

**OFFICIAL STATEMENT
TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES
SECOND PROGRAM BONDS
\$208,295,000 2012 SERIES A
\$103,790,000 2012 SERIES B (FEDERALLY TAXABLE)
\$125,635,000 2012 REFUNDING SERIES C**

Dated: Date of Delivery**Due: May 1 (as shown on inside front cover)**

This Official Statement has been prepared by the Tennessee State School Bond Authority (the "Authority") to provide information relating to the Authority's Higher Educational Facilities Second Program Bonds, 2012 Series A (the "2012A Bonds"), 2012 Series B (Federally Taxable) (the "2012B Bonds") and 2012 Refunding Series C (the "2012C Bonds") (collectively, the "Offered Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Offered Bonds, a prospective investor should read the Official Statement in its entirety.

Security	The Offered Bonds are special obligations of the Authority payable from and secured by Annual Financing Charges (as defined herein) payable to the Authority by the Board of Trustees of The University of Tennessee and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, Legislative Appropriations (as defined herein) payable to the Authority and other funds as more fully described herein. (See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein).
Purpose	See "PURPOSES OF THE OFFERED BONDS" herein.
Interest Payment Dates	November 1 and May 1, beginning November 1, 2012.
Interest Rates/Prices/Yields	See inside front cover.
Denominations	\$5,000 or integral multiples thereof.
No Debt Service Reserve	The Offered Bonds currently will not be secured by any funded debt service reserve. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Debt Service Reserve Fund" herein.
Book-Entry Only System	The Depository Trust Company. See Appendix F.
Redemption	See "DESCRIPTION OF THE OFFERED BONDS – Redemption" herein.
Tax Exemption	Interest on the 2012A Bonds and 2012C Bonds is excluded from gross income for Federal income tax purposes to the extent and subject to the conditions, limitations and continuing compliance with tax covenants as described herein. The Offered Bonds and the interest thereon are exempt from Tennessee taxes, subject to certain exceptions. See "TAX MATTERS" herein.
Ratings	See "RATINGS" herein.
Trustee/Paying Agent	Regions Bank, Nashville, Tennessee.

The Offered Bonds are offered when, as and if issued and received by the Underwriters subject to certain conditions, including the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters in connection with the Offered Bonds are subject to the approval of the Attorney General and Reporter of the State of Tennessee, as counsel to the Authority, and Bass Berry & Sims PLC, as counsel to the Underwriters. The Offered Bonds are expected to be available through the facilities of The Depository Trust Company on or about August 1, 2012.

J.P. Morgan

**Citigroup
Morgan Stanley**

**Raymond James | Morgan Keegan
Piper Jaffray**

Dated: July 13, 2012

TENNESSEE STATE SCHOOL BOND AUTHORITY
Higher Educational Facilities Second Program Bonds
Maturities, Amounts, Interest Rates, Yields/Prices, and CUSIP Numbers

\$208,295,000 2012 Series A Term Bonds

\$ 2,240,000	0.180%	Term Bond due	May 1, 2013	Priced to Yield	0.180%	CUSIP [*]	880558AU5
\$ 2,995,000	0.350%	Term Bond due	May 1, 2014	Priced to Yield	0.350%	CUSIP [*]	880558AV3
\$ 4,200,000	5.000%	Term Bond due	May 1, 2015	Priced to Yield	0.540%	CUSIP [*]	880558AW1
\$ 4,415,000	5.000%	Term Bond due	May 1, 2016	Priced to Yield	0.690%	CUSIP [*]	880558AX9
\$ 4,635,000	5.000%	Term Bond due	May 1, 2017	Priced to Yield	0.940%	CUSIP [*]	880558AY7
\$ 4,875,000	5.000%	Term Bond due	May 1, 2018	Priced to Yield	1.220%	CUSIP [*]	880558AZ4
\$ 5,120,000	5.000%	Term Bond due	May 1, 2019	Priced to Yield	1.450%	CUSIP [*]	880558BA8
\$ 5,380,000	5.000%	Term Bond due	May 1, 2020	Priced to Yield	1.690%	CUSIP [*]	880558BB6
\$ 5,605,000	2.500%	Term Bond due	May 1, 2021	Priced to Yield	1.880%	CUSIP [*]	880558BC4
\$ 5,775,000	4.000%	Term Bond due	May 1, 2022	Priced to Yield	2.020%	CUSIP [*]	880558BD2
\$ 6,030,000	5.000%	Term Bond due	May 1, 2023	Priced to Yield	2.180%**	CUSIP [*]	880558BE0
\$ 6,340,000	5.000%	Term Bond due	May 1, 2024	Priced to Yield	2.350%**	CUSIP [*]	880558BF7
\$ 6,660,000	5.000%	Term Bond due	May 1, 2025	Priced to Yield	2.460%**	CUSIP [*]	880558BG5
\$ 6,975,000	4.000%	Term Bond due	May 1, 2026	Priced to Yield	2.740%**	CUSIP [*]	880558BH3
\$ 7,280,000	5.000%	Term Bond due	May 1, 2027	Priced to Yield	2.630%**	CUSIP [*]	880558BJ9
\$ 7,140,000	5.000%	Term Bond due	May 1, 2028	Priced to Yield	2.710%**	CUSIP [*]	880558BK6
\$ 7,505,000	5.000%	Term Bond due	May 1, 2029	Priced to Yield	2.780%**	CUSIP [*]	880558BL4
\$ 7,885,000	5.000%	Term Bond due	May 1, 2030	Priced to Yield	2.850%**	CUSIP [*]	880558BM2
\$ 8,285,000	5.000%	Term Bond due	May 1, 2031	Priced to Yield	2.890%**	CUSIP [*]	880558BN0
\$ 8,705,000	5.000%	Term Bond due	May 1, 2032	Priced to Yield	2.940%**	CUSIP [*]	880558BP5
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\$ 40,455,000	3.750%	Term Bond due	May 1, 2037	Priced to Yield	3.770%	CUSIP [*]	880558BQ3
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\$ 18,610,000	5.000%	Term Bond due	May 1, 2039	Priced to Yield	3.200%**	CUSIP [*]	880558BS9
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\$ 31,185,000	4.000%	Term Bond due	May 1, 2042	Priced to Yield	3.620%**	CUSIP [*]	880558BR1

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*These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. The Authority is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated herein.

**Priced to first optional redemption date of May 1, 2022

TENNESSEE STATE SCHOOL BOND AUTHORITY
Higher Educational Facilities Second Program Bonds
Maturities, Amounts, Interest Rates, Yields/Prices, and CUSIP Numbers

\$103,790,000 2012 Series B (Federally Taxable) Term Bonds

\$ 1,140,000	0.400%	Term Bond due	May 1, 2013	Priced to Yield	0.400%	CUSIP*	880558AA9
\$ 1,290,000	0.500%	Term Bond due	May 1, 2014	Priced to Yield	0.500%	CUSIP*	880558AB7
\$ 3,225,000	0.900%	Term Bond due	May 1, 2015	Priced to Yield	0.900%	CUSIP*	880558AC5
\$ 5,645,000	1.275%	Term Bond due	May 1, 2016	Priced to Yield	1.275%	CUSIP*	880558AD3
\$ 5,725,000	1.425%	Term Bond due	May 1, 2017	Priced to Yield	1.425%	CUSIP*	880558AE1
\$ 5,815,000	1.772%	Term Bond due	May 1, 2018	Priced to Yield	1.772%	CUSIP*	880558AF8
\$ 5,930,000	1.922%	Term Bond due	May 1, 2019	Priced to Yield	1.922%	CUSIP*	880558AG6
\$ 5,890,000	2.379%	Term Bond due	May 1, 2020	Priced to Yield	2.379%	CUSIP*	880558AH4
\$ 4,075,000	2.479%	Term Bond due	May 1, 2021	Priced to Yield	2.479%	CUSIP*	880558AJ0
\$ 4,180,000	2.579%	Term Bond due	May 1, 2022	Priced to Yield	2.579%	CUSIP*	880558AK7
\$ 4,295,000	2.779%	Term Bond due	May 1, 2023	Priced to Yield	2.779%	CUSIP*	880558AL5
\$ 4,420,000	2.979%	Term Bond due	May 1, 2024	Priced to Yield	2.979%	CUSIP*	880558AM3
\$ 3,610,000	3.129%	Term Bond due	May 1, 2025	Priced to Yield	3.129%	CUSIP*	880558AN1
\$ 3,720,000	3.279%	Term Bond due	May 1, 2026	Priced to Yield	3.279%	CUSIP*	880558AP6
\$ 3,855,000	3.379%	Term Bond due	May 1, 2027	Priced to Yield	3.379%	CUSIP*	880558AQ4
\$ 3,985,000	3.479%	Term Bond due	May 1, 2028	Priced to Yield	3.479%	CUSIP*	880558AR2
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\$ 19,365,000	3.765%	Term Bond due	May 1, 2034	Priced to Yield	3.765%	CUSIP*	880558AT8
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\$ 17,625,000	3.845%	Term Bond due	May 1, 2042	Priced to Yield	3.845%	CUSIP*	880558AS0

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TENNESSEE STATE SCHOOL BOND AUTHORITY
Higher Educational Facilities Second Program Bonds
Maturities, Amounts, Interest Rates, Yields/Prices, and CUSIP Numbers

\$125,635,000 2012 Series C Term Bonds

\$ 7,660,000	0.180%	Term Bond due	May 1, 2013	Priced to Yield	0.180%	CUSIP*	880558CR0
\$ 6,585,000	0.350%	Term Bond due	May 1, 2014	Priced to Yield	0.350%	CUSIP*	880558CS8
\$ 8,430,000	5.000%	Term Bond due	May 1, 2015	Priced to Yield	0.540%	CUSIP*	880558CT6
\$ 8,615,000	5.000%	Term Bond due	May 1, 2016	Priced to Yield	0.690%	CUSIP*	880558CU3
\$ 8,050,000	5.000%	Term Bond due	May 1, 2017	Priced to Yield	0.940%	CUSIP*	880558CV1
\$ 8,470,000	5.000%	Term Bond due	May 1, 2018	Priced to Yield	1.220%	CUSIP*	880558CW9
\$ 8,930,000	5.000%	Term Bond due	May 1, 2019	Priced to Yield	1.450%	CUSIP*	880558CX7
\$ 9,225,000	5.000%	Term Bond due	May 1, 2020	Priced to Yield	1.690%	CUSIP*	880558CY5
\$ 9,710,000	5.000%	Term Bond due	May 1, 2021	Priced to Yield	1.880%	CUSIP*	880558CZ2
\$ 7,715,000	5.000%	Term Bond due	May 1, 2022	Priced to Yield	2.020%	CUSIP*	880558DA6
\$ 8,100,000	4.000%	Term Bond due	May 1, 2023	Priced to Yield	2.260%**	CUSIP*	880558DB4
\$ 8,435,000	4.000%	Term Bond due	May 1, 2024	Priced to Yield	2.450%**	CUSIP*	880558DC2
\$ 6,540,000	4.000%	Term Bond due	May 1, 2025	Priced to Yield	2.610%**	CUSIP*	880558DD0
\$ 6,810,000	4.000%	Term Bond due	May 1, 2026	Priced to Yield	2.740%**	CUSIP*	880558DE8
\$ 1,635,000	3.000%	Term Bond due	May 1, 2027	Priced to Yield	3.030%	CUSIP*	880558DF5
\$ 1,690,000	3.125%	Term Bond due	May 1, 2028	Priced to Yield	3.160%	CUSIP*	880558DG3
\$ 1,750,000	3.250%	Term Bond due	May 1, 2029	Priced to Yield	3.280%	CUSIP*	880558DH1
\$ 1,810,000	3.250%	Term Bond due	May 1, 2030	Priced to Yield	3.350%	CUSIP*	880558DJ7
\$ 1,875,000	3.375%	Term Bond due	May 1, 2031	Priced to Yield	3.420%	CUSIP*	880558DK4
\$ 1,155,000	3.375%	Term Bond due	May 1, 2032	Priced to Yield	3.490%	CUSIP*	880558DL2
\$ 1,200,000	3.500%	Term Bond due	May 1, 2033	Priced to Yield	3.560%	CUSIP*	880558DM0
\$ 1,245,000	3.500%	Term Bond due	May 1, 2034	Priced to Yield	3.630%	CUSIP*	880558DN8

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**Priced to first optional redemption date of May 1, 2022



TENNESSEE STATE SCHOOL BOND AUTHORITY

Bill Haslam, Governor, *Chairman*
Justin P. Wilson, Comptroller of the Treasury, *Secretary*
Tre Hargett, Secretary of State
David Lillard, State Treasurer
Mark Emkes, Commissioner of Finance and Administration
Dr. Joseph DiPietro, President of the University of Tennessee
John G. Morgan, Chancellor of the Tennessee Board of Regents

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BOND COUNSEL TO AUTHORITY

Hawkins Delafield & Wood LLP, New York, New York

AUTHORITY'S COUNSEL

Attorney General and Reporter of the State of Tennessee, Nashville, Tennessee

FINANCIAL ADVISOR

Public Financial Management, Inc., Memphis, Tennessee

For the purpose of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document constitutes an Official Statement of the Authority with respect to the Offered Bonds that has been deemed “final” by the Authority as of its date except for the omission of no more than the information permitted by subsection (b)(1) of Rule 15c2-12.

This Official Statement does not constitute an offering of any security other than the Offered 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 Offered 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. 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, and is not to be construed as a representation, by the Underwriters. 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 a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the 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 Offered Bonds may be changed from time to time by the Underwriters after such Offered Bonds are released for sale, and the Offered Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Offered 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 OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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**OFFICIAL STATEMENT
TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES
SECOND PROGRAM BONDS
\$208,295,000 2012 SERIES A
\$103,790,000 2012 SERIES B (FEDERALLY TAXABLE)
\$125,635,000 2012 REFUNDING SERIES C**

INTRODUCTION

The purpose of this Official Statement (including the cover and inside cover pages hereof and the Appendices hereto) is to set forth information concerning (i) the Tennessee State School Bond Authority (the "Authority"), (ii) the Board of Trustees of The University of Tennessee (the "Board of Trustees"), (iii) the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the "Board of Regents"), (iv) The University of Tennessee including all of its branches and divisions wherever located (collectively, with respect to the Board of Trustees, an "Institution"), and institutions of higher education under the supervision of the Board of Regents (each, with respect to the Board of Regents, an "Institution"), and (v) the Authority's \$208,295,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2012 Series A (the "2012A Bonds"), \$103,790,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2012 Series B (Federally Taxable) (the "2012B Bonds") and \$125,635,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2012 Refunding Series C (the "2012C Bonds"). The 2012A Bonds, 2012B Bonds and 2012C Bonds are referred to collectively as the "Offered Bonds." The Board of Trustees and the Board of Regents are referred to collectively as the "Boards".

The capitalization of any word not conventionally capitalized and not otherwise defined herein indicates that such word is defined in the Glossary of Certain Terms attached hereto as Appendix C, in the Resolution (as defined herein), or in the Financing Agreements (as defined herein).

The Offered Bonds will be issued pursuant to the Tennessee State School Bond Authority Act, as amended, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated (the "Act"); the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998 authorizing the issuance thereunder from time to time of Higher Educational Facilities Second Program Bonds (the "Bonds"); and a Supplemental Resolution adopted by the Authority on June 22, 2012 authorizing and providing for the issuance of the Offered Bonds (such General Bond Resolution as amended and supplemented from time to time, including by such Supplemental Resolution, the "Resolution"). For a "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION", see Appendix E.

The Act empowers the Authority, among other things, to issue its bonds and notes to obtain funds, or to refund its bonds or notes issued to obtain funds, to finance higher education facilities (as defined in Appendix C, the "Projects") for the purposes of the Institutions and the Boards.

A portion of the proceeds of the 2012A Bonds will be used to retire Commercial Paper heretofore issued pursuant to the Act and a Commercial Paper Resolution adopted by the Authority on November 18, 1997 for certain Projects (all Commercial Paper issued under such resolution, the "Commercial Paper"). For a description of the Commercial Paper program, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Commercial Paper". The remaining proceeds of the 2012A Bonds will be applied as described in "PURPOSES OF THE OFFERED BONDS – Application of the 2012A Bond Proceeds."

A portion of the proceeds of the 2012B Bonds will be used to retire Commercial Paper and refund certain outstanding Bonds. The remaining proceeds of the 2012B Bonds will be applied as described in "PURPOSES OF THE OFFERED BONDS – Plan of Refunding and Application of the 2012B Bond Proceeds."

A portion of the proceeds of the 2012C Bonds will be used to current and advance refund certain outstanding Bonds issued under the Second Program. The remaining proceeds of the 2012C Bonds will be applied as described in "PURPOSES OF THE OFFERED BONDS – Plan of Refunding and Application of 2012C Bond Proceeds."

The Offered Bonds will be payable and secured under the Resolution on a parity with all other Bonds heretofore and hereafter issued pursuant to the Act and the Resolution, except as expressly provided in or permitted by the Resolution (including as described herein with respect to the Debt Service Reserve Fund). Currently, the aggregate principal amount of Bonds which may be issued under the Resolution is not limited by law or the Resolution. As of August 1, 2012, \$1,221,990,000 aggregate principal amount of Bonds will be outstanding, including the Offered Bonds but excluding the Bonds to be refunded by the Offered Bonds. In addition the Authority has Commercial Paper outstanding. See "THE AUTHORITY – Outstanding Indebtedness of the Authority".

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from and secured by the Annual Financing Charges, Legislative Appropriations 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 and each Board have entered into a separate Second Program Financing Agreement dated as of November 1, 1997, as amended (each, a "Financing Agreement"). The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges of the Institution for which the Project is undertaken or used. The Boards are not required to apply Fees and Charges of one Institution to the payment of Annual Financing Charges with respect to a Project (including debt service on the portion of the Bonds issued for that Project) attributable to another Institution. The Annual Financing Charges required of an Institution are payable from Fees and Charges collected by or on behalf of that Institution and, if necessary, from Legislative Appropriations for the operations and maintenance of such Institution as described herein. See "SECURITY FOR THE PAYMENT OF THE BONDS – Annual Financing Charges; Fees and Charges" and "– Legislative Appropriations".

Under each Financing Agreement, the relevant Board covenants and agrees to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

The Resolution establishes a Debt Service Reserve Fund, which has been maintained at the level of the Debt Service Reserve Requirement, as provided in the Resolution, for all Bonds currently outstanding under the Resolution. **However, as permitted by the Resolution and as further described herein, the Authority has established a separate account in the Debt Service Reserve Fund solely for the Offered Bonds and elected not to fund such account. While the Authority is authorized to fund such account at a later date, it has no present intent to do so. Unlike the currently outstanding Bonds, the Offered Bonds are not secured by any other account in the Debt Service Reserve Fund; are not payable from any other account in the Debt Service Reserve Fund; and will not be included in the calculation of the Debt Service Reserve Requirement either at initial issuance or at a later date.** See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS – Debt Service Reserve Fund".

The Financing Agreements and the Resolution constitute the second and only other Authority loan program for the Boards. The first program (the "First Program"), which commenced in 1967, may no longer be utilized for the issuance of debt. All debt issued under the First Program has matured and is no longer outstanding.

For a summary of the provisions of the Financing Agreements see "Appendix D – SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS". For a discussion regarding the security and sources of payment for the Offered Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

PURPOSES OF THE OFFERED BONDS

Application of the 2012A Bond Proceeds

The 2012A Bonds are being issued for the purposes of (i) retiring at maturity the principal of Commercial Paper heretofore issued for certain Projects identified below, (ii) financing a portion of the costs of certain Projects identified below, and (iii) funding costs of issuance of the 2012A Bonds. The Commercial Paper to be retired with proceeds of the Offered Bonds matures on various dates and in various principal amounts through August 15, 2012. The interest on such Commercial Paper will be paid at maturity with other available funds.

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The following table shows the Projects to be financed and refinanced with the proceeds of the 2012A Bonds and the principal amount of the 2012A Bonds for each Project:

Institution	Project	Amount
University of Tennessee, Knoxville	A47 Student Health Clinic	\$ 9,058,055
University of Tennessee, Knoxville	A55 Student Health Clinic - Phase II	2,354,130
University of Tennessee, Martin	A56 Athletic Field Lights & Field House	1,496,547
University of Tennessee, Knoxville	A66 Intramural Fields	10,321,952
University of Tennessee, Knoxville	A69 University Center	63,425,477
East Tennessee State University	339 Buc Ridge Apartments	6,888,137
East Tennessee State University	340 College of Medicine Student Center	1,094,618
East Tennessee State University	343 Baseball Facility	2,565,509
East Tennessee State University	344 Buc Ridge Additon (Phase IV)	7,297,733
Middle Tennessee State University	444 Deere and Nicks Hall Housing Renovations	9,383,699
Middle Tennessee State University	447 New Student Union	57,044,316
Tennessee State University	527 Hale Stadium Improvements	2,749,042
Austin Peay State University	724 Undergraduate Housing	24,768,157
Chattanooga State Community College	835 Athletic Fields Upgrade	1,471,331
Columbia State Community College	836 Performance Contracting - DO#1	1,358,046
Tennessee Technological University	919 Strength & Conditioning Center	1,288,614
Tennessee Technological University	920 Tech Village Student Housing	5,729,637
		<u>\$ 208,295,000</u>

Plan of Refunding and Application of the 2012B Bond Proceeds

The 2012B Bonds are being issued for the purposes of (i) retiring at maturity the principal of Commercial Paper heretofore issued for certain Projects identified below, (ii) financing a portion of the costs of certain Projects identified below, (iii) providing funds necessary for the refunding of certain outstanding Bonds described and defined below, and (iv) funding costs of issuance of the 2012B Bonds.

The following table shows the Projects to be financed and refinanced (excluding projects financed or refinanced by the 2012B Refunded Bonds described below) with the proceeds of the 2012B Bonds and the principal amount of the 2012B Bonds for each Project:

Institution	Project	Amount
University of Tennessee, Knoxville	A20 Fraternity Housing Renovations & Additions	\$ 7,202,537
University of Tennessee, Knoxville	A49 Sorority Housing	29,483,536
University of Tennessee, Knoxville	A69 University Center	15,615,801
		<u>\$ 52,301,874</u>

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The Bonds refunded by the 2012B Bonds (the “2012B Refunded Bonds”) consist of \$46,050,000 aggregate principal amount of Bonds of the respective series and with respective redemption dates and prices as set forth in the following table.

2012B Refunded Bonds					
Series	Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
2004C	5/1/2015	4.400%	\$ 1,010,000	5/1/2014	100.00%
	5/1/2019 ⁺	4.800%	5,790,000	5/1/2014	100.00%
	5/1/2024 ⁺	5.000%	8,100,000	5/1/2014	100.00%
	5/1/2034 ⁺	5.500%	<u>11,555,000</u>	5/1/2014	100.00%
			<u>\$ 26,455,000</u>		
2005B	5/1/2020 ⁺	4.880%	12,135,000	5/1/2015	100.00%
	5/1/2028 ⁺	4.875%	<u>7,460,000</u>	5/1/2015	100.00%
			<u>\$ 19,595,000</u>		
Total Refunded Bonds			<u>\$ 46,050,000</u>		

The following table shows the Institutions with Projects financed and refinanced by the 2012B Refunded Bonds described above and the principal amount refunded by the 2012B Bonds:

Institution	Principal Amount Refunded
University of Tennessee	\$ 36,836,545
Middle Tennessee State University	7,392,834
University of Memphis	<u>1,820,621</u>
	<u>\$ 46,050,000</u>

Plan of Refunding and Application of 2012C Bond Proceeds

The 2012C Bonds are being issued for the purposes of (i) providing funds necessary for the refunding of certain outstanding Bonds described below and (ii) funding costs of issuance of the 2012C Bonds.

The Bonds proposed to be refunded by the 2012C Bonds (the “2012C Refunded Bonds”) consist of \$138,005,000 aggregate principal amount of Bonds of the respective series and with respective redemption dates and prices as set forth in the following table.

2012C Refunded Bonds					
Series	Maturity Date	Interest Rate	Principal Amount	Redemption Date	Redemption Price
1998D	5/1/2013	4.600%	\$ 1,205,000	8/15/2012	100.00%
	5/1/2014	4.650%	1,265,000	8/15/2012	100.00%
	5/1/2015	4.700%	1,325,000	8/15/2012	100.00%
	5/1/2016	4.750%	1,390,000	8/15/2012	100.00%
	5/1/2017	4.800%	1,455,000	8/15/2012	100.00%
	5/1/2018	4.850%	1,530,000	8/15/2012	100.00%
	5/1/2021 ⁺	4.750%	<u>5,075,000</u>	8/15/2012	100.00%
			<u>\$ 13,245,000</u>		

⁺Denotes a term bond

2012C Refunded Bonds

<u>Series</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2004A	5/1/2013	4.000%	\$ 3,635,000	8/15/2012	101.00%
	5/1/2014	4.500%	3,590,000	8/15/2012	101.00%
	5/1/2015	4.500%	3,645,000	8/15/2012	101.00%
	5/1/2016	4.500%	3,545,000	8/15/2012	101.00%
	5/1/2017	4.500%	2,625,000	8/15/2012	101.00%
	5/1/2018	4.500%	2,740,000	8/15/2012	101.00%
	5/1/2019	4.500%	2,875,000	8/15/2012	101.00%
	5/1/2020	4.500%	2,995,000	8/15/2012	101.00%
	5/1/2021	4.500%	3,135,000	8/15/2012	101.00%
	5/1/2022	4.000%	3,270,000	8/15/2012	101.00%
	5/1/2023	4.500%	3,405,000	8/15/2012	101.00%
	5/1/2024	4.500%	3,550,000	8/15/2012	101.00%
	5/1/2025	4.125%	3,715,000	8/15/2012	101.00%
	5/1/2026	4.250%	<u>3,865,000</u>	8/15/2012	101.00%
			<u>\$ 46,590,000</u>		
2004B	5/1/2013	4.000%	\$ 2,365,000	8/15/2012	101.00%
	5/1/2014	4.500%	2,465,000	8/15/2012	101.00%
	5/1/2015	4.500%	2,360,000	8/15/2012	101.00%
	5/1/2016	4.500%	2,470,000	8/15/2012	101.00%
	5/1/2017	4.500%	2,585,000	8/15/2012	101.00%
	5/1/2018	4.500%	2,705,000	8/15/2012	101.00%
	5/1/2019	4.500%	2,835,000	8/15/2012	101.00%
	5/1/2020	4.500%	2,790,000	8/15/2012	101.00%
	5/1/2021	4.500%	2,920,000	8/15/2012	101.00%
	5/1/2022	4.000%	3,060,000	8/15/2012	101.00%
	5/1/2023	4.500%	3,190,000	8/15/2012	101.00%
	5/1/2024	4.500%	3,340,000	8/15/2012	101.00%
	5/1/2025	4.125%	935,000	8/15/2012	101.00%
	5/1/2026	4.250%	975,000	8/15/2012	101.00%
	5/1/2027	4.250%	1,015,000	8/15/2012	101.00%
	5/1/2028	4.250%	1,060,000	8/15/2012	101.00%
5/1/2029	4.500%	1,110,000	8/15/2012	101.00%	
5/1/2034 ⁺	4.375%	<u>6,365,000</u>	8/15/2012	101.00%	
			<u>\$ 44,545,000</u>		

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⁺Denotes a term bond

2012C Refunded Bonds

<u>Series</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2006A	5/1/2015	4.000%	\$ 2,280,000	5/1/2014	101.00%
	5/1/2016	4.000%	2,375,000	5/1/2014	101.00%
	5/1/2017	4.000%	2,475,000	5/1/2014	101.00%
	5/1/2018	4.250%	2,580,000	5/1/2014	101.00%
	5/1/2019	4.375%	2,695,000	5/1/2014	101.00%
	5/1/2020	4.500%	2,820,000	5/1/2014	101.00%
	5/1/2021	4.450%	2,950,000	5/1/2014	101.00%
	5/1/2022	4.500%	2,145,000	5/1/2014	101.00%
	5/1/2023	4.500%	2,250,000	5/1/2014	101.00%
	5/1/2024	4.550%	2,355,000	5/1/2014	101.00%
	5/1/2025	4.550%	2,465,000	5/1/2014	101.00%
	5/1/2026	4.600%	2,580,000	5/1/2014	101.00%
	5/1/2031 ⁺	4.500%	<u>3,655,000</u>	5/1/2014	101.00%
			<u>\$ 33,625,000</u>		
Total Refunded Bonds			<u>\$ 138,005,000</u>		

The following table shows the Institutions with Projects financed and refinanced by the 2012C Refunded Bonds described above and the principal amount refunded by the 2012C Bonds

<u>Institution</u>	<u>Principal Amount Refunded</u>
University of Tennessee	\$ 84,892,318
Austin Peay State University	11,458,388
East Tennessee State University	7,630,565
Middle Tennessee State University	22,901,374
Tennessee State Univeristy	1,388,136
Tennessee Technical University	3,632,639
University of Memphis	3,716,334
Columbia State Community College	33,299
Northeast State Technical Community Col	259,267
Pellissippi State Community Collge	537,638
Roane State Community College	914,258
Volunteer State Community College	32,189
Walter State Community College	608,595
	<u>\$ 138,005,000</u>

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⁺Denotes a term bond

Sources and Uses of Funds for the Offered Bonds

The sources and application of funds in connection with the issuance of the 2012A Bonds, 2012B Bonds, and 2012C Bonds are estimated as follows:

	2012A Bonds	2012B Bonds	2012C Bonds	Total
Sources of Funds:				
Par Amount of Bonds	\$ 208,295,000	\$ 103,790,000	\$ 125,635,000	\$ 437,720,000
Net Original Issue (Discount) Premium	24,312,813	-	18,135,085	42,447,898
Debt Service Reserve Fund Release	-	-	16,174	16,174
Total	<u>\$232,607,813</u>	<u>\$103,790,000</u>	<u>\$143,786,259</u>	<u>\$480,184,072</u>
Uses of Funds:				
Project Construction Accounts (approx.)	\$ 83,459,327	\$ 31,115,711	\$ -	\$ 114,575,038
Capitalized Interest	4,915,484	1,169,012	-	6,084,496
Retirement of Commercial Paper (approx.)	143,518,967	19,826,419	-	163,345,386
Deposits under Refunding Trust Agreement	-	51,317,684	143,382,564	194,700,248
Underwriters' Discount	341,904	161,311	173,268	676,483
Costs of Issuance	372,131	199,863	230,427	802,421
Total	<u>\$232,607,813</u>	<u>\$103,790,000</u>	<u>\$143,786,259</u>	<u>\$480,184,072</u>

Refunding Trust Agreements and Verification

In conjunction with the delivery of each of the 2012B Bonds and 2012C Bonds, the Authority will enter into a separate Refunding Trust Agreement (each, a "Refunding Trust Agreement") with Regions Bank, Nashville, Tennessee, as Refunding Trustee. Under each Refunding Trust Agreement, proceeds of the 2012B Bonds and 2012C Bonds, as applicable, will be irrevocably deposited with the Refunding Trustee into a refunding trust fund thereunder and either be initially retained as cash or invested in non-callable direct obligations of the United States of America. The maturing principal of and interest on the non-callable direct obligations, and other moneys on deposit in such refunding trust fund, will be sufficient to pay (i) the interest on the 2012B Refunded Bonds and 2012C Refunded Bonds on each interest payment date to and including the respective redemption date and (ii) on the respective redemption date, the redemption price then due on the respective 2012B Refunded Bonds and 2012C Refunded Bonds.

Upon issuance of the 2012B Bonds and 2012C Bonds, the 2012B Refunded Bonds and 2012C Refunded Bonds will be irrevocably designated for redemption as described above, provision will be made in the Refunding Trust Agreements for the giving of notice of such redemption, and the 2012B Refunded Bonds and 2012C Refunded Bonds shall not be redeemed other than as described above.

Under the Resolution, by virtue of the provision for redemption described above, together with the irrevocable deposit and application of monies and securities as provided by the Refunding Trust Agreements and certain other provisions of the Refunding Trust Agreements and after the issuance of the 2012B Bonds and 2012C Bonds, the 2012B Refunded Bonds and 2012C Refunded Bonds will no longer be outstanding under the Resolution.

The Authority will obtain verification of sufficiency of the refunding trust funds and certain yields from The Arbitrage Group, Inc. See "VERIFICATION".

DESCRIPTION OF THE OFFERED BONDS

General

The Offered Bonds will be dated the date of their delivery and will mature at the times and in the principal amounts as set forth on the inside cover pages hereof. A portion of the principal of each of the maturities of the Offered Bonds will be mandatorily redeemed semi-annually on November 1 in the amounts and on the dates described in "Redemption – Mandatory Sinking Fund Redemption – 2012A Bonds", "– Mandatory Sinking Fund Redemption – 2012B Bonds", and "– Mandatory Sinking Fund Redemption – 2012C Bonds." Interest on the Offered Bonds will be payable semi-annually on May 1 and November 1, commencing November 1, 2012. The Offered Bonds will be offered in authorized denominations of \$5,000 or integral multiples thereof.

Upon initial issuance, the Offered Bonds will be available only in book-entry form. The Depository Trust Company, New York, New York (“DTC”) will act as initial securities depository for the Offered Bonds and the ownership of one fully registered bond for each maturity of the Offered Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., as nominee of DTC, and deposited with DTC. Beneficial owners of Offered Bonds will not receive physical delivery of bond certificates except under limited circumstances. See Appendix F - “BOOK-ENTRY ONLY SYSTEM” for a description of DTC and its book-entry only system.

Fiduciaries

Regions Bank, Nashville, Tennessee, is the Trustee under the Resolution and the Paying Agent and Registrar for the Offered Bonds.

Redemption

Optional Redemption – 2012A Bonds and 2012C Bonds. The 2012A Bonds and 2012C Bonds maturing on and prior to May 1, 2022, are not subject to redemption prior to maturity. The 2012A Bonds and 2012C Bonds of each Series maturing on or after May 1, 2023 are subject to redemption prior to their stated maturities from any available moneys, at any time on and after May 1, 2022 as a whole, or in part from time to time in any order of maturity determined by the Authority, at a Redemption Price equal to the principal amount of such 2012A Bonds and 2012C Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Optional Redemption – 2012B Bonds. The 2012B Bonds are subject to redemption prior to their stated maturities from any available moneys, at any time as a whole, or in part from time to time in any order of maturity as determined by the Authority, at a Redemption Price equal to the Make-Whole Redemption Price (as defined below).

The “Make-Whole Redemption Price” of any 2012B Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such 2012B Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such 2012B Bonds are to be redeemed, discounted on a semiannual basis to the date on which such 2012B Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus 25 basis points; plus, in each case, accrued and unpaid interest on such 2012B bonds on such redemption date.

The “Treasury Rate” is, as of the redemption date of any 2012B Bonds, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) or, if such Statistical Release is no longer published, any source of similar market data) that has become publicly available at least five business days prior to such redemption date (excluding inflation indexed securities) most nearly equal to the period from such redemption date to the maturity date of such 2012B Bonds; provided, however, that if the period from such redemption date to such maturity date is less than one year, the latest weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year that has become publicly available at least five business days prior to such redemption date will be used.

The Make-Whole Redemption Price (and, if necessary, such substitute source of market data) will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority to calculate such redemption price (the “Calculation Agent”). The determination by the Calculation Agent of the redemption price will be conclusive and binding on the Authority, the Trustee, Paying Agent and Registrar, and the holders of the 2012B Bonds.

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Mandatory Sinking Fund Redemption – 2012A Bonds. The 2012A Bonds maturing on May 1 of each year are Term Bonds subject to redemption in part on November 1 of the preceding calendar (or, in the case of 2012A Bonds maturing in 2037, in 2039 and in 2042, on November 1, 2032, on November 1, 2037, and on November 1, 2039, respectively, and in each case on each May 1 and November 1 thereafter prior to maturity) year in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be deposited to the Debt Service Fund in amounts sufficient to redeem such principal amounts on November 1 of each year shown below, and the amounts required to be deposited to the Debt Service Fund sufficient to pay the balance of the principal amounts of such 2012A Bonds payable at maturity on May 1 of each year shown below are as follows (which deposits are required to be made no later than the Business Day preceding such November 1 or May 1, respectively):

<u>2013 Maturity</u>		<u>2014 Maturity</u>		<u>2015 Maturity</u>		<u>2016 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2012	\$ 1,595,000	Nov. 1, 2013	\$ 2,135,000	Nov. 1, 2014	\$ 2,755,000	Nov. 1, 2015	\$ 2,900,000
May 1, 2013*	\$ 645,000	May 1, 2014*	\$ 860,000	May 1, 2015*	\$ 1,445,000	May 1, 2016*	\$ 1,515,000

<u>2017 Maturity</u>		<u>2018 Maturity</u>		<u>2019 Maturity</u>		<u>2020 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2016	\$ 3,040,000	Nov. 1, 2017	\$ 3,200,000	Nov. 1, 2018	\$ 3,360,000	Nov. 1, 2019	\$ 3,530,000
May 1, 2017*	\$ 1,595,000	May 1, 2018*	\$ 1,675,000	May 1, 2019*	\$ 1,760,000	May 1, 2020*	\$ 1,850,000

<u>2021 Maturity</u>		<u>2022 Maturity</u>		<u>2023 Maturity</u>		<u>2024 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2020	\$ 3,675,000	Nov. 1, 2021	\$ 3,790,000	Nov. 1, 2022	\$ 3,960,000	Nov. 1, 2023	\$ 4,165,000
May 1, 2021*	\$ 1,930,000	May 1, 2022*	\$ 1,985,000	May 1, 2023*	\$ 2,070,000	May 1, 2024*	\$ 2,175,000

<u>2025 Maturity</u>		<u>2026 Maturity</u>		<u>2027 Maturity</u>		<u>2028 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2024	\$ 4,370,000	Nov. 1, 2025	\$ 4,575,000	Nov. 1, 2026	\$ 4,780,000	Nov. 1, 2027	\$ 4,770,000
May 1, 2025*	\$ 2,290,000	May 1, 2026*	\$ 2,400,000	May 1, 2027*	\$ 2,500,000	May 1, 2028*	\$ 2,370,000

<u>2029 Maturity</u>		<u>2030 Maturity</u>		<u>2031 Maturity</u>		<u>2032 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2028	\$ 5,010,000	Nov 1, 2029	\$ 5,270,000	Nov. 1, 2030	\$ 5,535,000	Nov. 1, 2031	\$ 5,820,000
May 1, 2029*	\$ 2,495,000	May 1, 2030*	\$ 2,615,000	May 1, 2031*	\$ 2,750,000	May 1, 2032*	\$ 2,885,000

<u>2037 Maturity</u>		<u>2039 Maturity</u>		<u>2042 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2032	\$ 4,905,000	Nov. 1, 2037	\$ 5,945,000	Nov. 1, 2039	\$ 6,535,000
May. 1, 2033	\$ 2,595,000	May. 1, 2038	\$ 3,130,000	May. 1, 2040	\$ 3,450,000
Nov. 1, 2033	\$ 5,100,000	Nov. 1, 2038	\$ 6,250,000	Nov. 1, 2040	\$ 6,805,000
May. 1, 2034	\$ 2,685,000	May 1, 2039*	\$ 3,285,000	May. 1, 2041	\$ 3,585,000
Nov. 1, 2034	\$ 5,285,000			Nov. 1, 2041	\$ 7,080,000
May. 1, 2035	\$ 2,795,000			May 1, 2042*	\$ 3,730,000
Nov. 1, 2035	\$ 5,490,000				
May. 1, 2036	\$ 2,895,000				
Nov. 1, 2036	\$ 5,695,000				
May 1, 2037*	\$ 3,010,000				

*Final Maturity

Mandatory Sinking Fund Redemption – 2012B Bonds. The 2012B Bonds maturing on May 1 of each year are Term Bonds subject to redemption in part on November 1 of the preceding calendar year (or, in the case of 2012B Bonds maturing in 2034 and in 2042, on November 1, 2028, and on November 1, 2034, respectively, and in each case on each May 1 and November 1 thereafter prior to maturity) in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be deposited to the Debt Service Fund in amounts sufficient to redeem such principal amounts on November 1 of each year shown below, and the amounts required to be deposited to the Debt Service Fund sufficient to pay the balance of the principal amounts of such 2012B Bonds payable at maturity on May 1 of each year shown below are as follows (which deposits are required to be made no later than the Business Day preceding such November 1 or May 1, respectively):

<u>2013 Maturity</u>		<u>2014 Maturity</u>		<u>2015 Maturity</u>		<u>2016 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2012	\$ 660,000	Nov. 1, 2013	\$ 710,000	Nov. 1, 2014	\$ 1,680,000	Nov. 1, 2015	\$ 3,085,000
May 1, 2013*	\$ 480,000	May 1, 2014*	\$ 580,000	May 1, 2015*	\$ 1,545,000	May 1, 2016*	\$ 2,560,000

<u>2017 Maturity</u>		<u>2018 Maturity</u>		<u>2019 Maturity</u>		<u>2020 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2016	\$ 3,135,000	Nov. 1, 2017	\$ 3,180,000	Nov. 1, 2018	\$ 3,245,000	Nov. 1, 2019	\$ 3,230,000
May 1, 2017*	\$ 2,590,000	May 1, 2018*	\$ 2,635,000	May 1, 2019*	\$ 2,685,000	May 1, 2020*	\$ 2,660,000

<u>2021 Maturity</u>		<u>2022 Maturity</u>		<u>2023 Maturity</u>		<u>2024 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2020	\$ 2,330,000	Nov. 1, 2021	\$ 2,390,000	Nov. 1, 2022	\$ 2,455,000	Nov. 1, 2023	\$ 2,525,000
May 1, 2021*	\$ 1,745,000	May 1, 2022*	\$ 1,790,000	May 1, 2023*	\$ 1,840,000	May 1, 2024*	\$ 1,895,000

<u>2025 Maturity</u>		<u>2026 Maturity</u>		<u>2027 Maturity</u>		<u>2028 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2024	\$ 2,135,000	Nov. 1, 2025	\$ 2,200,000	Nov. 1, 2026	Jun. 4, 8142	Nov. 1, 2027	\$ 2,360,000
May 1, 2025*	\$ 1,475,000	May 1, 2026*	\$ 1,520,000	May 1, 2027*	\$ 1,575,000	May 1, 2028*	\$ 1,625,000

<u>2034 Maturity</u>		<u>2042 Maturity</u>	
Date	Amount	Date	Amount
Nov. 1, 2028	\$ 1,515,000	Nov. 1, 2034	\$ 955,000
May. 1, 2029	\$ 1,510,000	May. 1, 2035	\$ 965,000
Nov. 1, 2029	\$ 1,565,000	Nov. 1, 2035	\$ 995,000
May. 1, 2030	\$ 1,570,000	May. 1, 2036	\$ 1,000,000
Nov. 1, 2030	\$ 1,630,000	Nov. 1, 2036	\$ 1,035,000
May. 1, 2031	\$ 1,630,000	May. 1, 2037	\$ 1,035,000
Nov. 1, 2031	\$ 1,690,000	Nov. 1, 2037	\$ 1,080,000
May. 1, 2032	\$ 1,695,000	May. 1, 2038	\$ 1,075,000
Nov. 1, 2032	\$ 1,605,000	Nov. 1, 2038	\$ 1,115,000
May. 1, 2033	\$ 1,610,000	May. 1, 2039	\$ 1,120,000
Nov. 1, 2033	\$ 1,675,000	Nov. 1, 2039	\$ 1,165,000
May 1, 2034*	\$ 1,670,000	May. 1, 2040	\$ 1,160,000
		Nov. 1, 2040	\$ 1,210,000
		May. 1, 2041	\$ 1,205,000
		Nov. 1, 2041	\$ 1,255,000
		May 1, 2042*	\$ 1,255,000

*Final Maturity

Mandatory Sinking Fund Redemption – 2012C Bonds. The 2012C Bonds maturing on May 1 of each year are Term Bonds subject to redemption in part on November 1 of the preceding calendar year in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be deposited to the Debt Service Fund in amounts sufficient to redeem such principal amounts on November 1 of each year shown below, and the amounts required to be deposited to the Debt Service Fund sufficient to pay the balance of the principal amounts of such 2012C Bonds payable at maturity on May 1 of each year shown below are as follows (which deposits are required to be made no later than the Business Day preceding such November 1 or May 1, respectively):

<u>2013 Maturity</u>		<u>2014 Maturity</u>		<u>2015 Maturity</u>		<u>2016 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2012	\$ 4,240,000	Nov. 1, 2013	\$ 3,650,000	Nov. 1, 2014	\$ 4,875,000	Nov. 1, 2015	\$ 5,000,000
May 1, 2013*	\$ 3,420,000	May 1, 2014*	\$ 2,935,000	May 1, 2015*	\$ 3,555,000	May 1, 2016*	\$ 3,615,000

<u>2017 Maturity</u>		<u>2018 Maturity</u>		<u>2019 Maturity</u>		<u>2020 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2016	\$ 4,755,000	Nov. 1, 2017	\$ 5,005,000	Nov. 1, 2018	\$ 5,280,000	Nov. 1, 2019	\$ 5,400,000
May 1, 2017*	\$ 3,295,000	May 1, 2018*	\$ 3,465,000	May 1, 2019*	\$ 3,650,000	May 1, 2020*	\$ 3,825,000

<u>2021 Maturity</u>		<u>2022 Maturity</u>		<u>2023 Maturity</u>		<u>2024 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2020	\$ 5,680,000	Nov. 1, 2021	\$ 4,705,000	Nov. 1, 2022	\$ 4,940,000	Nov. 1, 2023	\$ 5,140,000
May 1, 2021*	\$ 4,030,000	May 1, 2022*	\$ 3,010,000	May 1, 2023*	\$ 3,160,000	May 1, 2024*	\$ 3,295,000

<u>2025 Maturity</u>		<u>2026 Maturity</u>		<u>2027 Maturity</u>		<u>2028 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2024	\$ 4,065,000	Nov. 1, 2025	\$ 4,235,000	Nov. 1, 2026	\$ 815,000	Nov. 1, 2027	\$ 845,000
May 1, 2025*	\$ 2,475,000	May 1, 2026*	\$ 2,575,000	May 1, 2027*	\$ 820,000	May 1, 2028*	\$ 845,000

<u>2029 Maturity</u>		<u>2030 Maturity</u>		<u>2031 Maturity</u>		<u>2032 Maturity</u>	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
Nov. 1, 2028	\$ 875,000	Nov. 1, 2029	\$ 910,000	Nov. 1, 2030	\$ 940,000	Nov. 1, 2031	\$ 575,000
May 1, 2029*	\$ 875,000	May 1, 2030*	\$ 900,000	May 1, 2031*	\$ 935,000	May 1, 2032*	\$ 580,000

<u>2033 Maturity</u>		<u>2034 Maturity*</u>	
Date	Amount	Date	Amount
Nov. 1, 2032	\$ 605,000	Nov. 1, 2033	\$ 625,000
May 1, 2033*	\$ 595,000	May 1, 2034*	\$ 620,000

*Final Maturity

Satisfaction of any Sinking Fund Installment for any Term Bonds also may be made by purchase or redemption of such Term Bonds, if the Authority so directs the Registrar, prior to 45 days preceding the due date of such Sinking Fund Installment.

Selection of 2012A Bonds and 2012C Bonds to be Redeemed. If less than all of the 2012A Bonds and 2012C Bonds of a series and maturity are to be redeemed, the particular 2012A Bonds and 2012C Bonds or portions thereof of such series and maturity to be redeemed shall be selected by the Registrar in any manner which it deems fair and appropriate. For so long as a book-entry only system is in effect with respect to the 2012A Bonds and 2012C Bonds of a series and DTC or a successor securities repository is the sole registered owner of such 2012A Bonds and 2012C Bonds, in the event of a redemption of less than all of the 2012A Bonds and 2012C Bonds of a series and maturity, the particular ownership interests of the 2012A Bonds and 2012C Bonds of such series and maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants, or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption,

DTC's rules and procedures currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to make such selection, or to make or fail to make any such selection in any particular manner, will not affect the sufficiency or the validity of the redemption of 2012A Bonds and 2012C Bonds. See Appendix F- "BOOK-ENTRY ONLY SYSTEM".

Selection of 2012B Bonds to be Redeemed. If less than all of the 2012B Bonds of a maturity are to be redeemed, the 2012B Bonds of such maturity shall be redeemed pro rata as nearly as practicable in the proportion that the principal amount of the outstanding 2012B Bonds of such maturity owned by each registered owner bears to the aggregate principal amount of the outstanding 2012B Bonds of such maturity. For so long as a book-entry only system is in effect and DTC or a successor securities repository is the sole registered owner of the 2012B Bonds, in the event of a redemption of less than all of the 2012B Bonds of a maturity, the particular ownership interests of the 2012B Bonds of such maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants, or by any such successor repository or any other intermediary, in accordance with their respective operating rules and procedures. The Underwriters have advised the Authority that the 2012B Bonds will be made eligible for partial redemption to be treated by DTC in accordance with its rules and procedures, as a "pro rata pass-through distribution of principal". To the extent practicable, the Paying Agent will request that DTC select the amount of such interests of 2012B Bonds to be redeemed on a pro rata pass-through distribution of principal basis in integral multiples of \$5,000 in accordance with DTC procedures then in effect. The Authority can provide no assurance that DTC or its successor, Direct DTC Participants and Indirect DTC Participants, or any successor repository or any other intermediary will allocate the redemption of 2012B Bonds on such basis. If, at the time of redemption of the 2012B Bonds, either (i) the operational arrangements of DTC do not allow for the redemption of the 2012B Bonds on a pro rata pass-through distribution of principal basis, or (ii) the Paying Agent has failed to notify DTC that the 2012B Bonds to be redeemed are to be redeemed pursuant to DTC's pro rata pass-through distribution of principal procedures, or has failed to furnish to DTC the factor to be applied by it in determining the pro rata allocation of the principal to be redeemed, then in each such case the 2012B Bonds of such maturity to be redeemed may be selected in accordance with DTC operating rules and procedures, which currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or of any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of 2012B Bonds.

Notice of Redemption. Notice of redemption is to be mailed, at least 20 days but not more than 30 days prior to the redemption date, to the Owner of each Offered Bond to be redeemed at the address that appears on the registration books, but failure to receive any such notice shall not affect the validity of the redemption proceedings. Any notice of redemption may provide that such redemption is conditional on the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date.

For so long as a book-entry only system is in effect with respect to the Offered Bonds, the Registrar will give notice of redemption to DTC or its nominee or its successor. See Appendix F- "BOOK-ENTRY ONLY SYSTEM". Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to notify a beneficial owner of an Offered Bond of any redemption will not affect the sufficiency or the validity of the redemption of such Offered Bond. Neither the Authority, nor the Trustee or Registrar, can give any assurance that DTC or its successor, the Direct DTC Participants or the Indirect DTC Participants, or any other intermediary, will distribute such redemption notices to the beneficial owners of the Offered Bonds, or that they will do so on a timely basis.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from the Annual Financing Charges, Legislative Appropriations 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 Annual Financing Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, and all moneys and Investment Obligations credited to the Funds and Accounts established by the Resolution, are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds 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. All covenants and agreements set forth in the Resolution to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of all of the Bonds, except as expressly provided in or permitted by the Resolution. **As permitted by the Resolution, the Offered Bonds will not be secured by or payable from the Debt Service Reserve Fund maintained for currently outstanding Bonds. The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds will not be secured by a funded debt service reserve. See "Debt Service Reserve Fund" below.**

THE OFFERED BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE SOURCES PROVIDED IN THE RESOLUTION AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY POLITICAL SUBDIVISION OF THE STATE OR THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE OFFERED BONDS.

THE AUTHORITY HAS NO TAXING POWER.

Financing Agreements

The Authority and each Board have entered into a Financing Agreement. The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. The Financing Agreements also obligate the Boards to cause each Institution under its supervision to pay the Authority Annual Financing Charges sufficient, among other things, to provide for the payment of debt service on Bonds attributable to Projects financed at such Institution. The Annual Financing Charges required of an Institution are payable from Fees and Charges collected by or on behalf of that Institution and, if necessary, from Legislative Appropriations for the operation and maintenance of such Institution.

Annual Financing Charges; Fees and Charges

The Financing Agreements require that as long as any Debt (including the Bonds) remains outstanding for any Project, Annual Financing Charges shall be established and revised by the Authority from time to time in such amounts, payable at such times, as shall at all times be sufficient to enable the Authority to (i) pay the principal of and premium, if any, and interest on such Debt as and when the same become due and payable, (ii) pay or replenish reserves therefor as and when required by the Resolution, and (iii) make any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution.

The Boards are required by the Financing Agreements to pay to the Authority all Annual Financing Charges in such amounts, at such times, in such manner and at such places as shall be specified in writing from time to time by the Authority. Under the Financing Agreements, the obligation of the Boards to pay Annual Financing Charges is absolute and unconditional, and Annual Financing Charges are required to be paid in full without set-off or counterclaim.

The Boards covenant and agree in the Financing Agreements to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges of the Institution for which the Project is undertaken or used. "Fees and Charges" means all revenues, fees, rentals and other charges received by or on behalf of an Institution which are available to pay Annual Financing Charges. The Boards are not required to apply Fees and Charges of one Institution to the payment of Annual Financing Charges with respect to a Project (including debt service on the portion of the Bonds issued for that Project) attributable to another Institution. See "Appendix B – TSSBA SELECTED STATISTICAL INFORMATION" for a description of the Institutions for which Projects are being financed or refinanced with the proceeds of the Offered Bonds and for details regarding each Institution's historical statement of collection of Fees and Charges, as well as the debt service on Bonds attributable to such Institution.

Each Institution's total Fees and Charges and Legislative Appropriations (see "Legislative Appropriations" below) may be used to pay costs of operating and maintaining such Institution as well as the Annual Financing Charges. Each Board may pledge, assign or otherwise use or encumber any Fees and Charges relating to an Institution to obligations of the Institution or of the Board in addition to the Bonds if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects for the Institution in any succeeding Fiscal Year, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year.

The Financing Agreements also require that, in addition to Annual Financing Charges, the Authority may establish and revise from time to time, and the Boards shall apply Fees and Charges from their respective Institutions to pay fees ("Administrative Fees") to compensate the Authority for costs relating to (i) the issuance and payment of Debt and (ii) the administration of the Agreements and the Resolution.

Legislative Appropriations

In accordance with the Act, the Financing Agreements provide that if any Annual Financing Charges or Administrative Fees shall not be paid by a Board when due and payable with respect to a Project, or if the Board shall notify the Authority of any inability to make such payment from Fees and Charges, then the Board shall deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution for which such Project was undertaken or used and pay to the Authority such amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. Legislative appropriations for one Institution may not be deducted to remedy the inability of another Institution to pay its prescribed Annual Financing Charges or Administrative Fees. The Boards also agree in the Financing Agreements that the Commissioner of Finance and Administration, or his successor, after notice from the Authority that the Board has failed to pay Annual Financing Charges or Administrative Fees due and payable with respect to a Project, shall, to the extent permitted by law, deduct from the amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution for which such Project was undertaken or used the amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. It has not been necessary, to date, to utilize this procedure.

A significant source of funding for the State's public institutions of higher education has been and continues to be annual appropriations made by the General Assembly of the State. See "Statement of Fees/Charges, Legislative Appropriations and Debt Service for the Last Ten Years" in Appendix B and "TENNESSEE PUBLIC HIGHER EDUCATION." However, the General Assembly is under no obligation to continue to make appropriations for the operation and maintenance of any Institution or of the Institutions generally, or to do so in any particular amount. See, however, "Additional Bonds" and "Statutory Covenant" below. The State of Tennessee is not liable on the Bonds and the Bonds are not a debt of the State of Tennessee.

Under the State Constitution, public money may be expended only pursuant to an appropriation made by law. Such expenditures include, but are not limited to, funding any judgment in the Tennessee Claims Commission as discussed below under "- Certain State Law Bondowner Remedies". The General Assembly in 2001 confirmed that the earnings, revenues, and assets of the Authority are continuously appropriated for expenditures authorized by or pursuant to the Act, which includes debt service on Second Program Bonds and Commercial Paper. That legislation also confirmed that the earnings, revenues or other assets of any public higher education entity whose contracts or agreements support the payment of the Authority's debt service are continuously appropriated for expenditures in accordance with or pursuant to such contracts or agreements which include the Second Program Financing Agreements. The Authority can provide no assurance as to the continuation of these continuing appropriations.

Statutory Covenant

In accordance with the provisions of the Act, the Authority, on behalf of the State, in the Resolution pledges to and agrees 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 Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest 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 of such Owners, are fully met and discharged.

Flow of Funds

All Annual Financing Charges and Legislative Appropriations held or collected by the Authority are required by the Resolution to be deposited to the General Fund established under the Resolution, which shall be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian. However, in lieu of such deposit, the Authority may direct and cause any Board to transmit directly to the Trustee any amount of Annual Financing Charges and Legislative Appropriations payable by such Board that is required to be transferred by the Authority to the Trustee in the amounts and by the times required for purposes of the Debt Service Fund or Debt Service Reserve Fund.

All moneys credited to the General Fund shall be applied by the Authority in the following manner and order:

First, the Authority shall transfer to the Debt Service Fund such sums as are required to be deposited therein under the Resolution after giving effect to any such direct deposit; and

Second, the Authority shall transfer to the Debt Service Reserve Fund such sums as are required to be deposited therein pursuant to the Resolution after giving effect to any such direct deposit; provided, however, that no transfer shall be required prior to the date required, notwithstanding that as a result, lower priority transfers (described in the following paragraph) may be made at any time prior to higher priority transfers that could be but are not required to be made at the same time.

Any moneys credited to the General Fund in any month and not applied in such month, or required or otherwise expected to be applied thereafter in such month or in the next succeeding month, may be used for any lawful purpose of the Authority including, but not limited to, the payment of the principal of and premium, if any, and interest on Subordinated Obligations, the establishment of reserves for such payment, the payment or reimbursement of Administrative Expenses of the Authority, or the purchase or redemption of Bonds or Subordinated Obligations.

The Debt Service Fund shall be held by the Trustee or at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian; it is currently being held by the Trustee. Moneys credited to the Debt Service Fund shall be deposited in the following amounts and order of priority, except that deposits from excess Construction Fund moneys shall be applied as directed by the Authority:

First, at least one Business Day prior to each interest payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the interest becoming due on the Outstanding Bonds on such interest payment date;

Second, at least one Business Day prior to each principal payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the principal amount of Bonds (including the principal amount of any Put Bonds tendered for payment by the Authority and not purchased in lieu of redemption prior to the redemption date thereof) of the Outstanding Serial Bonds becoming due on such principal payment date; and

Third, at least one Business Day prior to each Sinking Fund Payment Date for the Term Bonds, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the Sinking Fund Installments becoming due upon the redemption of such Term Bonds on such Sinking Fund Payment Date.

Debt Service Reserve Fund

General

The Resolution establishes a Debt Service Reserve Fund for the payment of all Series of Bonds, with a separate Debt Service Reserve Account therein for each Project financed, as described below. The Resolution also permits the Authority to establish a separate account in the Debt Service Reserve Fund to be applied solely to the payment of a particular Series of Bonds and to establish the requirements for that separate account; however, there is no requirement that such separate account in the Debt Service Reserve be funded. Such separate account, if funded, would secure only the Series of Bonds for which it was created and the related Series of Bonds would not have access to any other accounts in the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be held by the Trustee or, at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian; it is currently being held by the Trustee.

No Debt Service Reserve For the Offered Bonds

The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds do not have a funded debt service reserve account. Specifically, the Offered Bonds shall have no claim or lien on, nor shall any Offered Bonds be payable from, any accounts in the Debt Service Reserve Fund, except from the separate account established for the Offered Bonds to the extent that such account may be funded in the future, although the Authority is under no obligation to fund the account and has no present intent to provide such funding. In addition, the Offered Bonds are excluded from the calculation of the Debt Service Reserve Requirement for all Series of Bonds that are secured by accounts in the Debt Service Reserve Fund as described in “*Debt Service Reserve Fund For Bonds Other Than the Offered Bonds*” below. As permitted by the Resolution, the Authority reserves the right to issue additional Series of Bonds (i) secured solely by their respective related separate accounts in the Debt Service Reserve Fund, and further to elect whether to fund such separate account, or (ii) secured by accounts in the Debt Service Reserve Fund as described below in “*Debt Service Reserve Fund For Bonds Other Than the Offered Bonds*.”

Debt Service Reserve Fund For Bonds Other Than the Offered Bonds

The remainder of this section describes the Debt Service Reserve Fund as it applies to all currently outstanding Bonds and to any additional Bonds (excluding Series of additional Bonds for which a separate account applies only to such Series is created in the Debt Service Reserve Fund). ***The following description does not apply to the Offered Bonds.***

Within the Debt Service Reserve Fund there shall be established a separate Debt Service Reserve Account for each of the Projects. At the time of or prior to the delivery of each Series of Bonds, the Authority shall pay into each Debt Service Reserve Account from the proceeds of the sale of Bonds issued with respect to the Project to which such Debt Service Reserve Account relates, or from any other available source, a sum of money equal to the Debt Service Reserve Requirement with respect to the Bonds issued for such Project. In the event that moneys on deposit in a Debt Service Reserve Account are transferred to the Debt Service Fund as described below, then, within five months of the date of such transfer, the Authority shall deposit or cause to be deposited into such Debt Service Reserve Account moneys sufficient to cause the amount of moneys and value of Investment Obligations then on deposit in such Debt Service Reserve Account to

be equal to the Debt Service Reserve Requirement applicable thereto.

"Debt Service Reserve Requirement" means, with respect to each Series of Bonds, as of any date of calculation, (i) an amount equal to the aggregate of the greatest amount of Debt Service on all Outstanding Bonds of such Series issued for each Project (calculated separately for each Project and then aggregated) payable on any interest or Principal Installment date thereafter (except that for the first such date after the date of issuance of such Bonds, interest to accrue for greater than 6 months but less than 12 months shall not be taken into account), or (ii) such greater amount, which subsequently may be reduced to an amount not less than the amount required by clause (i) above, as may be determined from time to time by the Authority by Supplemental Resolution; provided, however, that as a result of the issuance of any Series of Bonds the interest on which is generally excluded from gross income for Federal income tax purposes, the Debt Service Reserve Requirement with respect to such Series shall at no time exceed the lesser of (i) the amount that may be funded from the proceeds of such Bonds or (ii) the amount that constitutes a reasonably required reserve with respect to such Bonds. Each determination by the Authority of the Debt Service Reserve Requirement shall be conclusive. See the definition of this term in Appendix C for definitions of other defined terms used above. The Offered Bonds are excluded from the calculation of the Debt Service Reserve Requirement.

Moneys credited to a Debt Service Reserve Account shall be used, except as hereinafter described, solely for the payment of the principal and Sinking Fund Installments, if any, of and interest on the Bonds issued with respect to the Project to which such Account relates as the same become due and payable and with respect to which there are insufficient moneys available in the Debt Service Fund. If there are insufficient moneys for such purpose in the Debt Service Reserve Account with respect to the Project to which such Account relates, then moneys and Investment Obligations on deposit in or credited to the Debt Service Reserve Accounts which relate to other Projects of the Institution for which such Project was undertaken shall be applied on a pro rata basis (based on Debt Service Reserve Requirements) to cure such deficiency. If after making such application a deficiency still exists in the Debt Service Reserve Account with respect to a particular Project, then moneys and Investment Obligations on deposit in or credited to the Debt Service Reserve Accounts for (i) first, all Projects undertaken for all other Institutions under the supervision of a Board and (ii) if such moneys and Investment Obligations are insufficient, then all Projects undertaken for all Institutions under the supervision of the other Board, may be applied on a pro rata basis (based on Debt Service Reserve Requirements) to cure such deficiency. Moneys applied pursuant to the previous two sentences shall be restored to the respective Accounts from which they were obtained in the inverse order from which they were withdrawn and such Accounts are to be restored to the Debt Service Reserve Requirement therefor before moneys are credited to the Debt Service Reserve Account related to the Project for which there were insufficient moneys available in the Debt Service Fund.

Any amounts in a Debt Service Reserve Account at the end of any Bond Year in excess of the Debt Service Reserve Requirement with respect to the Bonds issued for a Project to which such Account relates shall be withdrawn from such Account and transferred to the Debt Service Fund and applied to the payment of the principal and Sinking Fund Installments of and interest on the Bonds relating to such Project, unless otherwise directed by the Authority.

If the Authority determines at any time that the moneys and value of Investment Obligations credited to any Debt Service Reserve Account are in excess of the Debt Service Reserve Requirement for the Bonds issued for the related Project, the Authority may transfer or, if applicable, direct the Trustee to transfer such excess to the Debt Service Fund and apply such excess to the payment of the principal and Sinking Fund Installments of and interest on Bonds relating to such Project.

In the event of the refunding of any Bonds, the Authority may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with a Paying Agent to be held for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply such amounts to pay the costs of issuance of the Refunding Bonds, or, if not so applied, such amounts shall be applied in the same manner as provided for excess amounts in the Debt Service Reserve Fund; provided, however, that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, (ii) the amount and value of Investment Obligations remaining in such Debt Service Reserve Account shall not be less than the Debt Service Reserve Requirement for the Bonds issued for the related Project, and (iii) at the time of such withdrawal, there shall exist no deficiency in the Debt Service Fund.

In lieu of cash or Investment Obligations, the Authority may satisfy the Debt Service Reserve Requirement in part or in whole by maintaining a Reserve Fund Credit Facility from a provider whose long term obligations or claims paying ability are rated, at the time of acceptance by the Authority, by each rating agency then rating outstanding Bonds, no lower than the same rating category (taking into account refinements and gradations) as the Bonds are then rated by such rating agency. If a disbursement is made pursuant to a Reserve Fund Credit Facility, the Authority shall within 12 months either (i) reinstate the maximum limits of such Reserve Fund Credit Facility or (ii) deposit into the Debt Service Reserve Fund funds in the amount of the disbursement made under such Reserve Fund Credit Facility, or a combination of such

alternatives, so that the amount of moneys and value of Investment Obligations and/or Reserve Fund Credit Facility in each Debt Service Reserve Account equals the Debt Service Reserve Requirement for the Bonds issued for the related Project. If a Debt Service Reserve Account is funded with any combination of moneys, Investment Obligations and/or one or more Reserve Fund Credit Facilities, then any withdrawal to satisfy a deficiency in the Debt Service Fund shall be made from such (i) moneys or Investment Obligations and (ii) Reserve Fund Credit Facilities (and among such Reserve Fund Credit Facilities) on a pro rata basis, except or unless otherwise required or permitted by the provider or providers of such Reserve Fund Credit Facilities.

The Debt Service Reserve Fund Requirements with respect to the Bonds issued prior to the Higher Educational Facilities Second Program Bonds, 2008 Series B, were satisfied by the deposit of Reserve Fund Credit Facilities to the Debt Service Reserve Fund. There are currently on deposit in the Debt Service Reserve Fund cash funded reserves in the aggregate amount of \$41,561,581 and Reserve Fund Credit Facilities issued by MBIA Insurance Corporation in the aggregate amount of \$19,142,001 and by Financial Security Assurance Inc., now Assured Guaranty Municipal Corp., in the aggregate amount of \$40,341,766. On or around February 18, 2009, all obligations of MBIA Insurance Corporation with regard to bonds issued by the Authority were transferred over to MBIA Insurance Corp. of Illinois (which itself was subsequently renamed National Public Finance Guarantee Corporation). These Reserve Fund Credit Facilities terminate on the final maturity or earlier retirement date of the related Bonds. Certain of those related Bonds constitute 2012B Refunded Bonds and 2012C Refunded Bonds. Certain of the 2012B Refunded Bonds and 2012C Refunded Bonds, which constitute those being currently refunded, will reduce the Reserve Fund Credit Facilities issued by MBIA Insurance Corporation and Financial Security Assurance Inc. by \$2,038,410 and \$10,234,674, respectively, upon their call date of August 15, 2012. See "PURPOSES OF THE OFFERED BONDS" herein.

Additional Bonds

Additional Bonds may be issued under the Resolution from time to time in Series, including refunding Outstanding Bonds, but only upon, among other things:

1. 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 (with such approvals as may be required by the Act as so amended), the 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 creates the valid pledge which it purports to create of the Annual Financing Charges, Legislative Appropriations, and all rights under the Agreements or otherwise to receive the same, 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; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution, entitled to the benefits of the 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 the law, including the Act as amended to the date of such Counsel's Opinion, and in accordance with the Resolution.
2. Receipt by the Trustee and the Registrar of a certificate of the Authority stating that:
 - (a) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
 - (b) the Authority is not in default in the performance of any other covenants, conditions, agreements or provisions contained in the Resolution, including but not limited to that there is no deficiency in the amounts required by the Resolution to be paid into the Debt Service Fund except, in the case of Refunding Bonds, if, upon the application of the proceeds of such Bonds or upon the issuance and delivery of such Bonds, all such defaults shall be cured;
 - (c) the amount on deposit in the Debt Service Reserve Fund, upon the issuance and delivery of any such Series of Bonds, shall not be less than the Debt Service Reserve Requirement;
 - (d) the Financing Agreements obligate the Boards to pay, in the aggregate, Annual Financing Charges with respect to Projects for which Bonds have been issued and the additional Bonds being issued sufficient in amount, together with capitalized interest, to pay as the same shall become due the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, of and interest on the Bonds then Outstanding and the additional Bonds being issued; and
 - (e) the provisions of the Act authorizing the Boards to deduct from amounts appropriated by the General Assembly of the State for the operation and maintenance of the Institution for which each Project is undertaken and pay to the Authority such amount or amounts as may be required to make up any deficiencies in the Fees and Charges and other moneys available for the purpose of paying Annual

Financing Charges due the Authority have not been repealed or amended to the detriment of Bondowners.

Additional Bonds are required to be authorized by Supplemental Resolution, which may delegate to authorized officers the power to determine, supplement, modify or amend specified details of such Bonds by means of a Series Certificate, which shall be filed with the Trustee and 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.

Additional Bonds may take the form of and have features incident to, among other things, Capital Appreciation Bonds, Variable Interest Rate Bonds, or Put Bonds, and in connection with the issuance of any Bonds the Authority may enter into Credit Facilities and Qualified Swaps. For a description of certain related provisions that may be included in Supplemental Resolutions, see Appendix E "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements".

Qualified Swaps

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of, and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap. The Authority has not entered into any Qualified Swaps and has no current plans to do so.

Subordinated Obligations; Commercial Paper

The Authority also reserves in the Resolution the right to issue or enter into Subordinated Obligations to be paid from amounts on deposit in the General Fund so long as any such Subordinated Obligations are not entitled, except as otherwise provided therefor by the express terms of the Resolution, to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Owners of the Bonds provided by, the Act and the Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS Flow of Funds".

The Authority has authorized tax-exempt and taxable Commercial Paper to be issued from time to time under the Commercial Paper Resolution, in an aggregate amount outstanding at any time not to exceed \$300,000,000 to fund Project Costs, pay the principal of outstanding Commercial Paper and repay amounts advanced and loans made pursuant to any credit or liquidity facility provided with respect to the Commercial Paper (each a "Liquidity Facility") but not fees and expenses payable thereunder. Generally, Commercial Paper is intended to be issued on an interim basis in anticipation of the issuance of Bonds, although in some cases the Authority may retire Commercial Paper from other available sources.

All Commercial Paper constitutes Subordinated Obligations under the Resolution. The principal of the Commercial Paper, to the extent not paid from proceeds of other Commercial Paper or amounts drawn on a Liquidity Facility, and interest on the Commercial Paper, to the extent not paid from proceeds of draws on the Liquidity Facility, is payable from amounts to be made available therefor by the Authority. The Authority has entered into an agreement with State Street Bank and Trust Company to provide the Liquidity Facility. Such Liquidity Facility permits, and the Commercial Paper Resolution requires, drawings thereunder (subject to conditions precedent) to pay the principal of and interest on Commercial Paper to the extent not paid from, in the case of principal, proceeds of other Commercial Paper or, in the case of both principal and interest, other funds made available by the Authority for the payment thereof. With the consent of the Authority, additional banks may be added as liquidity providers under the Liquidity Facility, in which case the obligations of all banks thereunder will be several and not joint. The Liquidity Facility will expire at the close of business on March 7, 2014, unless extended or terminated prior to such date in accordance with its terms.

On July 13, 2012, Commercial Paper was outstanding in the aggregate principal amount of \$253,676,000 of which approximately \$163,345,000 will be retired from proceeds of the Offered Bonds. See "PURPOSES OF THE OFFERED BONDS – Application of the Offered Bond Proceeds."

Certain State Law Bondowner Remedies

The State has waived the Authority's immunity from suit and extended its consent to be sued for actions on the Bonds, but has not done so for other contractual obligations of either the Authority or the Boards, including the Financing Agreements. Current State law provides that monetary claims against the State (including, for this purpose, the Authority and the Boards) for breach of its contractual obligations and certain other causes where sovereign immunity has not been waived may be heard and determined exclusively in the forum of the Tennessee Claims Commission, an administrative tribunal, where the Authority or the Boards may be liable only for actual damages and certain costs.

Under the State Constitution, public moneys may be expended only pursuant to an appropriation made by law. Sovereign immunity or other legal principles may bar actions to compel the General Assembly to appropriate moneys or to compel the payment of appropriated moneys.

For a description of remedies available to Bondowners under the Resolution, see Appendix E – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Remedies."

Termination of Existence

The Governmental Entity Review Law provides for the termination of various governmental entities on specified dates. Those dates are June 30, 2014, in the case of the Authority; June 30, 2014, in the case of the Board of Regents; and June 30, 2013, in the case of the Board of Trustees. The law also provides that if the General Assembly does not extend the termination date of an entity, the existence of the entity will continue for an additional year without any diminution, reduction or limitation of its powers. However, the State is required to preserve the rights of the holders of any outstanding indebtedness of the entity at the time of termination and the obligations and rights of such entity shall accrue to the State.

THE AUTHORITY

The Authority, created in 1965 under the Act, is a corporate governmental agency and instrumentality of the State of Tennessee. In addition to its authority to issue bonds and notes to finance Projects, the Authority in 1980 was empowered by the General Assembly of the State of Tennessee to issue bonds or notes to provide funds for the making of student loans by the Tennessee Student Assistance Corporation. The principal amounts of such bonds or notes issued may not exceed \$5,000,000 and must be secured separate and apart from any bonds or notes of the Authority issued to provide funds to finance Projects. As of the date of this Official Statement, no bonds or notes have been issued for the making of student loans.

In 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds ("QZABs"). QZABs are issued under the provisions of the Authority's Qualified Zone Academy Bonds First Program Resolution, are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. QZABs are part of a Federal government program in which, generally, a Federal income tax credit is given to investors in lieu of the payment of interest on the bonds.

Under the QZAB program, loans with local governments are direct general obligations of the local government for the payment of which as to principal, the full faith and credit of the local government are pledged. As additional security for the loans, there is also pledged the borrower's unobligated portions of State taxes that are by statute to be shared with the local governments ("Unobligated State-Shared Taxes"). Each borrower's annual loan repayments are deposited into sinking fund accounts invested with the State Treasurer and, together with interest thereon, are held to be applied to the payment of principal of the QZABs at maturity or upon redemption. As of June 30, 2012, the total par of QZABs outstanding is \$43,920,000 and the fund balance of pledged sinking fund accounts totaled \$21,725,964.

The Authority is also authorized to issue qualified school construction bonds ("QSCBs"), as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). QSCBs are issued under the provisions of the Authority's Qualified School Construction Bonds General Bond Resolution, which was adopted by the Authority on November 5, 2009, as supplemented (the "QSCB Resolution"), are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. The proceeds of QSCBs are lent to cities, counties and metropolitan governments in the State for construction, renovation and equipment of public school facilities. Under the QSCB program, each borrower executes a loan agreement pursuant to which it agrees to pay the principal of and interest on its loan and pledges to such payments its full faith and credit and unlimited taxing power and its Unobligated State-Shared Taxes in the event of non-payment by such borrower. For certain of the QSCBs, a Federal income tax credit is given to bondholders in lieu of the payment of interest on bonds, and in certain other QSCBs an election is made by the Authority to receive direct interest subsidy payments from the United States Treasury, which, if not needed to cure defaults under loan agreements with the borrowers, are transferred to them. As of June 30, 2012, the total par amount of QSCBs outstanding is \$389,440,000, and the fund balance of pledged sinking fund accounts totaled \$33,044,903.

The Authority is also required to approve any borrowings consummated by the Board of Trustees, by the Board of Regents or by any of the Institutions, whether such borrowings are made through the Authority or independently.

Membership of the Authority

The powers of the Authority, as defined in the Act, are vested in and exercised by its members who 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 and the President of The University of Tennessee. The Governor serves as Chairman of the Authority, and the Comptroller of the Treasury serves as the Secretary.

The Comptroller of the Treasury, the Secretary of State and the State Treasurer are the Constitutional Officers of the State and are elected from time to time by the General Assembly. The Commissioner of Finance and Administration serves at the pleasure of the Governor. The Chancellor of the Tennessee Board of Regents and the President of The University of Tennessee serve at the pleasure of their respective Boards.

Outstanding Second Program Bonds of the Authority

As of August 1, 2012, the Authority will have issued, and there will be outstanding, under the Resolution, Bonds (including the Offered Bonds but excluding the Refunded Bonds) as follows:

<u>Higher Educational Facilities Second Program Bonds</u>	Principal Outstanding (Pro Forma) (Unaudited)
2004 Series C (Federally Taxable)	2,695,000
2005 Refunding Series A	83,205,000
2005 Refunding Series B (Federally Taxable)	6,770,000
2006 Series A	8,880,000
2007 Series A	27,680,000
2007 Series B (Federally Taxable)	10,975,000
2007 Refunding Series C	84,080,000
2008 Series A	105,635,000
2008 Series B	150,270,000
2009 Series A	86,695,000
2010 Series A	200,110,000
2010 Series B (Federally Taxable)	17,275,000
2012 Series A	208,295,000
2012 Series B (Federally Taxable)	103,790,000
2012 Refunding Series C	125,635,000
Total Outstanding Second Program Bonds	<u>\$ 1,221,990,000</u>

The Authority also has issued and there is outstanding Commercial Paper as described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Commercial Paper”.

The Authority continually monitors its debt structure and capital requirements, and depending on such requirements, financial market conditions and other factors, may issue additional bonds or notes and may refund (whether or not for savings) any of its outstanding bonds and notes. For additional financial information concerning the Authority, see Appendix A hereto.

TENNESSEE PUBLIC HIGHER EDUCATION

General

Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission (the “Commission”) and consists of two systems: The University of Tennessee campuses governed by The Board of Trustees of the University of Tennessee (the “Board of Trustees”); and the state universities, community colleges, technical institutes and state technology centers governed by the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the “Board of Regents” and, together with the Board of Trustees, the “Boards”).

The Commission consists of the three Constitutional Officers (Comptroller of the Treasury, Secretary of State, State Treasurer), nine lay members with six year terms appointed by the Governor, and two student members appointed for two year terms (one from The University of Tennessee system and one from the Board of Regents system; one voting each year). It develops a statewide Master Plan used in making policy recommendations concerning such matters as the need for existing degree programs, the development of new degree programs, and the review of tuition and fees. The Commission is charged with conducting annual reviews and licensing non-accredited, degree-offering postsecondary educational institutions; has the responsibility for studying the use of public funds appropriated for higher education; and recommends the appropriation of state funds for public higher education institutions.

The Boards are governing bodies for all public higher education in Tennessee. They have entered into Second Program Financing Agreements, by which the Authority provides funding for Projects. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS".

The Board of Regents was created by the General Assembly in 1972 to govern the State University and Community College System, which currently includes 6 universities, 13 community colleges, and 27 state technology centers. Institutions governed by the Board of Regents are: Austin Peay State University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, University of Memphis, Chattanooga State Technical Community College, Cleveland State Community College, Columbia State Community College, Dyersburg State Community College, Jackson State Community College, Motlow State Community College, Nashville State Community College, Northeast State Technical Community College, Pellissippi State Technical Community College, Roane State Community College, Southwest Tennessee Community College, Volunteer State Community College, and Walters State Community College, each of which is considered under the Act and the Second Program Financing Agreements to be an "Institution".

The University of Tennessee was founded in 1794 as Blount College. The University was designated in 1869 as the Federal land-grant institution in Tennessee. The Board of Trustees is the governing body of The University of Tennessee. The University has four campuses (at Knoxville, Martin, Memphis, and Chattanooga), with 33 colleges, schools, and divisions, all of which constitute a single "Institution" under the Act and the Second Program Financing Agreements.

Legislation has been proposed from time to time that affects public higher education in Tennessee, including consolidating the operations of the Tennessee Higher Education Commission, the Board of Trustees and the Board of Regents, and similar legislation may be proposed in the future. No prediction can be made by the Authority as to whether any such legislation will be proposed or enacted or, if enacted, what will be the terms and provisions passed into law. As of July 1, 2012, the Tennessee Higher Education Commission will enter wind down pending further review. If no action is taken by the General Assembly to stop such wind down, the Tennessee Higher Education Commission will cease all activities effective June 30, 2013. However, the Authority is a separate entity from the Tennessee Higher Education Commission and the wind down of the Tennessee Higher Education Commission or its ceasing all activities will have no impact upon the Authority's obligations under the Offered Bonds. The Act includes a pledge from the State to the holders of the Bonds, including the Offered Bonds, that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with the holders of the Bonds, or in any way impair the rights and remedies of the holders until the Bonds, together with the interest on the Bonds, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders, are fully met and discharged.

For statements of outstanding debt by Institution, debt service coverage, fees and charges, appropriations and debt service by Institution, and certain other statistical information, see Appendix B hereto.

Capital Projects

Each year the capital budget for the University of Tennessee System and the Tennessee Board of Regents is disclosed in the Governor's budget. Certain projects are disclosed for funding by the Authority. Projects can remain on the disclosed list for three years. If by the end of the third year the project has not commenced, it is removed from the capital project list and must commence the disclosure process anew. The disclosed list is intended to give legislators notice of major projects that may be occurring in the next two years. Many of these projects never materialize, and often the scope and cost change. The following chart describes the current Disclosed Project List.

Institution	FY 2013 Disclosed not yet Authorized
University of Tennessee	\$ 45,800,000
Austing Peay State University	\$ 4,300,000
East Tennessee State University	2,000,000
Tennessee State University	37,600,000
Tennessee Technological University	26,680,000
University of Memphis	6,920,000
Total TBR	<u>\$ 77,500,000</u>
Total Higher Ed	<u>\$ 123,300,000</u>

See “Appendix B – Disclosed TSSBA Funded Capital Projects” for a five-year history of disclosed projects. See “Appendix B – Tennessee State School Bond Authority Projects” for projects approved and in progress.

Outcomes-Based Funding

Historically, Legislative appropriations for higher education have been based principally on enrollment with some incentives heavily focused on inputs. As part of the Complete College Tennessee Act of 2010, Tennessee developed an outcomes-based funding formula model that rewards institutions for the production of outcomes that further the educational attainment and productivity goals of the State’s Master Plan for the future development of public higher education that has been approved by the Commission. This model is effective beginning with Fiscal Year 2011-2012 and will be phased in over a three year period as discussed below under “Financial and Statistical Information.”

The outcomes were chosen to represent broad activities across institutions and are grouped into the categories of student progression, degree production, efficiency, and other important institutional functions. The outcomes are weighted according to institutional mission, reflecting an institution’s basic Carnegie Classification (a major national framework for describing how institutions are alike and different) as a core differentiation.

Outcomes Included in the University Formula

Students Accumulating 24hrs	Bachelor and Associate Degrees
Students Accumulating 48hrs	Masters and Ed Specialist Degrees
Students Accumulating 72hrs	Doctoral and Law Degrees
Research and Service Expenditures	Degrees per 100 FTE
Transfers Out with at Least 12 Credit Hours	Six-Year Graduation Rate

Outcomes Included in Community College Formula

Students Accumulating 12 hrs	Dual Enrollment Students	Job Placements
Students Accumulating 24 hrs	Associates Granted	Transfers out with 12 Credits
Students Accumulating 36 hrs	Certificates Granted	Remedial and Developmental Success
Work Force Training	Awards per 100 FTE	

The outcomes-based model does not include student enrollment data at all. It instead utilizes a three-year average of outcome data. The outcome data is then weighted to reflect both the priority of that outcome at a particular institution and an institution’s Carnegie Classification. Institutions are also rewarded with a premium for the student progression and undergraduate degree production data attributable to low-income and/or adult students. Student progression measures the accumulation of credit hours, thereby incorporating course completions.

The outcomes-based model provides several distinct advantages to an enrollment-based methodology. It is productivity-based and provides more stability by spreading the financial incentives across more variables. Additionally, the institutional specific weights allow the State to be clear in its expectations, while not prescribing to institutions how to achieve higher levels of outcomes. Unlike performance funding, the outcomes based formula does not have annual targets or benchmarks. Therefore, it does not punish institutions for failure to achieve a predetermined annual goal. Furthermore, the links to the Master Plan are strengthened by utilizing the formula as a policy tool to encourage increased productivity.

The implementation of this change in methodology includes a hold harmless phase-out with accompanying non-recurring transition funds, and a formula phase-in which will fully phase-out for the fiscal year 2013-2014. The hold harmless phase-out is associated with the previous enrollment-based formula and was phased out 65% in the fiscal year 2011-2012 with an additional phase out of 20% and 15% in the fiscal years 2012-2013 and 2013-2014, respectively. The formula phase-in is based on the new outcomes-based formula and was phased in at 20% in the first year, 30% in the second year and will be 50% in the third year. The non-recurring transition funds are additional funding that will support the institutions in the phase-out of the hold harmless. Higher education received nonrecurring funds of \$15 million in 2011-12 and \$10 million in 2012-13 to support institutions in the phase-out of the hold harmless provision. A final installment of \$5 million in nonrecurring funds is expected in 2013-14, although it cannot be guaranteed at this time.

Employee Retirement Benefits

Tennessee Consolidated Retirement System - General

Employees of the University of Tennessee and the Board of Regents are authorized to participate in the Tennessee Consolidated Retirement System (“TCRS”), a defined benefit pension plan, pursuant to Tennessee Code Annotated Title 8, Chapter 35 except that employees exempt from the Federal Fair Labor Standards Act may waive membership in TCRS and elect to participate in the Optional Retirement System (ORP), a defined contribution plan. The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers four large groups of public employees; state employees, higher education employees, teachers, and employees of certain local governments. As of June 30, 2011, there were 58,551 active members in TCRS in the state and higher education employee group. This total includes 16,409 employees of the University of Tennessee and the Board of Regents who are members of TCRS.

The State of Tennessee is ultimately responsible for the financial obligation of the benefits provided by TCRS to state employees and higher education employees to the extent such obligations are not covered by employee contributions and investment earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. Employees in the state and higher education group are noncontributory.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan and to determine the appropriate employer contribution rate. By practice, an actuarial valuation is performed every other year. The last valuation was performed as of July 1, 2011.

Tennessee Consolidated Retirement System - Actuarial

At July 1, 2011, the date of the latest actuarial valuation, the unfunded actuarial liability for the state and higher education employee group when based on the actuarial value of assets was \$1.555 billion, resulting in a funded ratio of 88.30%. The unfunded actuarial liability would have been \$2.520 billion if based on the market value of assets. The employer contribution rate, as determined by an actuarial valuation, includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

Tennessee Consolidated Retirement System - Funding Policy

Plan members are noncontributory. The H.E. Employer is required to contribute at an actuarially determined rate. The current rate is 14.91% of annual covered payroll. The contribution requirements of the H.E. Employer are established and may be amended by the TCRS Board of Trustees. The H.E. Employer’s contributions to TCRS for years ending June 30, 2011, 2010, and 2009 were as follows:

Fiscal Year Ended 30-Jun	Employer Contribution Rate	UT Contributions	TBR Contributions	H.E. Employer Total Contributions to TCRS
2011	14.91%	\$ 43,343,861	\$ 58,565,890	\$ 101,909,751
2010	13.02%	\$ 37,266,850	\$ 50,462,343	\$ 87,729,193
2009	13.02%	\$ 37,963,758	\$ 51,973,616	\$ 89,937,374

Contributions for UT and TBR met the requirements for each year.

It is anticipated that there will be upward pressure on the employer contribution rate in future actuarial valuations as deferred market losses that have been actuarially smoothed are recognized over the next ten years.

Higher Education (H.E.) Employer Contributions to TCRS

For the employees of higher education, the employer contribution rate, stated as a percentage of salary, for the period beginning July 1, 2011, and ending June 30, 2012, is 14.91% based on the actuarial valuation performed as of July 1, 2009. The July 1, 2011, actuarial valuation establishes the employer contribution rate for the two year period beginning July 1, 2012, and ending June 30, 2014. The employer contribution rate will be 15.03%.

GASB Exposure Draft Amending Statement 27

The Governmental Accounting Standards Board (GASB) has issued an exposure draft amending GASB statement number 27 relative to accounting and reporting for pensions. If adopted as proposed, it would separate pension accounting from pension funding, which heretofore have been tied together. The amendment proposes a methodology for measuring pension expense to be presented in the employer's financial statements. Moreover, the amendment proposes a methodology for measuring the pension liability to be presented in the employer's financial statement. No prediction can be made as to whether and in what form it might be adopted and as to any actual effects. However, financial statement presentation will not affect the pension funding methodologies described herein.

Other Post-Employment Benefits

Governmental Accounting Standards Board ("GASB") issued GASB Statements (nos. 43 and 45) that provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits ("OPEB"). The State has received an actuarial study as of July 1, 2010, that includes OPEB costs attributable to the State and, separately, for certain of its component units (including the Boards) that are required to participate in the State retirement and benefit plans. The study, which used a projected unit credit actuarial cost method, indicates that the total unfunded actuarial liability of the University of Tennessee is approximately \$240,150,000, and the annual required contribution is approximately \$23,973,000, while the unfunded actuarial liability of the Tennessee Board of Regents is approximately \$273,449,000, and the annual required contribution is approximately \$28,458,000. The annual required contribution consists of the normal cost (the portion of the actuarial present value of OPEB benefits which is allocated to a valuation year by the actuarial cost method) and an amortization of the unfunded actuarial liability. The report may be viewed at <http://www.tennessee.gov/finance/act/OPEB.html>. A new actuarial study is expected to be published in the fall of 2012. The State does not currently expect to fund any actuarially determined OPEB liability, but will continue to use pay-as-you-go funding of actual costs of OPEB liabilities incurred for the fiscal year. The State will charge the Boards for these actual costs allocable to the Boards' employees, but not for any actuarially determined OPEB liability. The State has the flexibility to adjust the various plan options on an annual basis, and will continue to analyze the cost of the choices available to employees and retirees and the cost of the choices on the employees, retirees and the State's cash flow to manage these expenditures going forward.

REVIEW AND APPROVAL PROCESS FOR FINANCING OF PROJECTS BY AUTHORITY

For the purpose of carrying out the programs authorized by the Act and to permit the Authority to undertake the financing of Projects, the Authority's existing policy generally requires the review and approval of a project by different bodies of State government prior to the Authority's approval of a project undertaken for either the Board of Trustees or the Board of Regents.

The review and approval process is undertaken in the following sequence:

(1) A Project request is initiated by an Institution. Such Project is expected to relate to that Institution's five-year capital construction plan, if applicable.

(2) The Project is reviewed by the Board of Trustees or the Board of Regents, as the case may be, and, if approved, is forwarded to the Tennessee Higher Education Commission (which currently is in wind down and is scheduled to cease all activities on June 30, 2013; see "TENNESSEE PUBLIC HIGHER EDUCATION" herein) and to the Authority.

(3) The Tennessee Higher Education Commission undertakes a review of the Project to determine its educational need and compatibility with the Institution's master plan. The Commission then forwards its comments and recommendations to the Commissioner of Finance and Administration and the State Building Commission. At the same time, the Authority staff undertakes a review of the Project's financial feasibility to determine if sufficient revenue has been pledged to cover the debt service for that project. The staff then forwards its comments and recommendations to the State Building Commission.

(4) The Project is then presented to the State Building Commission for approval of funding. The State Building Commission is an agency of the State of Tennessee whose permanent members consist of the Governor, Lieutenant Governor, Speaker of the House of Representatives, Comptroller of the Treasury, Secretary of State, State Treasurer and Commissioner of Finance and Administration. The State Architect serves as its Chief Staff Officer.

(5) Upon approval by the State Building Commission, the Project is forwarded to the Authority which considers the Project for inclusion under the Second Program Financing Agreement with the Board of Trustees or the Board of Regents, as the case may be.

(6) Upon approval for funding by the Authority, the Project proceeds immediately to detailed architectural design. When planning and specifications are complete, they are then forwarded to the State Architect's office for review and submission to the State Building Commission for approval.

Institutions may bring financings for the purchase of large equipment and computer software directly to the Authority. Depending on the average life of the item financed it may be amortized through the commercial paper program or through long-term or short-term fixed rate debt.

RATINGS

Moody's Investors Service Inc. ("Moody's") has assigned the Offered Bonds an enhanced rating of "Aa1", with a stable outlook, based in part on its assignment to the Authority's Legislative Appropriations intercept program (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Legislative Appropriations") of a programmatic rating of "Aa1", with a stable outlook. Standard & Poor's Ratings Services, a subsidiary of the McGraw Hill Companies, Inc. ("S&P") has assigned the Offered Bonds a rating of "AA", with a positive outlook. Fitch Ratings ("Fitch") has assigned the offered Bonds a rating of "AA+", with a stable outlook. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such revision or withdrawal may have an adverse effect on the market price of the Offered Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10004; and Fitch Ratings, One State Street Plaza, New York, New York, 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or the financing of the Projects or the application of the proceeds of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Offered Bonds or the existence powers of the Authority, the Board of Regents or the Board of Trustees. The Board of Regents and the Board of Trustees are engaged in litigation of various natures. However, there is no litigation pending or threatened to restrain or enjoin the financing of the Projects or contesting or affecting the validity of any proceedings of the Board of Regents or the Board of Trustees taken with respect to the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Annual Financing Charges.

TAX MATTERS

Federal Tax Matters – 2012A Bonds and 2012C Bonds

General

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, interest on the 2012A Bonds and 2012C Bonds (referred to in this section as the "Tax-Exempt Offered Bonds") (i) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Boards, and others in connection with the Tax-Exempt Offered Bonds, and Bond Counsel has assumed compliance by the Authority and the Boards with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt Offered Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Tax-Exempt Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. Bond Counsel expresses no opinion as to the effect of any action hereafter taken or not taken, in reliance upon an opinion of other counsel, on the exclusion from gross income for Federal income tax purposes of interest on the Tax-Exempt Offered Bonds.

For the proposed form of opinion of Bond Counsel relating to Federal tax matters, see Appendix H.

Certain Ongoing Federal Tax Requirements and Covenants

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Offered Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Tax-Exempt Offered Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Tax-Exempt Offered Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Bond Counsel is of the opinion that, for any Offered Bond having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Tax-Exempt Offered Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Tax-Exempt Offered Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on that Tax-Exempt Offered Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Tax-Exempt Offered Bond (a “Premium Bond”). In general, under Section 171

of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

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

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

Federal Tax Matters – 2012B Bonds

General

In the opinion of Bond Counsel to the Authority, interest on the 2012B Bonds (referred to in this section as "Federally Taxable Offered Bonds") is includable in gross income for United States Federal income tax purposes pursuant to the Code. Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Federally Taxable Offered Bonds. For the proposed form of opinion of Bond Counsel relating to Federal tax matters, See Appendix H.

The following discussion is a brief summary of the principal Federal income tax consequences of the acquisition, ownership and disposition of Federally Taxable Offered Bonds by original purchasers of the Federally Taxable Offered Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Federally Taxable Offered Bonds will be held as "capital assets" and (iii) does not discuss all of the 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 Federally Taxable Offered Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Federally Taxable Offered Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of Federally Taxable Offered Bonds should consult with their own tax advisors concerning the Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Federally Taxable Offered Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Acquisition Discount on Short-Term Taxable Bonds

Each holder of a Federally Taxable Offered Bond with a maturity not longer than one year (a "Short-Term Taxable Bond") is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and "acquisition discount" with respect to, the Short-Term Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. "Acquisition

discount” means the excess of the stated redemption price of a Short-Term Taxable Bond at maturity over the holder’s tax basis therefor.

A holder of a Short-Term Taxable Note not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder’s regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

Disposition and Defeasance

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

The Issuer may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable Offered Bonds to be deemed to be no longer outstanding under the resolution for the Federally Taxable Offered Bonds (a “defeasance”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Federally Taxable Offered Bonds subsequent to any such defeasance could also be affected.

Information Reporting and Backup Withholding

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

U.S. Holders

The term “U.S. Holder” means a beneficial owner of a Federally Taxable Offered 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 the 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.

IRS Circular 230 Disclosure

The advice under the caption “Federal Tax Matters – Federally Taxable Offered Bonds”, concerning certain income tax consequences of the acquisition, ownership and disposition of the Federally Taxable Offered Bonds, was written to support the marketing of the Federally Taxable Offered Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the Federally Taxable Offered Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the State is not intended to be used, and cannot be used by any bondholder, for the purpose of avoiding penalties that may be imposed on the bondholder under the Code, and (ii) the bondholder should seek advice based on the bondholder’s particular circumstances from an independent tax advisor

State of Tennessee Tax Matters

In the opinion of Bond Counsel to the Authority, under existing laws of the State, the Offered Bonds and the interest thereon 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, and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State.

Bond Counsel expresses no opinion regarding any other state or local tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation or otherwise. Bond Counsel expresses no opinion as to the effect of any action hereafter taken or not taken, in reliance upon an opinion of other counsel, under state and local tax law.

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

Miscellaneous Tax Matters

Tax legislation, administrative action taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2012A Bonds and 2012C Bonds under Federal or state law or otherwise prevent beneficial owners of the 2012A Bonds and 2012 C Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2012A Bonds and 2012C Bonds.

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

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 Offered 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.

VERIFICATION AGENT

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the Authority relating to (a) computation of the sufficiency of cash and forecasted receipts of principal and interest on the securities on deposit under the Refunding Trust Agreements to pay the forecasted payments of Redemption Prices and interest on and prior to the redemption dates of the Refunded Bonds, and (b) computation of the yield on the 2012A Bonds and 2012C Bonds was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by PFM on behalf of the Authority. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

APPROVING LEGAL OPINIONS

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

ADDITIONAL INFORMATION; CONTINUING DISCLOSURE

Additional information relating to the Authority and each Institution is contained in their respective audited financial statements. The audited financial statements of the Authority for fiscal years ended June 30, 2011 and 2010 are included herein as Appendix A. The most recent audited financial statements for each of the Institutions, as well as for certain prior years, are included herein as Appendix A.

The Authority has authorized a Continuing Disclosure Undertaking (the “Undertaking”) with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5). The Undertaking is for the benefit of the holders of the Offered Bonds; beneficial owners of the Offered Bonds will be third-party beneficiaries of the Undertaking. In the Undertaking, the Authority will agree to provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the Offered Bonds. The specific nature of the information to be provided and the notices of enumerated events, and where they will be filed, is described in the summary of certain provisions of the Undertaking, attached hereto as Appendix G. The Authority has not failed to comply in any material respect with any previous continuing disclosure undertaking in a written contract or agreement specified in Rule 15c2-12.

UNDERWRITING

J.P. Morgan Securities LLC (“JPMS”), on behalf of itself and other underwriters shown on the front cover of this Official Statement (collectively, the “Underwriters”), has agreed, subject to certain conditions, to purchase the Offered Bonds pursuant to a Bond Purchase Agreement (the “Purchase Agreement”). The Underwriters will purchase the 2012A Bonds at a

UNDERWRITING

J.P. Morgan Securities LLC (“JPMS”), on behalf of itself and other underwriters shown on the front cover of this Official Statement (collectively, the “Underwriters”), has agreed, subject to certain conditions, to purchase the Offered Bonds pursuant to a Bond Purchase Agreement (the “Purchase Agreement”). The Underwriters will purchase the 2012A Bonds at a purchase price of \$232,265,909 (representing the principal amount of the 2012A Bonds of \$208,295,000 plus net original issue premium of \$24,312,813, less Underwriters’ discount of \$341,904). The Underwriters will purchase the 2012B Bonds at a purchase price of \$103,628,688 (representing the principal amount of the 2012B Bonds of \$103,790,000, less Underwriters’ discount of \$161,312). The Underwriters will purchase the 2012C Bonds at a purchase price of \$143,596,817 (representing the principal amount of the 2012C Bonds of \$125,635,000 plus net original issue premium of \$18,135,085, less Underwriters’ discount of \$173,268).

The Purchase Agreement provides that the Underwriters shall purchase all of the Offered Bonds if any are purchased, subject to the conditions contained therein. The Offered Bonds may be offered and sold to certain dealers, banks and others at prices different than the offering prices indicated on the inside front cover page hereof, and such offering prices may be changed from time to time.

Certain of the Underwriters have provided the following four paragraphs for inclusion in this Official Statement.

JPMS has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the Offered Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds the such firm sells.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC, each an underwriter of the Offered Bonds, have entered into a retail brokerage joint venture. As part of the joint venture, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC 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, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with their respective allocations of Bonds.

Piper Jaffray & Co., one of the Underwriters of the Offered Bonds, and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the Offered Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

FORWARD LOOKING STATEMENTS

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

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the Act, the Financing Agreements, the Resolution, and the Undertaking contained herein do not purport to be complete and reference is made to each for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Any statements in this Official Statement involving matters of estimate or opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Offered Bonds.

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: */s/ Justin P. Wilson*
Comptroller of the Treasury;
Secretary to the Authority

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Financial Statements of the Authority

The Tennessee State School Bond Authority Comprehensive Annual Financial Report (“CAFR”), including the audited Basic Financial Statements, for the fiscal year ended June 30, 2011 has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system (see “Continuing Disclosure” in the Official Statement) and is obtainable from the MSRB in accordance with its procedures. A printed version is also available upon request to the Tennessee State School Bond Authority, James K. Polk State Office Building, Suite 1600, 505 Deaderick Street, Nashville, Tennessee 37243-0273, telephone (615) 401-7872, fax (615) 741-5986. The 2011 CAFR and certain prior year CAFRs are posted on the Authority’s website at <http://www.comptroller.tn.gov/TSSBA/cafr.asp>

The following reports, each of which are included in the CAFR and have been posted on the Authority’s website, are incorporated herein by reference:

Independent Auditor’s Report

Management’s Discussion and Analysis

Basic Financial Statements:

Statements of Net Assets

Statements of Revenues, Expenses and Changes in Net Assets

Statements of Cash Flows

Notes to the Financial Statements

Supplementary Schedules:

Supplementary Schedules of Net Assets – Program Level

Supplementary Schedules of Revenues, Expenses, and Changes in Net Assets – Program Level

Supplementary Schedules of Cash Flows – Program Level

Financial Statements of the Institutions

The most recent audited Basic Financial Statements for each of the Institutions and audited Basic Financial Statements for certain prior years are posted on the website of the Tennessee Comptroller of the Treasury, Division of State Audit at <http://www.comptroller.tn.gov/sa/SASub.asp?SC=CUtF> and are incorporated herein by reference. Universities are audited on an annual basis and Community Colleges are audited on a biennial basis. Audits are prepared on a rolling basis and are published as they become available.

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**TENNESSEE STATE SCHOOL BOND AUTHORITY
SELECTED STATISTICAL INFORMATION**

**Authority Second Program Bond Debt Service
and Other Requirements
Secured by Financing Agreements
(Excluding Commercial Paper)
(000's Omitted)**

12 Months Ending June 30	Bond Debt Service ¹	Admin. Expense ¹	Annual Debt Service and Admin. Exp. ¹
2013	\$ 101,799	\$ 2,444	\$ 104,243
2014	105,403	2,336	107,739
2015	101,558	2,226	103,784
2016	100,163	2,121	102,284
2017	98,906	2,014	100,920
2018	98,161	1,905	100,066
2019	96,750	1,792	98,542
2020	96,325	1,678	98,003
2021	90,017	1,560	91,577
2022	87,624	1,449	89,073
2023	86,144	1,337	87,481
2024	81,987	1,224	83,211
2025	77,800	1,114	78,914
2026	76,975	1,008	77,983
2027	69,215	899	70,114
2028	67,244	800	68,044
2029	58,499	701	59,200
2030	55,665	616	56,281
2031	42,874	531	43,405
2032	42,737	469	43,206
2033	35,363	403	35,766
2034	31,751	350	32,101
2035	28,961	301	29,262
2036	28,977	256	29,233
2037	27,192	209	27,401
2038	24,665	164	24,829
2039	20,238	121	20,359
2040	18,097	85	18,182
2041	13,683	52	13,735
2042	13,683	27	13,710
	<u>\$ 1,878,456</u>	<u>\$ 30,192</u>	<u>\$ 1,908,648</u>

Source - TSSBA Master Bond Schedule (Unaudited)

¹ Includes the Offered Bonds and excludes the 2012B Refunded Bonds and the 2012C Refunded Bonds. See "PURPOSES OF THE OFFERED BONDS - Plan of Refunding and Application of the 2012B Bond Proceeds" and "- Plan of Refunding and Application of the 2012 C Bond Proceeds".

Principal Amount of Debt Outstanding by Institution
(Unaudited)
(000's omitted)

Institutions¹	Authority Debt		Offered Bonds	Total Debt
	Second Program Bonds²	Commercial Paper^{3,4}		
University of Tennessee	\$ 374,238	\$ 56,829	\$ 256,917	\$ 687,984
Middle Tennessee State University	117,105	10,088	95,567	222,760
East Tennessee State University	101,703	4,288	24,985	130,976
University of Memphis	95,707	88	5,344	101,139
Austin Peay State University	23,910	5,729	35,672	65,311
Tennessee Technical University	31,944	1,852	10,209	44,005
Tennessee State University	32,788	-	4,022	36,810
Chattanooga State Technical Community College	1,910	-	1,471	3,381
Southwest Tennessee Community College	2,680	-	-	2,680
Pellissippi State Technical Community College	898	-	488	1,386
Columbia State Community College	-	-	1,392	1,392
Roane State Community College	216	-	831	1,047
Walters State Community College	143	-	553	696
Nashville State Technical Community College	589	-	-	589
Cleveland State Community College	378	-	-	378
Northeast State Technical Community College	61	-	236	297
Volunteer State Community College	-	-	33	33
TOTAL	\$ 784,270	\$ 78,874	\$ 437,720	\$ 1,300,864

Source - TSSBA (Unaudited)

¹ Includes only those Institutions that have projects which have been financed with Commercial Paper and/or Bonds.

² Excludes the 2012B Refunded Bonds and the 2012C Refunded Bonds. See "PURPOSES OF THE OFFERED BONDS - Plan of Refunding and Application of the 2012B Bond Proceeds" and "- Plan of Refunding and Application of the 2012 C Bond Proceeds".

³ Excludes Commercial Paper not allocated to Institutions as of July 13, 2012 (see page B-18).

⁴ Excludes Commercial Paper to be retired by the 2012A and 2012B Bond proceeds.

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University and College Funds¹
Statement of Fees/Charges, Legislative Appropriations
And Debt Service for the Last Ten Years

The Total Fees and Charges and Legislative Appropriations (in some cases, as amended by the General Assembly) set forth in the following tables are applied to pay the cost of operations and maintenance of the following Institutions as well as the Debt Service Requirements³ (excluding Commercial Paper and the Offered Bonds) listed below. (Fiscal Years end June 30) (Dollar amounts are rounded to thousands).

UNIVERSITY OF TENNESSEE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 685,003	\$ 548,787	\$ -	\$ 51,079
2010	648,298	493,304	12	43,998
2009	599,973	476,333	35	43,577
2008	565,963	510,261	35	33,177
2007	532,582	471,730	45	26,652
2006	484,786	440,014	56	23,896
2005	448,955	430,412	66	25,317
2004	417,191	406,033	75	24,508
2003	413,632	409,612	-	24,804
2002	438,956	406,146	21	18,628

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 78,214	\$ 36,102	\$ -	\$ 3,531
2010	70,128	39,157	-	3,512
2009	62,358	33,427	-	3,512
2008	57,821	36,371	-	2,581
2007	56,119	34,977	-	2,253
2006	50,818	32,684	-	2,104
2005	44,332	32,216	-	2,242
2004	40,120	30,712	48	1,515
2003	42,577	31,100	48	1,516
2002	38,957	30,484	48	649

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 129,854	\$ 62,962	\$ 1,399	\$ 9,229
2010	121,868	52,643	1,399	9,502
2009	103,738	58,723	1,699	9,489
2008	93,073	63,403	1,889	5,172
2007	107,798	91,709	2,070	2,895
2006	100,454	86,173	2,242	2,221
2005	92,599	83,221	312	2,824
2004	85,854	79,247	315	2,609
2003	76,414	79,735	319	2,608
2002	72,774	77,965	261	1,916

MIDDLE TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 223,096	\$ 100,110	\$ -	\$ 14,928
2010	199,352	101,836	-	12,962
2009	182,576	92,908	-	12,962
2008	168,872	100,859	-	8,011
2007	158,641	94,005	-	7,875
2006	149,759	86,971	-	6,455
2005	136,192	85,305	-	6,937
2004	126,161	81,057	-	6,540
2003	108,974	82,144	-	6,537
2002	98,031	77,990	-	5,472

TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 91,919	\$ 40,831	\$ -	\$ 4,071
2010	85,831	44,400	-	4,041
2009	80,016	38,085	-	4,041
2008	85,505	41,775	-	3,506
2007	60,537	39,913	-	2,911
2006	59,847	37,864	-	2,893
2005	57,504	37,110	-	3,001
2004	54,375	34,569	-	3,136
2003	47,326	34,988	-	3,137
2002	45,119	35,067	-	2,193

TENNESSEE TECHNOLOGICAL UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 89,100	\$ 50,616	\$ -	\$ 3,104
2010	81,475	48,133	-	1,786
2009	76,045	47,577	-	1,786
2008	70,801	48,812	-	1,273
2007	61,679	46,012	-	1,242
2006	56,568	43,370	-	1,042
2005	52,138	42,742	-	1,168
2004	47,194	40,165	-	897
2003	45,293	40,790	-	415
2002	41,311	40,392	-	639

UNIVERSITY OF MEMPHIS

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 237,768	\$ 133,514	\$ -	\$ 8,839
2010	214,426	122,480	-	8,914
2009	195,365	114,524	-	8,914
2008	188,462	123,719	-	6,280
2007	177,082	116,006	-	6,013
2006	166,652	108,395	-	4,993
2005	151,536	106,393	-	5,609
2004	140,957	100,602	-	6,291
2003	127,638	102,139	-	6,334
2002	120,196	99,786	-	3,777

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 34,021	\$ 26,901	\$ -	\$ 284
2010	29,512	24,926	-	489
2009	26,466	23,937	-	489
2008	22,190	25,074	-	489
2007	20,832	23,697	-	280
2006	19,084	22,336	-	69
2005	18,216	21,977	-	73
2004	17,297	20,802	65	73
2003	15,034	21,108	60	73
2002	13,947	21,233	70	73

CLEVELAND STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 10,979	\$ 11,432	\$ -	\$ 45
2010	9,958	10,992	-	213
2009	8,336	10,379	-	213
2008	7,360	10,856	-	168
2007	6,422	10,317	-	169
2006	6,249	9,683	-	-
2005	5,737	9,580	-	-
2004	5,631	9,053	-	-
2003	4,757	9,212	-	-
2002	4,544	9,295	-	-

MOTLOW STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 13,983	\$ 11,023	\$ -	\$ -
2010	13,121	9,143	-	170
2009	11,148	12,890	-	170
2008	9,780	10,951	-	170
2007	8,661	10,290	-	171
2006	7,678	9,434	-	-
2005	7,022	9,343	-	-
2004	6,369	8,747	-	-
2003	5,660	8,893	-	-
2002	5,225	8,514	-	-

NASHVILLE STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 30,011	\$ 16,451	\$ -	\$ 85
2010	24,984	14,585	-	85
2009	19,900	15,619	-	70
2008	17,657	16,370	-	85
2007	15,828	15,185	-	13
2006	15,615	14,045	-	13
2005	13,955	13,449	-	13
2004	12,202	12,730	-	13
2003	13,519	13,099	-	13
2002	8,254	12,525	-	-

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 19,302	\$ 13,291	\$ -	\$ 43
2010	16,728	13,247	-	209
2009	13,534	12,678	-	209
2008	12,086	13,199	-	209
2007	11,731	12,256	-	212
2006	10,505	11,147	-	-
2005	9,883	10,958	-	-
2004	8,910	10,391	-	-
2003	7,283	10,543	-	-
2002	6,599	9,737	-	-

COLUMBIA STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 15,413	\$ 14,116	\$ -	\$ 18
2010	14,406	14,324	-	18
2009	11,755	13,824	-	14
2008	10,903	13,986	-	18
2007	13,829	13,710	-	17
2006	13,027	12,731	-	17
2005	12,133	12,839	-	17
2004	10,799	11,344	-	-
2003	14,921	11,540	-	-
2002	13,136	11,437	-	-

DYERSBURG STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 9,988	\$ 7,985	\$ -	\$ -
2010	9,027	7,758	-	116
2009	6,945	7,276	-	116
2008	6,141	7,612	-	116
2007	6,032	7,118	-	117
2006	5,451	6,490	-	-
2005	5,490	6,386	-	-
2004	5,219	6,035	-	-
2003	4,010	6,108	-	-
2002	3,762	5,979	-	-

JACKSON STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 15,739	\$ 13,193	\$ -	\$ -
2010	14,749	11,710	-	166
2009	12,383	13,264	-	166
2008	11,512	13,147	-	166
2007	10,614	12,383	-	168
2006	9,280	11,480	-	-
2005	8,958	11,282	-	-
2004	8,290	10,610	-	-
2003	7,173	10,768	-	-
2002	6,773	10,477	-	-

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 35,757	\$ 22,100	\$ -	\$ 179
2010	32,052	19,105	-	376
2009	25,530	20,983	-	376
2008	23,917	22,037	-	375
2007	20,801	20,657	-	293
2006	19,184	19,252	-	-
2005	17,376	18,935	-	-
2004	17,109	17,985	-	-
2003	14,393	18,247	-	-
2002	13,854	18,078	-	-

ROANE STATE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 20,532	\$ 19,098	\$ -	\$ 153
2010	18,411	20,103	-	323
2009	15,366	18,104	-	323
2008	14,478	18,976	-	323
2007	13,510	17,892	-	330
2006	12,528	16,660	-	-
2005	11,823	16,470	-	-
2004	10,964	15,518	-	-
2003	9,532	15,779	-	-
2002	8,589	15,771	-	-

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Prior and Subordinate	Debt Service
			Debt Service Requirements (Non Authority)	Requirements ³ (Authority Bonds)
2011	\$ 42,093	\$ 40,168	\$ -	\$ 390
2010	39,546	40,340	-	389
2009	36,691	38,230	-	389
2008	30,403	40,131	-	175
2007	22,042	38,723	-	174
2006	18,166	36,905	-	169
2005	16,749	36,210	-	179
2004	16,472	34,191	-	179
2003	21,839	34,827	-	179
2002	19,022	35,175	-	146

VOLUNTEER STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2011	\$ 24,326	\$ 20,729	\$ -	\$ 17
2010	22,240	18,944	-	139
2009	17,802	18,351	-	139
2008	16,565	19,245	-	139
2007	14,974	17,995	-	140
2006	14,224	16,548	-	17
2005	13,206	16,303	-	17
2004	12,256	15,417	-	-
2003	10,333	15,641	-	-
2002	9,600	15,689	-	-

WALTERS STATE COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Prior and Subordinate Debt Service Requirements (Non Authority)</u>	<u>Debt Service Requirements³ (Authority Bonds)</u>
2011	\$ 21,821	\$ 19,986	\$ -	\$ 102
2010	21,454	19,180	-	289
2009	17,859	19,601	-	289
2008	15,810	19,429	-	289
2007	14,097	18,249	-	294
2006	12,740	16,860	-	-
2005	11,798	16,643	-	-
2004	11,211	15,689	-	-
2003	9,990	15,909	-	-
2002	9,381	15,595	-	-

Source-Colleges & Universities (unaudited)

¹ Includes only those Institutions that have projects which have been financed with Bonds.

² Appropriations for operations and maintenance, including employer social security and retirement contributions; but not including special program funds, such as for Centers of Excellence and institution and research equipment.

³ Debt Service Requirements consist of only principal and interest.

State of Tennessee
Coverage of Annual Financing Charges and Administrative Fees for
Long-Term Debt Secured By Financing Agreements¹
College and University Funds
For the Last Ten Years

(Expressed in Thousands)

UNIVERSITY OF TENNESSEE

Fiscal Year	Total Fees and Charges ⁴	Legislative Appropriations ² ⁴	Annual Financing Chrgs and Admin Fees ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2011	\$ 685,003	\$ 584,787	\$ 51,984	13.18 X	24.43 X
2010	648,298	493,304	44,804	14.47 X	25.48 X
2009	599,973	476,333	33,870	17.71 X	31.78 X
2008	565,963	510,261	33,870	16.71 X	31.78 X
2007	532,582	471,730	27,157	19.61 X	36.98 X
2006	484,786	440,014	24,425	19.85 X	37.86 X
2005	448,955	430,412	25,854	17.37 X	34.01 X
2004	417,191	406,033	24,822	16.81 X	33.17 X
2003	413,632	409,612	25,138	16.45 X	32.75 X
2002	438,956	406,146	20,703	21.20 X	40.82 X

AUSTIN PEAY STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2011	\$ 78,214	\$ 36,102	\$ 3,633	21.53 X	31.47 X
2010	70,128	39,157	3,625	19.35 X	30.15 X
2009	62,358	33,427	2,682	23.25 X	35.71 X
2008	57,821	36,371	2,682	21.56 X	35.12 X
2007	56,119	34,977	2,335	24.03 X	39.01 X
2006	50,818	32,684	2,162	23.51 X	38.62 X
2005	44,332	32,216	2,304	19.24 X	33.22 X
2004	40,120	30,712	1,546	25.95 X	45.82 X
2003	42,577	31,100	1,548	27.50 X	47.59 X
2002	38,957	30,484	651	59.84 X	106.67 X

EAST TENNESSEE STATE UNIVERSITY

Fiscal Year	Total Fees and Charges	Legislative Appropriations ²	Annual Financing Chrgs and Admin Fees ³	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2011	\$ 129,854	\$ 62,962	\$ 9,455	13.73 X	20.39 X
2010	121,868	52,643	9,740	12.51 X	17.92 X
2009	103,738	58,723	5,297	19.58 X	30.67 X
2008	93,073	63,403	5,297	17.57 X	29.54 X
2007	107,798	91,709	2,943	36.63 X	67.79 X
2006	100,454	86,173	2,261	44.43 X	82.54 X
2005	92,599	83,221	2,881	32.14 X	61.03 X
2004	85,854	79,247	2,660	32.28 X	62.07 X
2003	76,414	79,735	2,661	28.72 X	58.68 X
2002	72,774	77,965	2,117	34.38 X	71.20 X

MIDDLE TENNESSEE STATE UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 223,096	\$ 100,110	\$ 15,239	14.64 X	21.21 X
2010	199,352	101,836	13,253	15.04 X	22.73 X
2009	182,576	92,908	8,181	22.32 X	33.67 X
2008	168,872	100,859	8,181	20.64 X	32.97 X
2007	158,641	94,005	8,036	19.74 X	31.44 X
2006	149,759	86,971	6,626	22.60 X	35.73 X
2005	136,192	85,305	7,103	19.17 X	31.18 X
2004	126,161	81,057	6,673	18.91 X	31.05 X
2003	108,974	82,144	6,675	16.33 X	28.63 X
2002	98,031	77,990	5,978	16.40 X	29.44 X

TENNESSEE STATE UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 91,919	\$ 40,831	\$ 4,157	22.11 X	31.93 X
2010	85,831	44,400	4,135	20.76 X	31.49 X
2009	80,016	38,085	3,592	22.28 X	32.88 X
2008	85,505	41,775	3,592	23.80 X	35.43 X
2007	60,537	39,913	2,967	20.40 X	33.86 X
2006	59,847	37,864	2,958	20.23 X	33.03 X
2005	57,504	37,110	3,054	18.83 X	30.98 X
2004	54,375	34,569	3,070	17.71 X	28.97 X
2003	47,326	34,988	3,198	14.80 X	25.74 X
2002	45,119	35,067	2,272	19.86 X	35.29 X

TENNESSEE TECHNOLOGICAL UNIVERSITY

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 89,100	\$ 50,616	\$ 3,178	28.04 X	43.96 X
2010	81,475	48,133	1,816	44.87 X	71.37 X
2009	76,045	47,577	1,294	58.77 X	95.53 X
2008	70,801	48,812	1,294	54.71 X	92.44 X
2007	61,679	46,012	1,261	48.91 X	85.40 X
2006	56,568	43,370	1,066	53.07 X	93.75 X
2005	52,138	42,742	1,190	43.81 X	79.73 X
2004	47,194	40,165	912	51.75 X	95.79 X
2003	45,293	40,790	420	107.84 X	204.96 X
2002	41,311	40,392	756	54.64 X	108.07 X

UNIVERSITY OF MEMPHIS

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 237,768	\$ 133,514	\$ 9,050	26.27 X	41.03 X
2010	214,426	122,480	9,072	23.64 X	37.14 X
2009	195,365	114,524	6,380	30.62 X	48.57 X
2008	188,462	123,719	6,380	29.54 X	48.93 X
2007	177,082	116,006	6,114	28.96 X	47.94 X
2006	166,652	108,395	5,197	32.07 X	52.92 X
2005	151,536	106,393	5,792	26.16 X	44.53 X
2004	140,957	100,602	6,378	22.10 X	37.87 X
2003	127,638	102,139	6,432	19.84 X	35.72 X
2002	120,196	99,786	5,884	20.43 X	37.39 X

CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 34,021	\$ 26,901	\$ 289	117.72 X	210.80 X
2010	29,512	24,926	495	59.62 X	109.98 X
2009	26,466	23,937	495	53.47 X	101.82 X
2008	22,190	25,074	495	44.83 X	95.48 X
2007	20,832	23,697	282	73.87 X	157.90 X
2006	19,084	22,336	71	268.79 X	583.38 X
2005	18,216	21,977	74	246.16 X	543.15 X
2004	17,297	20,802	74	233.74 X	514.85 X
2003	15,034	21,108	74	203.16 X	488.41 X
2002	13,947	21,233	74	188.47 X	475.41 X

CLEVELAND STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 10,979	\$ 11,432	\$ 46	238.67 X	487.20 X
2010	9,958	10,992	214	46.53 X	97.90 X
2009	8,336	10,379	169	49.33 X	110.74 X
2008	7,360	10,856	169	43.55 X	107.79 X
2007	6,422	10,317	170	37.78 X	98.46 X
2006	6,249	9,683	-	-	-
2005	5,737	9,580	-	-	-
2004	5,631	9,053	-	-	-
2003	4,757	9,212	-	-	-
2002	4,544	9,295	-	-	-

COLUMBIA STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 15,413	\$ 14,116	\$ 18	856.28 X	1640.50 X
2010	14,406	14,324	18	800.33 X	1596.11 X
2009	11,755	13,824	14	839.64 X	1827.07 X
2008	10,903	13,986	18	605.72 X	1382.72 X
2007	13,829	13,710	18	768.28 X	1529.94 X
2006	13,027	12,731	18	723.72 X	1431.00 X
2005	12,133	12,839	18	674.06 X	1387.33 X
2004	10,799	11,344	-	-	-
2003	14,921	11,540	-	-	-
2002	13,136	11,437	-	-	-

DYERSBURG STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 9,988	\$ 7,985	\$ 0	-	-
2010	9,027	7,758	116	77.82 X	144.70 X
2009	6,945	7,276	116	59.87 X	122.59 X
2008	6,141	7,612	116	52.94 X	118.56 X
2007	6,032	7,118	117	51.56 X	112.39 X
2006	5,451	6,490	-	-	-
2005	5,490	6,386	-	-	-
2004	5,219	6,035	-	-	-
2003	4,010	6,108	-	-	-
2002	3,762	5,979	-	-	-

JACKSON STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 15,739	\$ 13,193	\$ 0	-	-
2010	14,749	11,710	167	88.32 X	158.44 X
2009	12,383	13,264	167	74.15 X	153.57 X
2008	11,512	13,147	167	68.93 X	147.66 X
2007	10,614	12,383	169	62.80 X	136.08 X
2006	9,280	11,480	-	-	-
2005	8,958	11,282	-	-	-
2004	8,290	10,610	-	-	-
2003	7,173	10,768	-	-	-
2002	6,773	10,477	-	-	-

MOTLOW STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 13,983	\$ 11,023	\$ 0	-	-
2010	13,121	9,143	171	76.73 X	130.20 X
2009	11,148	12,890	171	65.19 X	140.57 X
2008	9,780	10,951	171	57.19 X	121.23 X
2007	8,661	10,290	173	50.06 X	109.54 X
2006	7,678	9,434	-	-	-
2005	7,022	9,343	-	-	-
2004	6,369	8,747	-	-	-
2003	5,660	8,893	-	-	-
2002	5,225	8,514	-	-	-

NASHVILLE STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 30,011	\$ 16,451	\$ 87	344.95 X	534.05 X
2010	24,984	14,585	87	287.17 X	454.82 X
2009	19,900	15,619	87	228.74 X	408.26 X
2008	17,657	16,370	87	202.95 X	391.11 X
2007	15,828	15,185	13	1217.54 X	2385.62 X
2006	15,615	14,045	13	1201.15 X	2281.54 X
2005	13,955	13,449	13	1073.46 X	2108.00 X
2004	12,202	12,730	13	938.62 X	1917.85 X
2003	13,519	13,099	13	1039.92 X	2047.54 X
2002	8,254	12,525	-	-	-

NORTHEAST STATE TECHNICAL COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 19,302	\$ 13,291	\$ 44	438.68 X	740.75 X
2010	16,728	13,247	210	79.66 X	142.74 X
2009	13,534	12,678	210	64.45 X	124.82 X
2008	12,086	13,199	210	57.55 X	120.40 X
2007	11,731	12,256	214	54.82 X	112.09 X
2006	10,505	11,147	-	-	-
2005	9,883	10,958	-	-	-
2004	8,910	10,391	-	-	-
2003	7,283	10,543	-	-	-
2002	6,599	9,737	-	-	-

PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 35,757	\$ 22,100	\$ 181	197.55 X	319.65 X
2010	32,052	19,105	380	84.35 X	134.62 X
2009	25,530	20,983	380	67.18 X	122.40 X
2008	23,917	22,037	380	62.94 X	120.93 X
2007	20,801	20,657	296	70.27 X	140.06 X
2006	19,184	19,252	-	-	-
2005	17,376	18,935	-	-	-
2004	17,109	17,985	-	-	-
2003	14,393	18,247	-	-	-
2002	13,854	18,078	-	-	-

ROANE STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 20,532	\$ 19,098	\$ 155	132.46 X	255.68 X
2010	18,411	20,103	327	56.30 X	117.78 X
2009	15,366	18,104	327	46.99 X	102.35 X
2008	14,478	18,976	327	44.28 X	102.31 X
2007	13,510	17,892	334	40.45 X	94.02 X
2006	12,528	16,660	-	-	-
2005	11,823	16,470	-	-	-
2004	10,964	15,518	-	-	-
2003	9,532	15,779	-	-	-
2002	8,589	15,771	-	-	-

SOUTHWEST TENNESSEE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 42,093	\$ 40,168	\$ 396	106.30 X	207.73 X
2010	39,546	40,340	396	99.86 X	201.73 X
2009	36,691	38,230	179	204.98 X	418.55 X
2008	30,403	40,131	179	169.85 X	394.04 X
2007	22,042	38,723	179	123.14 X	339.47 X
2006	18,166	36,905	175	103.81 X	314.69 X
2005	16,749	36,210	183	91.52 X	289.39 X
2004	16,472	34,191	183	90.01 X	276.85 X
2003	21,839	34,827	149	146.57 X	380.31 X
2002	19,022	35,175	149	127.66 X	363.74 X

VOLUNTEER STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 24,326	\$ 20,729	\$ 17	1430.94 X	2650.29 X
2010	22,240	18,944	139	160.00 X	296.29 X
2009	17,802	18,351	139	128.07 X	260.09 X
2008	16,565	19,245	139	119.17 X	257.63 X
2007	14,974	17,995	141	106.20 X	233.82 X
2006	14,224	16,548	17	836.71 X	1810.12 X
2005	13,206	16,303	17	776.82 X	1735.82 X
2004	12,256	15,417	-	-	-
2003	10,333	15,641	-	-	-
2002	9,600	15,689	-	-	-

WALTERS STATE COMMUNITY COLLEGE

Coverage By:

<u>Fiscal Year</u>	<u>Total Fees and Charges</u>	<u>Legislative Appropriations²</u>	<u>Annual Financing Chrgs and Admin Fees³</u>	<u>Fees & Charges</u>	<u>Fees, Charges, & Appropriations</u>
2011	\$ 21,821	\$ 19,986	\$ 103	211.85 X	405.89 X
2010	21,454	19,180	292	73.47 X	139.16 X
2009	17,859	19,601	292	61.16 X	128.29 X
2008	15,810	19,429	292	54.14 X	120.68 X
2007	14,097	18,249	297	47.46 X	108.91 X
2006	12,740	16,860	-	-	-
2005	11,798	16,643	-	-	-
2004	11,211	15,689	-	-	-
2003	9,990	15,909	-	-	-
2002	9,381	15,595	-	-	-

Source - Universities and Colleges (Unaudited)

¹ Includes Second Program Bonds. Excludes Commercial Paper.

² Does not include coverage for debt outstanding as Commercial Paper.

³ Annual Financing Charges consist of principal, interest and administrative fee.

Disclosed TSSBA Funded Capital Projects¹
For the Last Five Years
(000's Omitted)

Institution ²	FY 2009		FY 2010		FY 2011		FY 2012		FY 2013	
	Disclosed	Authorized ³	Disclosed	Authorized ³	Disclosed	Authorized ³	Disclosed	Authorized**	Disclosed	Authorized ³
University of Tennessee	\$ 77,500	\$ 25,000	\$ 137,500	\$ 54,100	\$ 66,800	\$ 46,500	\$ 152,500	\$ 10,000	\$ 45,800	\$ 45,800
Austin Peay State University	14,500	-	56,650	23,750	40,200	-	23,800	23,800	4,300	4,300
East Tennessee State University	57,370	43,900	31,230	15,050	4,640	-	13,025	7,725	2,000	2,000
Middle Tennessee State University	53,750	31,750	32,000	9,750	5,390	5,390	-	-	-	-
Tennessee State University	-	-	-	-	-	-	-	-	37,600	37,600
Tennessee Technical University	-	-	27,200	18,000	19,510	19,510	-	-	26,680	26,680
University of Memphis	-	-	32,000	32,000	37,000	37,000	19,600	19,600	6,920	6,920
Chattanooga State Technical Community College	1,500	-	-	-	-	-	-	-	-	-
Volunteer State Community College	-	-	-	-	-	-	8,100	8,100	-	-
Total TBR	\$ 127,120	\$ 75,650	\$ 179,080	\$ 98,550	\$ 106,740	\$ 61,900	\$ 64,525	\$ 59,225	\$ 77,500	\$ 77,500
Total Higher Ed	\$ 204,620	\$ 100,650	\$ 316,580	\$ 152,650	\$ 173,540	\$ 108,400	\$ 217,025	\$ 69,225	\$ 123,300	\$ 123,300

¹ For a discussion on Capital Projects see "TENNESSEE PUBLIC HIGHER EDUCATION - Capital Projects".

² Only those Institutions that have had a disclosed project in the past 5 years are shown.

³ After a Project has been Disclosed but not Authorized for three years, it is removed from the capital project list and must commence the disclosure process anew.

Tennessee State School Bond Authority Projects

The Projects that have been financed through the sale of bonds primarily consist of student residence facilities, student activities centers, garage or parking adjuncts, stadiums, equipment and land. Such Projects are income-generating enterprises for which there is imposed an appropriate fee or charge to be paid by the student, faculty, staff or other users of the respective Projects and such fees and charges are included in, and comprise a part of, the Fees and Charges.

The Authority has financed with bonds 202 Projects (excludes the projects to be financed with the Offered Bonds), 95 of which are located on the four campuses of the University of Tennessee, 10 at Austin Peay State University, 18 at East Tennessee State University, 27 at Middle Tennessee State University, 12 at Tennessee State University, 6 at Tennessee Technological University, 18 at the University of Memphis, 1 at Cleveland State Community College, 2 at Chattanooga State Technical Community College, 1 at Columbia State Community College, 2 at Nashville State Community College, 1 at Northeast State Technical Community College, 2 at Pellissippi State Technical Community College, 1 at Roane State Community College, 4 at Southwest Tennessee Community College, 1 at Volunteer State Community College, and 1 at Walters State Community.

The Authority has approved for financing through Commercial Paper portions of 84 Projects (including the projects to be financed with the Offered Bonds), 48 of which are located on the four campuses of The University of Tennessee, 5 at Austin Peay State University, 11 at East Tennessee State University, 9 at Middle Tennessee State University, 1 at Tennessee State University, 4 at Tennessee Technological University, 3 at the University of Memphis, 1 at Chattanooga State Technical Community College, 1 at Cleveland State Community College, and 1 at Columbia State Community College. The table below shows the amounts authorized for Projects at each institution for Commercial Paper funding and the Commercial Paper issued against such authorizations.

**Authority-Approved Projects
For Commercial Paper Funding^{1,2}
As of July 13, 2012 (Unaudited)**

<u>Projects at Institutions</u>	<u>Projects Authorized</u>	<u>Commercial Paper Issued</u>
University of Tennessee	\$ 539,823,629	\$ 94,099,552
Austin Peay State University	74,013,000	33,005,137
East Tennessee State University	57,887,000	24,235,228
Middle Tennessee State University	115,642,000	74,332,809
Tennessee State University	3,200,000	3,200,000
Tennessee Technological University	14,650,000	10,052,411
University of Memphis	6,450,000	87,869
Columbia State Community College	1,600,000	1,580,822
Chattanooga State Technical Community College	<u>1,625,000</u>	<u>1,625,000</u>
Tennessee Board of Regents Totals	<u>\$ 275,067,000</u>	<u>\$ 148,119,276</u>
Institution Totals	<u>\$ 814,890,629</u>	<u>\$ 242,218,828</u>
Commercial Paper not allocated to Institutions as of July 13, 2012		<u>11,457,172</u>
Total Commercial Paper Outstanding		<u>\$ 253,676,000</u>

¹ See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Commercial Paper" for a description of the Commercial Paper Program

² Includes Commercial Paper to be redeemed with the Offered Bonds.

**University and College
Student Fees and Charges
(2011 – 2012 Academic Year)**

Student Fees and Charges are the largest component of total Fees and Charges received by an Institution. Other Fees and Charges include rental revenue and other charges for use of certain Projects by faculty, administration, the public at large, and other users.

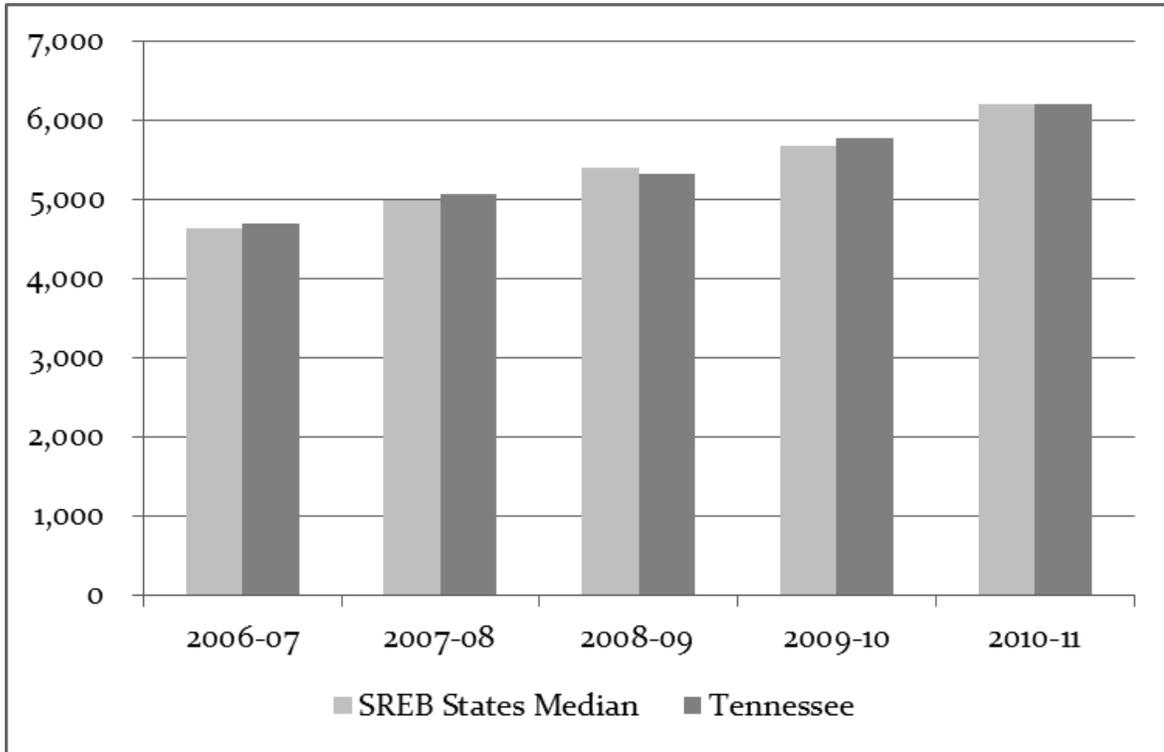
Institutions	Debt Service Fees¹	In-State Student Tuition & Mandatory Fees	Non-Resident Student Tuition & Mandatory Fees	Average Room Charge	Average Board Charge
University of Tennessee-Knoxville	\$ 228	\$ 8,396	\$ 25,538	\$ 5,000	\$ 3,480
University of Tennessee-Chattanooga	300	6,718	20,252	5,300	2,950
University of Tennessee-Martin	380	6,718	19,128	4,250	2,320
Austin Peay State University	274	6,690	20,928	5,526	2,643
East Tennessee State University	180	6,529	20,767	4,398	2,940
Middle Tennessee State University	408	7,018	21,406	4,363	3,050
Tennessee State University	178	6,346	19,498	3,255	2,978
Tennessee Technological University	58	6,698	21,008	3,176	4,764
University of Memphis	192	7,696	23,146	4,180	4,150
Chattanooga State Technical Community Col	0	3,567	13,671	N/A	N/A
Cleveland State Community College	0	3,521	13,625	N/A	N/A
Columbia State Community College	0	3,523	13,627	N/A	N/A
Dyersburg State Community College	0	3,533	13,637	N/A	N/A
Jackson State Community College	0	3,529	13,633	N/A	N/A
Motlow State Community College	0	3,528	13,632	N/A	N/A
Nashville State Community College	0	3,477	13,581	N/A	N/A
Northeast State Technical Community Colleg	0	3,533	13,637	N/A	N/A
Pellissippi State Technical Community Colleg	30	3,569	13,673	N/A	N/A
Roane State Community College	0	3,537	13,641	N/A	N/A
Southwest Tennessee Community College	0	3,547	13,651	N/A	N/A
Volunteer State Community College	0	3,519	13,623	N/A	N/A
Walters State Community College	0	3,531	13,635	N/A	N/A

Source - Tennessee Higher Education Commission

¹ Debt Service Fees represent an additional charge by certain Institutions to cover a portion of such Institution's debt service obligations on certain indebtedness, including Bonds. Institutions which do not impose a separate Debt Service Fee may include similar charges as a portion of a student's maintenance fees.

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**Comparison of
Tennessee Undergraduate Universities to
Southern Regional Education Board
Median Annual Undergraduate Tuition and Required Fees
University Full-Time Undergraduate Resident Students
For the Fiscal Years 2007 - 2011**



Source: Southern Regional Education Board

THEC
History of Fall Term Full-Time Equivalent Enrollment in Public Institutions

Institution ¹	2001	2002	2003	2004	2005	Four Year Institutions				% Change			
						2006	2007	2008	2009	2010	2011	2010-2011	2006-2011
APSU	5,769	6,079	6,278	6,939	7,336	7,443	7,139	7,499	7,566	8,473	8,507	0.4%	14.3%
ETSU*	9,507	9,664	9,936	10,070	10,185	10,594	10,770	11,117	11,727	12,160	12,419	2.1%	17.2%
ETSU Medical	n/a	n/a	n/a	n/a	n/a	n/a	239	245	253	733	795	8.4%	n/a
ETSU Pharmacy	n/a	n/a	n/a	n/a	n/a	n/a	215	334	298	493	488	-1.1%	n/a
MTSU	17,125	18,151	18,735	19,037	19,139	19,355	19,525	20,062	21,049	21,914	21,751	-0.7%	12.4%
TSU	7,425	7,703	7,716	7,662	7,462	7,464	7,465	6,694	7,025	7,114	7,130	0.2%	-4.5%
TTU	7,327	7,554	7,509	7,559	7,562	7,900	8,312	8,568	9,057	9,344	9,525	1.9%	20.6%
UM	15,890	15,696	15,720	16,128	15,910	15,946	15,747	15,910	16,792	17,388	17,655	1.5%	10.7%
TBR Total	63,043	64,846	65,894	67,394	67,593	68,702	69,412	70,429	73,767	77,620	78,270	0.8%	13.9%
UT Chattanooga	6,955	7,050	7,138	7,326	7,317	7,564	8,168	8,446	9,116	9,788	9,842	0.6%	30.1%
UT Knoxville**	23,183	23,221	22,730	23,141	23,642	24,016	24,160	24,697	24,214	23,780	23,050	-3.1%	-4.0%
UT Veterinary	n/a	n/a	n/a	n/a	n/a	n/a	408	429	484	520	480	-7.7%	n/a
UT Space Inst	n/a	n/a	n/a	n/a	n/a	n/a	105	104	88	84	86	2.8%	n/a
UT Martin	5,379	5,311	5,265	5,570	5,833	5,968	6,108	6,305	6,714	6,791	6,845	0.8%	14.7%
UT Health Science	1,949	1,977	2,008	2,062	2,295	2,505	2,733	2,778	2,914	2,623	2,703	3.0%	7.9%
UT Total	37,466	37,559	37,141	38,099	39,088	40,053	41,682	42,759	43,530	43,586	43,006	-1.3%	7.4%
Total 4 Year	100,509	102,404	103,035	105,494	106,681	108,755	111,094	113,188	117,297	121,207	121,277	0.1%	11.5%
Two Year Institutions													
Chattanooga	5,269	5,264	5,186	5,124	4,890	5,054	5,044	5,334	5,987	6,696	6,636	-0.9%	31.3%
Cleveland	2,318	2,200	2,224	2,088	2,103	2,034	2,022	2,195	2,504	2,588	2,609	0.8%	28.3%
Columbia	2,984	3,108	3,082	3,145	3,120	2,963	3,003	3,081	3,569	3,552	3,403	-4.2%	14.8%
Dyersburg	1,577	1,657	1,819	1,770	1,744	1,693	1,668	1,741	2,213	2,406	2,321	-3.5%	37.1%
Jackson	2,658	2,713	2,743	2,702	2,573	2,791	2,953	2,803	3,313	3,403	3,257	-4.3%	16.7%
Motlow	2,441	2,556	2,436	2,465	2,392	2,566	2,739	2,892	3,353	3,328	3,064	-7.9%	19.4%
Nashville	3,631	3,757	3,769	3,889	4,074	4,083	4,063	4,315	5,154	5,603	5,684	1.4%	39.2%
Northeast	2,879	2,968	3,112	3,334	3,142	3,374	3,387	3,606	4,231	4,622	4,423	-4.3%	31.1%
Pellissippi	5,151	5,208	5,013	4,963	4,963	5,149	5,446	5,686	6,695	7,212	7,329	1.6%	42.3%
Roane	3,647	3,767	3,775	3,850	3,603	3,738	3,764	3,766	4,227	4,374	4,162	-4.8%	11.3%
Southwest	7,743	7,141	7,361	7,561	7,332	7,306	6,794	7,219	8,465	8,266	8,190	-0.9%	12.1%
Volunteer	4,295	4,525	4,426	4,483	4,553	4,677	4,427	4,582	5,501	5,754	5,435	-5.5%	16.2%
Walters	3,909	3,867	4,067	3,864	3,826	3,872	3,884	4,082	4,780	4,805	4,573	-4.8%	18.1%
Total 2 Year	48,502	48,729	49,013	49,238	48,315	49,300	49,194	51,302	59,993	62,609	61,085	-2.4%	23.9%
Grand Total	149,011	151,133	152,048	154,732	154,995	158,055	160,288	164,490	177,290	183,815	182,362	-0.8%	15.4%

* Prior to 2007, ETSU totals included ETSU Med and ETSU Pharm.
** Prior to 2007, UTK totals included UT Vet and UTSI.

Note: ETSU College of Medicine FTE equivalent to headcount.

¹ TBR = Tennessee Board of Regents APSU = Austin Peay State University, ETSU = East Tennessee State University, MTSU = Middle Tennessee State University, TSU = Tennessee State University,
TTU = Tennessee Technological University, UOM = University of Memphis, UT = University of Tennessee, UTC = University of Tennessee at Chattanooga, UTK = University of Tennessee at Knoxville,
UTM = University of Tennessee at Martin, UTMem = University of Tennessee at Memphis, CSTCC = Chattanooga State Technical Community College, CLSCC = Cleveland State Community College,
COSCC = Columbia State Community College, DSCC = Dyersburg State Community College, JSCC = Jackson State Community College, MSCC = Motlow State Community College, NSTCC = Northeast State
Technical Community College, NSCC = Nashville State Community College, PSTCC = Pellissippi State Technical Community College, RSCC = Roane State Community College, SSCC = Shelby State
Community College, STIM = State Tennessee Institute in Memphis, STCC = Southwest Tennessee Community College, VSCC = Volunteer State Community College, WSCC = Walters State Community College

Five-Year Growth Rate
2.9%

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GLOSSARY OF CERTAIN TERMS

The following terms, as used in this Official Statement including the Appendices hereto, have the respective meanings provided below. These summary definitions do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution and Financing Agreements, copies of which are on file at the offices of the Authority and the Trustee.

"Account" or **"Accounts"** means each account or all of the accounts established pursuant to the Resolution, as the case may be.

"Accreted Value" means with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months or otherwise with respect to any Series of Bonds as may be provided by the Supplemental Resolution authorizing the issuance thereof.

"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 expenses of carrying out and administering its powers, duties and functions in connection with the Agreements, the Projects and the Resolution, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant's services and expenses, the fees and expenses of the Trustee, Paying Agents and Registrar, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Authority under the provisions of the Act, the Financing Agreements or the Resolution or otherwise.

"Annual Financing Charges" means the amounts payable by the Boards to the Authority under the Financing Agreements for (i) the payment of principal of and premium, if any, and interest on Debt for all Projects and all Institutions, (ii) any payments to fund or replenish reserves therefor as may be required by the Resolution, regardless of Project or Institution, and (iii) any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution with respect to any Project, any Institution or the Board.

"Authenticating Agent" means an authenticating agent appointed pursuant to the Resolution.

"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 succeed to the powers, duties and functions of the Authority.

"Authorized Officer" means any member 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.

"Bank Bonds" means Reimbursement Obligations under Credit Facilities represented by Bonds; provided, however, that Bank Bonds do not include any Bonds issued to or held by any party providing a Credit Facility or its designee in any other capacity.

"Board" or **"Boards"** means the Board of Regents or the Board of Trustees, or both such Boards, respectively.

"Board of Regents" means the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, and its successors.

"Board of Trustees" means the Board of Trustees of The University of Tennessee, and its successors.

"Bond" or **"Bonds"** means any Bond or Bonds issued under the Resolution, including but not limited to Variable Interest Rate Bonds, Capital Appreciation Bonds and Refunding Bonds. Bonds shall not include Subordinated Obligations.

"Bond Year" means the twelve month period commencing on May 1 of each calendar year and ending on April 30 of the next succeeding calendar year except that the first Bond Year shall begin on the date specified in the Supplemental Resolution authorizing the first Series of Bonds.

"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 office of the Trustee, any Paying Agent, the Registrar or the provider of a Reserve Fund Credit Facility are required or authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed, and (iv) with respect to a particular Series of Bonds, a day on which any provider of a Credit Facility for such Series of Bonds is located is required or authorized by law or executive order to close or as may otherwise be provided by the Supplemental Resolution authorizing such Series of Bonds.

"Capital Appreciation Bonds" means any Bonds as to which interest is payable only at the maturity or prior redemption of such Bonds or which bear a stated interest rate of zero. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or upon acceleration as provided in the Resolution, or (ii) computing the principal amount of Bonds held by the Owner of a Capital Appreciation Bond in giving to the Authority or any Fiduciary any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

"Commercial Paper" means all Commercial Paper issued under the Commercial Paper Resolution.

"Commercial Paper Resolution" means the Commercial Paper Resolution adopted by the Authority on November 18, 1997, as the same may be supplemented or amended.

"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, the State or any subdivision, department, instrumentality or agency thereof, and the Tennessee Consolidated Retirement System or any successor entity thereto then managing and investing the State retirement funds, and which provides credit enhancement, security or liquidity in respect of the Bonds (and which, with respect to a policy of bond insurance, guarantees the payment of principal of and interest on the Bonds), not including any Reserve Fund Credit Facility.

"Debt" means any bonds, notes or other evidences of indebtedness issued by the Authority pursuant to the Act and the Resolution for the purpose of financing or refinancing Project Costs. Without limiting the generality of the foregoing, Debt may include "long-term Debt" (i.e., with a term of more than one year unless issued in anticipation of the issuance of Debt with a longer term) or "short-term Debt" (i.e., with a term of one year or less or issued in anticipation of the issuance of Debt with a term of more than one year), and may take the form of commercial paper.

"Debt Service Reserve Requirement" means, with respect to each Series of Bonds, as of any date of calculation, (i) an amount equal to the aggregate of the greatest amount of Debt Service on all Outstanding Bonds of such Series issued for each Project (calculated separately for each Project and then aggregated) payable on any interest or Principal Installment date thereafter (except that for the first such date after the date of issuance of such Bonds, interest to accrue for greater than 6 months but less than 12 months shall not be taken into account), or (ii) such greater amount, which subsequently may be reduced to an amount not less than the amount required by clause (i) above, as may be determined from time to time by the Authority by Supplemental Resolution; provided, however, that as a result of the issuance of any Series of Bonds the interest on which is generally excluded from gross income for Federal income tax purposes, the Debt Service Reserve Requirement with respect to such Series shall at no time exceed the lesser of (i) the amount that may be funded from the proceeds of such Bonds or (ii) the amount that constitutes a reasonably required reserve

with respect to such Bonds. Each determination by the Authority of the Debt Service Reserve Requirement shall be conclusive. For purposes of this definition:

- (A) **"Debt Service"** for any date or period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) the interest payable on such date or accruing during such period on the Outstanding Bonds of such Series, and (ii) the Principal Installment for such Series payable on such date or accruing during such period on the Outstanding Bonds of such Series; provided, however, that in calculating Debt Service on any future date or for any future period: (x) any Variable Interest Rate Bonds shall be deemed to bear interest at all times prior to the maturity date thereof for which the interest rate payable thereon has not yet been determined at the Debt Service Determination Interest Rate applicable thereto and (y) any interest on any Bonds secured by a Credit Facility the related Reimbursement Obligation on which is evidenced by a Bank Bond shall be calculated at the higher of the actual interest rate or, if applicable, the Debt Service Determination Interest Rate applicable to such Bonds or the maximum rate of interest permitted for any such Reimbursement Obligation (whether or not any Reimbursement Obligation has yet accrued).
- (B) **"Debt Service Determination Interest Rate"** means, with respect to any particular Variable Interest Rate Bonds, any numerical rate or rates of interest set forth, or determined as set forth, in the Supplemental Resolution authorizing such Bonds; provided, however, that such rate shall not be less than the interest rate initially borne by such Bonds.
- (C) **"Proceeds"** and **"reasonably required reserve"** shall have the respective meanings given such terms, or any comparable terms, for purposes of Section 148(d) of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Defeasance Obligations" means Investment Obligations which are rated at the time of investment in any of the two highest Rating Categories by any Rating Agency, and which (i) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof and (ii) shall 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.

"Direct DTC Participant" shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM".

"Fees and Charges" means, with respect to each Board, all revenues, fees, rentals and other charges and moneys received by or on behalf of the Board for the Institution, or received by or on behalf of the Institution, for which any Project is undertaken which may be available for the purpose of paying Annual Financing Charges.

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

"Financing Agreement" or **"Financing Agreements"** means the Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Trustees, and the Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Regents, as appropriate, in each case as supplemented and amended from time to time.

"First Program Financing Agreements" means the Amended and Restated Financing Agreement dated as of September 17, 1996, between the Authority and the Board of Trustees, and between the Authority and the Board of Regents. The following terms, when identified as related to the **First Program**, shall have the respective meanings given to them in the First Program Financing Agreements: **administrative fees, Annual Financing Charges, Bonds, Fees and Charges, General Bond Resolution, Legislative Appropriations and Projects.**

"Fiscal Year" means, with respect to the Authority, currently the twelve month period commencing on July 1 and ending on June 30 of the following year. In the event of any change in Fiscal Year resulting in an initial Fiscal Year or interim period of more or less than twelve months, Fiscal Year for purposes of the Financing Agreements shall mean the last twelve month Fiscal Year.

"Fitch" means Fitch IBCA, Inc., or any successor then maintaining a rating on any Bonds at the request of the Authority.

"Fund" or **"Funds"** means each fund or all of the funds established in the Resolution, as the case may be.

"Indirect DTC Participant" shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM".

"Institution" means The University of Tennessee, including all of its branches and divisions wherever located, and any institution of higher education under the supervision of the Board of Regents, as appropriate.

"Investment Obligations" means and include 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, of or applicable to the Authority with respect to investments.

"Legislative Appropriations" means the amounts payable to the Authority from appropriations by the General Assembly of the State to an Institution for its operation and maintenance, under and pursuant to the Act and the Financing Agreements, including but not limited to amounts deductible, by Persons other than the Boards, from such appropriations for payment directly to the Authority.

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

"Outstanding" when used with reference to Bonds, other than Bonds held by or for the account of the Authority or either of the Boards, 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 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 upon exchange or transfer pursuant to the Resolution;
- (D) Bonds deemed to have been paid as provided in the Resolution; and
- (E) Put Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available for such payment as provided in the Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of the Resolution;

unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility. If principal of a Bond is paid or redeemed by the provider of a Credit Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond (when such related Reimbursement Obligation is not evidenced by Bonds designated as Bank Bonds) in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, bearing interest at the interest rate provided in the Credit Facility.

"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 any paying agent 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.

"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.

"Principal Installment" means, as of any date of calculation with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds on a certain future date for which no Sinking Fund Installments have been established,

or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means a Project as such term is defined in the Financing Agreements. In the Financing Agreement with each Board, "Project" is defined as buildings, structures, improvements and equipment of every kind, nature and description which may be required by or convenient for the purposes of an Institution or other things which the Board is authorized by law (at the relevant time) to undertake or use, in each case if and to the extent (i) capitalizable by the Board, including but not limited to a capital lease, and (ii) approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority, all subject to any permissible amendment of the Financing Agreement. See Appendix D – "Summary of Certain Provisions of the Financing Agreements – Amendment". Pursuant to legislation adopted at the 2005 session of the General Assembly, computer software (whether acquired before, at the same time as, or after the hardware needed for utilization of the software) to the extent accounted for as a capital asset shall constitute equipment for financing purposes, and projects may include agricultural land related to educational purposes of an Institution purchased from a governmental entity prior to October 1, 2005.

"Project Cost" means all direct capital costs and indirect capital costs of Projects, including but not limited to costs of construction and acquisition, costs of issuance of Debt, funded interest on Debt, and amounts to fund or replenish reserves as may be required by the Resolution, if and to the extent approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.

"Put Bonds" means Bonds which by their terms may be tendered by and at the option of the Owner thereof for payment prior to the stated maturity or redemption date thereof either (i) by the Authority and by the Person and/or from the source specified in a Supplemental Resolution or (ii) without recourse to the Authority by the Person and/or from the source specified in a Supplemental Resolution.

"Qualified Swap" means, to the extent from time to time permitted by law, any cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction or agreement, other similar transaction (however designated) or any combination thereof, or any option with respect thereto, executed by the Authority with or guaranteed by a qualified swap counterparty either for asset or liability management purposes or otherwise pursuant to the Act or other applicable law. For purposes of this definition, **"qualified swap counterparty"** means a bank, insurance company or financial institution rated, or whose long-term obligations of any nature or claims paying ability are rated, at the time of execution in one of the two highest Rating Categories of any Rating Agency.

"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 the Bonds at the request of the Authority.

"Rating Category" means a generic rating category of an applicable Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Redemption Price" means, with respect to any Bond, 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 the Resolution.

"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 (which interest may be higher than the interest rate on the related Bond) an advance, loan or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Supplemental Resolution, 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 (a) any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Administrative Expenses or (b) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Obligations. Reimbursement Obligations may be evidenced by Bonds designated as Bank Bonds, which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

"Reserve Fund Credit Facility" means (i) any irrevocable, unconditional letter of credit issued by a bank, national banking association or savings and loan association, (ii) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, and (iii) any other similar financial arrangement as determined by Supplemental Resolution, and which is used to fund all or a portion of the Debt Service Reserve Requirement; provided, however, that at the time of acceptance by the Authority, the provider's long term obligations of any nature or claims paying ability are rated, by each Rating Agency then rating any Outstanding Bonds, no lower than the same Rating Category (for this purpose, taking into account refinements and gradations) as the Bonds are then rated by such Rating Agency.

"Resolution" means the Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.

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

"Serial Bonds" means the Bonds 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 so designated in a Supplemental Resolution.

"Series" or **"Series of Bonds"** or **"Bonds of a Series"** or words of similar meaning means the Series of Bonds authorized by a Supplemental Resolution.

"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 under the General Bond Resolution and under an applicable Supplemental Resolution.

"Sinking Fund Installment" means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or the applicable Supplemental Resolution or Series Certificate 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 as determined pursuant to the Resolution, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

"Sinking Fund Payment Date" means each date on which a Sinking Fund Installment is payable on the Bonds, provided that such date shall be a date on which a Sinking Fund Installment is payable as provided in or pursuant to each Supplemental Resolution.

"State" means the State of Tennessee.

"Subordinated Obligations" means any evidence of indebtedness (including but not limited to commercial paper), other than Bonds or related Reimbursement Obligations, issued by the Authority to finance Project Costs of a Project or any other indebtedness issued, or other obligations entered into (including but not limited to Qualified Swaps not entered into on a parity with Bonds), pursuant to or as permitted by, and complying with, the provisions of the Resolution.

"Supplemental Resolution" means any resolution adopted by the Authority pursuant to and in compliance with the provisions of the Resolution providing for the issuance of a Series of Bonds, and shall also mean any other resolution adopted pursuant to and in compliance with the provisions of the Resolution amending or supplementing the provisions of the Resolution as originally adopted or as theretofore amended or supplemented.

"Term Bonds" means the Bonds so designated in a Supplemental Resolution and payable in part from Sinking Fund Installments.

"Trustee" means the bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee under the Resolution, 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.

"Valuation Date" means with respect to any Capital Appreciation Bonds the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

"Variable Interest Rate" means a variable interest rate or rates (or a multiple of a variable rate or rates of interest) to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate or rates shall be specified in the Supplemental Resolution authorizing such Series of Bonds. Such Supplemental Resolution shall also specify either (i) the particular period or periods of time for which such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall remain in effect or (ii) the time or times upon which any change in such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall become effective.

"Variable Interest Rate Bonds" means Bonds which bear a Variable Interest Rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate.

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SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The following is a brief summary of certain provisions of the Financing Agreements, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Financing Agreements, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS"; provided, however, that for purposes of this summary, the term "Resolution" means, collectively or individually as the context may require, the resolutions of the Authority authorizing the issuance of Debt including, without limiting the generality of the foregoing, the Higher Educational Facilities Second Program General Bond Resolution and any resolutions authorizing the issuance of notes or other obligations (including but not limited to commercial paper), in each case as amended and supplemented pursuant to the provisions thereof.

Approval of Projects and Project Costs

Each Project and Project Costs shall be subject to approval by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.

A Project for an Institution shall be approved by the Authority only if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects (including the Project to be approved) for the Institution in any succeeding Fiscal Year, plus (ii) the maximum amount payable by the Board as First Project Annual Financing Charges with respect to all First Program Projects for the Institution in any succeeding Fiscal Year, plus (iii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year, including but not limited to all prior charges, pledges, liens and claims on or payable from the First Program Fees and Charges with respect to the Institution.

Project Funding

The Authority will use its best efforts to finance and refinance Project Costs by the issuance of Debt or from other available funds of the Authority, in a manner and under terms deemed by the Authority in its sole discretion to be in the best interests of the Institution for which the related Project is undertaken or used.

Project Construction Accounts; Reallocation of Balances

The Authority will establish a separate account (a "Project Construction Account") for each Project prior to or simultaneously with the issuance of the first Debt to finance related Project Costs. All Bond proceeds determined by the Authority to be available for the payment of Project Costs, shall be deposited in the respective Project Construction Accounts unless and to the extent otherwise provided by the Resolution.

The Authority may reallocate funds in any Project Construction Account derived from the sale of short-term Debt to other Project Construction Accounts as deemed necessary or advisable by the Authority. If long-term Debt has been sold to finance or refinance a Project, and funds in the related Project Construction Account are determined by the Authority in its sole discretion to be in excess of the amount needed for completion of the Project, the Authority shall apply such excess funds to the payment of the next scheduled debt service on Debt for such Project, to the redemption or defeasance of such Debt, or otherwise as permitted by law to the extent permitted by the Resolution.

Payment of Project Costs

Disbursement of funds on deposit in Project Construction Accounts will be made upon the submission of proper documentation from the Board approved by the Authority. Submission by the Board of a request for disbursement constitutes a representation by the Board that the expenses presented for payment constitute proper and valid charges related to the Project and constitute Project Costs, and that all covenants and representations made to the Authority with respect to the Project, whether in the Agreement or otherwise, continue to be true, complete and accurate.

Covenants and Representations

The Board covenants and represents with respect to each Project, among other things, that: (a) all necessary approvals or authorizations by the State (or any agency, subdivision or subentity) with respect to the Project have been or will be obtained; (b) the Board will neither (i) permit any encumbrance which materially affects the Board's ability to honor its commitments under the Financing Agreement nor (ii) assign the Financing Agreement or the Board's rights, title or interest in or to any Project; (c) the Board will operate, maintain and keep, or cause the operation, maintenance and functioning of, the Project in good repair and condition, including the provision of and payment for necessary utilities and insurance coverage in accordance with State policy; (d) the Board will comply with all laws, rules and regulations governing the Institution and the Project; and (e) the Board will take no action, nor will it fail to take any action, which would cause the Authority to violate any tax covenant with respect to any Project.

Annual Financing Charges; Administrative Fees; and Legislative Appropriations

For a summary of certain provisions of the Financing Agreements relating to the establishment, payment and subordination of Annual Financing Charges, Administrative Fees and Legislative Appropriations, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

Interest of Debtholders

The Authority and the Board acknowledge that the existence and terms and provisions of the Agreement serve as an inducement to Debtholders to purchase, and serve to secure, Debt. Accordingly, all covenants and agreements of the Authority and the Board under the Financing Agreement are declared therein to be for the benefit of such holders. Notwithstanding the foregoing, such holders shall have no right under the Financing Agreement to directly enforce the Financing Agreement, but may do so only to the extent permitted and as provided by the related Resolution.

Assignments

The Board authorizes the Authority to pledge, assign, and transfer its right to receive and collect Annual Financing Charges, Administrative Fees, and Legislative Appropriations, together with its rights to enforce the Financing Agreement. The Authority has pledged and assigned the Annual Financing Charges and Legislative Appropriations to the Trustee for the benefit of the holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and has granted the Trustee the legal right to enforce such pledge and assignment and the provisions of the Agreements providing for the payment thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Pledge and Assignment of Annual Financing Charges and Legislative Appropriations" in the Official Statement.

Amendment

Any provision of the Financing Agreement may be amended by agreement of the Authority and the Board; provided, however, that no such amendment shall adversely affect or impair in any way (i) the obligation of the Board to pay Annual Financing Charges or Administrative Fees, or (ii) the deduction from appropriations, and payment to the Authority, of Legislative Appropriations required to pay Annual Financing Charges, in the case of each of clauses (i) and (ii) at the times, in the manner and in the amounts provided in the Agreement, or (iii) any provision of the Agreement made or provided for the purpose of assuring payment of such Annual Financing Charges or Administrative Fees.

Additional Information

The Board agrees to furnish to the Authority such additional information concerning the financial condition of the Board and any Institution as the Authority may from time to time reasonably request including, without limiting the generality of the foregoing, as and to the extent that the Authority shall determine that disclosure of such information is necessary in order to comply with any undertakings made by the Authority pursuant to Rule 15c2-12 of the Securities and Exchange Commission or with any other applicable legal requirements.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS".

Authorization

The Resolution authorizes the issuance of Bonds in Series pursuant to Supplemental Resolutions, for any purpose authorized by the Act. For a summary of the conditions for the issuance of Bonds and their security and sources of payment, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

Pledge and Assignment of Annual Financing Charges and Legislative Appropriations

The Annual Financing Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, which are to be transferred to the Funds or Accounts held by the Trustee, if any, are pledged and assigned to the Trustee for the benefit of the Owners of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such assignment. Regardless of such pledge and assignment, the Trustee shall have the legal right to enforce the provisions of the Agreements providing for the payment thereof in the manner provided in the Financing Agreements and the Resolution.

The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, and other moneys, securities, funds 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.

Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including but not limited to:

- (1) So long as the Credit Facility provides security and not merely liquidity, that the providers thereof shall have all or any of the rights and remedies of the Owners of the 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 Bonds to which such Reimbursement Obligations relate.
- (2) In the event that the principal, Sinking Fund Installments, if any, and Redemption Price of and interest due on any 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.
- (3) Interest on any Reimbursement Obligation calculated at any rate, whether or not higher than the interest rate on the related Bond, 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 the Resolution for the security of the Bonds on a parity with the lien created by the Resolution. A Reimbursement Obligation shall not be secured by the Debt Service Reserve Fund unless the Bonds to which it relates are so secured. Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Subordinated Obligations payable from the General 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. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds."

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of, and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap.

Funds and Accounts

For a description of the flow of funds under the Resolution and of the application of the Debt Service Fund and Debt Service Reserve Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds" and "- Debt Service Reserve Fund" in the Official Statement.

Construction Fund

The Authority shall establish in the Construction Fund, to be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian, a separate Account with respect to each Project. As promptly as practicable after the delivery of any Series of Bonds or Subordinated Obligations to pay Project Costs, the Authority shall deposit into each Project Construction Account the amount of the proceeds derived from the sale of such Series of Bonds or Subordinated Obligations, if any, as shall be directed by or pursuant to the Supplemental Resolution or other resolution or indenture authorizing the issuance thereof. Moneys on deposit in or credited to a Project Construction Account shall be used by the Authority for payment of the Project Costs of the Project to which the Project Construction Account relates. The Authority may transfer from a Project Construction Account to the General Fund such amounts as the Authority shall determine is necessary to pay Administrative Expenses of the Authority chargeable to the Project to which such Project Construction Account relates.

Upon completion of a Project the moneys, if any, remaining in the Project Construction Account for such Project, after making provision for the payment of allocable Administrative Expenses and Project Costs then unpaid, either shall be reallocated by the Authority to other Projects in accordance with the Financing Agreements or shall be applied (or, if the Debt Service Fund is then held by the Trustee, transferred by the State Treasurer to the Trustee and applied by the Trustee) as directed by the Authority to the payment of principal, Sinking Fund Installments, if any, or Redemption Price of or interest on Bonds issued for the related Project.

Capitalized Interest Accounts

The Supplemental Resolution authorizing any Series of Bonds may establish a separate Account within the Debt Service Fund for each Project. Moneys in the Capitalized Interest Accounts shall be used, to the extent sufficient therefor, for the purpose of paying interest on the Series of Bonds in respect of which such moneys have been set aside, either directly therefrom or by transfer to the Debt Service Fund, prior to the payment of such interest from Annual Financing Charges.

Investment of Funds and Accounts

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

Unexpended Bond proceeds and all Annual Financing Charges, Administrative Fees, and Legislative Appropriations, and investment earnings allocable thereto, held in Project Construction Accounts or in other 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 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) may be invested at a rate or 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.

Except as otherwise provided in the Resolution, the Trustee or the State Treasurer, as the case may be, shall sell at the best price obtainable by the Trustee or the State Treasurer, as the case may be, 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.

Certain Covenants of the Authority

For a description of the agreement of the Authority on behalf of the State, pursuant to the Act, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Statutory Covenant" in the Official Statement.

Creation of Liens. Until the pledge created in the Resolution shall be discharged and satisfied as provided therein, the Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds (or any related Reimbursement Obligations) secured by a prior or equal pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, or any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds (or any related Reimbursement Obligations) on Annual Financing Charges Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, in each such case except as permitted by the Resolution, or on any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund.

Tax Exemption. The Authority may include in the applicable Supplemental Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds. See "TAX MATTERS" in the Official Statement. The Authority may issue Bonds the interest on which is not intended to be excluded from gross income, and therefore may be taxable, for purposes of federal income taxation.

Compliance with and Amendment of Financing Agreements. The Authority will at all times comply with the covenants, terms and conditions of the Financing Agreements and shall take all steps, actions and proceedings as may be necessary in order to require compliance by the Boards with the covenants, terms and conditions thereof, the breach of which would in any way materially adversely affect or impair the obligation of the Boards to pay Annual Financing Charges and Legislative Appropriations at the times and in the manner and amounts provided in the Financing Agreements.

The Authority will not amend any Financing Agreement in any manner that would materially adversely affect or impair the obligation of the applicable Board to pay Annual Financing Charges or Legislative Appropriations at such times, in such manner and in such amounts sufficient, together with other moneys available for the purpose, to pay the principal of and Sinking Fund Installments and interest on the Bonds as the same becomes due and payable, but reserves the right to amend the Financing Agreements in any other respect without the consent of any Fiduciary or any Bondowner.

Supplemental Resolutions; Amendments

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 or Qualified Swap, the provider of any Credit Facility or Qualified Swap, for any one or more of the following purposes: (1) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to establish for any Series of Bonds a separate Account in the Debt Service Reserve Fund which shall be permitted to be applied solely to the payment of Bonds of such Series, provided that (i) the Bonds of such Series shall have no claim or lien on nor be payable from any other amounts in the Debt Service Reserve Fund, (ii) the Bonds of such Series shall be excluded from the calculation of the Debt Service Reserve Requirement for all other Outstanding Bonds, and (iii) the amount required to be on deposit in such separate Accounts shall be specified or calculated in a manner specified in the Supplemental Resolution authorizing the Bonds of such Series, but in no event shall such amount, after giving effect to any Reserve Fund Credit Facility deposited in any such separate Account in the Debt Service Reserve Fund, be in excess of the amount that would otherwise be the Debt Service Reserve Requirement for such Series of Bonds assuming that such Series of Bonds were the only Series of Bonds Outstanding under the Resolution; (3) to modify, amend or supplement the Resolution in any manner in order to obtain or provide for or with respect to a Credit Facility, Reserve Fund Credit Facility or Qualified Swap 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; (4) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the 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; (5) to add to the Resolution any provisions relating to the application of interest

earnings in any Fund or Account required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on any Bonds then Outstanding or to be issued or the exemption of interest received on such Bonds from State income taxation; (6) to modify or eliminate any Debt Service Reserve Requirement in excess of the minimum required therefor as provided in the definition thereof; (7) 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, or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America, and to add such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar Federal statute; (8) 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; (9) to comply with the requirements of any Rating Agency in order to maintain or improve a rating on the Bonds by such Rating Agency; or (10) to modify any of the provisions of the Resolution in any respect whatsoever, provided that 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 Owners of the requisite percentage of the principal amount of such Bonds shall have consented thereto.

Any modification or amendment of the Resolution 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 (a) 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 (b) 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 (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Owners of one hundred percent (100%) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund 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. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, (b) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to the Resolution, 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 the Resolution, (c) create, with respect to the pledge of the items set forth in the Resolution, a preference or priority of any Bond over any other Bond without the consent of each Owner of a Bond affected by such change, or (d) 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. For such purposes, 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 Bonds 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 the Resolution.

Notwithstanding anything in the Resolution to the contrary, the consent of Owners of any Series of additional Bonds to be issued under the Resolution 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.

For purposes of amendments to the Resolution, but only so long as the Credit Facility provider has not defaulted on its obligations under the Credit Facility, (i) the provider of a Credit Facility shall be considered the sole Owner of all Bonds to which such Credit Facility relates, except as otherwise provided in an applicable Supplemental Resolution, and (ii) any amendment provision of the Resolution 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.

The Authority shall furnish written notice to each Rating Agency of any amendment, change or modification of the Resolution.

Events of Default

Each of the following events is an "Event of Default": (1) the Authority shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for mandatory redemption or otherwise, which default shall continue for a period of thirty (30) days; (2) the pledge created in 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 Bonds, except as provided in or permitted by the Resolution; (3) 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 the Bonds, and such failure, refusal or default shall continue for a period of ninety (90) days after written 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; 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; (4) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the Authority or either Board 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 either Board, 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 (5) the Authority or either Board 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 either Board, 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.

Notwithstanding the foregoing, nothing in the Resolution 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 fees, charges, appropriations or other receipts 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, including changing or altering the method of establishing fees, charges and appropriations as contemplated by the Act. 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.

Remedies

Upon the happening and continuance of (i) any Event of Default specified in clause (1), (4) or (5) of the first paragraph under "Events of Default" above, the Trustee shall proceed, and (ii) any other Event of Default, the Trustee may proceed, and 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 tax covenants contained in the Resolution, twenty-five per centum (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 require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the 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 the 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 the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds 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 percentum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

All remedies conferred upon or reserved to the Owners of Bonds 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. 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.

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 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.

In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Authority, the Board or any Institution, or any property of the Authority, the Board or any Institution, 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) shall be entitled and empowered, by intervention in such proceeding or other means (1) to file and prove a claim for the whole amount of the principal, Redemption Price, if any, and interest 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 (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

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

The Trustee shall promptly mail to the Bondowners 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, Sinking Fund Installment, if any, or Redemption Price, if any, of or interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund or the Debt Service Reserve 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 interests of the Bondowners.

Defeasance

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect of the Resolution, subject to an election of the Authority to the contrary. 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 such election, of the Resolution if (a) 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 instructions accepted in writing by the Registrar to give notice of redemption, as provided in the Resolution, on said date of such 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), (b) there shall have been deposited with any Paying Agent either (i) moneys in an amount which shall be sufficient, or

(ii) 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 applicable, and interest 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 (c) 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 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 (b) 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 applicable, 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 prior to the mailing of the notice of redemption referred to in clause (a) hereof). 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 (determined as provided in Section 604) of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution.

Unclaimed Moneys

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Bonds 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, Redemption Price or interest, 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, Redemption Price or interest, respectively, 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.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Offered Bonds, each in the aggregate 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 registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com** and **www.dtc.org**.

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered 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 Offered 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 Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered 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. Beneficial Owners of the Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of the Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered 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 Authority 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

THE FOREGOING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NONE OF THE AUTHORITY, TRUSTEE, REGISTRAR, PAYING AGENT OR UNDERWRITERS CAN MAKE ANY ASSURANCE THAT DTC OR THE DTC PARTICIPANTS WILL ACT IN A MANNER DESCRIBED HEREIN, NOR WILL THEY HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC ANY DIRECT DTC PARTICIPANT, OR BY ANY DIRECT DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM IF ANY, OR INTEREST ON OFFERED BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC OR ANY DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATIONS TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND DOCUMENTS TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF OFFERED BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE OFFERED BONDS.

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

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Continuing Disclosure Undertaking, copies of which are available at the offices of the Authority. For definitions of certain terms used but not defined herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS".

The Authority has authorized a Continuing Disclosure Undertaking (the "Undertaking") with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission ("SEC") Rule 15C2-12 (the "Rule"). In the Undertaking, the Authority will agree to provide the Annual Financial Information described below with respect to each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2012, by no later than 7 months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board ("MSRB").

"Annual Financial Information" means updated versions of the following financial information and operating data contained in the Official Statement relating to the Offered Bonds with respect to the Authority, for each fiscal year of the Authority:

- Outstanding Second Program Bonds (see "The Authority – Outstanding Second Program Bonds of the Authority")
- Authorized and Outstanding Commercial Paper (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Commercial Paper")
- Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Employee Retirement Benefits")
- Other Post-Employment Benefits unfunded liabilities and annual required contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Other Post-Employment Benefits")
- Appendix B – Selected Statistical Information

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

Annual Financial Information will include the annual financial statements of the Authority, audited by such auditors as shall then be required or permitted by State law ("Audited Financial Statements"), if available, or unaudited financial statements. If not provided as part of Annual Financial Information by the date referred to above, because not available, the Authority will provide Audited Financial Statements, when and if available, to the MSRB. Audited Financial Statements will be prepared in accordance with 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 ("GAAP").

Annual Financial Information also will include the annual financial statements of the State and of each Institution, audited by such auditors as shall then be required or permitted by State law, if available. If not provided as part of Annual Financial Information by the date referred to above, because not available, the Authority will provide audited financial statements of the State and of each Institution, when and if available, to the MSRB. Such audited financial statements will be prepared in accordance with GAAP.

In the Undertaking, the Authority also agrees to provide, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of each of the following events with respect to the Offered Bonds, to the MSRB:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2012 Bonds, or other material events affecting the tax status of the 2012 Bonds;
- (vii) modifications to rights of 2012 Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the 2012 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;

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

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Authority will also provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified above to the MSRB.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

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) word-searchable except for non textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

The Undertaking will be effective upon the issuance of the Offered Bonds and will terminate upon the legal defeasance, prior redemption or payment in full of all of the Offered Bonds. The Undertaking, or any provision thereof, 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 the Undertaking, or such provision, as the case may be, do not or no longer apply to the Offered 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 each NRMSIR and the SID. The Undertaking also may be amended without the consent of the holders of the Offered Bonds 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, or if an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, which is applicable to the Undertaking, all as described in the Undertaking. Copies of any such amendment are required to be delivered to the MSRB.

The provisions of the Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Offered Bonds, except that beneficial owners of Offered Bonds shall be third-party beneficiaries of the Undertaking and shall be deemed to be holders of Offered Bonds for purposes of the next sentence. The obligations of the Authority to comply with the provisions of the Undertaking are enforceable by any holder of outstanding Offered Bonds; the holders' rights to enforce the provisions of the Undertaking are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Undertaking. Any failure by the Authority to perform in accordance with the Undertaking will not constitute a default or an event of default under the resolutions authorizing the Offered Bonds or State law and shall not result in any acceleration of payment of the Offered Bonds, and the rights and remedies provided by such resolutions and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

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

The Authority has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in the Rule.

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FORM OF PROPOSED OPINION OF BOND COUNSEL

[Closing Date]

Tennessee State School Bond Authority
Nashville, Tennessee

TENNESSEE STATE SCHOOL BOND AUTHORITY
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS
2012 SERIES A, \$208,295,000
2012 SERIES B (FEDERALLY TAXABLE), \$103,790,000
2012 REFUNDING SERIES C, \$125,635,000

Dear Sirs:

At your request, we have examined into the validity of \$208,295,000 principal amount of Higher Educational Facilities Second Program Bonds, 2012 Series A (the "2012A Bonds"), \$103,790,000 principal amount of Higher Educational Facilities Second Program Bonds, 2012 Series B (Federally Taxable) (the "2012B Bonds"), and \$125,635,000 principal amount of Higher Educational Facilities Second Program Bonds, 2012 Refunding Series C (the "2012C Bonds" and, collectively with the 2012A Bonds and 2012B Bonds, the "2012 Bonds"), of the Tennessee State School Bond Authority (the "Authority"), a corporate agency and instrumentality of the State of Tennessee (the "State").

The 2012 Bonds are 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 Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as amended (the "General Resolution") and a Supplemental Resolution of the Authority adopted on June 22, 2012 (the "Supplemental Resolution" and, collectively with the General Resolution, the "Resolution").

We have examined the Constitution and laws of the State; certified copies of proceedings of the Authority authorizing the issuance of the 2012 Bonds, including the Resolution; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Trustees of The University of Tennessee (the "Board of Trustees") dated as of November 1, 1997, as amended to date; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Regents of the State University and Community College System of the State of Tennessee (the "Board of Regents" and, together with the Board of Trustees, the "Boards") dated as of November 1, 1997, as amended to date; certified copies of proceedings of the Authority authorizing the execution and delivery of said Second Program Financing Agreements (collectively, the "Second Program Financing Agreements"); such other instruments, documents, certificates and proceedings, and applicable law, as we have considered appropriate for purposes of this opinion; and a specimen 2012 Bond of each series.

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 Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and all rights under the Second Program Financing 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 2012 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 2012 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 Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purpose and on the conditions permitted by the Resolution. The Authority reserves the right to issue additional bonds on the terms and conditions, and for the purposes, provided in the General Resolution, on a parity of payment and security with the 2012 Bonds; provided, however, that as permitted by the General Resolution, certain series of bonds issued thereunder may not be payable from or secured by the Debt Service Reserve Fund on the same basis as others, and may not have any amount made available under the Resolution as a debt service reserve therefor (which initially is the case with the 2012 Bonds). The Authority has no taxing power, the State is not liable on the 2012 Bonds and the 2012 Bonds are not a debt of the State.
3. The Second Program Financing 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. You have received opinions of counsel to the Board of Regents and counsel to the Board of Trustees to the effect that the respective Second Program Financing Agreements have been duly executed and delivered by the respective Boards and constitute valid contractual obligations thereof, and we express no opinion herein with respect thereto. The State has not waived the immunity of the State (including, for this purpose, the Authority and the Boards) from suit or extended its consent to be sued with respect to the Second Program Financing Agreements. Accordingly, monetary actions against the State (including the Authority and the Boards) for breach of contractual obligations relating to the Financing 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.
4. Under the existing laws of the State, the 2012 Bonds and income therefrom are free from taxation by the State or any county, municipality or political subdivision of the State, except for estate and gift taxes and taxes on transfers, and except to the extent such interest may be included within the measure of privilege taxes imposed pursuant to the laws of the State.
5. Under existing statutes and court decisions, interest on the 2012A Bonds and 2012C Bonds (i) is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and (ii) is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering the opinions in this paragraph 5, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certification of fact, contained in certifications delivered on the date hereof by the Authority, the Boards and others with respect to the use of proceeds of the 2012A Bonds and 2012C Bonds and the investment of certain funds, and other matters affecting the exclusion of interest on the 2012A Bonds and 2012C Bonds from gross income for Federal income tax purposes under Section 103 of the Code, and (ii) compliance by the Authority and the Boards with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of the interest on the 2012A Bonds and 2012C Bonds from gross income under Section 103 of the Code.
6. The original issue discount on the 2012A Bonds and 2012C Bonds, if any, that has accrued and is properly allocable to any owner thereof is excluded from gross income for Federal income tax purposes to the same extent as interest on the 2012A Bonds and 2012C Bonds.
7. Interest on the 2012B Bonds is includable in gross income for Federal income tax purposes. This opinion is not intended or provided by Bond Counsel to be used and cannot be used by an owner of the 2012B Bonds for the purpose of avoiding Federal taxpayer penalties that may be imposed on such owner. The opinion set forth in this paragraph is provided to support the promotion or marketing of the 2012B Bonds.

Each owner of 2012B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

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.

We express no opinion herein as to (i) Federal, state or local tax consequences arising with respect to the 2012 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4, 5, 6 and 7 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 2012 Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the 2012 Bonds.

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,

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