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

December 8, 2014

The Honorable Buddy Bradshaw, Mayor
Board of Commissioners
Loudon County
100 River Road, Suite 106
Loudon, TN 37774

Dear Mayor Bradshaw and Commissioners:

This letter, report, and plan of refunding (the "Plan"), are to be posted on the County's website, if the County maintains a website. These documents shall be made available to the public. The same report is to be provided to each member of the Board of Commissioners and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

This letter acknowledges receipt on December 8, 2014, from Loudon County (the "County") of a request to review its Plan to issue an estimated $3,290,000 General Obligation Refunding Bonds, Series 2014A (the "Refunding Bonds"), to current refund an estimated $3,195,000 General Obligation Refunding Bonds, Series 2004, dated March 31, 2004 (the "Refunded Bonds"). 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.

Pursuant to the provisions of Title 9 Chapter 21 of the Tennessee Code Annotated a plan of refunding 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 a county. Enclosed is the report of the review of this Plan required by T.C.A. § 9-21-903 for distribution to the members of the local governing body to review prior to adopting the refunding bond resolution.

FINANCIAL PROFESSIONALS

The County has reported Cumberland Securities Company, 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 in the County's best interest without regard to their own or other interests. The Plan was prepared by the County with the assistance of its municipal advisor.

BALLOON INDEBTEDNESS

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the County should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County indicated its purpose for the refunding is for debt service savings.

COMPLIANCE WITH THE COUNTY'S DEBT MANAGEMENT POLICY

The County provided a copy of its debt management policy, and within forty-five days (45) of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the County amends its policy, please submit the amended policy to this office.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

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 and 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.*

REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the County no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to stateandlocalfinance.publicdebtform@cot.tn.gov No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at http://www.comptroller.tn.gov/sl/pubdebt.asp.

Sincerely,

Sandra Thompson

Sandra Thompson
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. Scott Gibson, Cumberland Securities Company, Inc.
Mr. Joe Ayres, Cumberland Securities Company, Inc.
Ms. Karen Neal, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance
Report on Debt Obligation

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE BY LOUDON COUNTY, TENNESSEE OF GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A

Loudon County (the "County") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 to issue an amount not to exceed $3,290,000 General Obligation Refunding Bonds, Series 2014A (the "Refunding Bonds"), to current refund an estimated $3,195,000 General Obligation Refunding Bonds, Series 2004, dated March 31, 2004 (the "Refunded Bonds").

The Plan was prepared with the assistance of the County's municipal advisor, Cumberland Securities Company, 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. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different than that of the Plan. The County provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the County should determine if the new structure complies with the requirements of Public Chapter 766 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the County must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the County adopting the resolution authorizing the issuance of the debt.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The County indicated its purpose for the refunding is for debt service savings.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that the County will issue $3,290,000 fixed interest rate refunding bonds priced at par by competitive sale.
- The estimated net present value savings of the refunding is $181,386 or 5.68% of the refunded principal amount of $3,195,000.
- The savings are generated by reducing the average coupon of the Refunded Bonds from 3.86% to an average coupon of 1.17% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is $60,015 or $18.24 per $1,000 of the par amount. See Table 1 for individual cost of issuance.

Table 1

Costs of Issuance of Refunding Bonds

	Amount	Price per $1,000 bond
Underwriter's Discount (TBD by competitive sale)	$ 16,500.00	$ 5.02
Municipal Advisor (Cumberland Securities Company, Inc.)	11,515.00	3.50
Bond Counsel (Bass Berry & Sims)	11,500.00	3.50
Other Costs (Includes $10,000 for rating agency fees)	20,499.58	6.23
Total Cost of Issuance	$ 60,014.58	$ 18.24

The County has identified Cumberland Securities Company, 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.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the County wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

Sandra Thompson

Sandra Thompson
Director of the Office of State and Local Finance
Date: December 8, 2014

Plan of Refunding – Loudon County, Tennessee

A) **Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Financial Advisor: Cumberland Securities Company, Inc.
2. Bond Counsel: Bass, Berry & Sims, PLC
3. Underwriter: Competitive Public Sale

B) **Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: include a projection of the savings and amortization schedules for both refunding and refunded debt:**
   a. Loudon County, TN (the "County") anticipates a gross savings of approximately $186,576.53 and a net present savings of approximately $181,386.49 or 5.677% of the refunded principal.
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
   a. No restructuring of payments.
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
   a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
   a. N/A

C) **Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed xplanation.**

1. The County adopted the debt management policy on December 05, 2011. The proposed structure is a fixed rate bond issuance designed to provide annual cash flow savings to the County equally in each year and will neither increase nor decrease risk in its debt portfolio.

D) Other Information

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
   a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis page 1

b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis page 5.

As well as the following:

2. **Refunding Debt:**
    a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
        i. Maximum size authorized by governing body = $3,300,000. To refund the (1) General Obligation Refunding Bonds, Series 2004, dated March 31, 2014, maturing April 1, 2015 through April 1, 2020 in the outstanding principal amount of $3,195,000 (the "Outstanding Bonds").
    b. **Anticipated Size** = $3,290,000
    c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
        i. **Final Maturity** = 4/1/2020
        ii. **Weighted Average Maturity** = 2.887 Years
    d. **Breakdown of Costs of Issuance**

        See attached Preliminary Refunding Analysis page 4
    e. **Sources and Uses of Funds**

        See attached Preliminary Refunding Analysis page 3
3. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
    a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
        i. General Obligation Refunding Bonds, Series 2004, dated March 31, 2014, maturing April 1, 2015 through April 1, 2020 in the outstanding principal amount of $3,195,000 (the "Outstanding Bonds")
        ii. The Outstanding Bonds are tax-exempt, fixed-rate obligations, with a final maturity of April 1, 2020.
    b. **Date of issue and copy of CT-0253 filed.**
        i. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Outstanding Bonds.

c. **Date of authorization by the governing body.**
    i. March 1, 2004
d. **Whether bank-qualified or under other small issuer exception.**
    i. Yes
e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    i. The Outstanding Bonds were issued to refinance the County's General Obligation Public Improvement Bonds, Series 1999, dated December 1, 1999, maturing April 1, 2010 and thereafter on April 1, 2009.
f. **Derivative product, if any, and copy of Report of Compliance:**
    i. N/A

4. **If the proposed refunded debt was a refunding of prior debt, provide the same information for each generation of debt back to the original new money debt issuance; and provide a copy of the Report of Review of the Plan of Refunding.**
    a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
        i. General Obligation Public Improvement Bonds, Series 1999, dated December 1, 1999, (the Series 1999 Bonds) maturing April 1, 2010 and thereafter on April 1, 2009.
        ii. The Series 1999 Bonds are tax-exempt, fixed-rate obligations, with a final maturity on April 1, 2020.
    b. **Date of issue and copy of CT-0253 filed.**
        i. Date of Issue = December 15, 1999. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series 1999 Bonds.
    c. **Date of authorization by the governing body.**
        i. The Series 1999 Bonds were authorized by the County's governing body on October 20, 1999.
    d. **Whether bank-qualified or under other small issuer exception.**
        i. Yes.
    e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
        i. The Series 1999 Bonds were issued to finance (i) the construction of the infrastructure in and for an industrial park to be developed

by the County and the City of Loudon, Tennessee (ii) the construction of a satellite campus for Roane State Community College and (iii) improvements and renovations to the County's criminal justice center.

f. **Derivative product, if any, and copy of Report of Compliance:**
    i. N/A