpose until the amounts payable hereunder have been paid in full. Notwithstanding the foregoing, the tax hereinabove described will not be required to be levied by the Borrower or, if levied, may be proportionately reduced to the extent of payments made from other funds of the Borrower appropriated by the governing body of the Borrower to the payment of the amounts described above from other revenues of the Borrower.

Section 3.08. Pledge of Unobligated State-Shared Taxes. Except for its Prior Lien Obligations, the Borrower has not previously pledged any portion of its State-Shared Taxes to other obligations. As security for the Loan Repayments, pursuant to Section 49-3-1206(e)(2), Tennessee Code Annotated, the Borrower hereby pledges its Unobligated State-Shared Taxes in an amount equal to the maximum annual principal portions of the Loan Repayments, plus the Borrower's Proportionate Share of the interest borne by the Series 2010 Bonds due under this Loan Agreement, plus such additional amount, not to exceed .75% per annum, as shall be sufficient to pay when due any additional payments due from Borrower under this Loan Agreement as and when they become due and payable.

The Borrower hereby authorizes the Authority without further recourse to direct that any Unobligated State-Shared Taxes due to the Borrower be withheld and paid over to the Authority for credit to the Borrower's Loan Repayments at any time a Loan Repayment becomes delinquent in an amount necessary to satisfy the amount of the delinquent payment.

So long as this Loan Agreement remains outstanding, the Borrower agrees that it will not create, assume or incur any pledge, encumbrance, lien or charge on a parity with or prior to the lien created under this Loan Agreement on the Borrower's Unobligated State-Shared Taxes.

## **ARTICLE IV**

### **Representations and Covenants**

Section 4.01. Representations and Covenants of the Authority. The Authority makes the following representations and covenants as the basis for the undertakings on the part of the Borrower contained herein:

(a) The Authority is a corporate governmental agency and instrumentality of the State of Tennessee, organized and existing pursuant to the Act. The Authority is authorized to issue the Series 2010 Bonds in accordance with the Act and to use the proceeds thereof to provide funds for making the Loan.

(b) The Authority has complied with the provisions of the Act and has full power and authority to execute and deliver this Loan Agreement and to consummate the transactions contemplated hereby and to perform its obligations hereunder.

(c) The Authority is not in violation of any of the laws of the State of Tennessee which would affect its existence or its powers referred to in the preceding subsection (b).

(d) By Resolution duly adopted by the Authority and in full force and effect on the date hereof, the Authority has authorized the execution and delivery of this Loan Agreement and the Series 2010 Bonds, the due performance of all obligations of the Authority hereunder, under the Resolution and under the Series 2010 Bonds, and the taking of any and all actions as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated by each of the foregoing, and the Authority will take all actions within its reasonable control to obtain all approvals necessary in connection with the foregoing that have not been obtained as of the date hereof.

(e) This Loan Agreement has been duly authorized, executed and delivered by the Authority, and upon due authorization, execution and delivery by the Borrower, will constitute a valid contractual obligation of the Authority. The Series 2010 Bonds will constitute valid and binding limited special obligations of the Authority and will be payable solely from the Pledged Revenues and any amounts otherwise available under the Resolution, and will be entitled to the benefit of the Resolution. None of the Authority (except to the foregoing extent), the State of Tennessee, or any political subdivision thereof shall be obligated, directly or (except as a Borrower from the Authority) indirectly, to pay the principal of, interest on, if any, or Redemption Price on the Series 2010 Bonds. The Authority has no taxing power.

(f) The execution and delivery by the Authority of this Loan Agreement, the Series 2010 Bonds, and the Resolution and the consummation of the transactions contemplated in each of the foregoing will not violate any resolution, mortgage, deed of trust, note, loan agreement or other contract or instrument to which the Authority is a party or by which it is bound or, to the best of the Authority's knowledge, any judgment, decree, order, statute, rule or regulation applicable to the Authority, and the Authority will take all actions within its reasonable control to obtain all consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the consummation of the transactions contemplated thereby that have not been obtained as of the date hereof.

(g) The Authority will apply or cause to be applied the proceeds of the Series 2010 Bonds in accordance with the Resolution and this Loan Agreement.

(h) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Authority or, to the best knowledge of the Authority, any basis therefor, wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated hereby or by the Resolution or the Series 2010 Bonds or which, in any way, would adversely affect the validity of this Loan Agreement, the Series 2010 Bonds, the Resolution or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in consummation of the transactions contemplated by each of the foregoing.

(i) The Authority covenants that it will not pledge the amounts derived from this Loan Agreement other than to secure the Series 2010 Bonds.

(j) The Authority will designate the Series 2010 Bonds as "qualified school construction bonds" pursuant to Section 54F of the Code and "qualified bonds" pursuant to Sections 54AA(g), 6431(e) and 6431(f) of the Code, and will take all actions that can reasonably be expected of the Authority to preserve the status of the Series 2010 Bonds as "qualified school construction bonds" and "qualified bonds" and preserve the Authority's eligibility to receive Interest Subsidy Payments.

Section 4.02. Representations and Covenants of the Borrower. The Borrower makes the following representations and covenants, in addition to those elsewhere set forth herein, as the basis for the undertakings on the part of the Authority contained herein:

(a) The Borrower is a municipal corporation or political subdivision, as appropriate, within the meaning of the Act, duly created and existing under the laws of the State of Tennessee and possessing general powers of taxation, including the power to levy ad valorem taxes, and has full legal right, power and authority (i) to conduct its business and own its properties, (ii) to enter into this Loan Agreement, and (iii) to carry out and consummate all other transactions contemplated by this Loan Agreement.

(b) With respect to the authorization, execution and delivery of this Loan Agreement, the Borrower has complied and will comply with all applicable laws of the State of Tennessee.



(c) The Borrower has duly approved the execution and delivery of this Loan Agreement and has authorized the taking of any and all action as may be required on the part of the Borrower to carry out, give effect to and consummate the transactions contemplated by this Loan Agreement and the Resolution.

(d) This Loan Agreement has been duly authorized, executed and delivered by the Borrower and, assuming due authorization, execution and delivery by the Authority, will constitute a legal, valid and binding obligation of the Borrower enforceable in accordance with its terms, subject to bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting the enforcement of creditors' rights generally or by such principles of equity as the court having jurisdiction may impose with respect to certain remedies which require or may require enforcement by a court of equity and no other authorization is required.

(e) There is no action, suit, proceedings, inquiry on investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Borrower, threatened against the Borrower, nor is there any basis therefor, (i) affecting the creation, organization or existence of the Borrower or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the execution or delivery of this Loan Agreement or (iii) in any way contesting or affecting the validity or enforceability of this Loan Agreement or any agreement or instrument relating to any of the foregoing or used or contemplated for use in the consummation of the transactions contemplated by any of the foregoing.

(f) The Borrower is not in any material respect in breach of or in default under any applicable law or administrative regulation of the State or the United States of America or any applicable judgment or decree or any agreement or other instrument to which the Borrower is a party or by which it or any of its properties is bound, and no event has occurred which with the passage of time, the giving of notice or both would constitute such a breach or default; and the execution and delivery of this Loan Agreement and compliance with the respective provisions thereof will not conflict with or constitute a breach of or default under any applicable law or administrative regulation of the State or of the United States of America or any applicable judgment or decree or any agreement or other instrument to which the Borrower is a party or by which it or any of its property is bound.

(g) The Borrower will not take or omit to take any action which action or omission will in any way cause the proceeds of the Series 2010 Bonds advanced to it to be applied in a manner contrary to that provided in the Resolution and this Loan Agreement.

(h) The Borrower has not taken or omitted to take, and knows of no action that any other person, firm or corporation has taken or intends to take, which adversely affect the eligibility of the Authority to receive Interest Subsidy Payments.

(i) The Borrower is not in default under any loan agreement, note, bond, mortgage or other instrument evidencing or securing indebtedness.

(j) The Borrower approves the issuance of the Series 2010 Bonds and, as of the date hereof, is not in default in the performance or observance of any of the covenants,

conditions, agreements or provisions of this Loan Agreement and all warranties and representations of Borrower herein are true and correct on the date hereof.

(k) The Borrower covenants and agrees to provide annual audited financial statements to the Authority as soon as reasonably practical upon their becoming available and if not made available within one year of the end of the fiscal year, then the Borrower shall provide unaudited annual financial statements for such fiscal year within one year of the end of the fiscal year and audited financial statements for such fiscal year when they become available and, upon request, such other financial information as shall be reasonably requested to the Authority.

(l) The Borrower covenants and agrees to comply with the terms and requirements applicable to Borrower in the Resolution.

(m) All information provided to the Authority in this Loan Agreement or in any other document or instrument with respect to the Loan, this Loan Agreement or the Projects, was at the time provided, and is now, true, correct and complete, and such information does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

## **ARTICLE V**

### **Events of Default**

Section 5.01. Events of Default. An Event of Default shall occur hereunder if any one or more of the following events shall happen:

(a) the payments required by Sections 3.01 through 3.08 are not paid punctually when due;

(b) default shall be made by the Borrower in the due performance of or compliance with any of the terms hereof, other than those referred to in the foregoing subdivision (a), and such default shall continue for sixty (60) days after the Authority or the Trustee shall have given the Borrower written notice of such default (or in the case of any such default which cannot with due diligence be cured within such 60-day period, if the Borrower shall fail to proceed promptly to commence curing the same and thereafter prosecute the curing of such default with due diligence, it being intended in connection with any such default not susceptible of being cured with due diligence within the 60 days that the time to cure the same shall be extended for such period as may be reasonably necessary to complete the curing of the same with all due diligence);

(c) the Borrower shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of the Borrower or of all or any substantial part of its properties or of the Projects or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

(d) a petition shall be filed against the Borrower seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation and shall remain undismissed or unstayed for an aggregate of 90 days (whether or not consecutive), or if any trustee, receiver or liquidator of the Borrower or of all or any substantial part of its properties or of the Projects shall be appointed without the consent or acquiescence of the Borrower and such appointment shall remain unvacated or unstayed for an aggregate of 90 days (whether or not consecutive).

Section 5.02. Remedies. (a) In the event the Borrower shall fail to remit the Loan Repayments when and as required under this Loan Agreement, the Commissioner of Finance and Administration of the State, upon notification by the Authority, shall without further authorization, withhold the Loan Repayment due from the Borrower's Unobligated State-Shared Taxes. The Authority shall deliver notice of the foregoing to the Borrower as required by the Act.

(b) Upon the continuing occurrence of an Event of Default not cured pursuant to subsection (a) above, (regardless of the pendency of any proceeding which has or might have the effect of preventing the Borrower from complying with the terms of this Loan Agreement), the Authority, the Trustee, as assignee of the Authority, or any other Person who has succeeded to the rights of the Authority hereunder, at any time thereafter and while such Event of Default shall continue, may, at its option, and subject to the provisions of the Resolution, take any action at law or in equity to collect amounts then due and thereafter to become due hereunder, or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Loan Agreement. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the Resolution.

## **ARTICLE VI**

### **Prepayment**

Section 6.01. Optional Prepayment. The Borrower shall have the right to optionally prepay its Loan by providing written notice thereof to the Authority. Thereupon the Authority shall so notify the Paying Agent/Trustee for the Series 2010 Bonds of the proposed redemption and shall make arrangements satisfactory for the optional redemption of the Series 2010 Bonds. In connection therewith, the Borrower shall prepay all or such portion of the Loan as shall correspond to the amount of the Series 2010 Bonds to be redeemed and in sufficient time to permit the redemption in accordance with the Resolution. The amount to be paid by Borrower shall be Borrower's Proportionate Share of the Redemption Price to be paid by the Authority with respect to the Series 2010 Bonds to be redeemed (which shall be paid by Borrower from sources other than any proceeds derived from the sale of the Series 2010 Bonds and investment earnings thereon), if any, plus such additional amount as shall be determined to be required by the Authority to permit the contemplated redemption of the Series 2010 Bonds in authorized denominations.

Section 6.02. Mandatory Prepayment Price.

(a) The Loan shall be subject to mandatory prepayment in such amount as shall be determined under Section 6.02(d) if the Borrower fails to expend all proceeds in Borrower's Account of the Loan Fund either (i) within three years of the issuance of the Series 2010 Bonds and no extension of the period for expenditures has been granted by the Internal Revenue Service or (ii) by the expiration of such extension period.

(b) The Loan shall also be subject to mandatory prepayment in such amount as shall be determined under Section 6.02(e) if the Authority has determined that an "Extraordinary Event" (as defined in the Series 2010 Bonds) shall have occurred and determining to redeem the Series 2010 Bonds prior to the maturity.

(c) Following the occurrence of the event specified in Section 6.02(a) or Section 6.02(b), the Borrower shall prepay the Loan on the Mandatory Prepayment Date at the Mandatory Prepayment Price.

(d) The Mandatory Prepayment Price with respect to a Section 6.02(a) event shall be that amount that the Borrower shall be required to prepay as of the designated Mandatory Prepayment Date, which shall be equal to unspent amounts in the Borrower's Account of the Loan Fund (which shall be used, to the extent possible, to redeem Series 2010 Bonds), plus the Borrower's Proportionate Share of any Redemption Price for the Series 2010 Bonds that will be redeemed (which shall be paid by Borrower from sources other than any proceeds derived from the sale of the Series 2010 Bonds and investment earnings thereon), if any, plus such additional amount as shall be determined to be required by the Authority to permit the contemplated redemption of the Series 2010 Bonds in authorized denominations.

(e) The Mandatory Prepayment Price with respect to a Section 6.02(b) event shall be that amount the Borrower shall be required to prepay as of the designated Mandatory Prepayment Date, which shall be equal to Borrower's Proportionate Share of the Redemption Price to be paid by the Authority with respect to the Series 2010 Bonds being redeemed.

Section 6.03. Partial Prepayment. Except as otherwise provided herein, any principal prepayment amount shall be applied in reduction of payment obligations set forth on **Exhibit D** as Borrower shall elect by written notice to the Authority with the consent of the Authority.

Section 6.04. Deposit of Prepayment Amount. The prepayment amount shall be deposited with the Treasurer, its custodian or the Trustee in immediately available funds not later than 10:00 a.m., Nashville time, on the Prepayment Date.

Section 6.05. Discharge of Other Obligations. Notwithstanding any other provisions hereof, this Loan Agreement shall not terminate on the date on which the Borrower shall be obligated to prepay (whether or not any delay in the completion of such prepayment shall be the fault of Authority), nor shall the Borrower's obligations hereunder cease when the Borrower shall have paid all amounts payable hereunder (including all amounts due under Article III hereof) without set-off, counterclaim, abatement, suspension, deduction, diminution, or defense for any reason whatsoever, so long as the Series 2010 Bonds are Outstanding and unpaid, and until the Borrower shall have discharged or provision satisfactory to Authority shall have been made for the discharge of, all of its obligations under this Loan Agreement, which obligations

have arisen on or after the date for prepayment, including the obligation to pay amounts due and payable on the date of the prepayment.

## **ARTICLE VII**

### **Indemnification**

Section 7.01. Indemnification of Trustee and Authority. The Borrower covenants and agrees, to the extent it is authorized by applicable law, to indemnify the Trustee, if any, and the Authority and each successor trustee and the officers, directors, employees and agents of the Trustee or any such successor trustee and the Authority (the Trustee, each successor trustee, the Authority, and such officers, directors, employees and agents being hereinafter referred to in this Section collectively as the “Indemnified Parties” and individually as an “Indemnified Party”) for, and to hold each Indemnified Party harmless against, any loss, liability, tax, assessment or other governmental charge (other than taxes applicable to their compensation hereunder) or expenses incurred without negligence, willful misconduct or bad faith on the part of such Indemnified Party, arising out of or in connection with the acceptance or administration of the Resolution or the trusts thereunder and the duties of the Trustee and the Authority thereunder (but only to the extent the Resolution, its administration, required duties and trusts thereunder are applicable to Borrower, this Loan Agreement or the Series 2010 Bonds), including enforcement of this Loan Agreement and this Section thereof and also including any liability which may be incurred as a result of failure to withhold, pay or report any tax, assessment or other governmental charge, and the costs and expenses incurred by such indemnified Party in the course of defending itself against or investigating any claim of liability in the premises. The obligations of the Borrower under this Section to compensate and indemnify the indemnified Parties and to pay or reimburse each Indemnified Party for expenses, disbursements and advances shall constitute an additional obligation hereunder and shall survive the satisfaction and discharge of this Loan Agreement.

## **ARTICLE VIII**

### **Miscellaneous**

Section 8.01. Waiver of Statutory Rights. The rights and remedies of the Authority and the Borrower under this Loan Agreement shall not be adversely affected by any laws, ordinances, or regulations, whether federal, state, county, city, municipal or otherwise, which may be enacted or become effective from and after the date of this Loan Agreement affecting or regulating or attempting to affect or regulate any amounts payable hereunder.

Section 8.02. Non-Waiver by Authority. No failure by Authority or by any assignee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of any payment hereunder, in full or in part, during the continuance of such breach, shall constitute waiver of such breach or of such term. No waiver of any breach shall affect or alter this Loan Agreement or constitute a waiver of a then existing or subsequent breach.

Section 8.03. Remedies Cumulative. Each right, power and remedy of Authority provided for in this Loan Agreement shall be cumulative and concurrent and shall be in addition

to every other right, power or remedy provided for in this Loan Agreement, or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers or remedies are sought to be enforced, and the exercise or beginning of the exercise by the Authority or the Trustee, if any, of any one or more of the rights, powers or remedies provided for in this Loan Agreement or now or hereafter existing at law or in equity or by statute, or otherwise shall not preclude the simultaneous or later exercise by the Authority or Trustee of any or all such other rights, powers or remedies.

Section 8.04. Amendments, Changes and Modification. Except as otherwise provided in this Loan Agreement or in the Resolution, subsequent to the issuance of the Series 2010 Bonds and prior to the payment in full of the Series 2010 Bonds, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, if any, and the holders of the Series 2010 Bonds.

Section 8.05. Applicable Law - Entire Understanding. This Loan Agreement shall be governed exclusively by the applicable laws of the State of Tennessee. This Loan Agreement expresses the entire understanding and all agreements of the parties hereto with each other and neither party hereto has made or shall be bound by any agreement or any representation to the other party which is not expressly set forth in this Loan Agreement.

Section 8.06. Severability. In the event that any clause or provision of this Loan Agreement shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provisions shall not affect any of the remaining provisions of such instrument.

Section 8.07. Notices and Demands. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Loan Agreement shall be in writing, and shall be deemed to have been properly given and received if sent by United States certified or registered mail, postage prepaid, (a) if to the Borrower, addressed to the Borrower, at [6], (b) if to the Authority, addressed to the Authority, Attention: Director of Bond Finance, 1600 James K. Polk Office Building, 505 Deaderick Street, Nashville, Tennessee 37243-0273, (c) if to the Trustee, addressed to the Trustee at The Bank of New York Mellon Trust Company, N.A., 900 Ashwood Parkway, Suite 426, Atlanta, Georgia 30338, Attention: Corporate Trust Department, or at such other addresses as any addressee from time to time may have designated by written notice to the other addressees named above. The Authority shall promptly forward to the Borrower copies of any notice received by it from the Trustee under the Resolution.

Section 8.08. Headings and References. The headings in this Loan Agreement are for the convenience of reference only and shall not define or limit the provisions thereof. All references in this Loan Agreement to particular Articles or Sections are references to Articles or Sections of this Loan Agreement, unless otherwise indicated.

Section 8.09. Successors and Assigns. The terms and provisions of this Loan Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 8.10. Multiple Counterparts. This Loan Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

Section 8.11. Amendments, Changes and Modifications of Resolution. The Authority covenants and agrees that it will not, without the prior written consent of the Borrower, enter into or consent to any amendment, change or modification of the Resolution which would adversely affect the Borrower's rights under this Loan Agreement.

Section 8.12. No Liability of Authority's and Borrower's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Loan Agreement shall be had against any incorporator, member, director or officer, as such, past, present or future, of the Authority or the Borrower, either directly or through the Authority or the Borrower. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer is hereby expressly waived and released by the Borrower and the Authority against the other's incorporators, members, directors or officers as a condition of and consideration for the execution of this Loan Agreement.

Section 8.13. Continuing Disclosure. Borrower agrees to furnish any and all financial information and operating data pertaining to it which is required to be disclosed by the Authority annually pursuant to Rule 15c2-12 of the Securities and Exchange Commission, at the times required by the Authority to comply with its secondary market disclosure obligations under Rule 15c2-12. The Authority agrees to provide to the Borrower a list of the information and data required to be furnished by the Borrower and the time frame within which the same is to be furnished to the Authority.

*Signatures on Following Page*

IN WITNESS WHEREOF, THE TENNESSEE STATE SCHOOL BOND AUTHORITY has executed this Loan Agreement by causing its name to be hereunto subscribed by two of its Authorized Officers; and [2], TENNESSEE, has executed this Loan Agreement by causing its name to be hereunto subscribed by its [4] and [7], all being done as of the day and year first above written.

TENNESSEE STATE SCHOOL BOND AUTHORITY

(SEAL)

By: \_\_\_\_\_  
Authorized Officer

ATTEST:

\_\_\_\_\_  
Authorized Officer

[2], TENNESSEE

(SEAL)

By: \_\_\_\_\_  
[4]

ATTEST:

\_\_\_\_\_  
[7]



**EXHIBIT A**  
**REQUISITION**  
**Series 2010 Bonds**

REQUISITION NO. \_\_\_\_\_

Tennessee State School Bond Authority

The undersigned, being an Authorized Borrower Representative within the meaning of that term as set forth in a loan agreement (the "Loan Agreement"), dated \_\_\_\_\_, 2010, by and between the Tennessee State School Bond Authority and [2], Tennessee (the "Borrower"), submits this Requisition on behalf of the Borrower pursuant to Section 2.04 of the Loan Agreement, as follows:

1. Borrower hereby requests disbursement to the Borrower pursuant to the Loan Agreement of \$\_\_\_\_\_.

2. All amounts advanced hereunder will be used to pay Cost of the Projects, as defined in the Loan Agreement.

3. The amounts requested hereunder have not been the subject of a previous request for disbursement of funds.

4. The subject of this request is a proper Costs of the Projects, as described in the Loan Agreement.

5. The amount requested should be wired to:

Bank: \_\_\_\_\_  
ABA Number: \_\_\_\_\_  
Account Name: \_\_\_\_\_  
Account Number: \_\_\_\_\_

It is understood that your duties will be discharged with respect to the disbursement requested hereunder if payment is made as provided herein.

IN WITNESS WHEREOF, the undersigned has hereunto set his (her) hand, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

[2], TENNESSEE  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Funding Date: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_.

After execution, fax the Requisition as follows.

\_\_\_\_\_

Attn: \_\_\_\_\_

(615) \_\_\_\_\_ (Office Confirm)

(615) \_\_\_\_\_ (FAX)

**EXHIBIT B**

**COMPLETION CERTIFICATE  
Series 2010 Bonds**

The undersigned, being an Authorized Borrower Representative within the meaning of that Loan Agreement (“Loan Agreement”), dated \_\_\_\_\_, 2010, by and between the Tennessee State School Bond Authority and [2], Tennessee (the “Borrower”), submits this Completion Certificate on behalf of the Borrower pursuant to Section 2.05 of the Loan Agreement, as follows:

1. No additional advances of funds under the Loan Agreement will be requested from the Trustee, and no additional Requisitions for disbursement of funds will be presented to the Trustee;

2. The Project or Projects to be financed with the proceeds of the Loan under the Loan Agreement have been completed or sufficient funds are available to complete the Project or Projects to the satisfaction of the Borrower; and

3. The Authority and the Trustee are directed to apply any excess funds remaining in the Borrower Account of the Loan Fund under the Loan Agreement in accordance with the provisions of Section 2.05 of the Loan Agreement.

Notwithstanding the foregoing, this Certificate is given without prejudice to any rights against third parties which exist as of the date hereof or which may subsequently come into being.

IN WITNESS WHEREOF, the undersigned has hereunto set his (her) hand this \_\_\_\_\_ day of \_\_\_\_\_.

[2], TENNESSEE

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT C**  
**DESCRIPTION OF PROJECTS**

[3]

**EXHIBIT D**

**LOAN REPAYMENT SCHEDULE**

<u>Loan Repayment Dates</u>	<u>Principal/Sinking Fund</u>	<u>Interest</u>
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APPENDIX C

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL  
TO THE AUTHORITY

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[Letterhead of Co-Bond Counsel to the Authority]

October 7, 2010

Tennessee State School Bond Authority  
Nashville, Tennessee

\$212,440,000

TENNESSEE STATE SCHOOL BOND AUTHORITY  
QUALIFIED SCHOOL CONSTRUCTION BONDS, SERIES 2010  
(FEDERALLY TAXABLE-DIRECT SUBSIDY PAYMENT)

Dear Sirs:

At your request we, as Bond Counsel to the Tennessee State School Bond Authority (the "Authority"), a corporate governmental agency and instrumentality of the State of Tennessee (the "State"), have examined into the validity of \$212,440,000 principal amount of Qualified School Construction Bonds, Series 2010 (Federally Taxable-Direct Subsidy Payment) (the "Series 2010 Bonds"), of the Authority.

The Series 2010 Bonds are being issued under and pursuant to the Tennessee State School Bond Authority Act (Section 49-3-1201 *et seq.*, Tennessee Code Annotated) as amended to date (the "Act"), the Qualified School Construction Bonds General Bond Resolution adopted by the Authority on November 5, 2009 (the "General Bond Resolution"), and a Second Supplemental Resolution of the Authority adopted on August 26, 2010 (the "Supplemental Resolution"), including as a part of such Supplemental Resolution the Series Certificate of the Authority dated October 7, 2010 (the "Series Certificate"). The General Bond Resolution and the Supplemental Resolution are herein referred to collectively as the "Resolution". The Series 2010 Bonds mature, bear interest and are subject to redemption prior to maturity as described in the Resolution.

We have examined the Constitution and laws of the State; certified copies of proceedings of the Authority authorizing the issuance of the Series 2010 Bonds, including the Resolution; executed or certified copies of the Series Certificate; certified copies of Loan Agreements by and between the Authority and each of Blount County, Cocke County, Coffee County, Dyer County, Hawkins County, Jefferson County, Knox County, Lauderdale County, Maury County, The Metropolitan Government of Nashville and Davidson County, Sevier County, Shelby County, Sullivan County, Trousdale County, and Warren County, Tennessee (the "Borrowers"), dated as of October 1, 2010 (collectively, the "Loan Agreements"); and such other instruments, documents, certificates and proceedings, and applicable law, as we have considered appropriate for purposes of this opinion; and a specimen Series 2010 Bond.

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

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

(2) The Series 2010 Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolution, and are entitled to the benefits of the Resolution and of the Act. The Series 2010 Bonds are valid and binding obligations of the Authority as provided in the Resolution, and are enforceable against the Authority in accordance with their terms and the terms of the Resolution, payable solely from the Pledged Revenues and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the

conditions permitted by the Resolution. The Authority has no taxing power, the State is not liable on the Series 2010 Bonds and the Series 2010 Bonds are not a debt of the State.

(3) The Loan Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid contractual obligations of the Authority. The State has not waived the immunity of the State (including, for this purpose, the Authority) from suit or extended its consent to be sued with respect to the Loan Agreements. Accordingly, monetary actions against the State (including the Authority) for breach of contractual obligations relating to the Loan Agreements may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where liability may be limited to actual damages and certain costs. You have received opinions of counsel to each of the Borrowers to the effect that the respective Loan Agreements have been duly executed and delivered by the respective Borrowers and constitute valid and binding obligations thereof, and we express no opinion herein with respect thereto.

(4) Interest on the Series 2010 Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

(5) Under existing laws of the State, the Series 2010 Bonds and the income therefrom are free from taxation by the State or any county, municipality or political subdivision thereof, except for estate and gift taxes and taxes on transfers, except to the extent such income may be included within the measure of privilege taxes imposed pursuant to the laws of the State.

Investors are urged to obtain independent tax advice regarding the acquisition, ownership and disposition of the Series 2010 Bonds based upon their particular circumstances. The opinion in paragraph 4 above is not intended or provided by us as Bond Counsel to the Authority to be used, and cannot be used, for the purpose of avoiding federal taxpayer penalties. That opinion is written to support the promotion or marketing of the Series 2010 Bonds. This notice is intended to comply with the provisions of Section 10.35 of the United States Treasury publication Circular 230.

We express no opinion herein as to (i) federal, state or local tax consequences arising with respect to the Series 2010 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above, (ii) federal, state, or local tax matters to the extent affected by any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves, or (iii) the accuracy, adequacy, sufficiency or completeness of the Official Statement (or any update or amendment thereof or supplement thereto) of the Authority relating to the Series 2010 Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Series 2010 Bonds.

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

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

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

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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## CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Undertaking”) is dated and made as of October 7, 2010, by the Tennessee State School Bond Authority (the “Authority”) in connection with the issuance of the Authority’s \$212,440,000 aggregate principal amount Qualified School Construction Bonds, Series 2010 (Federally Taxable-Issuer Subsidy Bonds) (the “Series 2010 Bonds”). As authorized by Section 15 of the Second Supplemental Resolution of the Authority authorizing the Series 2010 Bonds, adopted on August 26, 2010, the Authority agrees as follows:

### ARTICLE I

#### Definitions

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

(1) “Act” means the Tennessee State School Bond Authority Act, Title 49, Chapter 3, Part 12, Tennessee Code Annotated, as amended.

(2) “Annual Financial Information” means (i) updated versions of the following financial information contained in the Official Statement with respect to the Authority and the Borrowers, for each fiscal year of the Authority:

- The table “State-Shared Taxes Information” in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS – State-Shared Taxes”
- The tables “General Fund” and “Unobligated State-Shared Taxes” in Appendix E – Description of Borrowers and Projects, Loan Amounts, Loan Repayments and Unobligated State-Shared Taxes;

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

The descriptions contained in clause (i) above of financial information constituting Annual Financial Information are of general categories or types of financial information. 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.

(3) “Audited Financial Statements” means the annual financial statements of the Borrowers, audited by such auditors as shall then be required or permitted by State law. Audited Financial Statements shall be prepared in accordance with GAAP.

(4) “Borrowers” shall mean the participating cities and counties in the State which will receive loans from the proceeds of the Series 2010 Bonds to finance “school credit bond projects” as defined in the Act.

(5) “Counsel” means Hawkins Delafield & Wood LLP, Waller Lansden Dortch & Davis LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to the Authority.

(6) “EMMA” means the MSRB’s Electronic Municipal Market Access system, as described in Securities Exchange Act of 1934, Release No. 34-59062, which receives electronic submissions of the Annual Financial Information on the EMMA website currently at <http://www.emma.msrb.org>.

(7) “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.

(8) “Material Event” means any of the following events with respect to the Series 2010 Bonds, whether relating to the Authority or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (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 or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities; and
- (xi) rating changes.

(9) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto or to the functions of the MSRB contemplated by this Undertaking.

(10) “Official Statement” means the Official Statement dated September 22, 2010, of the Authority relating to the Series 2010 Bonds.

(11) “Participating Underwriters” shall mean any of the original underwriters on the Series 2010 Bonds required to comply with the Rule in connection with the offering of the Series 2010 Bonds.

(12) “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.

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

(14) “State” means the State of Tennessee.

(15) “Unaudited Financial Statements” mean 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 Participating Underwriters of the Series 2010 Bonds in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information.

(a) The Authority, for itself and for each Borrower, shall provide the following Annual Financial Information to the MSRB through EMMA as follows:

(i) with respect to each fiscal year of the Authority commencing with the fiscal year ended June 30, 2010, by no later than one year after the end of the respective fiscal year for fiscal years ended June 30, 2010 and 2011 and 240 days after the end of the respective fiscal year for fiscal years ended June 30, 2012 and thereafter, (1) the updated version of the state-shared taxes contained in the Official Statement with respect to the Authority and the Borrowers (see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010 BONDS – State-Shared Taxes"), (2) the updated version of Appendix E – Description of Borrowers and Projects, Loan Amounts, Loan Repayments and Unobligated State-Shared Taxes contained in the Official Statement with respect to the Authority and the Borrowers (except for the table under the heading "General Fund and Debt Service Coverage Ratios), and (3) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking; and

(ii) with respect to each fiscal year of the Authority and Borrowers commencing with the fiscal years ended June 30, 2010, by no later than one year after the end of such respective fiscal years, (1) the updated table under the heading "General Fund" in Appendix E – Description of Borrowers and Projects, Loan Amounts, Loan Repayments and Unobligated State-Shared Taxes contained in the Official Statement and (2) the Audited Financial Statements of the Borrowers, if available, or the Unaudited Financial Statements of the Borrowers.

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

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 Authority shall provide Audited Financial Statements, when and if available, to the MSRB through EMMA.

Section 2.4. Notices of Material Events.

(a) Whenever the Authority obtains knowledge of the occurrence of a Material Event, the Authority shall provide, in a timely manner, notice of such Material Event to the MSRB through EMMA.

(b) Any such notice of a defeasance of Series 2010 Bonds shall state whether the Series 2010 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 Authority 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 Authority and that, under some circumstances, additional disclosures or other action in addition to those required by this Undertaking may be required to enable the Authority 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 Authority 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 of a Material Event hereunder, in addition to that which is required by this Undertaking. If the Authority chooses to do so, the Authority shall have no obligation under this Undertaking to update such additional information or include it in any future Annual Financial Information or notice of a Material Event hereunder.

Section 2.7. No Previous Non-Compliance. The Authority represents that since July 3, 1995, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

### ARTICLE III

#### Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if the Authority provides Annual Financial Information by specific reference to documents available to the public at the MSRB through EMMA or filed with the SEC. The Authority shall clearly identify each such other document so included by reference. This Section 3.1 shall not apply to notices of Material Events pursuant to Section 2.5.

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

Section 3.3. 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 the MSRB through EMMA.

(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 3.4. Fiscal Year.

(a) The current fiscal year of the Authority and each Borrower is July 1 - June 30. The Authority shall promptly notify the MSRB through EMMA of each change in the fiscal year of the Authority or any Borrower.

(b) The Authority and the Borrowers 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 Series 2010 Bonds.

(b) The Authority's obligations under this Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2010 Bonds.

(c) This Undertaking, or any provision hereof, shall be null and void in the event that the Authority (i) receives an opinion of Counsel to the effect that those portions of the Rule which require this Undertaking, or such provision, as the case may be, do not or no longer apply to the Series 2010 Bonds, whether



because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the MSRB through EMMA.

Section 4.2. Amendment.

(a) This Undertaking may be amended without the consent of the holders of the Series 2010 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 Authority 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 Authority shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) the Authority shall have received either an opinion of Counsel or a determination by a person, in each case unaffiliated with the Authority, to the effect that the amendment does not materially impair the interests of the holders of the outstanding Series 2010 Bonds, and (5) the Authority shall have delivered copies of such opinion(s) and amendment to the MSRB through EMMA.

(b) This Undertaking may be amended without the consent of the holders of the Series 2010 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 Authority shall have received an opinion of Counsel to the effect that performance by the Authority under this Undertaking as so amended will not result in a violation of the Rule as so amended or officially interpreted and (3) the Authority shall have delivered copies of such opinion and amendment to the MSRB through EMMA.

(c) To the extent any amendment to this Undertaking results in a change in the categories or types of financial information 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 financial information being provided.

(d) If an amendment is made to the accounting principles to be followed by the Authority, the State or any Borrower 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 Participating Underwriters and the holders from time to time of the Series 2010 Bonds, except that beneficial owners of Series 2010 Bonds shall be third-party beneficiaries of this Undertaking and shall be deemed to be holders of Series 2010 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 Authority to comply with the provisions of this Undertaking shall be enforceable by any holder of outstanding Series 2010 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 Authority's obligations under this Undertaking.

(c) Any failure by the Authority to perform in accordance with this Undertaking shall not constitute a default or an event of default under the resolutions authorizing the Series 2010 Bonds or State law and shall not result in any acceleration of payment of the Series 2010 Bonds, and the rights and remedies provided by the resolutions authorizing the Series 2010 Bonds 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.

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: \_\_\_\_\_  
Mary-Margaret Collier  
Assistant Secretary

APPENDIX E

DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT  
REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES

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## **DESCRIPTION OF BORROWERS AND PROJECTS, LOAN AMOUNTS, LOAN REPAYMENT REQUIREMENTS AND UNOBLIGATED STATE-SHARED TAXES**

Set forth below is a description of the participating Borrowers, the anticipated amounts to be borrowed pursuant to each Borrower's Loan Agreement, and the Qualified Projects to be financed with the proceeds of such Loan Agreements.

### **1. Blount County**

Blount County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Maryville is the county seat of Blount County. Blount County is located in the eastern part of the State bordered on the east by the State of North Carolina and Sevier County, to the north by Knox County, to the south by Monroe County, and to the west by Loudon County. In 2009, the population of Blount County was estimated at 122,784.

Blount County is borrowing \$14,855,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the (i) construction of Prospect Elementary School; and (ii) HVAC renovation to Carpenters Middle School.

For more information about Blount County, see a copy of Blount County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/blount.pdf>.<sup>(1)</sup>

### **2. Cocke County**

Cocke County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Newport is the county seat of Cocke County. Located in the eastern part of the State, Cocke County is bordered to the east by the State of North Carolina, to the west by Jefferson County, to the north by Hamblen and Greene Counties, and to the south by Sevier County. In 2009, the population of Cocke County was estimated at 36,047.

Cocke County is borrowing \$5,575,000 from the Authority pursuant to its Loan Agreement for the purpose of financing (i) window replacement for Cocke County High School; (ii) gym rehabilitation to Del Rio School; (iii) roof rehabilitation to Parrottsville Elementary School, Centerview School, Cosby Elementary School, Cocke County High School Vocational Center, Edgemont Elementary School, Cocke County High School, Bridgeport Elementary School, Grassy Fork School, Northwest Elementary School, and Del Rio School; and (iv) the Energy Management Project at Cocke County High School.

For more information about Cocke County, see a copy of Cocke County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/cocke.pdf>.<sup>(1)</sup>

### **3. Coffee County**

Coffee County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Manchester is the county seat of Coffee County. Coffee County is located in the south central portion of the State and is bounded to the north by Cannon County and to the south by Franklin County, to the east by Warren and Grundy Counties and predominately bordered to the west by Bedford County. In 2009, the population of Coffee County was estimated at 52,521.

Coffee County is borrowing \$3,027,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the rehabilitation of Coffee County Central High School.

For more information about Coffee County, see a copy of Coffee County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/Coffee.pdf>.<sup>(1)</sup>

<sup>(1)</sup> The other information presented at this website is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2010 Bonds.

#### **4. Dyer County**

Dyer County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Dyersburg is the county seat of Dyer County. Dyer County is located in the northwestern part of the State, bordered to the south by Lauderdale County, to the west by the State of Arkansas, to the north by Lake and Obion Counties and to the east by Gibson and Crockett Counties. In 2009, the population of Dyer County was estimated at 37,811.

Dyer County is borrowing \$5,673,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the construction of Newbern Grammar School.

For more information about Dyer County, see a copy of Dyer County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/dyer.pdf>.<sup>(1)</sup>

#### **5. Hawkins County**

Hawkins County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Rogersville is the county seat of Hawkins County. Hawkins County is located in the northeastern part of the State. Hawkins County is bordered to the south by Greene and Hamblen Counties, to the west by Grainger and Hancock Counties, to the north by the State of Virginia, and to the east by Sullivan County. In 2009, the population of Hawkins County was estimated at 57,784.

Hawkins County is borrowing \$2,333,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the rehabilitation of Surgionsville Elementary School, Carter's Valley Elementary School, Church Hill Elementary School, Keplar Elementary School, McPheeter's Bend Elementary School, Mooresburg Elementary School, and St. Clair Elementary School.

For more information about Hawkins County, see a copy of Hawkins County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/hawkins.pdf>.<sup>(1)</sup>

#### **6. Jefferson County**

Jefferson County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Dandridge is the county seat of Jefferson County. Located in the eastern part of the State, Jefferson County is bordered to the south by Sevier County, to the north by Hamblen and Grainger Counties, to the west by Knox County and to the east by Cocke County. In the 2009, the population of Jefferson County was estimated at 51,722.

Jefferson County is borrowing \$10,595,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the construction of Jefferson County High School.

For more information about Jefferson County, see a copy of Jefferson County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/Jefferson.pdf>.<sup>(1)</sup>

#### **7. Knox County**

Knox County is a political subdivision of the State of Tennessee and a Charter County with a fiduciary duty to public funds. Knox County is located in the eastern part of the State bordered to the east by Sevier and Jefferson Counties, to the west by Anderson County, to the north by Union and Grainger Counties, and to the south by Blount County. In 2009, the population of Knox County was estimated at 435,725.

Knox County is borrowing \$29,236,000 from the Authority pursuant to its Loan Agreement for the purpose of financing (i) the construction of additions to Belle Morris Elementary School, Carter Middle School and Carter Elementary School; (ii) roof rehabilitation at Bearden High School and vice Middle School; (iii) renovation and rehabilitation at Gresham Middle School (Phase 1), Chilhowee Intermediate School (Phase 1), Carter Elementary

<sup>(1)</sup> The other information presented at this website is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2010 Bonds.

School and Carter Middle School; (iv) a new asphalt drive and parking lot at Ritta Elementary School; (v) HVAC rehabilitation at Central High School and Karns High School; and (vi) a new elementary school in southwest Knox County.

For more information about Knox County, see a copy of Knox County's annual financial report for the fiscal year ended June 30, 2009 at [www.tn.gov/comptroller/shared/audrept.htm](http://www.tn.gov/comptroller/shared/audrept.htm).<sup>(1)</sup>

## **8. Lauderdale County**

Lauderdale County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Ripley is the county seat of Lauderdale County. Lauderdale County is located on the western edge of Tennessee bordered by the Mississippi River with Dyer County to the north, Crockett County to the east, Tipton County and Haywood County to the south and southeast. In 2009, the population of Lauderdale County was estimated at 26,471.

Lauderdale County is borrowing \$2,523,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the rehabilitation of Halls Junior High School, Halls High School and Ripley High School.

For more information about Lauderdale County, see a copy of Lauderdale County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/Lauderdale.pdf>.<sup>(1)</sup>

## **9. Maury County**

Maury County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Columbia is the largest city and county seat of Maury County. Maury County is located in the center of the State, bordered to the north by Williamson County, to the south by Giles and Lawrence Counties, to the east by Marshall County, and to the west by Lewis and Hickman Counties. In 2009, the population of Maury County was estimated at 84,302.

Maury County is borrowing \$4,408,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the construction of (i) roof replacement to E.A. Cox Middle School, Highland Park Elementary School, Randolph Howell Elementary School and Riverside Elementary School; and (ii) security/life safety improvements to Joseph Brown Elementary School, Hampshire Unit School, McDowell Elementary School, Mt. Pleasant High School, Santa Fe Unit School, and Whitthorne Middle School.

For more information about Maury County, see a copy of Maury County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/maury.pdf>.<sup>(1)</sup>

## **10. The Metropolitan Government of Nashville and Davidson County**

The Metropolitan Government of Nashville and Davidson County is a combined city-county metropolitan government created and existing under the laws of the State of Tennessee. The Metropolitan Government of Nashville and Davidson County is located in the central part of the State. The Metropolitan Government of Nashville and Davidson County is bordered to the south by Williamson and Rutherford Counties, to the west by Cheatham County, to the north by Robertson and Sumner Counties, which are adjacent to the State of Kentucky and the east by Wilson County. In 2009, the population of The Metropolitan Government of Nashville and Davidson County was estimated at 635,710.

The Metropolitan Government of Nashville and Davidson County is borrowing \$35,555,000 from the Authority pursuant to its Loan Agreement for the purpose of financing renovations, additions, roof replacements, and HVAC projects at various schools.

For more information about The Metropolitan Government of Nashville and Davidson County, see a copy of The Metropolitan Government's comprehensive annual financial report for the fiscal year ended June 30, 2009 at [http://www.nashville.gov/finance/docs/operations/cafr2009/CAFR\\_Complete.pdf](http://www.nashville.gov/finance/docs/operations/cafr2009/CAFR_Complete.pdf).<sup>(1)</sup>

<sup>(1)</sup> The other information presented at this website is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2010 Bonds.

## **11. Sevier County**

Sevier County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Sevierville is the county seat of Sevier County. Sevier County is located in east Tennessee bordered by Jefferson County to the north, Knox County to the northwest, Cocke County to the east, Blount County to the west, and the State of North Carolina to the south. In 2009, the population of Sevier County was estimated at 86,243.

Sevier County is borrowing \$14,504,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the construction of Northview Academy.

For more information about Sevier County, see a copy of Sevier County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/sevier.pdf>.<sup>(1)</sup>

## **12. Shelby County**

Shelby County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Memphis is the county seat of Shelby County. Shelby County is located in the southwestern part of the State. Shelby County is bordered to the south by the State of Mississippi, to the west by the State of Arkansas, to the North by Tipton County and to the east by Fayette County. In 2009, the population of Shelby County was estimated at 920,232.

Shelby County is borrowing \$67,260,000 from the Authority pursuant to its Loan Agreement for the purpose of financing for Shelby County, (i) the construction of the replacement of Collierville Middle School; (ii) HVAC retrofits to 13 middle school gyms and 18 elementary school gyms; (iii) the re-roofing of Southwind Elementary School and Highland Oaks Elementary School; and for the City of Memphis, (iv) the construction of a new southeast region elementary school; (v) renovations and additions to Denver Elementary School and Cromwell Elementary School; (vi) HVAC rehabilitation for various schools; and (vii) a new gym for Grandview Elementary School.

For more information about Shelby County, see a copy of Shelby County's annual financial report for the fiscal year ended June 30, 2009 at [http://www.shelbycountyttn.gov/FirstPortal/dotShowDoc/Government/CountyServices/AdminandFinance/09\\_cafr\\_toc.htm](http://www.shelbycountyttn.gov/FirstPortal/dotShowDoc/Government/CountyServices/AdminandFinance/09_cafr_toc.htm).<sup>(1)</sup>

## **13. Sullivan County**

Sullivan County is a political subdivision created and existing under the laws of the State of Tennessee. The City of Blountville is the county seat of Sullivan County. Sullivan County is located in the northeastern part of the State. Sullivan County is bordered to the south by Washington and Carter Counties, to the west by Hawkins County, to the north by the State of Virginia, and to the east by Johnson County. In 2009, the population of Sullivan County was estimated at 154,552.

Sullivan County is borrowing \$5,073,000 from the Authority pursuant to its Loan Agreement for the purpose of financing (i) the expansion to Emmett Elementary School; and (ii) the renovation of Emmett Elementary School and Holston Elementary/Middle School.

For more information about Sullivan County, see a copy of Sullivan County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/Sullivan.pdf>.<sup>(1)</sup>

## **14. Trousdale County**

Trousdale County is a combined city-county metropolitan government created and existing under the laws of the State of Tennessee. The City of Hartsville is the county seat of Trousdale County. Trousdale County is located in the north central portion of the State bordered to the north by Macon County, to the south by Wilson

<sup>(1)</sup> The other information presented at this website is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2010 Bonds.



County, to the east by Smith County and to the west by Sumner County. In 2009, the population of Trousdale County was estimated at 7,922.

Trousdale County is borrowing \$2,523,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the renovation of Trousdale County Elementary School and Jim Satterfield Middle School.

For more information about Trousdale County, see a copy of Trousdale County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/Trousdale.pdf>.<sup>(1)</sup>

**15. Warren County**

Warren County is a political subdivision created and existing under the laws of the State of Tennessee. The City of McMinnville is the county seat for Warren County. Warren County is located in the central portion of the State bordered to the north by Le Kale and White Counties, to the south by Coffee and Grundy Counties, to the west by Cannon County and to the east by Cannon County. In 2009, the population of Warren County was estimated at 40,481.

Warren County is borrowing \$9,300,000 from the Authority pursuant to its Loan Agreement for the purpose of financing the construction of Morrison Elementary School.

For more information about Warren County, see a copy of Warren County's annual financial report for the fiscal year ended June 30, 2009 at <http://www.comptroller1.state.tn.us/repository/CA/2009/warren.pdf>.<sup>(1)</sup>

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<sup>(1)</sup> The other information presented at this website is not part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2010 Bonds.

## Ratings

Set forth below is information concerning each Borrower's underlying ratings on its outstanding general obligation debt. Such ratings do not represent the ratings for the Series 2010 Bonds. The ratings reflect only the respective views of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and Fitch Ratings ("Fitch"). An explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041, (212) 438-2081. An explanation of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, (212) 908-0500.

The Borrowers furnished to the rating agencies certain information and materials concerning outstanding general obligation debt. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that the ratings set forth below will remain in effect for any given period of time or that the ratings might not be lowered or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward change in or withdrawal of the rating might have an adverse effect on a Borrower. For information regarding the ratings for the Series 2010 Bonds, see "RATINGS" herein.

<u>Borrower</u>	<u>Moody's Rating</u>	<u>Date of Rating</u>	<u>S&amp;P Rating</u>	<u>Date of Rating</u>	<u>Fitch Rating</u>	<u>Date of Rating</u>
Blount County	Aa2	04/16/2010	AA-	02/19/2009	AA-	04/30/2010
Cocke County	A2	04/16/2010	A	09/08/2009	--	--
Coffee County	A1	04/16/2010	A+	09/29/2009	--	--
Dyer County	Aa3	04/16/2010	A+	08/05/2009	--	--
Hawkins County	Aa3	05/14/2010	A	08/26/2009	--	--
Jefferson County	A1	04/16/2010	A+	10/16/2009	--	--
Knox County	Aa1	07/15/2010	AA+	07/06/2010	--	--
Lauderdale	A1	04/16/2010	--	--	--	--
Maury County	Aa2	04/16/2010	--	--	--	--
Nashville/Davidson County	Aa1	08/12/2010	AA	05/25/2010	AA	04/30/2010
Sevier County	Aa2	04/16/2010	AA-	05/19/2009	--	--
Shelby County	Aa1	04/16/2010	AA+	08/31/2009	AA+	04/30/2010
Sullivan County	Aa2	04/16/2010	--	--	--	--
Trousdale County	--	--	--	--	--	--
Warren County	A1	04/16/2010	A+	02/16/2010	--	--

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**General Fund**

Set forth below is information concerning each Borrowers' General Fund Revenues, Expenditures and Balance for the fiscal year ending June 30, 2009 (expressed in thousands).

<u>Borrower</u>	<u>General Fund Revenues</u>	<u>General Fund Expenditures</u>	<u>General Fund Balance</u>
Blount County	\$41,048	\$41,619	\$11,110
Cocke County	10,016	9,021	1,831
Coffee County	15,394	14,963	2,312
Dyer County	9,848	9,889	1,354
Hawkins County	11,734	10,462	2,297
Jefferson County	19,322	18,315	4,150
Knox County	153,397	148,390	53,278
Lauderdale County	8,239	8,094	2,825
Maury County	19,225	22,251	4,588
Nashville- Davidson County	773,119	717,154	79,727
Sevier County	37,227	33,669	11,534
Shelby County	357,946	341,221	75,165
Sullivan County	42,818	43,617	9,635
Trousdale County	4,328	4,643	1,080
Warren County	10,465	10,689	2,515

Source: Office of State and Local Finance, State of Tennessee.

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**State-Shared Taxes, Unobligated State-Shared Taxes and Debt Service Coverage Ratios**

Set forth below is information concerning each Borrower's loan amount, loan repayment requirements and annual debt service coverage ratios. All amounts are in thousands. Such amounts do not include estimated anticipated earnings on funds held by the Authority to make debt service payments on the Series 2010 Bonds.

<u>Borrower</u>	<u>2010 Loan Amount</u>	<u>2010 State- Shared Taxes</u>	<u>2010 Unobligated State-Shared Taxes</u>	<u>Maximum Annual Loan Repayment Requirement<sup>(1)</sup></u>	<u>Maximum Annual Debt Service Coverage Ratio by Unobligated State- Shared Taxes<sup>(2)</sup></u>
Blount County	\$14,855	\$4,488	\$4,437	\$1,663	2.67X
Cocke County	5,575	2,534	2,534	624	4.06X
Coffee County	3,027	2,845	2,845	339	8.40X
Dyer County	5,673	2,662	1,383	635	2.18X
Hawkins County	2,333	3,270	2,893	261	11.08X
Jefferson County	10,595	2,861	2,861	1,186	2.41X
Knox County	29,236	11,435	11,219	3,272	3.43X
Lauderdale County	2,523	2,380	2,380	282	8.43X
Maury County	4,408	3,555	3,555	493	7.21X
Nashville-Davidson County	35,555	71,298	39,834	3,980	10.01X
Sevier County	14,504	3,853	3,853	1,623	2.37X
Shelby County	67,260	21,097	13,584	7,528	1.80X
Sullivan County	5,073	5,111	2,900	568	5.11X
Trousdale County	2,523	1,629	1,629	282	5.77X
Warren County	<u>9,300</u>	<u>2,625</u>	<u>2,625</u>	<u>1,041</u>	<u>2.52X</u>
Total	\$212,440	\$141,643	\$98,532	\$23,777	

<sup>(1)</sup> Represents the maximum annual Loan Repayments (for the bond year ending September 15 of each year) attributable to the Borrower's proportionate share of principal of and the interest on the Series 2010 Bonds and includes an annual administrative fee equal to .08%.

<sup>(2)</sup> Represents the Borrower's Unobligated State-Shared Taxes for fiscal year 2010 divided by the Borrower's maximum annual Loan Repayment attributable the Borrower's proportionate share of principal of and interest on the Series 2010 Bonds at a rate of 4.848%.

**Historical State-Shared Taxes and Unobligated State Shared Taxes**

Set forth below is information concerning each Borrower's historical portion of State-Shared Taxes for the years 2006 through 2009 (as of June 30<sup>th</sup> of each year) and each Borrower's Unobligated State-Shared Taxes for the years 2009 and 2010 (estimated) (as of June 30<sup>th</sup> of each year). All amounts are in thousands.

<u>Borrower</u>	State-Shared Taxes					Compounded Annual Growth Rate <sup>(1)</sup>	Unobligated State Shared Taxes	
	2006	2007	2008	2009	2010 Estimated		2009	2010 Estimated
Blount County	\$3,694	\$ 3,977	\$ 4,376	\$ 4,597	\$ 4,488	4.99%	\$ 4,546	\$ 4,437
Cocke County	2,302	2,400	2,517	2,450	2,534	2.43%	2,450	2,534
Coffee County	2,535	2,661	2,800	2,762	2,845	2.93%	2,762	2,845
Dyer County	2,399	2,499	2,629	2,559	2,662	2.64%	2,559	1,383
Hawkins County	2,895	3,021	3,181	3,100	3,270	3.10%	3,100	2,893
Jefferson County	2,434	2,570	2,797	2,803	2,861	4.13%	2,803	2,861
Knox County	8,499	9,756	11,413	11,366	11,435	7.70%	11,150	11,219
Lauderdale County	2,185	2,262	2,363	2,288	2,380	2.16%	2,288	2,380
Maury County	3,106	3,244	3,451	3,437	3,555	3.43%	3,437	3,555
Nashville-Davidson County	63,809	70,404	78,039	75,512	71,298	2.81%	49,053	39,834
Sevier County	3,183	3,385	3,628	3,627	3,853	4.89%	3,627	3,853
Shelby County	17,797	19,244	20,702	20,126	21,097	4.34%	20,126	13,584
Sullivan County	4,234	4,516	4,869	4,891	5,111	4.82%	4,891	2,900
Trousdale County	1,598	1,632	1,683	1,608	1,629	0.49%	1,608	1,629
Warren County	2,407	2,496	2,672	2,544	2,625	2.19%	2,544	2,625
<b>Total</b>	<b>\$123,078</b>	<b>\$134,068</b>	<b>\$147,121</b>	<b>\$143,669</b>	<b>\$141,643</b>	<b>--</b>	<b>\$116,944</b>	<b>\$98,532</b>

<sup>(1)</sup> Represents the average growth rate over the period 2006-2010 (estimated).

Source: Office of State and Local Finance, State of Tennessee

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

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## **BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS APPENDIX F CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY AND THE UNDERWRITERS BELIEVE TO BE RELIABLE, BUT THE AUTHORITY AND THE UNDERWRITERS TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Tennessee State School Bond Authority Qualified School Construction Bonds, Series 2010 (Federally Taxable-Direct Subsidy Payment) (the “Series 2010 Bonds”). The Series 2010 Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2010 Bonds in the principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among (“Direct Participants”) of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are required 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 Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). Information on these websites is not incorporated herein.

Purchases of the Series 2010 Bonds must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010 Bonds except in the event that use of the book-entry system for the Series 2010 is discontinued.

To facilitate subsequent transfers, all Series 2010 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 Series 2010 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2010 Bonds or of any other action premised on such notice. Redemption of portions of the Series 2010 Bonds by the Authority will reduce the outstanding principal amount of Series 2010 Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2010 Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2010 Bonds for the Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, redemption of the Series 2010 Bonds will be effected in \$5,000 increments, so that any Series 2010 Bond redeemed in part will have a remaining notional amount of \$5,000 or an integral multiple thereof. The Paying Agent will effect each redemption of the Series 2010 Bonds by redeeming *pro rata* from each person who is the Owner of a Series 2010 Bond to be redeemed on a redemption date, an amount of such Series 2010 Bonds determined by multiplying the principal amount of the Series 2010 Bonds to be redeemed on said redemption date by a fraction, the numerator of which is the principal amount of the Series 2010 Bonds owned by such Owner and the denominator of which is the principal amount of all the Series 2010 Bonds outstanding immediately prior to the date.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the 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 (nor its nominee) nor the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest of the Series 2010 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY, THE PAYING AGENT OR THE UNDERWRITERS CAN NOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2010 BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR WILL DISTRIBUTE ANY REDEMPTION NOTICES OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. NONE OF THE AUTHORITY, THE COUNTY, THE PAYING AGENT OR THE UNDERWRITERS ARE RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANT TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE SERIES 2010 BONDS OR AN ERROR OR DELAY RELATING THERETO.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered.

In the event that the book entry system is discontinued as described above, the requirements of the Authority's Qualified School Construction Bonds General Bond Resolution, adopted November 5, 2009, as supplemented by the Second Supplemental Resolution adopted on August 26, 2010 will apply.

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