



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
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505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
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May 20, 2013

Honorable Steve Godsey, County Mayor
Sullivan County
3411 Highway 126, Suite 202
Blountville, TN 37617

Dear Mayor Godsey:

This letter acknowledges receipt on May 9, 2013, of a request to review a plan of refunding (the "Plan") for the issuance of an amount not to exceed \$1,140,000 General Obligation Refunding Capital Outlay Notes (Taxable), Series 2013 (the "2013 Refunding Notes"), to refund by competitive sale an estimated \$1,100,000 General Obligation Industrial Park Capital Outlay Notes, Series 2005 (the "Refunded Notes").

Approval to issue capital outlay notes must be received from this office prior to the issuance of the Notes. Please send the resolution to this office after passage along with a request for approval.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, 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 notes 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 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.

COUNTY'S PROPOSED REFUNDING OBJECTIVE

The 2013 Refunding Notes are being issued for debt service savings. The Plan estimates net present value savings of \$80,157 or 7.29% of the refunded principal.

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 approved in this letter. If the most current version is on file with this office a copy does not have to be submitted.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

This letter, report, and the Plan are to be placed 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 TENN. CODE ANN. § 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 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 a revised State Form CT-0253, Report on Debt Obligation. Pursuant to TENN. CODE ANN. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five (45) 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. A fillable PDF of Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



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

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT
Mr. Bill Anderson, Sullivan County
Mr. Tom McAnulty, Stephens Inc.
Mr. Ashley McAnulty, Stephens Inc.

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

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE OF
GENERAL OBLIGATION REFUNDING CAPITAL OUTLAY NOTES, SERIES 2013
SULLIVAN COUNTY, TENNESSEE**

Sullivan County (the "County") submitted a plan of refunding (the "Plan"), as required by Tennessee Code Annotated Section 9-21-903 regarding an issuance of an amount not to exceed \$1,140,000 General Obligation Refunding Capital Outlay Notes, Series 2013 (the "2013 Refunding Notes"), to refund by competitive sale an estimated \$1,100,000 General Obligation Industrial Park Capital Outlay Notes, Series 2005 (the "Refunded Notes").

COUNTY'S PROPOSED REFUNDING OBJECTIVE

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

REFUNDING ANALYSIS

- The results for the refunding are based on the assumption that an estimated \$1,140,000 series 2013 Refunding Notes will be sold by competitive sale priced at a par.
- The Notes will be sold at taxable interest rates as were the original notes.
- The estimated net present value savings of the refunding is \$80,157 or 7.29% of the Refunded Notes.
- The average coupon is reduced from 5.02% on the Refunded Notes to 0.75% for the 2013 Refunding Notes.
- The 2013 Refunding Notes do not extend the maturity schedule of the Refunded Notes.
- Estimated cost of issuance of the 2013 Refunding Notes is \$19,886 or \$17.44 per \$1,000 of par amount. See Table 1 for individual costs of issuance.

Table 1

Cost of Issuance of 2013 Refunding Notes

	Amount	Price per \$1,000 bond
Underwriter's Discount	\$ 6,270.00	\$ 5.50 *
Financial Advisor	3,687.00	3.23
Bond Counsel	8,000.00	7.02
Other costs	1,929.00	1.69
 Total Cost of Issuance	 \$ 19,886.00	 \$ 17.44

* Subject to competitive bid

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 Notes in a bond issue other than the proposed 2013 Refunding Notes. If all of the Refunded Notes are not refunded as a part of the 2013 Refunding Notes, then a new plan must be submitted to this Office for review.

Mary-Margaret Collier

Mary-Margaret Collier
Director of the Office of State and Local Finance
Date: May 20, 2013