EXHIBIT A

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

March 7, 2013

Honorable Carolyn Bowers, Mayor
Montgomery County
1 Millennium Plaza, Suite 205
Clarksville, TN 37041

Dear Mayor Bowers:

This letter acknowledges receipt on March 4, 2013, of a request to review a plan of refunding (the "Plan") for a issuance of an amount not to exceed $37,145,000 General Obligation Refunding Bonds, Series 2013 (the "Series 2013 Bonds"), to advance refund by competitive sale, an estimated $34,500,000 General Obligation Refunding Bonds, Series 2004 (the "Refunded Bonds").

Pursuant to the provisions of Title 9, Chapter 21 Tennessee Code Annotated a plan must be submitted to our Office for review prior to the adoption of a resolution by the governing body of a local government authorizing the issuance of refunding bonds secured, in whole or in part, by the full faith and credit and unlimited taxing power of the County. The information presented in the Plan includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

FINANCIAL PROFESSIONALS

The County has reported Stephens, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to the County. Underwriters have no fiduciary responsibility to the County. They represent the interests of their firm and are not required to act on behalf of the County. The Plan was prepared by the County with the assistance of its municipal advisor.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County indicated in its Plan that the Series 2013 Bonds are being issued to produce uniform annual debt service savings. The Series 2013 Bonds estimate net present value savings of $2,577,986 or 7.47% of the principal amount of the Refunded Bonds.

COMPLIANCE WITH THE COUNTY'S DEBT MANAGEMENT POLICY

The County provided a copy of its debt management policy. A specific description of how the debt complies with the County's debt policy should be included on the form CT-0253 to be submitted within 45

days of issuance of the debt reported on in this letter. If the most current version of the policy is on file with this Office a copy does not have to be submitted with the form.

MSRB Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the County in the conduct of its municipal securities or municipal advisory activities. MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities was approved by the Securities and Exchange Commission on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

To learn more about the obligations of the County's underwriter and municipal advisor have to it based on these duties please read the information posted on the MSRB website: www.msrb.org.

Report of the Review of a Plan of Refunding

This letter, report, and the Plan are to be posted on the County's website. The same report is to be provided to each member of the County Commission and reviewed at the Public Meeting at which the proposed refunding bond resolution will be presented as required by Tennessee Code Annotated § 9-21-903.

The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The County should discuss these issues with a bond counsel.

This report is effective for a period of one hundred twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office, at that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual

results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.

Public Debt Entity Report

Enclosed is a revised Form CT-0253 - Report on Debt Obligation. The Form CT-0253 must be filed with the governing body of the public entity issuing the debt not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any public entity, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance either by mail to the address on this letterhead or by email to the address below. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation.

StateandLocalFinance.PublicDebtForm@cot.tn.gov

Sincerely,

Mary-Margaret Collier
S.T.

Mary-Margaret Collier
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. Tom McAnulty, Stephens Inc.

Enclosures (2): Report of the Director of the Office of State & Local Finance
State Form CT-0253, Report on Debt Obligation

EXHIBIT A

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2013 MONTGOMERY COUNTY, TENNESSEE

Montgomery County (the "County") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated § 9-21-903 regarding the issuance of an amount not to exceed $37,145,000 General Obligation Refunding Bonds, Series 2013 (the "Series 2013 Bonds"), to advance refund by competitive sale, an estimated $34,500,000 General Obligation Refunding Bonds, Series 2004 (the "Refunded Bonds").

The Plan was prepared with the assistance of the County's municipal advisor, Stephens Inc. The information presented in the Plan includes the assertions of the County and may not reflect either current market conditions or market conditions at the time of sale.

Refunding Analysis

The County indicated in its Plan that the Series 2013 Bonds are being issued to produce uniform annual debt service savings.

- The results for the refunding are based on the assumption that an estimated $37,145,000 Series 2013 Bonds will be sold by competitive sale in the capital markets and priced at par.
- The Series 2013 Bonds will generate an estimated net present value savings of $2,577,986 or 7.47% of the principal amount of the Refunded Bonds.
- The estimated savings are generated by reducing the average coupon from 4.76% for the Refunded bonds to an estimated 1.41% on the Series 2013 Bonds.
- The final maturity of May 1, 2020, is the same for the Series 2013 Bonds and the Refunded Bonds.
- Estimated cost of issuance of the Series 2013 Bonds is $356,585 or $9.60 per $1,000 of par amount for the Series 2013 Bonds. Included in the cost of issuance is an estimated underwriter's discount of $222,870.

The County has identified Stephens Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the County. The assumptions included in the County's Plan may not reflect either current market conditions or market conditions at the time of sale.

This report does not provide broad approval to refund the Refunded Bonds into a bond issue other than the proposed Series 2013 Bonds. If all of the Refunded Bonds are not refunded as a part of the Series 2013 Bonds, then a new plan should be submitted to this Office for review.

Mary-Margaret Collier

Mary-Margaret Collier
Director of the Office of State and Local Finance
Date: March 7, 2013

Montgomery County Government

Carolyn P. Bowers
Mayor

1 Millennium Plaza, Suite 205
P.O. Box 368
Clarksville, Tennessee 37041-0368

Phone: (931) 648-5787
Fax: (931) 553-5177
mayorbowers@montgomerycountytn.org

March 1, 2013

RECEIVED
MAR 0 1 2013
STATE AND LOCAL FINANCE

Mrs. Mary-Margaret Collier, Director
Division of State and Local Finance
James K. Polk State Building, Suite 1600
505 Deaderick Street
Nashville, TN 37243-1402

Dear Mrs. Collier,

The low taxable interest rates in the current capital financial market provides an opportunity for Montgomery County to refinance one of its bond issues – $43,240,000 General Obligation Refunding Bonds, Series 2004 dated March 15, 2004, for a projected Anticipated net of all cost savings of $2,724,256, as presented in the enclosed documents.

Upon a review of the Tennessee Code Annotated Title 9, the directive letter from the Office of State and Local Finance dated March 7, 2011, the Montgomery County Debt Management Policy dated November 14, 2011, the Tennessee State Funding Board Policy dated September 8, 2011 and other sources, we have attempted to prepare a Plan of Refunding with multiple exhibits to support our request. We are requesting that you approve the issuance of refunding bonds at a competitive sale pursuant to TCA-9-21-910 as described in the Plan of Refunding and exhibits.

If you have any questions or need additional information, please contact us as listed on the Plan. If possible, we plan to ask the County Commission at its regular meeting on March 11, 2013, to approve the Refunding Bond Resolution and other information. We appreciate your consideration of this request.

Sincerely,

Carolyn Bowers

Carolyn P. Bowers
County Mayor

Cc: Erinne Hester, Director of Accounts and Budgets
Tom McAnulty, Stephens Inc.

Enclosures

EXHIBIT A

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

1. **Entity Information:**

a. **Name of Government:**	Montgomery County, Tennessee
b. **Name of Governing Body:**	Montgomery County Board of Commissioners
c. **County Mayor**	Carolyn P. Bowers
d. **Mailing Address:**	One Millennium Plaza, Suite 205 Montgomery County Historic Courthouse Clarksville, TN 37040
e. **Telephone Number:**	
Fax Number:	931-648-5787 931-553-5177
f. **E-mail Address:**	mayorbowers@mcgtn.net
g. **Contact for Additional Information:**	Erinne J. Hester Director of Accounts & Budgets
Telephone Number:	931-648-5705
Fax Number:	931-553-5150
E-Mail Address	ejhester@mcgtn.net
h. **Third Party Authorization :**	Tom McAnulty
Financial Advisor	Stephens Inc.
Telephone Number:	615-279-4333
Fax Number:	615-279-4351
E-Mail Address	tmcanulty@stephens.com

2. **Timing of Information:**

a. **County Budget Committee Meeting:**	Monday, March 04, 2013
b. **County Commission Regular Meeting:**	Monday, March 11, 2013

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

3. Specific Request for:

a. Pursuant to TCA 9-21-101 et seq., specifically TCA 9-21-903:

It is requested that the Comptroller's designee review and approve the refinancing of the County's Series 2004 GO Refunding Bonds. The Refunding Bonds will be sold at a public competitive sale with the proceeds to be used to defease the Series 2004 Bonds on May 1, 2014.

The Refunding issue will be structured to maintain approximately the same weighted average life of the issue considering the underwriting fee and any other costs projected at $37,145,000 for the total refinancing.

The maturity of the 2013 GO Refunding Bonds does not exceed the useful life of the capital assets originally financed in 2004 since the final maturity will remain the same.

Series	Dated Date & Maturities to Refinance	Amount Callable	General Obligation Refunding Bonds (To be refinanced with Series 2013)
2004	All remaining maturities of May 1, 2015 through May 1, 2020	$34,500,000	The $43,240,000 Refunding Bonds, Series 2004 Bonds were issued for the purpose of refunding the callable bonds of Series 2001 Bonds.

b. Approval for:

i. Final Maturity:

Final maturity of the Refunding Bonds will be the same as the original Series 2004 Bonds. There is NO planned restructuring or extending of original maturities.

ii. Competitive Sale

Pursuant to TCA 9-21-903, the approval of a public competitive sale is requested as the "governing body of the local government may direct". Pursuant to TCA 9-21-902 before the underwriter enters the capital market to sell the Refunding Bonds, the County's designated official after a review of the offering and the current financial analysis considering the current taxable interest rates will approve the timing of the competitive sale to award the bond sale to the bidder offering the lowest average true interest cost (TIC).

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

(a) Reasons for a Competitive Sale:	The primary reasons for requesting approval for a competitive sale are:
(1) Volatile Interest Rate Market:	Current fixed, taxable interest rates are at a very low point allowing the County to issue fixed taxable interest rate refunding bonds to pay off the tax-exempt callable bonds of Series 2004 Bonds beginning with May 1, 2015 through May 1, 2020 having an average interest rate of 4.7644847% with a projected refinancing average TIC rate of 1.5404213%.
(2) Cost of Issuance and Projected Savings	The projected cost of issuance is $133,715 plus an estimated $222,870 for the underwriting fee for a competitive sale, producing a projected net savings of $2,724,256 for 6.487% of total refunded debt service or 7.472% of refunded principal.

c. Information and Documents Related to New Refunding Bond Issue

(a) Proposed Refunding Bond Resolution:	Not required for a Competitive Sale
(b) Preliminary Official Statement	Not required for a Competitive Sale
(c) Detailed Statement of the Cost of Issuance:	See the attached Detailed Cost of Issuance on page 19 of the **Exhibit F1 Financial Analysis dated February 28,2013.**
(d) Local Government Statement:	The proposed public competitive sale is feasible; considering the issuance at the current fixed taxable interest rates. The County will amortize the proposed indebtedness together with all of other obligations outstanding as it had intended when the original bonds were issued.

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

(e) Montgomery County Debt Management Policy Statement authorization of a private negotiated sale: See Exhibit G.	The County considered the following Policy statements in evaluating the importance of refinancing variable rate loans at this time: 1). The County's policy under "Debt Management Practices", Section B. "Refinancing Outstanding Debt" under "Purposes" states that "Bonds shall be considered for refunding when the refunding generate results in aggregate net present value savings to the County. In determining whether a refunding is advisable, the Governing Body shall take into account, amount other factors, the level of savings, the call date, and final maturity date of the refunded bonds, and projected interest rates relative to historical interest rate levels." 2). In accordance with the Policy page 10, "The Governing Body shall refund bonds within the term of the originally issued debt, ..." The County plans to maintain the same maturities 2014 through 2020. 3). Pursuant to the Policy on page 10, Escrow Structuring. The County shall utilize the least costly securities available in structuring the refunding escrows; provided that the County may purchase U.S. Treasuries - State and Local Government Securities . . . ." Unless the U.S. Bureau of Debt desk is closed or for some other unknown reason at the present time, the County purposes to purchase the SLGS for the Escrow Account. 4.). The County proposes to sell the Refunding Bonds at a publicly competitive sale in accordance with the Policy under Methods of Sale on page 11.
	See Exhibit G. Section B1, page 10. "In determining whether a refunding is advisable, the Governing Body shall take into account, among other factors, the level of savings, the call date and final maturity date of the refunded bonds, and the projected interest rates relative to historical interest rate levels." The County Policy does not state the minimum threshold to consider a refinancing for savings; however, the County will consider savings exceeding a net present value benefit of three percent (3%) of the refunded debt service (total principal and interest) of the prior bonds.
4. Identification of Key Professionals:	See **Exhibit D: Distribution List**

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

5. Purpose of Refunding:

a. Uniform Annual Savings Only	While taxable interest rates are at a very low point, the refinancing of the Series 2004 Bonds is for the purpose of obtaining uniform annual savings only.
b. Financial Analysis Schedules:	See **Exhibit F1 Refinancing Analysis** of Series 2004 GO Refunding Bonds
c. Restructuring of Current Debt Principal Amounts:	NO restructuring of the principal payments of the current obligations is being considered.
d. Restructure and Elimination of Contractual Covenants:	N/A
e. Restructure the Form of Obligation to Reduce or Eliminate Risks:	N/A

6. Montgomery County Debt Management Policy Requirements:	The refinancing request complies with the County's debt management policy. See **County's Debt Management Policy Exhibit G** and the Policy quotes in 3. above.
7. Refunding Financial Analysis Schedules:	See **Exhibit F1 Refinancing Analysis** of Series 2004 GO Refunding Bonds. See the enclosed Refinancing Analysis pages 1 through 20.

a. Refunding Debt:

i. Maximum Size:	**Exhibit F1 Refinancing Analysis** projects the maximum size of the issue at $37,145,000..
ii. Anticipated Size:	The only anticipated size difference will be the result of interest rate changes, any reoffering premium, and the underwriter's spread related to the sale.
iii. Final Weighted Average Maturity Compared to the Series 2004 Bonds:	The weighted average of the current Series 2004 Bonds will be almost the same based on the additional bonds related to cost of issuing the refunding bonds. The weighted average of the Series 2004 Bonds to be refunded is 4.703 years, and the Refunding Bonds is projected to be 4.518 Years. See page 3 and 11 of Exhibit F1 Financial Analysis for a comparison of the two weighted averages.
iv. Type of Refunding:	Advanced refunding with a call date of May 1, 2014
v. Principal Maturity Structure	Principal payments will be from April 1, 2014 to April 1, 2020 as currently scheduled for the Series 2004 Bonds.

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

vi. Cost of Issuance: The estimated cost of issuance for the Refunding bonds is $133,715 or $3.60 per $1,000 plus an estimated underwriter fee of $222,870 or $6.00 per $1,000 bonds issued for a total of $356,585 or $9.60 per $1,000 or .00960 (.960%) of the total principal of $37,145,000 projected for the issue. See Page 19 of **Exhibit F1 Financial Analysis.** There is a callable premium of 2% declining to zero in 2018 that has been included in determining the net savings from the refinancing.

vii. Sources and Uses of Funds: The estimated sources and uses of funds are presented on page 18 of **Exhibit F1 Financial Analysis.**

b. Refunded Debt Issues

i. Current Debt Issue : The Montgomery County, Tennessee $43,240,000 GO Refunding Bonds, Series 2004 were issued March 15, 2004

(a) Date of Issue: March 15, 2004

(b) Date of Authorization: Monday, February 09, 2004

(c) Type of Debt: General Obligation, Tax-Exempt, Bond secured by all the full, faith and credit of the County with an unlimited tax pledge.

(d) Bank-qualified: Not bank-qualified

(e) Small Issuer IRS Exception: Not Applicable

(f) Copy of State Report CT-0253: See **Exhibit H1**

(g) Projects Funded with Proceeds: The Series 2004 Refunding Bonds were issued to advance refund the Series 2001 Bonds that had been issued for the construction and equipping schools in the County, the County Health Department building, finishing the Court Center for county offices and the refinancing of some maturities maturing 2007 or before for Series 1994 and 1996, and all cost of issuance.

(h) Weighted Average Life of Issue: The weighted average of the current Series 2004 Bonds will be almost the same based on the additional bonds related to cost of issuing the refunding bonds. The weighted average of the Series 2004 Bonds to be refunded is 4.703 years, and the Refunding Bonds is projected to be 4.518 Years. See page 3 and 11 of Exhibit F1 Financial Analysis for a comparison of the two weighted averages.

(I) Projected Life of Capital Assets: The life of the Refunding Bond issue does not exceed the life of the capital assets financed by the proceeds of the original bond issues.

MONTGOMERY COUNTY, TENNESSEE

PLAN OF REFUNDING SERIES 2004 COUNTY REFUNDINGL BOND ISSUE

INFORMATION SUBMITTED TO THE STATE OFFICE OF STATE AND LOCAL FINANCE

Dated: March 1, 2013

(j) Remaining Project Life as of February 28, 2013	The projected life of the Refunding Bonds does NOT exceed the original expected life of the capital assets funded by the original bonds.
(k) CUSIP Number of Final Maturity	The last maturity CUSIP number is 613664M81
(l) Principal Amounts to be Refunded:	All callable principal amounts maturing 2015 through 2020 will be refunded maturing 2014 through 2020.
(m) Callable Feature:	The callable feature will be decided after a review of other bond issues in the current market considering the traditional 10 year call as impacted by any reoffering premiums of other issues in the market.
c. Derivative Products:	The County has NO derivative products.
d. Prior Refunding of Current Refunded Debt	The Series 2004 Bonds refunded the Series 2001 bonds that had refunded Series 1994 and Series 1996 maturities 2001 through 2007, but these maturities were not included in Series 2004 Refunding. NO prior refunding related to the Series 2004 Bonds.

Exhibit D

Distribution List

$37,000,000
MONTGOMERY COUNTY, TENNESSEE
General Obligation Refunding Bonds, Series 2013

Distribution List

Engagement Number

ISSUER
Montgomery County, Tennessee
Carolyn P. Bowers
County Mayor
Debbie Gentry, Assistant
mayorbowers@mcgtn.net
dlgentry@mcgtn.net
Emily Matthews
ehmatthews@mcgtn.net
Phone: (931) 648-5787
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Erinne J. Hester
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Phone: (931) 648-5705
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sholt@mcgtn.net
Gloria James
gbjames@mcgtn.net
Phone: (931) 648-5705
Fax: (931) 553-5150
P.O. Box 368 (37041)
One Millennium Plaza, Suite 205
Montgomery County Historic Courthouse
Clarksville, TN 37040

Kellie A. Jackson
County Clerk
kajackson@mcgtn.net
P.O. Box 687
Clarksville, TN 37040
Phone: (931) 648-5711 x0
Fax: (931) 553-5160

Brenda E. Radford
County Trustee
beradford@mcgtn.net
350 Pageant Lane, Suite 101-B
P.O. Box 1005
Clarksville, TN 37041
Phone: (931) 648-5717
Fax: (931) 503-2211

COUNTY ATTORNEY
Batson, Nolan, Williamson, Pearson &Miller
Austin Peay, Esq.
apeay@batsonnolan.com
121 South Third Street
Clarksville, TN 37040
Phone: (931) 647-1501
Fax: (931) 647-1846

REGISTRATION/PAYING AGENT AND ESCROW AGENT
TBD

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Charlie Wray, Esq.
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FINANCIAL ADVISOR
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One American Center, Suite 630
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Tom McAnulty, SVP
tmcanulty@stephens.com
jstarcher@stephens.com
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(800) 732-6847
Fax: (615) 279-4351

RATING AGENCY
TBD

UNDERWRITER:
TBD

Exhibit F-1

Projected Refunding Analysis

EXHIBIT F1 REFINANCING ANALYSIS OF SERIES 2013 FOR REFUNDING SERIES 2004

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013
Dated: May 1, 2013

TAXABLE RATE ADVANCED REFINANCING OF SERIES 2004 BONDS

CALLABLE 5/1/2014 AT 102% FOR MATURITIES 5/1/2015 THROUGH 5/1/2020

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Stephens Inc.
Tennessee Public Finance

Preliminary

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Debt Service Comparison and Projected Savings Report

1	2	3	4	5	6
Date	After Refinancing Total P+I	Series 2004 Bond NOT Refinanced	Total of Columns 2 and 3 Net New D/S	Total D/S Before Refinancing	Projected Savings Column 5 minus 4
06/30/2013	-	-	-	-	-
06/30/2014	1,263,524.50	4,462,500.00	5,726,024.50	6,113,000.00	386,975.50
06/30/2015	5,959,499.50	-	5,959,499.50	6,350,500.00	391,000.50
06/30/2016	6,178,717.00	-	6,178,717.00	6,565,500.00	386,783.00
06/30/2017	6,354,757.00	-	6,354,757.00	6,745,875.00	391,118.00
06/30/2018	6,514,907.00	-	6,514,907.00	6,906,062.50	391,155.50
06/30/2019	6,666,139.50	-	6,666,139.50	7,056,062.50	389,923.00
06/30/2020	6,568,099.50	-	6,568,099.50	6,955,400.00	387,300.50
Total	**$39,505,644.00**	**$4,462,500.00**	**$43,968,144.00**	**$46,692,400.00**	**$2,724,256.00**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	2,575,629.74
Net PV Cashflow Savings @ 1.624%(AIC).....	2,575,629.74
Contingency or Rounding Amount.....	2,355.87
Net Present Value Benefit	**$2,577,985.61**
Net PV Benefit / $7,425,222.46 PV Refunded Interest	**34.719%**
Net PV Benefit / $39,740,169.83 PV Refunded Debt Service	**6.487%**
Net PV Benefit / $34,500,000 Refunded Principal...	**7.472%**
Net PV Benefit / $37,145,000 Refunding Principal..	**6.940%**

Refunding Bond Information

Refunding Dated Date	5/01/2013
Refunding Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$43,240,000 General Obligation Refunding Bonds, Series 2004

Dated: March 15, 2004

Prior Original Debt Service

Date	Principal	Coupon	Interest	Total P+I
06/30/2013	-	-	-	-
11/01/2013	-	-	931,500.00	931,500.00
05/01/2014	4,250,000.00	5.000%	931,500.00	5,181,500.00
11/01/2014	-	-	825,250.00	825,250.00
05/01/2015	4,700,000.00	5.000%	825,250.00	5,525,250.00
11/01/2015	-	-	707,750.00	707,750.00
05/01/2016	5,150,000.00	4.750%	707,750.00	5,857,750.00
11/01/2016	-	-	585,437.50	585,437.50
05/01/2017	5,575,000.00	4.750%	585,437.50	6,160,437.50
11/01/2017	-	-	453,031.25	453,031.25
05/01/2018	6,000,000.00	4.750%	453,031.25	6,453,031.25
11/01/2018	-	-	310,531.25	310,531.25
05/01/2019	6,435,000.00	4.750%	310,531.25	6,745,531.25
11/01/2019	-	-	157,700.00	157,700.00
05/01/2020	6,640,000.00	4.750%	157,700.00	6,797,700.00
Total	**$38,750,000.00**	**-**	**$7,942,400.00**	**$46,692,400.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/01/2013
Average Life	4.297 Years
Average Coupon	4.7704967%
Weighted Average Maturity (Par Basis)	4.297 Years

Refunding Bond Information

Refunding Dated Date	5/01/2013
Refunding Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$43,240,000 General Obligation Refunding Bonds, Series 2004

Dated: March 15, 2004

Total Refunded Debt Service

Date	Principal	Coupon	Interest	Total P+I
06/30/2014	-	5.000%	1,650,500.00	1,650,500.00
06/30/2015	4,700,000.00	5.000%	1,650,500.00	6,350,500.00
06/30/2016	5,150,000.00	4.750%	1,415,500.00	6,565,500.00
06/30/2017	5,575,000.00	4.750%	1,170,875.00	6,745,875.00
06/30/2018	6,000,000.00	4.750%	906,062.50	6,906,062.50
06/30/2019	6,435,000.00	4.750%	621,062.50	7,056,062.50
06/30/2020	6,640,000.00	4.750%	315,400.00	6,955,400.00
Total	**$34,500,000.00**	**-**	**$7,729,900.00**	**$42,229,900.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/01/2013
Average Life	4.703 Years
Average Coupon	4.7644847%
Weighted Average Maturity (Par Basis)	4.703 Years

Refunding Bond Information

Refunding Dated Date	5/01/2013
Refunding Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$43,240,000 General Obligation Refunding Bonds, Series 2004

Dated: March 15, 2004

Debt Service To Maturity And To Call

Date	Refunded Bonds	Premium	Refunded Interest	D/S To Call
11/01/2013	-	-	825,250.00	825,250.00
05/01/2014	34,500,000.00	690,000.00	825,250.00	36,015,250.00
11/01/2014	-	-	-	-
05/01/2015	-	-	-	-
11/01/2015	-	-	-	-
05/01/2016	-	-	-	-
11/01/2016	-	-	-	-
05/01/2017	-	-	-	-
11/01/2017	-	-	-	-
05/01/2018	-	-	-	-
11/01/2018	-	-	-	-
05/01/2019	-	-	-	-
11/01/2019	-	-	-	-
05/01/2020	-	-	-	-
Total	**$34,500,000.00**	**$690,000.00**	**$1,650,500.00**	**$36,840,500.00**

MONTGOMERY COUNTY, TENNESSEE

$43,240,000 General Obligation Refunding Bonds, Series 2004

Dated: March 15, 2004

Debt Service To Maturity And To Call

Date	Principal	Coupon	Interest	Refunded D/S
11/01/2013	-	-	825,250.00	825,250.00
05/01/2014	-	5.000%	825,250.00	825,250.00
11/01/2014	-	-	825,250.00	825,250.00
05/01/2015	4,700,000.00	5.000%	825,250.00	5,525,250.00
11/01/2015	-	-	707,750.00	707,750.00
05/01/2016	5,150,000.00	4.750%	707,750.00	5,857,750.00
11/01/2016	-	-	585,437.50	585,437.50
05/01/2017	5,575,000.00	4.750%	585,437.50	6,160,437.50
11/01/2017	-	-	453,031.25	453,031.25
05/01/2018	6,000,000.00	4.750%	453,031.25	6,453,031.25
11/01/2018	-	-	310,531.25	310,531.25
05/01/2019	6,435,000.00	4.750%	310,531.25	6,745,531.25
11/01/2019	-	-	157,700.00	157,700.00
05/01/2020	6,640,000.00	4.750%	157,700.00	6,797,700.00
Total	**$34,500,000.00**	**-**	**$7,729,900.00**	**$42,229,900.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/01/2013
Average Life	4.703 Years
Average Coupon	4.7644847%
Weighted Average Maturity (Par Basis)	4.703 Years

Refunding Bond Information

Refunding Dated Date	5/01/2013
Refunding Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Escrow Fund Cashflow

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
05/01/2013	-	-	-	0.13	-	0.13
11/01/2013	824,751.00	0.120%	498.91	825,249.91	825,250.00	0.04
05/01/2014	35,961,308.00	0.150%	53,941.96	36,015,249.96	36,015,250.00	-
Total	**$36,786,059.00**	**-**	**$54,440.87**	**$36,840,500.00**	**$36,840,500.00**	**-**

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Bond Yield
Cash Deposit	0.13
Cost of Investments Purchased with Bond Proceeds	36,786,059.00
Total Cost of Investments	$36,786,059.13
Target Cost of Investments at bond yield	$36,335,023.06
Actual positive or (negative) arbitrage	(451,036.07)
Yield to Receipt	0.1496155%
Yield for Arbitrage Purposes	1.4021642%
State and Local Government Series (SLGS) rates for	2/28/2013

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Escrow Summary Cost

Maturity	Type	Coupon	Yield	$ Price	Par Amount	Principal Cost	+Accrued Interest	= Total Cost
Escrow								
11/01/2013	SLGS-CI	0.120%	0.120%	100.0000000%	824,751	824,751.00	-	824,751.00
05/01/2014	SLGS-CI	0.150%	0.150%	100.0000000%	35,961,308	35,961,308.00	-	35,961,308.00
Subtotal		-	-	-	**$36,786,059**	**$36,786,059.00**	-	**$36,786,059.00**
Total		-	-	-	**$36,786,059**	**$36,786,059.00**	-	**$36,786,059.00**

Escrow	
Cash Deposit	0.13
Cost of Investments Purchased with Bond Proceeds	36,786,059.00
Total Cost of Investments	$36,786,059.13

Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Refunding Summary

Dated 05/01/2013 | Delivered 05/01/2013

Sources Of Funds

Par Amount of Bonds	$37,145,000.00
Total Sources	**$37,145,000.00**

Uses Of Funds

Deposit to Net Cash Escrow Fund	36,786,059.13
Total Underwriter's Discount (0.600%)	222,870.00
Costs of Issuance	133,715.00
Rounding Amount	2,355.87
Total Uses	**$37,145,000.00**

Flow of Funds Detail

State and Local Government Series (SLGS) rates for	2/28/2013
Date of OMP Candidates	
Net Cash Escrow Fund Solution Method	Net Funded
Total Cost of Investments	$36,786,059.13
Interest Earnings @ 0.150%	54,440.87
Total Draws	$36,840,500.00

Issues Refunded And Call Dates

GO REF Series 2004 DD 03152004	5/01/2014

PV Analysis Summary (Net to Net)

Net PV Cashflow Savings @ 1.624%(AIC)	2,575,629.74
Contingency or Rounding Amount	2,355.87
Net Present Value Benefit	$2,577,985.61
Net PV Benefit / $34,500,000 Refunded Principal	7.472%
Net PV Benefit / $37,145,000 Refunding Principal	6.940%

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Refunding Summary

Dated 05/01/2013 | Delivered 05/01/2013

Bond Statistics

Average Life	4.518 Years
Average Coupon	1.4066943%
Net Interest Cost (NIC)	1.5395012%
Bond Yield for Arbitrage Purposes	1.4021642%
True Interest Cost (TIC)	1.5404213%
All Inclusive Cost (AIC)	1.6238859%

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/01/2013	-	-	-	-	-
11/01/2013	-	-	229,262.25	229,262.25	-
05/01/2014	805,000.00	0.500%	229,262.25	1,034,262.25	-
06/30/2014	-	-	-	-	1,263,524.50
11/01/2014	-	-	227,249.75	227,249.75	-
05/01/2015	5,505,000.00	0.650%	227,249.75	5,732,249.75	-
06/30/2015	-	-	-	-	5,959,499.50
11/01/2015	-	-	209,358.50	209,358.50	-
05/01/2016	5,760,000.00	0.850%	209,358.50	5,969,358.50	-
06/30/2016	-	-	-	-	6,178,717.00
11/01/2016	-	-	184,878.50	184,878.50	-
05/01/2017	5,985,000.00	1.000%	184,878.50	6,169,878.50	-
06/30/2017	-	-	-	-	6,354,757.00
11/01/2017	-	-	154,953.50	154,953.50	-
05/01/2018	6,205,000.00	1.350%	154,953.50	6,359,953.50	-
06/30/2018	-	-	-	-	6,514,907.00
11/01/2018	-	-	113,069.75	113,069.75	-
05/01/2019	6,440,000.00	1.600%	113,069.75	6,553,069.75	-
06/30/2019	-	-	-	-	6,666,139.50
11/01/2019	-	-	61,549.75	61,549.75	-
05/01/2020	6,445,000.00	1.910%	61,549.75	6,506,549.75	-
06/30/2020	-	-	-	-	6,568,099.50
Total	**$37,145,000.00**	**-**	**$2,360,644.00**	**$39,505,644.00**	**-**

Yield Statistics

Bond Year Dollars	$167,815.00
Average Life	4.518 Years
Average Coupon	1.4066943%
Net Interest Cost (NIC)	1.5395012%
True Interest Cost (TIC)	1.5404213%
Bond Yield for Arbitrage Purposes	1.4021642%
All Inclusive Cost (AIC)	1.6238859%

IRS Form 8038

Net Interest Cost	1.4066943%
Weighted Average Maturity	4.518 Years

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/30/2013	-	-	-	-
06/30/2014	805,000.00	0.500%	458,524.50	1,263,524.50
06/30/2015	5,505,000.00	0.650%	454,499.50	5,959,499.50
06/30/2016	5,760,000.00	0.850%	418,717.00	6,178,717.00
06/30/2017	5,985,000.00	1.000%	369,757.00	6,354,757.00
06/30/2018	6,205,000.00	1.350%	309,907.00	6,514,907.00
06/30/2019	6,440,000.00	1.600%	226,139.50	6,666,139.50
06/30/2020	6,445,000.00	1.910%	123,099.50	6,568,099.50
Total	**$37,145,000.00**	-	**$2,360,644.00**	**$39,505,644.00**

Yield Statistics

Bond Year Dollars	$167,815.00
Average Life	4.518 Years
Average Coupon	1.4066943%
Net Interest Cost (NIC)	1.5395012%
True Interest Cost (TIC)	1.5404213%
Bond Yield for Arbitrage Purposes	1.4021642%
All Inclusive Cost (AIC)	1.6238859%

IRS Form 8038

Net Interest Cost	1.4066943%
Weighted Average Maturity	4.518 Years

MONTGOMERY COUNTY, TENNESSEE

$43,240,000 General Obligation Refunding Bonds, Series 2004

Dated: March 15, 2004

Current Outstanding Debt Service

Date	Principal	Coupon	Interest	Total P+I
11/01/2013	-	-	106,250.00	106,250.00
05/01/2014	4,250,000.00	5.000%	106,250.00	4,356,250.00
Total	**$4,250,000.00**	**-**	**$212,500.00**	**$4,462,500.00**

Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	5/01/2013
Average Life	1.000 Years
Average Coupon	5.0000000%
Weighted Average Maturity (Par Basis)	1.000 Years

Refunding Bond Information

Refunding Dated Date	5/01/2013
Refunding Delivery Date	5/01/2013

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
05/01/2014	Serial Coupon	0.500%	0.500%	805,000.00	100.000%	805,000.00
05/01/2015	Serial Coupon	0.650%	0.650%	5,505,000.00	100.000%	5,505,000.00
05/01/2016	Serial Coupon	0.850%	0.850%	5,760,000.00	100.000%	5,760,000.00
05/01/2017	Serial Coupon	1.000%	1.000%	5,985,000.00	100.000%	5,985,000.00
05/01/2018	Serial Coupon	1.350%	1.350%	6,205,000.00	100.000%	6,205,000.00
05/01/2019	Serial Coupon	1.600%	1.600%	6,440,000.00	100.000%	6,440,000.00
05/01/2020	Serial Coupon	1.910%	1.910%	6,445,000.00	100.000%	6,445,000.00
Total	-	-	-	**$37,145,000.00**	-	**$37,145,000.00**

Bid Information

Par Amount of Bonds	$37,145,000.00
Gross Production	$37,145,000.00
Total Underwriter's Discount (0.600%)	$(222,870.00)
Bid (99.400%)	36,922,130.00
Total Purchase Price	$36,922,130.00
Bond Year Dollars	$167,815.00
Average Life	4.518 Years
Average Coupon	1.4066943%
Net Interest Cost (NIC)	1.5395012%
True Interest Cost (TIC)	1.5404213%

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

AVERAGE LIFE BY MATURITY

Maturity	Type	BOND YEARS (000)	/ ISSUANCE VALUE	= AVERAGE LIFE
05/01/2014	Serial	805.00	805,000.00	1.000 Years
05/01/2015	Serial	11,010.00	5,505,000.00	2.000 Years
05/01/2016	Serial	17,280.00	5,760,000.00	3.000 Years
05/01/2017	Serial	23,940.00	5,985,000.00	4.000 Years
05/01/2018	Serial	31,025.00	6,205,000.00	5.000 Years
05/01/2019	Serial	38,640.00	6,440,000.00	6.000 Years
05/01/2020	Serial	45,115.00	6,445,000.00	7.000 Years
Total	-	**$167,815.00**	**$37,145,000.00**	-

Bid Information

Bond Year Dollars	$167,815.00
Average Life	4.518 Years

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Proof Of Bond Yield @ 1.4021642%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
05/01/2013	-	1.0000000x	-	-
11/01/2013	229,262.25	0.9930380x	227,666.12	227,666.12
05/01/2014	1,034,262.25	0.9861244x	1,019,911.29	1,247,577.41
11/01/2014	227,249.75	0.9792590x	222,536.37	1,470,113.78
05/01/2015	5,732,249.75	0.9724414x	5,574,277.11	7,044,390.89
11/01/2015	209,358.50	0.9656713x	202,171.49	7,246,562.38
05/01/2016	5,969,358.50	0.9589483x	5,724,305.95	12,970,868.32
11/01/2016	184,878.50	0.9522721x	176,054.63	13,146,922.95
05/01/2017	6,169,878.50	0.9456423x	5,834,498.23	18,981,421.18
11/01/2017	154,953.50	0.9390587x	145,510.44	19,126,931.62
05/01/2018	6,359,953.50	0.9325210x	5,930,790.27	25,057,721.89
11/01/2018	113,069.75	0.9260288x	104,705.84	25,162,427.73
05/01/2019	6,553,069.75	0.9195818x	6,026,083.45	31,188,511.18
11/01/2019	61,549.75	0.9131796x	56,205.98	31,244,717.16
05/01/2020	6,506,549.75	0.9068221x	5,900,282.84	37,145,000.00
Total	**$39,505,644.00**	**-**	**$37,145,000.00**	**-**

Derivation Of Target Amount

Par Amount of Bonds	$37,145,000.00
Original Issue Proceeds	$37,145,000.00

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Proof Of True Interest Cost (TIC) @ 1.5404213%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
05/01/2013	-	1.0000000x	-	-
11/01/2013	229,262.25	0.9923568x	227,509.94	227,509.94
05/01/2014	1,034,262.25	0.9847719x	1,018,512.45	1,246,022.39
11/01/2014	227,249.75	0.9772451x	222,078.70	1,468,101.10
05/01/2015	5,732,249.75	0.9697758x	5,558,996.98	7,027,098.08
11/01/2015	209,358.50	0.9623636x	201,478.99	7,228,577.07
05/01/2016	5,969,358.50	0.9550080x	5,700,785.02	12,929,362.08
11/01/2016	184,878.50	0.9477086x	175,210.95	13,104,573.03
05/01/2017	6,169,878.50	0.9404651x	5,802,555.20	18,907,128.23
11/01/2017	154,953.50	0.9332769x	144,614.52	19,051,742.75
05/01/2018	6,359,953.50	0.9261436x	5,890,230.31	24,941,973.06
11/01/2018	113,069.75	0.9190649x	103,918.44	25,045,891.50
05/01/2019	6,553,069.75	0.9120402x	5,976,663.35	31,022,554.84
11/01/2019	61,549.75	0.9050693x	55,706.79	31,078,261.63
05/01/2020	6,506,549.75	0.8981516x	5,843,868.37	36,922,130.00
Total	**$39,505,644.00**	-	**$36,922,130.00**	-

Derivation Of Target Amount

Par Amount of Bonds	$37,145,000.00
Total Underwriter's Discount (0.600%)	$(222,870.00)
Total Purchase Price	$36,922,130.00

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance Price	Exponent	Bond Years
05/01/2013	-	-	-	-	-
05/01/2014	805,000.00	100.000%	805,000.00	1.0000000x	805,000.00
05/01/2015	5,505,000.00	100.000%	5,505,000.00	2.0000000x	11,010,000.00
05/01/2016	5,760,000.00	100.000%	5,760,000.00	3.0000000x	17,280,000.00
05/01/2017	5,985,000.00	100.000%	5,985,000.00	4.0000000x	23,940,000.00
05/01/2018	6,205,000.00	100.000%	6,205,000.00	5.0000000x	31,025,000.00
05/01/2019	6,440,000.00	100.000%	6,440,000.00	6.0000000x	38,640,000.00
05/01/2020	6,445,000.00	100.000%	6,445,000.00	7.0000000x	45,115,000.00
Total	**$37,145,000.00**	**-**	**$37,145,000.00**	**-**	**$167,815,000.00**

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	4.518 Years
Total Interest from Debt Service	2,360,644.00
Total Interest	2,360,644.00
NIC = Interest / (Issue Price * Average Maturity)	1.4066943%
Bond Yield for Arbitrage Purposes	1.4021642%

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Sources & Uses

Dated 05/01/2013 | Delivered 05/01/2013

Sources Of Funds	
Par Amount of Bonds	$37,145,000.00
Total Sources	**$37,145,000.00**

Uses Of Funds	
Deposit to Net Cash Escrow Fund	36,786,059.13
Total Underwriter's Discount (0.600%)	222,870.00
Costs of Issuance	133,715.00
Rounding Amount	2,355.87
Total Uses	**$37,145,000.00**

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Detail Costs Of Issuance

Dated 05/01/2013 | Delivered 05/01/2013

COSTS OF ISSUANCE DETAIL

Bond Counsel	$34,000.00
Preliminary Official Statement	$3,982.00
Final Official Statement	$3,467.00
Overnight Delivery	$576.00
Verification Agent	$3,500.00
Escrow Agent	$500.00
Registration and Paying Agent	$1,000.00
S&P Credit Rating	$21,000.00
Financial Advisory Fee	$63,717.00
Miscellaneous Costs	$1,973.00
TOTAL	**$133,715.00**

Preliminary

MONTGOMERY COUNTY, TENNESSEE

$37,145,000 General Obligation Refunding Bonds, Series 2013

Dated: May 1, 2013

Projected Summary Of Underwriter's Discount

Maturity	Concession	+ Takedown	= Total	Issuance Value	Total Takedown
05/01/2014	-	0.600%	0.600%	805,000.00	4,830.00
05/01/2015	-	0.600%	0.600%	5,505,000.00	33,030.00
05/01/2016	-	0.600%	0.600%	5,760,000.00	34,560.00
05/01/2017	-	0.600%	0.600%	5,985,000.00	35,910.00
05/01/2018	-	0.600%	0.600%	6,205,000.00	37,230.00
05/01/2019	-	0.600%	0.600%	6,440,000.00	38,640.00
05/01/2020	-	0.600%	0.600%	6,445,000.00	38,670.00
Total	-	-	-	**$37,145,000.00**	**$222,870.00**

Underwriting & Issuance Expenses

Total Average Takedown (0.600%)	$222,870.00
TOTAL UNDERWRITING SPREAD (0.600%)	$222,870.00

NOTE:

The Bonds will be sold at a public competitive bidding sale using the nationally recognized Parity electronic bidding process. The Bidder offering the lowest true interest cost (TIC) bid will receive the bid award unless there is a problem with the bid --- usually there are no problems. The lowest bidder may or may not have the lowest underwriter's discount but will have the lowest TIC rate.

Exhibit H-1

State Form(s) CT-0253

STATE FORM NO. CT-0253

Issuer's No. _____
(To be filled out by State)

REPORT ON DEBT OBLIGATION

(Pursuant to Chapter 402, Public Acts of 1989)

1. Issuer:

Name: Montgomery County, TN

Address: One Millennium Plaza
Montgomery County Historic Courthouse
Clarksville, TN 37040

2. Debt Obligation:
- [x] a.Bond
- [ ] b.CON
- [ ] c.BAN
- [ ] d.GAN
- [ ] e.Lease/Lease Purchase
- [ ] f.Loan Agreement

3. Security for Debt Obligation:
- [x] a.General Obligation
- [ ] b.General Obligation Revenue and Tax
- [ ] c.Revenue
- [ ] d.Annual Appropriations

4. Purpose of Issue:

	Percent of Issue
[ ] a.General Government	
[ ] b.Education	
[ ] c.Highways and Streets	
[ ] d.Public Safety	
[ ] e.Solid Waste Disposal	
[ ] f.Industrial Park	
[ ] g.Manufacturing Facilities	
[ ] h.Health Facilities	
[ ] i.Airports	
j.Utilities	
[ ] i.Water	
[ ] ii. Sewer	
[ ] iii.Electric	
[ ] iv.Gas	
[x] k.Refunding or Renewal	100
[ ] l.Other _____ (specify)	

5. Face Amount of Debt Obligation: $ 43,240,000

6. Type of Sale:
- [ ] a.Competitive Public Sale
- [x] b.Negotiated
- [ ] c.Loan Program _____ (specify)

7. Tax Status:
a. X Tax Exempt b. _____ Taxable

8. Dated Date: 03/15/2004

9. Issue Date (Closing Date): 03/19/2004

10. Rating:
a.Moody's "Aaa"
b.Standard & Poor's _____
c.Unrated _____
FGIC Insured

11. Interest Cost: 3.9118 %
- [x] a.TIC
- [ ] b.NIC
- [ ] c.Variable
- [ ] d.Other

12. Recurring Costs:
a.Remarketing Agent Fees $ _____
b.Liquidity Fees $ _____
c.Credit Enhancement Fees $ _____

SEE REVERSE SIDE

RECEIVED
MAR 15 2004
LOCAL FINANCE

13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate
2006	$ 90,000	2.00%
2007	100,000	2.00
2008	100,000	2.00
2009	100,000	2.30
2010	100,000	2.50
2011	100,000	2.75
2012	100,000	3.00
2013	3,800,000	5.00
2014	4,250,000	5.00
2015	4,700,000	5.00
2016	5,150,000	4.75

Year	Amount	Interest Rate
2017	$ 5,575,000	4.75%
2018	6,000,000	4.75
2019	6,435,000	4.75
2020	6,640,000	4.75

If additional space is needed, attach additional sheet.

No. of Years_____(to be filled out by State.)

14. Itemized Description of the Cost of Issuance
(Round to Nearest Dollar)

		Name of Firm
a.Financial Advisor Fees*		
b.Legal Fees:		
i.Bond Counsel	33,653.26	Bass, Berry & Sims PLC
ii.Issuer's Counsel		
iii.Trustee's Counsel		
Disclosure Counsel		
c.Paying Agent Fees and Registration Fees	885.61	SouthTrust Bank
d.Trustee Fees		
e.Remarketing Agent Fees		
f.Liquidity Fees		
g.Rating Agency Fees	9,343.21	Moody's Investors Service
h.Credit Enhancement Fees		
i.Underwriter's Discount		
i.Take Down		
ii.Management Fee		
iii.Risk Premium		
iv.Underwriter's Counsel		
v.Other Expenses		
j.Printing and Advertising Fees	5,986.74	I-Deal/DocOptions/FedEx
k.Issuer Fees		
l.Real Estate Fees		
m.Other Costs	16,222.86	CUSIP/Stephens/Misc/SouthTrust/Arbitrage Group
n.Total Costs	$66,091.68	

*If other costs are included, please itemize.

Note: Please enclosed a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15.

Authorized Representative (Signature)	Thomas McAnulty Preparer (Please Type or Print Legibly)
Douglas Weiland Authorized Representative (Please Type or Print Legibly)	Senior Vice President Title
County Mayor Title	Stephens Inc. Firm
March 19, 2004 Date	March 19, 2004 Date

SEND TO: Director - Division of Local Finance - Suite 1600 - James K. Polk State Office Building - Nashville, Tennessee 37243-0274

Exhibit G

Debt Management Policy

MONTGOMERY COUNTY
TENNESSEE
ARCHIVES

Debt Management Policy

Montgomery County Government
Clarksville-Montgomery County Schools
Bi County Solid Waste
Montgomery County E911
Montgomery County Rail Authority
Clarksville/Montgomery County Airport Authority
Montgomery County Port Authority

As Adopted by the Montgomery County Commission on November 14, 2011

Exhibit A

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Debt Management Policy

Introduction

Debt management policies provide written guidance about the amount and type of debt issued by a state or local government, the issuance process, and the management of the debt portfolio. A debt management policy tailored to the needs of the Board of County Commissioners (the "Governing Body") of Montgomery County, Tennessee (the "County") can improve the quality of decisions, identify and disclose parameters relating to the structure and issuance of debt, identify policy goals, and provide a foundation for long-term financial planning, all of which are in the public interest of the County. Adherence to a debt management policy may signal to rating agencies and the capital markets that a government is well-managed and should meet its obligations in a timely manner.

Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective debt management policy provides guidelines for a government to manage its debt program in line with those resources.

The debt program for the County includes (1) general obligation debt issued by the County for general county purposes and for which the County has pledged its full faith and credit for the payment of both principal and interest; (2) school bonds issued by the County for County school purposes grades K-12 and for which the County has pledged its full faith and credit for the payment of both principal and interest; and

This Debt Management Policy is intended to comply with the debt management policy requirements promulgated by the Tennessee State Funding Board in December 2010.

This policy is supported by certain technical terms that are included with definitions in Exhibit A located at the end of the debt management policy.

This policy includes the following entities:

- The Montgomery County Government.
- The Clarksville Montgomery County School System – a component unit of the county government.
- The Bi County Solid Waste System – a component unit of the county government. Bi County has a board of director that is appointed by the County Mayor and confirmed by the County Commission.
- The Montgomery County Emergency Communication District – The District has its own board of directors and the recordkeeping responsibilities reside with the Director of Accounts and Budgets.
- The Montgomery County Rail Service Authority – the Authority has a board of directors that are jointly appointed by the City of Clarksville and Montgomery

County. The recordkeeping responsibility resides with the Accounts and Budgets Department.

- The Clarksville Montgomery County Airport Authority – the Authority has a board of directors that are jointly appointed by the City of Clarksville and Montgomery County. The recordkeeping responsibility resides with the Accounts and Budgets Department.
- The Montgomery County Port Authority.

Goals and Objectives

The Governing Body is establishing a debt policy as a tool to ensure that financings undertaken by the Governing Body satisfy certain clear objective standards designed to protect the County's financial resources and to meet its long-term capital needs.

A. The goals and objectives of this policy are:

1. To document responsibility for the oversight and management of debt related transactions;
2. To establish criteria and promote prudent financial management for the issuance of debt obligations and the evaluation of debt issuance options;
3. To identify legal and administrative limitations on the issuance of debt and ensure the legal use of the Governing Body's debt issuance authority;
4. To define the types and appropriate use of debt approved for use within the constraints established by Tennessee law;
5. To provide guidance for evaluating refunding candidates or alternative debt structures;
6. To provide support for the maintenance of a strong credit rating;
7. To enhance risk management practices; and
8. To increase transparency, reduce conflicts, and promote cooperation in the debt management process.

Debt Management Strategies

To achieve the goals and objectives above, the Governing Body adopts the following debt management strategies and procedures.

A. Funding Strategies

Debt is to be issued pursuant to the authority of and in full compliance with provisions, restrictions and limitations of the Constitution and laws of the State of Tennessee (the "State") (including Title 9, Chapter 21, Tennessee Code Annotated (the "General Bond Act") and Title 49, Chapter 3, Part 10, Tennessee Code Annotated for the issuance of county school bonds (the "School Bond Act") and various bond authorizations enacted by the General Assembly of the State), and pursuant to resolutions adopted by the Governing Body.

1. Debt may only be used to finance or refinance:

   a. the capital costs of "public works projects" (as defined in and permitted by the General Bond Act) and such other costs related thereto as may be permitted by the General Bond Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body; and

   b. the capital costs of County school projects (as permitted by the School Bond Act) and such other costs related thereto as may be permitted by the School Bond Act (including without limitation issuance costs, capitalized interest and the funding of debt service reserves), all of which must be authorized by the Governing Body.

2. Prior to the issuance of bonds, bond anticipation notes or capital outlay notes may be issued for the payment of capital costs of projects as authorized by a resolution of the Governing Body. The bond anticipation notes or capital outlay notes may be paid from the proceeds of bonds to be issued in the future.

3. Debt shall be secured by and payable from the following sources of funds:

   a. In the case of debt issued to finance public works projects under the authority of the General Bond Act, the full faith and credit of the County; provided that in cases where debt is issued to finance capital improvements to a revenue-generating public works project, the debt may be additionally payable from and secured by a pledge of the revenues of such public works project;

   b. In the case of debt issued to finance County school projects for grades K-12 under the authority of the School Bond Act, the full faith and credit of the County; and

4. Prior to the adoption of a resolution authorizing debt, the Director of Accounts and Budgets (the "Director") shall estimate the impact of the contemplated financing and identify the projected source of repayment.

5. Prior to the issuance of debt, the Director of Accounts and Budget shall estimate the effect of additional debt on the percent of annual requirements for debt service versus fund balance in the debt service fund. The County's objective is to maintain the ratio of approximately fifty percent (50%) of fund balance to the annual debt service requirements.

B. Federal Tax Status

1. **Tax-Exempt Debt** — Based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints; the County shall use its best efforts to maximize the amount debt sold under this policy as tax-exempt. Tax exempt from federal income tax and from State of Tennessee Hall Income Tax if it is an obligation of some public entity in Tennessee.

2. **Taxable Debt** — The County shall sell taxable debt when necessary to finance projects with a private use or uncontrolled purpose. The Governing Body encourages the financing team to blend the financing of taxable projects with the financing of tax-exempt projects whenever possible and economically advantageous.

C. Legal Limitations on the Use of Debt

1. No debt obligation, except for tax anticipation notes, shall be issued to fund the current operation of the County or any department thereof. Tax anticipation notes shall not be issued except upon approval of the Governing Body and strict compliance with the applicable provisions of the General Bond Act, including without limitation the provisions requiring that such notes mature no later than the end of the fiscal year in which they are issued.

2. The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized by the Governing Body.

3. In accordance with State law, bonds may be issued under the General Bond Act to finance public works projects if:

   - the Governing Body has adopted and published an initial resolution authorizing the financing;
   - the initial resolution is published with a notice giving voters a 20-day right to protest the financing; and
   - if a protest is filed by 10% of voters, a referendum is held and the financing is approved by the voters; or
   - if the Governing Body decides to change the amount, purpose of the issue, or other changes or action in accordance with state law.

   In accordance with State Law, Bonds issued under the School Bond Act, and Notes issued under the General Bond Act are not subject to such requirements.

4. The County shall not issue any notes under the General Bond Act without first seeking the approval of the Comptroller of the State, or his or her designee.

Types of Debt

Pursuant to the General Bond Act and the School Bond Act, the County is authorized from time to time to issue its negotiable bonds and notes. Each issuance of debt is authorized by a Resolution adopted by the Governing Body.

A. Long Term Bonds

The County may issue long term bonds under the General Bond Act or the School Bond Act to finance capital projects or refinance outstanding debt. These bonds may be structured as:

1. **Fixed Rate Bonds** — Bonds that have an interest rate that remains constant throughout the life of the bond.
   - Serial Bonds
   - Term Bonds
   - Capital Appreciation Bonds

2. **Variable Rate Demand Obligation (VRDO)**— VRDOs are issued through a public building authority or an industrial development board bear a variable (adjustable) interest rate through the term thereof. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution. Variable rate demand obligations debt shall be subject to the following limitations:

   a. The County shall limit its exposure to long-term variable rate debt to the lesser of the following:

      i. 25% of the total principal amount of its outstanding long term debt; or

      ii. 75% of the County's a three year average cash balance of all cash funds in the County, excluding capital projects funds or accounts funded with bond proceeds or grants, measured as of the end of the fiscal year preceding the issuance of the variable rate debt; and

   b. The County shall annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration.

   c. The Director of Accounts and Budgets shall be responsible for monitoring the performance of the remarketing agent, if any, the name and

ratings of any letter-of-credit banks or liquidity facility providers, the expiration date of any letter-of-credit or liquidity facility, and the amount of any on-going fees associated with the variable rate debt.

B. Short Term Debt

The County may issue short term debt by resolution of the Governing Body. Debt issued in a short-term mode shall be of one of the following types:

1. **Bond Anticipation Notes (BANs)** — BANs are short term obligations authorized to be issued under the General Bond Act and the School Bond Act that shall be repaid by proceeds of a subsequent long-term bond issue. BANs shall not be issued unless and until all steps prerequisite to the issuance of the anticipated long term bonds have been taken.

2. **Capital Outlay Notes (CONs)** - CONs are short term notes either Three-Year Notes with two, 3 year renewals or Twelve-Year Notes with maturities of at least 4 years to a maximum of 12 years, authorized by the General Bond Act, secured by a pledge of the County's full faith and credit. CONs may be issued when the County wishes to finance capital projects over a relatively short period or a short period of time to be taken out by a longer term bond issue.

3. **Grant Anticipation Notes (GANs)** - GANs are short term notes, authorized by the General Bond Act, secured as to interest by a pledge of the County's full faith and credit and as to principal by a pledge of the proceeds of an anticipated grant from a state or federal agency. GANs may be issued when the County wishes to finance capital projects in anticipation of a grant from a state or federal agency. The principal amount of the GANs shall not exceed the amount of the anticipated grant.

4. **Tax Anticipation Notes (TANs)** - TANs are short term notes, authorized by the General Bond Act, secured by a pledge of taxes and other general fund revenues in the then current fiscal year of the County. TANs, if issued, shall constitute direct obligations of the County backed by the full faith and credit of the County. All TANs shall be paid in the same fiscal year in which they are issued but not later than June 30th of the current fiscal year..

5. **Capital Leases** – Capital leases are fixed term, usually non-cancellable, contractual arrangements for the use of an asset on an installment basis. Capital leases typically are a more expensive means of financing since the financing does not represent a direct purchase by the County. However, if the Governing Body chooses to enter into a capital lease, then the cost of the assets and the true cost of the lease, as well as, the impact of using the asset through the end of its useful life should be fully evaluated.

6. **Interfund Borrowings**. -- The County may undertake interfund borrowings, in which amounts on deposit in one County fund are lent to another fund, in the form of any of the notes listed above. All such interfund borrowings shall be approved by the Governing Body and shall be preceded by receipt of the approval of the State Comptroller, as required for the issuance of notes under the General Bond Act.

Short-term debt may be structured as fixed rate or variable rate instruments. Unless the County expects that the interest on the short-term debt is to be paid from long-term bond proceeds (e.g. bond anticipation notes), the County shall annually include in its budget an interest rate assumption for any outstanding variable rate debt that takes market fluctuations affecting the rate of interest into consideration. Given its short-term nature, there is no limitation on the amount of short-term debt that may be issued at variable rates.

C. Loans from Public Building Authorities

The County shall not enter into loan agreements with public building authorities in lieu of issuing its own debt, unless the Governing Body determines that the County cannot reasonably accomplish its financing objectives through the direct issuance of its own debt. If the County determines that it is not able to issue its debt directly, the County may enter into loan agreements with one or more public building authorities, pursuant toSections 12-10-101 et seq., Tennessee Code Annotated, in lieu of issuing bonds or notes under the General Bond Act or the School Bond Act. The policies set forth herein for bonds issued under the General Bond Act or the School Bond Act shall be equally applicable to loan agreements entered into with a public building authority except that all loan agreements may be entered into pursuant to a negotiated sale. All one-time and ongoing fees, compensation, charges, costs, rebate from interest charges, retainer fees, consultant or referral fees, or any payments to a third party associated with a transaction issued through a public building authority shall be disclosed, in written form, to the County's Governing Body, for public review, prior to the approval and signing of any documents or contracts.

Any structured products, also referred to as swap agreements or derivatives, issued through a public building authority shall not be considered unless (1) a policy defining the use and costs of such products is approved by the County before the transaction is considered, and (2) such policy and such agreements are adopted and entered into in accordance with the restrictions and limitations set forth in applicable law.

Debt Management Practices

A. Structure

The Governing Body shall establish by resolution all terms and conditions relating to the issuance of debt.

1. Term

Any debt (including refunding debt) shall have a weighted average maturity not greater than the weighted average expected life of the assets financed by such debt. In addition, the final maturity of any bond debt should not be longer than the expected life of the longest lived asset financed thereby, and in no event more than 30 years from issuance.

2. Principal Amortization

Each bond issue shall be structured so that either (a) 20% of the principal of such issue shall be amortized by the end of the tenth fiscal year following the fiscal year in which the bonds were issued, or (b) following the issuance of such bonds, 40% of the principal of all outstanding County bonds shall be amortized by the end of the tenth fiscal year following the fiscal year in which the bonds were issued.

3. Capitalized Interest

Interest on a debt issue may be financed (capitalized) through a period permitted by federal law and the authorizing resolution of the Governing Body if it is determined that doing so is consistent with the financial objectives of the County.

4. Debt Service Structure

Debt issuance shall be planned to achieve, in conjunction with other outstanding County debt service, a debt service schedule that – over the long term – is approximately level or declining.

5. Call Provisions

The County shall strive to issue all of its debt with a call feature occurring no later than the end of the tenth fiscal year after delivery of the bonds. In any event, call features should be structured to provide the maximum flexibility relative to cost. The County shall avoid the sale of long-term

non-callable bonds absent careful evaluation by the Governing Body with respect to the value of the call option.

B. Refinancing Outstanding Debt

1. Purposes

Bonds shall be considered for refunding when the refunding generates results in aggregate net present value savings to the County. In determining whether a refunding is advisable, the Governing Body shall take into account, among other factors, the level of savings, the call date and final maturity date of the refunded bonds, and projected interest rates relative to historical interest rate levels. The County Mayor and the Director of Accounts and Budget in conjunction with the County's financial advisor shall have the responsibility to periodically analyze outstanding bond issues to determine whether bonds can be refunded for debt service savings.

The County may also consider refunding bonds if necessary due to a change in private/public use of a project that would cause a need to change the tax status of the bonds.

The County may also consider refunding bonds to restructure outstanding debt service; provided that the costs of such restructuring shall be presented to the Governing Body and the Governing Body must expressly determine by resolution that the restructuring is in the County's best interest.

The County should also consider compliance with applicable IRS code before the commencement of a refunding debt issue. The IRS code section 149 details rules and regulations related to debt refunding.

2. Term of Refunding Issues

The Governing Body shall refund bonds within the term of the originally issued debt, unless otherwise expressly approved by resolution of the Governing Body and does not exceed the original life of the capital assets being funded.

3. Escrow Structuring

The County shall utilize the least costly securities available in structuring refunding escrows; provided that the County may purchase U.S. Treasuries – State and Local Government Series if it is determined that the costs and risks attendant to the solicitation of open market securities outweigh any attendant benefits. With respect to purchases of open market

securities, the County shall take competitive bids on a selected portfolio of securities and shall award to the lowest cost provider. The provider must guarantee the delivery of securities. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the County from its own account.

C. Methods of Sale

It shall be the policy of the County to sell all bonds issued for the purpose of financing public works projects or school construction projects through a competitive bid process. In accordance with General Bond Act and the County School Bond Act, notes and refunding bonds may be sold through either a competitive bid process or through a negotiated sale.

1. **Competitive** — In a competitive sale, the County's bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres in all material respects to the requirements set forth in the official notice of sale.

2. **Negotiated** —Although the Governing Body prefers the use of a competitive process, the Governing Body recognizes some bonds are best sold through negotiation. In a negotiated sale, the underwriter(s) shall be chosen prior to the sale and the interest rate and underwriter's fees shall be negotiated prior to the sale. The factors to be considered for a negotiated sale include the following:

   - Volatility of market conditions
   - Size and complexity of the bond sale
   - Credit strength
   - In the case of a refunding, timing and interest rate sensitivity
   - Whether the bonds are structured in a manner that is not conducive to competitive sale (eg. variable rate bonds)

D. Private Placement

From time to time the Governing Body may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the County relative to other methods of debt issuance.

E. Underwriter Selection (Negotiated Transaction)

1. **Selection Criteria** — The County shall select, or provide for the selection of, the underwriter(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

   - Ability and experience in managing similar transactions;
   - Prior knowledge and experience with the County;
   - Capital adequacy;
   - Quality and experience of personnel assigned to the County's engagement;
   - Financing ideas presented; and
   - Underwriting fees.

2. **Underwriter's Discount** — the County shall evaluate the proposed underwriter's discount (usually a maximum of 2%) in comparison to other issues in the market. All fees shall be determined prior to the sale date; a cap on expenses and underwriter's counsel, if any, shall be established and communicated to all parties by the County.

3. **Evaluation of Underwriter Performance** — The Director of Accounts and Budgets shall evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter's compensation, and the pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis.

F. Credit Quality

The County's debt management activities shall be conducted to maintain the highest credit ratings possible, consistent with County's financing and public policy objectives. The County Mayor and Director of Accounts and Budgets shall be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the County's debt. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The County Mayor and the Director of Accounts and Budgets shall prepare and make presentations to the rating agencies, as needed, to assist credit analysts in making an informed decision.

G. Credit Enhancements

The County shall consider the use of credit enhancements on a case-by-case basis, evaluating economic benefit versus the cost. Only when clearly demonstrable savings can be shown shall an enhancement be utilized. The County may

consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

1. **Bond Insurance**

   The County may purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. For competitive sales, the County may either purchase bond insurance or make the issue eligible for bond insurance and allow the purchaser of the bonds to determine whether bond insurance shall be used, and to pay for such bond insurance.

2. **Letters of Credit**

   The County may enter into a letter-of-credit (LOC) agreement when such an agreement is deemed prudent and advantageous. The County shall prepare and distribute a request for qualifications to qualified banks or other qualified financial institutions which includes terms and conditions that are acceptable to the County.

3. **Liquidity**

   For variable rate debt requiring liquidity facilities to protect against remarketing risk, the County shall evaluate:

   - Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;

   - Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;

   - All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and

   - A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self liquidity.

H. Use of Structured Products

No interest rate agreements or forward purchase agreements, also referred to as swaps and derivatives shall be considered unless (1) a policy defining the use of such products is approved by the Governing Body before the transaction is considered, and (2) such policy and such agreements are adopted and entered into in accordance with the restrictions and limitations set forth in applicable law.

Contracts, documents, forms, or certificates related to structured products shall be delivered to the County prior to any approval or authorization by the County officials or Governing Body. Any costs, rebates, consultant fees, referral fees, or other charges for the structured products shall be disclosed before any approval of the transaction.

Any evaluation of structured products does not mitigate the ongoing business, financial, market or operating risks nor does it mitigate in any way the County's responsibility to seek an independent review of the transaction and regular monitoring to fully understand the risks associated with the transaction.

I. Risk Assessment

The County shall evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The County shall evaluate all proposes transactions for consistency with the objectives and constraints defined in this Policy. Considering the following list of risks, but not limited to this list, shall be fully described, not just a list, by the financial products provider and reviewed by bond counsel and financial advisor before any action is taken by the Governing Body. The following risks should be assessed before issuing debt:

1. **Change in Public/Private Use** — The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

2. **Default Risk** — The risk that debt service payments cannot be made by the due date.

3. **Liquidity Risk** — The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing.

4. **Interest Rate Risk** — The risk that interest rates shall rise, on a sustained basis, above levels that would have been set if the issued had been fixed.

5. **Rollover Risk** — The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of a contract period.

6. **Credit Risk** — The risk that an issuer of debt securities or a borrower may default on his obligations by failing to repay principal and interest in a timely manner.

7. **Fee Risk** — The risk that on-going fees may increase beyond what is initially expected.

8. **Other Risks** --- It being the intention of the County to promote transparency and understanding of any bond transactions, other risks shall be fully described and disclosed.

J. **Continuing Disclosure**

To the extent that any of the County's debt issues are subject to disclosure agreements required by U.S. Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), the Director of Accounts and Budgets shall ensure that the County remains in compliance with such agreements. Specifically, the Director of Accounts and Budgets shall provide certain financial information and operating data by specified dates, and shall provide notice of certain enumerated events with respect to the bonds, all as described in Rule 15c2-12.

K. **Transparency**

The County shall comply with the Tennessee Open Meetings Act *Tennessee Code Annotated* 8-44-101 et seq., providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance shall be considered. Additionally, in the interest of transparency, all costs (including interest, issuance, continuing, recurring, ongoing, one-time payments, rebates, retainers, administration fees, and any other costs associated with the transaction) shall be disclosed to the Governing Body prior to any approval or signing of any contracts or documents, and the citizens in a timely manner. In order to comply with the requirements of the preceding sentence, an estimate of the costs described above shall be presented to the Governing Body prior to consideration and approval any resolution authorizing the debt. If the transaction creates monthly or other recurring costs for administrative fees, remarketing fees, liquidity fees, letter of credit fees, trustee fees, rebate from interest charges, retainer fees, consultant fees, referral fees, and any other costs shall be disclosed in writing before any action is taken.

Within four weeks of closing on a debt transaction, the debt service schedule and the State Form CT-0253 shall be available at the office of the Director of Accounts and Budgets for review by members of the Governing Body and the public.

L. Professional Services

Contracts for professional services related to debt shall be awarded on the basis of recognized competence and integrity, as required by Section 12-4-106, Tennessee Code Annotated. All professionals engaged to assist in the process of issuing debt shall be required to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the County. This includes "soft" costs or compensations in lieu of direct payments. If the transaction creates monthly or other recurring costs for administrative fees, remarketing fees, liquidity fees, letter of credit fees, trustee fees, rebate from interest charges, retainer fees, consultant fees, referral fees, and any other costs shall be disclosed in writing before any action is taken.

1. **Counsel** — The County shall enter into an engagement letter agreement with each lawyer or law firm representing the County in a debt transaction. No engagement letter is required for any lawyer who serves as counsel to the County regarding County matters generally.

2. **Bond Counsel** — Bond counsel for each debt transaction is contracted by the County Mayor and serves to assist the County in such debt issue.

3. **Financial Advisor** — If the County chooses to engage a financial advisor for a debt transaction, the County shall enter into a written contract with the financial advisor on terms and conditions approved by the County Mayor. The financial advisor shall not be permitted to bid on or underwrite an issue for which they are or have been providing advisory services.

4. **Underwriter** – If there is an underwriter for a debt issue, the underwriter must clearly identify itself to the County in writing (e.g., in a response to a request for proposals or in promotional materials provided to the County) as an underwriter and not as a financial advisor from the earliest stages of its relationship with the County with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the County. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the County Mayor and the Director of Accounts and Budgets in advance of the pricing of the debt.

M. Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the County shall be required to disclose existing client and business relationships between

and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include that information reasonably sufficient to allow the County to appreciate the significance of the relationships.

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

Debt Administration

A. Planning for Sale

1. Prior to submitting a bond resolution for approval by the Governing Body, it shall first be considered by the Budget Committee of the Governing Body. The County Mayor shall present to the members of the Budget Committee and the members of the Governing Body the purpose of the financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing, and

2. In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director of Accounts and Budgets shall present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction (if applicable) and a discussion of the potential risks associated with the proposed structure, and the identified method of repayment.

3. If required by Rule 15c2-12, the Director of Accounts and Budgets, the bond counsel, financial advisor, if any, along with other members of the financing team shall prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post Sale

1. The Director of Accounts and Budgets shall maintain for review by members of the Governing Body and the public a report, such as State Form CT-0253, describing the transaction and setting forth all the estimated costs associated with the transaction.

2. The Director of Accounts and Budgets shall obtain a closing memorandum with written instructions on transfer and flow of funds.

3. The Director of Accounts and Budgets shall establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting to the IRS all arbitrage earnings associated with the financing and any tax liability that may be owed.

4. The County Mayor, the Director of Accounts and Budgets, the bond counsel, financial advisor, if any, along with other members of the financing team shall prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

5. After the sale of the bonds but before the closing documents are signed there should be a draft copy of the state form CT-0253 prepared. Also a complete listing of the fees associated with the sale should be disclosed to the County Mayor and the Director of Accounts and Budgets before the closing document is signed.

C. Arbitrage

Compliance with arbitrage requirements on invested tax-exempt bond funds shall be maintained. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by IRS Code section 148. The County shall comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earning on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code Section 148. The County currently contracts with an arbitrage consultant to prepare these calculations, when needed. The County shall also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

D. Private Activity

Compliance with private activity requirements with respect to tax exempt debt-financed facilities shall be maintained. The Director of Accounts and Budgets shall maintain a record of the allocation of debt proceeds to expenditures, and monitor the use of tax exempt debt-financed facilities to ensure that no impermissible private use occurs. This policy allows that approximately 5% of debt issues may be used for private activity.

E. Investment of Proceeds

Any proceeds or other funds available for investment by the County must be invested pursuant to applicable State law.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. A violation of the Governing Body's debt policy shall in no way be interpreted as a violation of law and shall have no bearing on the validity of debt issued by the Governing Body. The Governing Body maintains the right to modify these guidelines (except to the extent these guidelines are mandated by applicable state law or regulation) and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Governing Body's goals. Any exceptions to these policies shall be expressly acknowledged in the resolution authorizing the pertinent debt issue. In the event of a conflict between the terms of a debt resolution and this policy, the terms of the debt resolution shall control.

This policy shall be periodically reviewed by the Budget Committee. The Director of Accounts and Budgets may at any time present recommendations for any amendments, deletions, additions, improvements or clarifications.

Adoption of the Policy

The Governing Body adopted this Policy on _____, effective _____.

10046041.1

Exhibit A

Glossary of Municipal Debt Terminology

Accrued interest. Coupon interest accumulated on a bond or note since the last interest payment or, for a new issue, from the dated date to the date of delivery. Since interest on municipal bonds is payable semi-annually, every six months, when you buy a bond in mid-term you are only entitled to the interest the bond earns after you buy it. The interest earned previously, the accrued interest, belongs to the seller. Some first-time bond buyers think this payment is a hidden charge or fee, not realizing that they will get it back in full at the next interest payment date as tax-free interest.

Ad Valorem Tax. (It actually means "according to its value.") A state or local government tax based on the value of real property as determined by the public entity's tax assessor.

Advanced Refunded Bonds. A municipality may sell a second bond issue at a lower interest rate cost, placing the proceeds of the issue in an escrow account from which the first issue's principal and interest will be repaid when due.

Amortization of Debt. The annual reduction of principal through the use of serial bonds or term bonds with a sinking fund.

Arbitrage. The interest rate differential that exists when proceeds from a municipal bond - which is tax-free and carries a lower yield - are invested in taxable securities with a yield that is higher. The 1986 Tax Reform Act made this practice by municipalities illegal solely as a borrowing tactic, except under certain safe-harbor conditions..

Assessed Valuation. A municipality's worth in dollars based on real estate and/or other property for the purpose of taxation, sometimes expressed as a percent of the full market value of the community.

Authority or Agency. A state or local unit of government created to perform a single activity or a limited group of functions and authorized by the state legislature to issue bonded debt.

Authorizing Resolution. A resolution that when enacted allows the unit of government to sell a specific bond issue or finance a specific project.

Average life. The average length of time an issue of serial bonds and/or term bonds with mandatory sinking funds and/or estimated prepayments is expected to be outstanding. It also can be the average maturity of a bond portfolio.

Balloon Maturity. An inordinately large amount of bond principal maturing in any single year. Also called a Term Bond.

B.A.N. (Bond Anticipation Note). A short-term security, one year or less, used for interim financing to be repaid from the proceeds of a planned long-term bond issue.

Basis Point. One one-hundreth of one percent (1/100 % or 0.01 percent). Thus 25 basis points equal one-quarter of one percent, 100 basis points equal one percent. This is typical in-group, professional bond talk.

Bid. An offer to buy at a fixed price or yield. As opposed to Ask, which is an offering to sell.

Exhibit A

Bond or note. A security whereby an issuer borrows money from an investor and agrees and promises, by written contract, to pay a fixed principal sum on a specified date (maturity date) and at a specified rate of interest.

Bond Counsel or Bond Approving Attorney. A lawyer who writes an opinion on the bond or note as to its tax exempt status and the authenticity of its issuance.

Bond Insurance. Insurance issued by a private insurance company for either an entire issue or specific maturities that guarantees to pay principal and interest when due. This may result in a lower borrowing cost for the issuer.

Bond Premium. The amount at which a bond or note is bought or sold above its par value or face value without including accrued interest.

Bonded debt. The portion of an issuer's debt structure represented by outstanding bonds.

Book Entry. A system of security ownership in which the ownership is held as a computer entry on the records of a central company for its owner. The bond owner gets a computer printout as proof of ownership.

Broker. Technically a broker is a bond trader in the secondary market buying from and selling to bond dealers. Its most common usage is as a description of a bond salesperson.

Callable bond. A bond or note that is subject to redemption at the option of the issuer prior to its stated maturity. The call date and call premium, if any, is stated in the offering statement.

Conduit Bonds. Bonds whose repayment is the responsibility of the business or developer who benefits from the financing, rather than the issuer who only collects the taxes, fees or revenues and passes them on to the bondholder.

Coupon. The detachable part of a bond that evidences the rate of interest due and the interest payment date. In the days of bearer bonds, coupons were detached from the bonds and presented to the paying agent for payment just as one might cash a government check.

Coupon rate. The specified annual interest rate payable to the bond or note holder as printed on the bond.

Covenant. A legally binding commitment by the issuer of municipal bonds to the bondholder. An impairment of a covenant can lead to a Technical Default.

Coverage. This is the margin of safety for payment of debt service on a revenue bond that reflects the number of times the actual and/or estimated project earnings or income for a 12-month period of time exceeds debt service that is payable.

Current Yield. The ratio of the coupon rate on a bond to the dollar purchase price expressed as a percentage. Thus if you pay par or 100 cents on the dollar for your bond and the coupon rate is 6%, the current yield is 6%; however, if you paid 97 for your 6% discount bond the current yield is 6.186%. (.06 divided by 97). If you paid 102 for a 6% bond the current yield is 5.88% (.06 divided by 102).

Cushion Bonds. Bonds selling at a premium are called "cushion" bonds because they cushion the price volatility in an up and down market. By definition, a premium bond has a higher-than-market coupon

interest rate. The dollar price movement of a high interest rate bond is less than that of a lower interest rate bond of the same maturity when general interest rates move up or down a few basis points.

Dated Date. (dtd.) The date carried on the face of a bond or note from which interest normally begins to accrue.

Dealer. A corporation or partnership that buys and sells and maintains an ongoing position in bonds and/or notes. They are also authorized to underwrite new issues. Some large commercial banks are licensed to act as bond dealers.

Debt Limited. The maximum statutory or constitutional amount of debt that the general obligation bond issuer can either issue or have outstanding at any time.

Debt Ratio. The ratio of the issuer's general obligation debt to a measure of value, such as real property valuations, personal income, general fund resources, or population.

Debt Service. Required payments for principal and interest.

Debt Service Reserve Fund. A bank trustee account established by the trust indenture and used as a backup security for an issuer's bonds. It usually amounts to one year's debt service, and can be drawn on by the Trustee in the event of an impairment of the Trust indenture.

Default. Failure to pay in a timely manner principal and/or interest when due, or a Technical Default, the occurrence of an event as stipulated in the Indenture of Trust resulting in an abrogation of that agreement.

Defeased bonds. Refunded bonds for which the payment of principal and interest has been assured through the structuring of a portfolio of government securities, the principal and interest on which will be sufficient to pay debt service on the refunded, outstanding bonds. When a bond issue is defeased, the claim on the revenues of the issuer is usually eliminated.

Delinquent Taxes. Property taxes that have been levied but remain unpaid on and after the due date. In California, December 10 and April 10. Special taxes and assessments are often due on these dates as well. When tax delinquencies exceed 5% the Bond Advisor places the issue on its internal Bond Watch.

Delivery. For new issues, the time when payment is made to, and the executed bonds and notes are received from, the issuer.

Denomination. The face or par amount - nominally $1000 or $5000 but can be $100,000 or more in the case of a note - that the issuer promises to pay at a specific bond or note maturity.

Direct debt. In general obligation bond analysis, the amount of debt that a particular local unit of government has incurred in its own name or assumed through annexation.

Discount. The amount of dollars by which market value of a bond is less than par value or face value.

Discount Bonds. Bonds which sell at a dollar price below par in which case the yield would exceed the coupon rate. The difference between the discount price and the maturity price is subject to federal capital gains tax except in the case of Original Issue Discount Bonds, which see.

Discount note. Non-interest-bearing note sold at a discount and maturing at par. A U.S.Treasury Bill is a discount note.

Exhibit A

Double-barreled Bond. A bond with two distinct pledged sources of revenue, such as earmarked monies from a specific enterprise or aid payment, as well as the general obligation taxing powers of the issuer.

Escrow Fund. A fund that contains monies that only can be used to pay debt service.

Escrowed to Maturity. An Advanced Refunded bond. When interest rates fall, an issuer may choose to sell a new issue called a refunding issue and use the proceeds of the second issue to pay off the original issue, much the same as a home owner refinancing a mortgage in an effort to save interest costs. The proceeds of the refunding issue are used to structure a portfolio of U.S. government securities, the principal and interest payments of which exactly match the principal and interest payments of the refunded bonds. The portfolio is placed in escrow at the paying agent and the bond issue is said to be fully defeased and escrowed to maturity. In actual practice the bonds are usually called on the first call date. Because of the U.S. Treasury backing, ETM bonds are considered the safest municipal bonds available and trade on the market with a rating that matches the United States Government.

Feasibility Study. A financial study provide by the issuer of a revenue bond that estimates service needs, construction schedules, and most importantly, future project revenues and expenses used to determine the financial feasibility and creditworthiness of the project to be financed.

Financial Advisor. A firm that advises the issuer on all financial matters pertaining to a proposed issue and is not part of the underwriting syndicate. Financial advisors are usually licensed by the Municipal Securities Rulemaking Board (MSRB) and the Securities Exchange Commission to serve the Issuer in a fiduciary role.

Fiscal Year. A 12-month time horizon by which state and local governments annually budget their respective revenues and expenditures. Usually not the calendar year, January to December, but often July to June.

Flow of Funds. The annual legal sequence by which a public entity's revenues are paid out for operating and maintenance costs, debt service, sinking fund payments, and so on.

Full Faith and Credit. The pledge of "the full faith and credit and taxing power without limitation as to rate or amount." A phrase used primarily in conjunction with General Obligation bonds to convey the pledge of utilizing all taxing powers and resources, if necessary, to pay the bond holders.

General Obligation Bond. (G.O.) A bond secured by a pledge of the issuer's taxing powers (limited or unlimited). More commonly the general obligation bonds of local governments are paid from ad valorem property taxes and other general revenues. Considered the most secure of all municipal debt.

General Property Tax. A tax levied on real estate and personal property.

Gross Debt. The sum total of a state's or local government's debt obligations.

Gross Revenues. Generally, all annual receipts of a revenue bond issuer prior to the payment of all expenses. Normally only Net Revenues are pledged to the repayment of bonds.

Indenture of Trust. A legal document describing in specific detail the terms and conditions of a bond offering, the rights of the bondholder, and the obligations of the issuer to the bondholder; such document is alternatively referred to as a bond resolution.

Exhibit A

Industrial Development Bonds. (IDBs) also called Industrial Revenue Bonds (IRBs). Used to finance facilities for private enterprises, water and air pollution control, ports, airports, resource-recovery plants, and housing, among others. The bonds are backed by the credit of the private corporation borrower rather than by the credit of the issuer. Also known as Conduit Bonds.

Interim Borrowing. (1) Short-term loans to be repaid from general revenues or tax collections during the current fiscal year (TRANs or RANs); (2) short-term loans in anticipation of bond issuance or grant receipts (BANs).

Investment Banker. A firm engaged in raising capital for an issuer. Participates as the middleman in purchasing securities from the issuer and in selling the same securities to investors.

Issuer. A state or local unit of government that borrows money through the sale of bonds and/or notes.

Investment Grade. Bond issues that the three major bond rating agencies, Moody's, Standard & Poor's, and Fitch rate BBB or Baa or better. Many fiduciaries, trustees, some mutual fund managers can only invest in securities with an investment grade rating.

Junk Bonds. Most non-rated bonds and bonds rated below investment grade.

Legal Opinion. A written opinion from bond counsel that an issue of bonds was duly authorized and issued. The opinion usually includes the statement, "interest received thereon is exempt from federal taxes and, in certain circumstances, from state and local taxes."

Letter of Credit. A form of supplement or, in some cases, direct security for a municipal bond under which a commercial bank or private corporation guarantees payment on the bond under certain specified conditions. Used most often in variable rate transactions.

Level Debt Service. Principal and interest payments that, together, represent more or less equal annual payments over the life of the loan. Principal may be serial maturities or sinking fund installments.

Maximum Annual Debt Service. The maximum amount of principal and interest due by a revenue bond issuer on its outstanding bonds in any future fiscal year. This is sometimes the amount to be maintained in the Debt Service Reserve Fund.

Municipal Bond. Bonds issued by any of the 50 states, the territories and their subdivisions, counties, cities, towns, villages and school districts, agencies, such as authorities and special districts created by the states, and certain federally sponsored agencies such as local housing authorities. Historically, the interest paid on theses bonds has been exempt from federal income taxes and is generally exempt from state and local taxes in the state of issuance.

Municipal Notes. Short-term municipal obligations, generally maturing in one year or less. The most common types are (1) bond anticipation notes (BANs), (2) revenue anticipation notes (RANs), (3) tax anticipation notes (TANs), (4) grant anticipation notes, (5) project notes, and (6) construction loan notes. Also see TRANs.

Municipal Securities Rulemaking Board (MSRB). An independent self-regulatory organization established by Congress in 1975 which is charged with primary rulemaking authority - under the SEC - over dealers, dealer banks, and brokers in municipal securities.

Exhibit A

Net Bonded Debt. Gross general obligation debt less self-supporting general obligation debt, housing bonds, water revenue bonds, etc..

Net Interest Cost (NIC). Generally speaking, issuers award competitive bond sales to the underwriter bidding the lowest NIC. It represents the average coupon rate weighted to reflect the time until repayment of principal and adjusted for the premium or discount.

Official Statement (OS) or Offering Circular (OC). A document (prospectus) circulated for an issuer prior to a bond sale with salient facts regarding the proposed financing. There are two OSs, the first known as the preliminary, or "red herring" - so named not because it smells but because some of the type on its cover is printed in red - and it is supposed to be available to the investor before the sale. The final OS must be sent to the purchaser before delivery of the bonds.

Original Issue Discount. Some maturities of a new bond issue that have an offering price substantially below par; the appreciation from the original price to par over the life of the bonds is treated as tax-exempt income and is not subject to capital gains tax. See also Zero Coupon Bond.

Overlapping Debt. The proportionate share of the general obligation bonds of local governments located wholly or in part within the limits of the reporting unit of government that must be borne by property owners within the unit.

Par Value. The face value or principal amount of a bond, usually $5,000 due the holder at maturity. It has no relation to the market value. For pricing purposes it is considered 100.

Parity Bonds. Revenue bonds that have an equal lien on the revenues of the issuer.

Paying Agent. Also Fiscal Agent. Generally a bank that performs the function of paying interest and principal for the issuing body.

Premium. The amount, if any, by which the price exceeds the principal amount (par value) of a bond. Its current yield will be less than its coupon rate.

Price to Call. The yield of a bond priced to the first call date rather than maturity.

Primary Market. The new issue market

Principal. The face value of a bond or note, exclusive of interest.

Put Bond. A bond that can be redeemed on a date or dates prior to the stated maturity date by the bondholder. Also known as an option tender bond.

Qualified Legal Opinion. Conditional affirmation of the legal basis for the bond or note issue. The average investor should avoid any but the strongest opinion by the most recognized bond approving attorneys.

RANs. Revenue anticipation notes.

Rate Covenant. A legal commitment by a revenue bond issuer to maintain rates at levels to generate a specified debt-service coverage.

Exhibit A

Ratings. Various alphabetical and numerical designations used by institutional investors, underwriters, and commercial rating companies to give relative indications of bond and note creditworthiness. Standard & Poor's and Fitch Investors Service Inc. use the same system, starting with their highest rating of AAA, AA, A, BBB, BB, B, CCC, CC, C, and D for default. Moody's Investors Services uses Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C, and D . Each of the services use + or - or +1 to indicate half steps in between. The top four grades are considered Investment Grade Ratings.

Red Herring. A preliminary offering statement, subject to final change and update upon completion of sale of bonds. The name comes from the red type along the side on the cover.

Redemption. Process of retiring existing bonds prior to maturity from excess earnings or proceeds of refunding bonds. It also refers to redeeming shares in a mutual fund by selling the shares back to the sponsor.

Refunding Bond. The issuance of a new bond for the purpose of retiring an already outstanding bond issue.

Registered Bond. A non-negotiable instrument in the name of the holder either registered as to principal or as to principal and interest.

Revenue Bond. A municipal bond whose debt service is payable solely from the revenues derived from operating the facilities acquired or constructed with the proceeds of the bonds.

Secondary Market. The trading market for outstanding bonds and notes. This is an O.T.C. market, a free form negotiated method of buying and selling, usually conducted by telephone or computer. Traders buy and sell for their own inventory. As many as $2 billion of issues trade each day.

Security. The legally available revenues and assets that are used to pay the bond holders. The key component that supports debt service.

Self-Supporting Bonds. Bonds payable from the earnings of a municipal utility enterprise.

Serial Bond. A bond of an issue that features maturities every year, annually or semiannually over a period of years, as opposed to a Term Bond, which is a large block of bonds maturing in a single year.

Short term. Bonds or notes sold on an interim basis with tax-exempt securities for a period of from one to five years.

Sinking Fund. Money set aside on a periodic basis to retire term bonds at or prior to maturity.

Sinking Fund Schedule. A schedule of payments required under the original revenue bond resolutions to be placed each year into a special fund, called the sinking fund, and to be used for retiring a specified portion of a term bond issue prior to maturity.

Swap. The exchange of one bond for another. Generally, the act of selling a bond to establish an income tax loss and replacing the bond with a new item of comparable value.

TAN. Tax Anticipation Note.

Tax Base. The total resource of the community that is legally available for taxation.

Exhibit A

Taxable Equivalent Yield. The yield an investor would have to obtain on a taxable corporate or U.S. government bond to match the same after-tax yield on a municipal bond. This emuni.com site has a taxable equivalent yield table for California residents.

Tax Allocation Bond. Bonds issued in conjunction with a redevelopment project. The taxes pledged to their repayment come from the increase of assessed value over and above a pre-established base. The redevelopment creates this added value, known as the tax increment.

Tax-exempt Bond. Bonds exempt from federal income, state income, or state tax and local personal property taxes. This tax exemption results from the theory of reciprocal immunity: States do not tax instruments of the federal government and the federal government does not tax interest of securities of state and local governments.

Technical Default. Failure by the issuer to meet the requirements of a bond covenant. These defaults do not necessarily result in losses to the bond holder. The default may be cured by simple changes of policy or actions by the issuer.

Term Bond. A large block of bonds of long maturity. They may be part of a serial Bond issue; there may be more than one term bond in an issue or a single maturity. Some are subject to a sinking fund redemption.

TRAN. Tax and Revenue Anticipation Note.

Trustee. A bank designated as the custodian of funds and official representative of bondholders. Trustees are appointed to insure compliance with the trust indenture and represents bondholders to enforce their contract with the issuer.

Underlying Debt. The general obligation bonds of smaller units of local government within a given issuer's jurisdiction.

Underwriter. An agreement to purchase an issuer's unsold securities at a set price, thereby guaranteeing the issuer proceeds and a fixed borrowing cost.

Variable Rate Bond. A bond whose yield is not fixed but is adjusted periodically according to a prescribed formula.

Yield Curve. Graph depicting the relationship between yields and current maturity for securities with identical default risk.

Yield-to-call. From an investor's perspective, the Return available to call date taking into consideration the current value of the call premium, if any.

Yield-to-maturity. (YTM) From an investor's perspective, the Return available taking into account the interest rate, length of time to maturity, and price paid. It is assumed that the coupon reinvestment rate for the life of the bonds will be the same as the yield-to-maturity.

Zero-coupon Bonds. A deep discount municipal bond on which no current interest is paid. Instead, at bond maturity, the investor receives compounded interest at a specified rate. The difference between the discount price at purchase and the accreted value at maturity is not taxed as a capital gain but is considered tax-exempt interest.

Exhibit B

MONTGOMERY COUNTY
TENNESSEE
ACCOUNTS AND BUDGETS

Summary of Debt Requirements by Fiscal Year

Year	Principal	Interest	Total
2012	21,201,385	14,966,037	36,167,422
2013	20,515,305	14,945,815	35,461,121
2014	21,579,302	14,139,368	35,718,671
2015	22,580,379	13,343,991	35,924,371
2016	22,691,382	12,519,832	35,211,214
2017	23,799,054	11,623,107	35,422,161
2018	25,226,054	10,640,069	35,866,123
2019	26,419,054	9,606,454	36,025,508
2020	27,598,054	8,503,071	36,101,126
2021	28,443,054	7,287,059	35,730,113
2022	23,759,969	5,983,378	29,743,346
2023	23,272,969	5,027,900	28,300,869
2024	23,001,969	4,014,225	27,016,194
2025	20,496,969	3,060,195	23,557,164
2026	18,686,816	2,166,790	20,853,606
2027	9,422,647	1,175,620	10,598,267
2028	9,375,000	693,770	10,068,770
2029	4,546,000	233,170	4,779,170
2030	725,000	40,600	765,600
	373,340,364	139,970,450	513,310,814