Tennessee Housing Development Agency
Debt Management Policy

Approved November 29, 2011, amended July 29, 2014

I. Background

The Tennessee Housing Development Agency ("THDA") is a body, politic and corporate, and a political subdivision and instrumentality of the State of Tennessee ("State"). THDA was established under TCA Section 13-23-101 et seq. for the purpose, among other things, of raising capital through the issuance of its bonds and notes to assure a steady flow of production of new housing units for lower and moderate income persons and families. THDA's mission is to create safe, sound, and affordable housing opportunities across the State by providing competitive interest rates on a variety of mortgage loan products approved by THDA's Board of Directors ("Board"). THDA's mortgage loans, resulting revenues, and any other assets under THDA's bond resolutions are pledged assets for the payment of principal and interest on THDA bonds.

The Bond Finance Committee of the Board ("BFC") is responsible for, among other things, overseeing THDA debt issuance. In this capacity, the BFC approves a Plan of Financing for each THDA bond issue and recommends the proposed debt issuance transaction to the Board for consideration. Upon the Board's authorization, the sale of the debt proceeds under BFC oversight. The BFC is also authorized to approve the pricing of a debt issuance on behalf of THDA. The Secretary of the BFC, subject to this Debt Management Policy ("Policy") and other policies of the Board and the BFC, is responsible for the execution of all matters relating to the issuance and servicing of the debt of THDA.

THDA debt is payable solely from the revenues or assets of THDA available therefore and pledged to the bondholders under the terms of THDA's general bond resolutions. THDA debt is not a debt, liability, or obligation of the State or of any other political subdivision of the State. THDA debt is not secured by a pledge of the full faith and credit of the State or of any other political subdivision of the State.

II. Purpose

In December 2010, the Tennessee State Funding Board adopted a statement on debt management directing governmental entities in Tennessee to draft and adopt their own debt management policies. All public entities incurring or issuing debt, including THDA, are required to adopt a debt management policy by January 1, 2012. This Policy provides clear objectives for THDA's debt transactions and transparency as to what is being considered, including the associated cost and risks. It also establishes requirements to assist in avoiding conflicts of interest.

III. Policy

THDA's goal is to raise capital to maintain a steadily available supply of funds to finance its mortgage loan programs at cost levels that provide competitive, fixed interest rate mortgage loans that benefit low and moderate income families, while maintaining or improving THDA's overall financial strength and flexibility, managing associated risks and complying with all applicable federal and state laws.

To achieve this goal, THDA will:

1. Maintain a conservative approach relative to debt financing and financial decisions.

2. Maintain at least a five year Strategic Financial Plan, with at least annual updates, inclusive of the general financial objectives as set forth in this Policy, which may change in response to economic and other factors.

3. Maintain a debt management policy that provides for optimally-structured financing options, giving consideration to associated risks of debt structure components and current market conditions, while enabling broad distribution capabilities, both institutional and retail investors.

4. Maintain compliance with requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as applicable to THDA's bonds and mortgage loans financed with the proceeds of such bonds.

IV. Long-Term Financial Objectives

1. Maintain financial self-sufficiency.

2. Effectively balance the use of financial resources to fund mortgage loans and other initiatives that fulfill THDA's statutory purpose and mission without compromising THDA's financial strength.

3. Maintain or improve the current credit ratings for each THDA bond resolution.

4. Maintain financial flexibility.

5. Whenever possible, maximize yield spread between mortgage loan interest rates and the cost of debt to provide program and operational sustainability and resources for other investments in affordable housing.

6. Effectively balance financial creativity and risks.

7. Whenever possible, seek to reduce the extent of the State's moral obligation pledge with respect to THDA debt.

V. Long-Range Financial Planning

THDA will maintain a five year Strategic Financial Plan (Plan) to be used as a liquidity analysis tool for decision-making purposes. At a minimum, this Plan will incorporate projections and assumptions for mortgage loan production, resources (including, but not limited to volume cap, tax-exempt debt, and taxable debt), costs and expenses of anticipated debt issuance, other housing program and operational liquidity needs, and liquidity and balance sheet analyses to assess the long-term financial position of THDA. The Plan will be development and maintained by THDA in cooperation with the Financial Advisor and the Office of State and Local Finance and will incorporate the financial objectives listed in this Policy. THDA anticipates at least annual updates to the Plan.

VI. Finance Team

THDA will maintain a team of finance professionals consisting of internal and external experts for the purpose of executing and maintaining debt financings and other financings as may be approved by the Board. The team will include THDA staff (including at least the THDA Executive Director, Chief Legal Counsel and Chief Financial Officer), underwriters (when appropriate), Bond Counsel, underwriter's counsel (when appropriate), Financial Advisor, and Office of State and Local Finance staff.

All non-employee professionals engaged in the THDA debt issuance process shall clearly disclose all compensation and consideration received related to services provided in the THDA debt issuance process. This includes "soft" costs or compensations in lieu of direct payments.

The time period over which Bond Counsel, Financial Advisor, and potential underwriters serve shall end in staggered fiscal years in order to avoid disruption by either transition or selection processes. Contracts or agreements, if any, shall reflect such terms.

Bond Counsel: THDA shall enter into an engagement letter agreement with each lawyer or law firm representing THDA as bond counsel or tax counsel in a debt transaction. Bond Counsel shall be selected by the BFC pursuant to a Request for Proposal Process primarily weighted towards qualifications and price. Bond Counsel shall serve for a stated period of time. The Bond Counsel team shall include at least one lawyer who is licensed to practice in Tennessee and who is involved in all analysis and opinions regarding the Tennessee Constitution and Tennessee law arising in the course of Bond Counsel's engagement.

Financial Advisor: THDA shall utilize the services of an independent financial advisor, who is registered with the Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB") as a registered municipal advisor. The Financial Advisor shall enter into a written agreement with the Office of the Comptroller of the Treasury for debt management and transaction services for a stated period of time, however, the Financial Advisor shall have a fiduciary responsibility to THDA. The Financial Advisor shall be selected by the Board pursuant to a Request for Proposal Process primarily weighted towards qualifications and price. The Financial Advisor shall have demonstrated expertise in providing financial advice on housing related debt and financial planning on projects of state housing finance agencies, completely independent of the underwriting of municipal securities by banks and securities dealers.

Whether in a competitive or negotiated sale, a financial advisor shall not bid on, privately place or underwrite a THDA debt issue if it is or has been providing advisory services for the same THDA debt issue.

Underwriter: THDA shall utilize the services of a pool of potential underwriters for a stated period of time for negotiated sales. BFC shall select underwriters pursuant to a Request for Proposal/Request for Qualifications Process primarily weighted toward qualifications. Each underwriter in a negotiated sale shall clearly identify itself in writing e.g., in a response to a request for proposals or in promotional materials provided to THDA as an underwriter and not as a financial advisor from the earliest stages of its relationship with THDA with respect to that issue. Each underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of THDA. In the context of negotiated sales, THDA will evaluate structuring or other proposals only from members of its pool of underwriters. Underwriters may include senior managers (including a bookrunning senior manager), co-managers and selling group members, all as determined by the BFC.

Underwriter's Counsel: While underwriter's counsel is part of the financing team in connection with a negotiated bond issuance, such counsel is selected by the bookrunning senior manager with input from the BFC.

Trustee: The BFC shall periodically review and evaluate the performance of the Trustee and report its findings to the Board.

VII. Conflicts

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

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

VIII. Statutory Debt Limit

THDA shall not issue bonds and notes in an aggregate principal amount that at any one time exceeds the statutory debt limit established in TCA Section 13-23-121. No less than annually, THDA staff shall assess THDA's potential of reaching this limit within a 24 month period following the assessment. THDA staff shall communicate this assessment to the BFC and Board.

IX. Schedule of Financing

Pursuant to TCA Section 13-23-120(e), THDA shall submit a Schedule of Financing to the State Funding Board, prior to the beginning of each fiscal year of the State. The Schedule of Financing will be THDA's best estimate of the financings required for the upcoming fiscal year and will contain the required information as set forth in the statute. The Schedule of Financing will contain assumptions as necessary to understand the proposed financings and resources.

X. Bond Issue Planning, Method of Sale, Structuring, and Execution

THDA's general strategy is to determine the par amount of bonds to be issued based on financing three to four months of mortgage loan production and the availability of refunding opportunities. However, the size and timing of a particular bond issue may vary depending on mortgage loan production levels, other programmatic requirements or current market conditions.

Before a bond issue is authorized, THDA staff will monitor mortgage loan production, available resources, and market conditions and provide such information to Financial Advisor and the Office of State and Local Finance. When it is determined that authorization of a new bond issue is appropriate, whether for a new bond issue or an economic refunding, THDA staff in coordination with the Assistant Secretary of the BFC will prepare all authorizing documentation and circulate such documentation, along with necessary documentation from Bond Counsel and Financial Advisor, to the BFC and the Board. The Financial Advisor will prepare memoranda containing information about market conditions and various recommendations, including method of sale and possible bond issue size. All authorizing documentation and memoranda, including, without limitation, a Plan of Financing which shall specify the expected costs of issuance, capitalized interest, interest rates, redemption terms, and all other items required by TCA Section 13-23-120(e)(4), will be submitted to the Board and BFC. Following approval of a Plan of Financing by the BFC and authorization of a debt issuance by the Board, the BFC will be authorized to proceed with the sale of debt obligations on behalf of THDA.

Since 2002, THDA debt issuance has occurred via negotiated sale. THDA, however, intends to consider the method of sale for each debt issuance on a case by case basis with consideration of a number of factors, including without limitation, the following factors:

- Complexity of the transaction, including whether the debt issuance incorporates structured bond components (such as planned amortization class bonds) and, generally, more complex redemption features.

- Including AMT or taxable components.

- Complexity of credit features, including multiple collateral pools and detailed loan portfolio histories, performance, and mortgage insurance characteristics.

- Importance of retail sales and institutional pre-marketing as part of the marketing plan.

- Volatility of bond market and other market conditions.

- Degree of investor concern about housing-backed transactions – especially secured by "whole loans."

- Confidence in the rating agencies' ability to evaluate structured credits.

While the above factors may favor negotiated sales, THDA reserves the right to consider the use of competitive sales at any time on a case by case basis. The determination of method of sale shall rest with the BFC with advice and recommendations from THDA staff, the Office of State and Local Finance staff and the Financial Advisor.

Before pricing, THDA staff and the Office of State and Local Finance staff will consider bond structure options prepared by the Financial Advisor and recommend the bond structure determined to be most beneficial to THDA based on bond yield, programmatic considerations and other financial considerations. The Office of State and Local Finance staff will informally circulate the recommended bond structure to BFC members individually and, with THDA staff and Financial Advisor, address issues or concerns raised. Thereafter, THDA staff, Office of State and Local Finance staff, Bond Counsel and Financial Advisor will carry out the pricing process, either competitive or negotiated, as determined by the BFC.

The Financial Advisor will clearly communicate the benefits and risks of each bond type used in the bond structure options. The THDA staff and the Office of State and Local Finance staff will consult with Financial Advisor, and the bookrunning senior manager for negotiated sales, to determine a pricing strategy designed to yield the best results given the then current market conditions.

For negotiated sales, the pricing will generally be handled by conference calls involving THDA staff, Office of State and Local Finance staff, Financial Advisor, as well as Bond Counsel and underwriters, as appropriate. THDA staff and the Office of State and Local Finance staff, with the advice of Financial Advisor, will have primary responsibility for making pricing determinations to be presented to the BFC for approval. The Financial Advisor will provide THDA staff and the Office of State and Local Finance staff with summary information regarding all pertinent aspects of a financing and will make specific recommendations regarding the acceptance of a pricing. This information, along with all other pertinent pricing documents, will be submitted to the BFC, which shall meet to consider approval of the debt sale. If the pricing is approved by the BFC, the results will be communicated to the Board. A formal post-sale analysis will be prepared by the Financial Advisor and reviewed with the BFC. The post-sale analysis shall include sufficient information to permit the BFC to judge the performance of the underwriters.

XI. Debt Issuance Review

The Financial Advisor will prepare a report in cooperation with THDA staff and the Office of State and Local Finance staff that shows the results of THDA's debt issuance and the performance of underwriters to be reviewed by the BFC on no less than an annual basis.

XII. Initial and On-going Federal Compliance

THDA staff will work with Bond Counsel and Financial Advisor to ensure initial bond offerings comply with all applicable federal laws and program requirements. The THDA Executive Director, working with this group will be responsible for continued compliance with such federal laws and program requirements including, among other things, post issuance compliance, arbitrage rules, 10 Year and 32 Year rules, maintenance of records, and continuing disclosure requirements.

Secondary Market Disclosure: THDA is currently disseminating and presently intends to continue to disseminate information relating to its various single-family mortgage revenue bonds in accordance with the quarterly secondary market disclosure project sponsored by the National Council of State Housing Agencies. THDA has filed quarterly reports, beginning with the quarter ending June 30, 1994, with each then nationally recognized municipal securities information repository and currently with the MSRB through its Electronic Municipal Market Access ("EMMA") system. THDA also expects that its official statements, which contain audited financial information about THDA, with respect to debt issued under the General Residential Finance Program Bond Resolution ("2013 General Resolution"), the General Homeownership Program Bond Resolution ("1985 General Resolution"), and the General Housing Finance Resolution ("2009 General Resolution") will be filed with the MSRB through its EMMA system if and when debt is so issued. It is the present intent of THDA to continue making voluntary secondary market disclosure as described above.

Continuing Disclosure Undertaking: THDA shall include in each series resolution applicable to a particular debt issuance a continuing disclosure undertaking designed to meet the requirements of SEC Rule 15c2-12 ("Rule"), if and to the extent required by the Rule. Thereafter, THDA shall meet its continuing disclosure undertaking and comply with the Rule. Bond Counsel shall provide necessary guidance regarding requirements to be met and compliance with the Rule.

XIII. Short-Term Financings

Depending on market conditions, the availability of liquidity, or Board-approved housing programs, THDA may borrow funds on a short-term basis from a bank or other financial institution or entity. Before any such undertaking, THDA staff and the Office of State and Local Finance staff, together with Financial Advisor and Bond Counsel, as needed, will consult to determine the feasibility of such short-term borrowings and present to the BFC and Board the benefits, risks, and impact of such short-term borrowings. In connection with short term financings, the Board may establish guidelines pursuant to which the Executive Director may cause THDA to enter into any such short-term borrowing.

Any such borrowing may be secured by collateral consisting of mortgage loans or other assets of THDA to be specifically pledged thereto, but may not be secured by the general obligation of THDA or be evidenced by a bond or note, unless approved by resolution of the Board. The BFC and Board shall approve the principal amount of such borrowings that may be outstanding at any one time. Tennessee law as set forth in TCA Section 13-23-121 will determine if any short-term borrowings will count against THDA's statutory debt limit.

XIV. Types of Bonds

Pursuant to TCA Section 13-23-115(15), THDA is authorized to borrow money and to enter into debt for its authorized purposes. THDA debt may include bonds or notes which may be tax-exempt or taxable and secured by the general obligation of THDA, by specific revenues of THDA, by any combination thereof, or as may otherwise be provided in TCA Section 13-23-120(b). Under TCA Section 13-23-120(b), THDA may issue such types of bonds or notes as it may determine, including without limitation, the following:

1. ***Serial Bonds*** mature in such manner that principal amounts become due and payable on specified dates, usually every 6 or 12 months. Serial Bonds are Bonds of an issue in which some Bonds mature in successive years without interruption. Generally, Serial Bonds comprise the first 8 to 12 years of a bond issue and are sold to private individuals (retail).

2. ***Term Bonds*** come due in a single maturity at intervals of greater than one year after the last Serial Bond's maturity and usually comprise a large part of each particular issue. The Issuer usually agrees to make periodic payments into a sinking fund for mandatory annual or semiannual redemption of a portion of the Term Bonds before maturity or for payment at maturity. A housing Bond issue is

generally structured with an intermediate Term Bond maturity around year 20 and a final Term Bond maturity in year 32 of the issue; other Term Bond maturities are often added which are designed at the request of major purchasers.

3. ***Floating (Variable) Rate Demand ("Lower Floater") Bonds*** are Bonds which bear interest at a floating rate, usually set every week by an investment banker (as remarketing agent) at the fair market rate for seven–day–maturity debt. Such Bonds can normally be tendered by the owner (strictly at its option) to a tender agent (usually the trustee) at par after giving seven days' notice; the Bonds are then remarketed to new investors by the investment banker, as remarketing agent. A bank typically agrees to buy tendered Bonds if they cannot be otherwise sold to new investors. These Floating Rate Demand Bonds are usually sold to money market funds.

4. ***Current Interest Bonds ("CIBs")*** are the most common type of housing Bonds. Interest is paid every six months until the Bond matures or is retired early from optional or mandatory redemption.

5. ***Zero Coupon Bonds***

   a. *Capital Appreciation Bonds ("CABs")*. Payment of the semiannual interest is deferred until maturity or redemption with Capital Appreciation Bonds. The payment made at maturity or on the redemption date consists of principal and compounded semiannual interest. CABs are sold to investors at a large discount and accrete to par value at maturity.

   b. *CAB Converters*. Interest on CAB Converters is deferred and semiannually until the Conversion Date—the date when the Bond converts to a current interest paying Bond and thereafter interest is earned and paid semiannually on the accreted value.

   c. CABs and CAB Converters both reduce interest cost by enabling the issue to be structured with lower interest rate Serial Bonds in the early years. Zero Coupon Bonds are sometimes priced at higher yields than Current Interest Bonds of the same maturity and generally require higher fees to bond salesmen to be effectively marketed.

6. ***Original Issue Premium Bonds*** are fixed rate Bonds (sometimes PAC Bonds) sold at a price greater than 100% of their par value (the "premium"). The interest rates on Premium Bonds are somewhat higher than the rates on comparable Bonds sold at 100% of their par value, but when the premium is taken into account, the effective interest cost to the Issuer is less than the interest cost on a traditional Bond.

7. ***Original Issue Discount ("OID") Bonds*** are Term Bonds sold at a price less than 100% of their initial par value. They are sold at a slightly lower yield and are used as a marketing device to institutional investors. OIDs sometimes require an Issuer contribution to the cash flows. They are rarely used for single–family Bonds due to the risk of early redemption at par from unexpended proceeds and prepayments.

8. ***Super Sinker Bonds*** are term Bonds which are redeemed before any other maturity from mortgage prepayments and, occasionally, excess revenues. While a super sinker will have a stated maturity of 10 to 20 years, the average life of a super sinker at 100% of the FHA mortgage prepayment experience will be approximately three to five years. A super sinker provides other Bonds in the issue with limited call protection because the super sinker is redeemed first. Super sinkers are priced at a lower yield than a regular Bond of the same stated maturity and are priced off their average life as opposed to their stated maturity. Super sinkers also require special rating agency cash flow stress tests. If the Bond issue receives prepayments at a rate less than 100% of the FHA experience, the actual average life of the Super Sinker Bonds will be extended. This average life risk is borne by the buyers of the Super Sinkers.

9. ***Planned–Amortization Class Bonds ("PACs")***, typically used only in a single family issue, are a type of Super Sinker Bonds in that they are the first Bonds within the Bond issue to be called from mortgage prepayments, but unlike Super Sinkers there is a limit on how quickly they can be redeemed. PACs may also have a stated maturity of 10 to 30 years, but based on a specified Securities Industry and Financial Markets Association ("SIFMA") mortgage prepayment speed, their average life is approximately three to five years. PACs are priced at a lower yield than a regular Bond of the same stated maturity and are priced off their average life as opposed to their stated maturity. If the average life is determined at a percentage of the SIFMA prepayment rates, prepayments above that amount are allocated to redeem Bonds other than the PAC Bonds. If the bond issue receives prepayments at a rate less than the predetermined SIFMA rate, the actual average life of the PAC Bonds will be extended. However, if the prepayments are higher than the predetermined of the SIFMA rate, the average life is not reduced. Thus, the average life of the PAC is less volatile than for Super Sinker Bonds, and, as a result, investors are willing to accept a slightly lower yield.

10. ***Convertible Option Bonds ("COBs")*** are marketed for an initial short–term period (usually six to 12 months) and may, at the Issuer's option, be reoffered or converted into additional short–term remarketings or converted and remarketed or refunded as long–term, fixed rate Serial and Term Bonds. The interest on COBs converts from a short–term interest rate to a long–term interest rate on the conversion date. The single–family mortgage rates are also determined upon a conversion date. Conversion dates occur upon predetermined dates or upon the occurrence of certain events. Until the conversion date, Bond proceeds are invested in securities or a guaranteed investment contract and are not available for the purchase of loans until the COB is remarketed or refunded. COBs are used by the Issuer to preserve single–family bonding authority from loss due to various legal reasons. However, federal tax law changes in 1997 eliminated many of the tax advantages of COBs and have resulted in the increased use of short–term (one– to two–year) notes which are then simply refunded by long–term bonds instead of being "converted" to long–term Bonds.

11. ***Call Protected Bonds (Lockout Bonds)***, typically used only in a single family issue, are protected from early redemption for a specified period, usually five or 10 years. The Issuer agrees to not call these Bonds from prepayments or excess revenues for a specified number of years. The investor will generally accept a lower yield for these Call Protected Bonds. This structure reduces the prepayment call risk borne by the investor (Bonds may otherwise be called earlier than their stated maturity because of mortgage prepayments), and thus results in lower Bond rates.

12. ***Other Bonds,*** other bonds may be included in the structure of any bond issue at the discretion of BFC and the Board.

XV. Refundings

THDA staff, together with Office of State & Local Finance staff, Financial Advisor and Bond Counsel, shall regularly analyze outstanding bond issues for refunding opportunities and shall evaluate refunding proposals submitted by underwriters. The Financial Advisor shall analyze outstanding bond issues at least semiannually and report to THDA staff and Office of State & Local Finance staff if a potential refunding issue appears viable. The applicable provisions of this Policy shall apply to a refunding bond issue in a similar manner as set forth herein for a bond issue designed to produce proceeds for THDA mortgage loan programs.

The following issues shall be considered in connection with evaluating refunding opportunities:

Whether a refunding results in an aggregate present value savings deemed sufficient by the BFC; or

Whether a refunding is necessary due to a change in tax status of the bonds; or

Whether a refunding is necessary to further THDA program objectives; or

Whether a refunding is necessary to preserve volume cap; or

Whether a refunding results in a reduction of the State's moral obligation pledge with respect to THDA debt obligations.

Refunding bonds will be structured to meet then applicable Code requirements and to provide maximum benefit within the general resolution under which the refunding bonds are to be issued.

XVI. Redemptions

To the extent THDA has discretion to redeem bonds and select the maturities and issues to be redeemed, THDA will first redeem those bonds bearing the highest interest rate; however, due to universal cap considerations, THDA will call term bonds on a pro-rata basis within bond issues or redeem the highest coupon serial bonds when the result will be to reduce debt service requirements. When making a redemption decision, THDA will consider, among other applicable things, (i) restrictions or limitations imposed by the Code including, but not limited to, 10-year rule requirements and universal cap considerations; (ii) limitations or restrictions imposed by THDA resolutions including, but not limited to, redemption provisions; (iii) economic considerations; (iv) cash flow requirements; and (v) the amount of prepayments and other monies available to THDA for optional redemption of Bonds.

XVII. Transparency

THDA shall comply with state and federal legal requirements for notice and for public meetings related to debt issuance. In the interest of transparency, all costs (including interest, issuance, continuing, and one-time) shall be disclosed to the BFC and Board in a timely manner. In connection with each THDA bond issue, THDA staff shall complete and file with the Office of State and Local Finance the most current version of the required Report on Debt Obligation (State Form CT-0253) ("Report") and shall present such Report to the BFC and the Board at public meetings within the required time periods to meet this disclosure obligation.

XVIII. Interest Rate and Forward Purchase Agreements

Pursuant to TCA Section 13-23-120(a)(2) and (3), THDA is authorized to enter into interest rate and forward purchase agreements. At such time as the BFC and Board determine it is in the best interest of THDA to enter into such agreements, appropriate amendments to this Policy will be considered and submitted to the BFC and Board for consideration and approval.

XIX. Conduit Debt

For purposes of this section, a "conduit bond issue" is a bond issue in which the obligation of THDA as the issuer to pay principal of and interest on the bonds is limited to the payments it receives from a private third-party under a loan relating to revenues derived from the facilities financed or other assets of the third-party borrower. At such time as the BFC and Board determine it is in the best interest of THDA to enter into such financing agreements, appropriate amendments to this Policy will be considered and submitted to the BFC and Board for consideration and approval.

XX. Variable Rate Debt

At such time as the BFC and Board determine it is in the best interest of THDA to enter into variable rate debt, appropriate amendments to this Policy will be considered and submitted to the BFC and Board for consideration and approval.

XXI. Taxable Debt

At such time as the BFC and Board determine it is in the best interest of THDA to enter into taxable debt, appropriate amendments to this Policy will be considered and submitted to the BFC and Board for consideration and approval.

XXII. State Moral Obligation Pledge

All THDA debt currently outstanding under the 1985 General Resolution is secured by, among other things, the moral obligation pledge of the State of Tennessee. It is THDA's present intent to issue future debt obligations under the 2009 General Resolution or the 2013 General Resolution, neither of which carry the State's moral obligation pledge. In the event THDA creates additional resolutions under which debt obligations are sold, such resolutions are expected to not carry the State's moral obligation pledge. It is also THDA's present intent to evaluate, in connection with each debt issuance, whether debt obligations outstanding under the 1985 General Resolution are eligible for refunding to, among other things, remove additional debt obligations from the State's moral obligation pledge.

XXIII. Adoption and Amendment

This Policy was considered by the BFC at its meeting on November 28, 2011, and approved by the Board at its meeting on November 29, 2011. This amendment to the Policy was considered by the BFC at its meeting on July 28, 2014, and approved by the Board at its meeting on July 29, 2014. The Policy shall be reviewed at least annually by the BFC at the time of consideration of the Schedule of Financing. Any amendments shall be considered and approved in the same process as the initial adoption of this Policy.