

OFFERING MEMORANDUM

BOOK-ENTRY-ONLY

Commercial Paper Ratings

Moody's: P-1

Standard & Poor's: A-1+

(See "Ratings" herein)

Maximum Aggregate Principal Amount
\$200,000,000

THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)
GENERAL OBLIGATION EXTENDABLE COMMERCIAL PAPER NOTES
2014 PROGRAM

This Offering Memorandum is subject in all respects to more complete information contained in this Offering Memorandum and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the ECP Notes to potential investors is made only by means of the entire Offering Memorandum.

Issuer: The Metropolitan Government of Nashville and Davidson County (Tennessee)

Authorized Amount: Maximum amount outstanding at any time does not exceed \$200,000,000

Ratings: P-1 Moody's Investors Service, Inc.
A-1+ Standard & Poor's Ratings Services

Security: Full faith, credit and unlimited taxing power of the Metropolitan Government of Nashville and Davidson County (Tennessee)

Purpose: Proceeds of the ECP Notes are used only to: (i) pay the costs of public works projects that have been approved by an Initial Resolution; (ii) retire previously issued commercial paper; and (iii) refund or renew ECP previously issued under the ECP Program.

Original Maturity Date: A business day, from 1 to 90 days from the original date of issue

Extended Maturity Date: The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original date of issue. The Metropolitan Government intends to exercise this option to extend the maturity only in circumstances where there is a disruption in market liquidity.

Denominations: \$100,000 minimum principal amount and integral multiples of \$1,000 in excess thereof

Interest Payments: Interest on each ECP Note is payable on the Original Maturity Date; however, if the Original Maturity Date is extended, then interest is not payable on the Original Maturity Date. When the Original Maturity Date is extended, interest is payable monthly as set forth herein and on any redemption date or the Extended Maturity Date and no additional interest shall accrue on the accrued but unpaid interest.

Redemption: ECP Notes are not redeemable prior to the Original Maturity Date.
If the Original Maturity Date is extended—ECP Notes are subject to redemption in whole but not in part, on any date after the Original Maturity Date, at the option of the Metropolitan Government, prior to the Extended Maturity Date; provided, however, the Metropolitan Government must redeem all ECP Notes that have Extended Maturity Dates.

Tax Exemption: In the opinion of Bass, Berry & Sims PLC, Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Metropolitan Government, interest on the ECP Notes will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For a more detailed explanation of certain tax consequences under federal law which may result from the ownership of the ECP Notes, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the ECP Notes and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "TAX MATTERS" herein).

Issuing and Paying Agent: U.S. Bank National Association

Dealer: Morgan Stanley & Co. LLC

Bond Counsel: Bass, Berry & Sims PLC

Issuer Contact: Mr. Lannie B. Holland, Treasurer for the Metropolitan Government, 2nd Avenue South, Suite 205, Nashville, TN 37210, (615) 862-6112

Dated: July 1, 2014

This Offering Memorandum contains information concerning the General Obligation Extendable Commercial Paper Notes, 2014 Program (hereinafter referred to as the "ECP Program") of The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") to be issued to retire previously issued commercial paper and provide interim financing of public works projects and related costs, as further described herein.

Under the ECP Program, certain notes of the Metropolitan Government may be issued and sold in the United States commercial paper market (the "ECP" or "ECP Notes"). The ECP Notes constitute bond anticipation notes and are a direct general obligation of the Metropolitan Government for the payment of which as to both principal and interest the full faith, credit and unlimited taxing power of the Metropolitan Government is pledged. Principal of the ECP Notes, to the extent not paid from proceeds of general obligation bonds and proceeds of other ECP Notes, and interest on the ECP Notes are payable from a tax sufficient to pay when due such principal and interest to be levied annually and shall be in addition to all other taxes authorized or limited by law.

The ECP Notes will be sold at par as interest-bearing obligations in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of such amount, with interest payable at maturity, unless the Metropolitan Government elects to extend the maturity of the ECP Note, in which case interest on the ECP Notes shall be payable monthly through the Extended Maturity Date. The ECP Notes will have Original Maturity Dates, each being a business day, of not less than 1 day and not greater than 90 days from the original issue date of each ECP Note. The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original issue date.

The ECP Notes will be issued in book-entry-only form through The Depository Trust Company, New York, New York, ("DTC"). U.S. Bank National Association is Issuing and Paying Agent for the ECP Program.

The ECP Notes are being offered when, as, and if issued, subject to the legal opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel to the Metropolitan Government, substantially in the form attached to this Offering Memorandum as Appendix C. The ECP Notes are expected to be available for purchase and delivery through the facilities of DTC on and after July 9, 2014. Morgan Stanley & Co. LLC ("Dealer") acts as the exclusive dealer in connection with the offering and issuance of the ECP Notes.

MORGAN STANLEY

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Offering Memorandum, in connection with the offering of the ECP Notes, and, if given or made, such information or representation must not be relied upon as having been authorized by the Metropolitan Government, the Dealer or its respective consultants and attorneys. This Offering Memorandum does not constitute an offer or solicitation in any jurisdiction which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been obtained from the Metropolitan Government and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and it not to be construed as a representation by, the Dealer.

This Offering Memorandum is not to be construed as a contract with the purchaser of the ECP Notes. Statements contained in this Offering Memorandum which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such, and are not to be construed as a representation of fact. This Offering Memorandum contains "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

The information and expressions of opinions contained herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Metropolitan Government since the date hereof.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the ECP Notes are qualified in their entirety by reference to the form thereof included in the Resolution (as defined herein), and the provisions with respect thereto included in the aforementioned documents and agreements.

THIS OFFERING MEMORANDUM IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFERING MEMORANDUM OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFERING MEMORANDUM AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE ECP NOTES SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE ECP NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE METROPOLITAN GOVERNMENT, THE ECP NOTES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE FINANCIAL ADVISOR HAS BEEN EMPLOYED BY THE METROPOLITAN GOVERNMENT TO ADVISE IT WITH RESPECT TO CERTAIN MATTERS RELATING TO THE PROPOSED STRUCTURE OF THE ECP PROGRAM. THE FINANCIAL ADVISOR HAS NOT BEEN EMPLOYED AND ASSUMES NO DUTY OR OBLIGATION TO ADVISE ANY OTHER PARTY AS TO ANY ASPECT OF THE TRANSACTION, INCLUDING THE HOLDERS OF THE ECP NOTES.

THE DEALER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN OFFERING MEMORANDUM: THE DEALER HAS REVIEWED THE INFORMATION IN THIS OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS A PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE DEALER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

For additional information regarding the following, please contact:

Metropolitan Government

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Director of Finance for the
Metropolitan Government
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Nashville, TN 37219
Metropolitan Courthouse
1 Public Square
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Nashville, TN 37201
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Offering Memorandum

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Treasurer for the
Metropolitan Government
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Nashville, TN 37219
700 2nd Avenue South
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Nashville, TN 37210
(615) 862-6112

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METROPOLITAN GOVERNMENT OFFICIALS, STAFF AND CONSULTANTS

Mayor and Metropolitan County Council*

Karl F. Dean – Mayor

Diane Neighbors – Vice Mayor and Council President

Megan Barry – Council Member At Large
Ronnie Steine – Council Member At Large
Tim Garrett – Council Member At Large
Charlie Tygard – Council Member At Large
Jerry Maynard – Council Member At Large
Lonnell Matthews Jr. – District Council Member
Frank Harrison – District Council Member
Walter Hunt – District Council Member
Brady Banks – District Council Member
Scott Davis – District Council Member
Peter Westerholm – District Council Member
Anthony Davis – District Council Member
Karen Bennett – District Council Member
Bill Pridemore – District Council Member
Doug Pardue – District Council Member
*Seat currently vacant
Steve Glover – District Council Member
Josh Stites – District Council Member
Bruce Stanley – District Council Member
Phil Claiborne – District Council Member

Tony Tenpenny – District Council Member
Sandra Moore – District Council Member
Burkley Allen – District Council Member
Erica Gilmore – District Council Member
Buddy Baker – District Council Member
Edith Langster – District Council Member
Sheri Weiner – District Council Member
Emily Evans – District Council Member
Jason Holleman – District Council Member
Sean McGuire – District Council Member
Chris Harmon – District Council Member
Davette Blalock – District Council Member
Duane A. Dominy – District Council Member
Karen Y. Johnson – District Council Member
Jason Potts – District Council Member
Fabian Bedne – District Council Member
Jacobia Dowell – District Council Member
Robert Duvall – District Council Member
Carter Todd – District Council Member
Bo Mitchell – District Council Member

Select Administrative Staff

Richard M. Riebeling – Director of Finance

Saul Solomon – Director of Law

Kim McDoniel – Assistant Director of Finance

Lannie B. Holland – Treasurer

Shannon B. Hall – Metropolitan Clerk

Consultants and Advisors

Metropolitan Government Counsel Metropolitan Department of Law
Nashville, Tennessee

Bond Counsel Bass, Berry & Sims PLC
Nashville, Tennessee

Financial Advisor First Southwest Company
Dallas, Texas

**OFFERING MEMORANDUM
RELATING TO
THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)
Maximum Aggregate Principal Amount
\$200,000,000
GENERAL OBLIGATION EXTENDABLE
COMMERCIAL PAPER NOTES
2014 PROGRAM**

INTRODUCTION

This Offering Memorandum, including the cover page and the Appendices (including the financial information referred to in the Appendices), is provided to furnish information in connection with the issuance from time to time by the Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") of its General Obligation Extendable Commercial Paper Notes, 2014 Program (the "ECP Program"). Under the ECP Program, certain notes of the Metropolitan Government may be issued and sold in the United States commercial paper market (the "ECP" or "ECP Notes").

The ECP Notes are issued pursuant to Chapter 21 of Title 9 of the Tennessee Code Annotated, as amended, the Charter of the Metropolitan Government (the "Charter"), and subject to the terms and conditions contained in the resolution authorizing the ECP Program adopted by the Metropolitan County Council on May 6, 2014 (the "ECP Resolution").

The proceeds of the ECP Notes will be used only to (i) pay the costs of public works projects that have been approved by an Initial Resolution, (ii) retire previously issued commercial paper, and (iii) refund or renew ECP previously issued under the ECP Resolution.

The Metropolitan Government has entered into the following agreements in connection with the ECP Program:

Issuing and Paying Agency Agreement (as it may be supplemented and amended, and together with any successor agreements, the "Issuing and Paying Agency Agreement") between the Metropolitan Government and U.S. Bank National Association (together with any successor, the "Issuing and Paying Agent").

Dealer Agreement (as it may be supplemented and amended, and together with any successor agreements, the "Dealer Agreement") between the Metropolitan Government and Morgan Stanley & Co. LLC, New York, New York (together with any successor, the "Dealer").

Brief descriptions of the ECP Program and the ECP Resolution are included in this Offering Memorandum or in an Appendix hereto. Such descriptions do not purport to be comprehensive or definitive, and all references herein to the ECP Program, the ECP Resolution, and various other documents and instruments mentioned herein, are qualified in their entirety by reference to the responsive documents or instrument, copies of which are available from the Metropolitan Government and the Dealer.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form and will be registered in the name of Cede & Co., as nominee of DTC. Purchases of the ECP Notes will be made in book-entry form through DTC. No physical delivery of the ECP Notes will be made to purchasers of the ECP Notes unless the book-entry-only system of registration is discontinued, or as may otherwise be provided herein. Payments on the ECP Notes will be made to holders by DTC through DTC Participants. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

The ECP Notes will be sold at par as interest-bearing obligations in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of such amount, with interest payable at maturity, unless the Metropolitan Government elects to extend the maturity of the ECP Note, in which case interest on the ECP

Notes shall be payable monthly through the Extended Maturity Date. The ECP Notes will have Original Maturity Dates, each being a business day, of not less than 1 day and not greater than 90 days from the original issue date of each ECP Note. The Metropolitan Government has the option to extend the Original Maturity Date of an ECP Note to a business day that is 270 days from the original issue date. As long as the ECP Notes are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in next day funds on each interest payment date. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

All financial and other information presented in this Offering Memorandum has been compiled from records of the Metropolitan Government, except for information expressly attributed to other sources. All quotations from, and summaries and explanations of, provisions of statutes contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the ECP Program and proceedings of the Metropolitan Government relating thereto are qualified in their entirety by reference to the form of the ECP Notes and such proceedings. Recent historical information does not indicate future or continuing trends in the Metropolitan Government's financial position or other affairs, unless specifically stated.

An electronic link to the Metropolitan Government's comprehensive annual financial report for the fiscal year ended June 30, 2013 is incorporated herein in Appendix A.

Certain financial and demographic information of the Metropolitan Government is set forth in Appendix B. The form of opinion of Bond Counsel is attached hereto as Appendix C, and the form of ECP Resolution is attached as Appendix D.

Investors should consider the entire Offering Memorandum in making an investment decision, and should not consider information more or less important because of its location. Investors should refer to laws, reports or other documents described in this Offering Memorandum for more complete information.

THE ECP PROGRAM

Authorization and Purpose of the ECP Program

The ECP Notes will be issued by the Metropolitan Government pursuant to its Charter, the laws of the State of Tennessee (the "State"), particularly Tennessee Code Annotated Sections 9-21-101 *et. seq.* (the "Act") and the ECP Resolution. Proceeds of the ECP Notes will be used only to (i) pay the costs of public works projects that have been approved by an Initial Resolution, (ii) retire previously issued commercial paper, and (iii) refund or renew ECP previously issued under the ECP Resolution.

Description of the ECP Notes

The ECP Notes will be dated the date of their respective authentication and issuance and are to be issued in book-entry-only form, in denominations of \$100,000 and in integral multiples of \$1,000 in excess of \$100,000. The ECP Notes are each to bear interest at an annual rate not to exceed the Maximum Rate allowed for the ECP Notes under the ECP Resolution. The Maximum Rate means, with respect to any ECP Note, the rate equal to the lesser of (a) 9% per annum, calculated on the basis of actual days elapsed and a 365/366 day year, or (b) the maximum rate of interest permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law. Tennessee law currently prescribes a maximum rate equal to the prime rate in effect from time to time, plus 4.00%. The maximum rate in effect on the date hereof is 7.25%. The ECP Notes shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof of the ECP Notes.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for the DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form, and purchasers of the ECP Notes will not receive certificates representing their interests in the ECP Notes purchased. See "THE ECP PROGRAM – BOOK-ENTRY-ONLY SYSTEM" herein.

Each ECP Note will mature on its Original Maturity Date, which may range from 1 to 90 days from its original Issue Date as determined by the Metropolitan Government upon the issuance of the applicable ECP Note, unless the Metropolitan Government exercises its option to extend the maturity date. In that case, the ECP Note will mature on the Extended Maturity Date, which will be the business day that is the earlier of: (i) 270

days from its original Issue Date, and (ii) the Final Maturity Date (January 1, 2019). ECP Notes may bear different Issue Dates, Original Maturity Dates, Extended Maturity Dates and interest rates.

Each ECP Note shall bear interest from its Issue Date to its Original Maturity Date at an annual rate, which shall not in any event exceed the Maximum Rate, payable on its Original Maturity Date, unless the maturity date is extended, in which case interest will be paid on the dates described below.

If the Metropolitan Government exercises its option to extend the maturity date of an ECP Note, the ECP Note will bear interest from the Original Maturity Date at the applicable Extension Rate payable on the dates described below.

The Metropolitan Government may, from time to time, without the consent or notice to the Noteholders, amend certain provisions of the ECP Resolution, including, without limitation, amendments to the definitions of Maximum Rate or Extension Rate, that are only effective for ECP Notes issued on or after the effective date of such amendment with appropriate disclosure. The ECP Notes shall be sold by the Dealer pursuant to a Dealer Agreement at a price of not less than 100% of the principal amount thereof of the ECP Notes.

The ECP Notes will be issued as fully registered notes and registered in the name of Cede & Co., as registered owner and nominee for the DTC. Beneficial ownership interests in the ECP Notes will be available in book-entry-only form, and purchasers of the ECP Notes will not receive certificates representing their interests in the ECP Notes purchased. See "APPENDIX D – SUMMARY OF ECP RESOLUTION" herein.

Extension of the Maturity Date

The Metropolitan Government is required to notify the Issuing and Paying Agent and Dealer by 11:30 a.m. (New York, New York time) on the Original Maturity Date that it wishes to exercise its option to extend the maturity of an ECP Note. The Issuing and Paying Agent shall correspondingly notify (i) DTC by 12:00 noon on the Original Maturity Date and (ii) each Rating Agency then maintaining a rating on the ECP Notes and EMMA by the close of business on the Original Maturity Date, that the maturity is being extended. Even if the requisite notices are not given by the Metropolitan Government and/or the Issuing and Paying Agent, if payment of the principal of and interest on an ECP Note does not occur on the Original Maturity Date, the maturity of the ECP Note shall be extended automatically. With the consent of the Issuing and Paying Agent and the Dealer, the Metropolitan Government may modify the notification provisions contained in the ECP Resolution if deemed appropriate to conform to DTC's rules and procedures. In no event shall an extension of the Original Maturity Date constitute a default or a breach of any covenant under the ECP Resolution.

If the Metropolitan Government exercises its option to extend the maturity of an issue of ECP Notes, then:

- (i) neither principal nor interest shall be paid on the Original Maturity Date for such issue of ECP Notes;
- (ii) the ECP Notes shall mature on the Extended Maturity Date;
- (iii) the ECP Notes shall bear interest from the Original Maturity Date at the Extension Rate;
- (iv) accrued but unpaid interest shall be paid on each Extended Period Interest Payment Date and on the Extended Maturity Date, and no additional interest shall accrue on the accrued but unpaid interest.

The Extension Rate shall be the rate of interest per annum determined by the following formula; provided that such Extension Rate shall not exceed the Maximum Rate:

The greater of (SIFMA Index + *E*) or *F*

The Extension Rate applicable to an ECP Note will be determined by the Issuing and Paying Agent based on the Prevailing Ratings and other information available as of 11:00 a.m. on the Original Maturity Date of the Note and each Thursday thereafter and will apply from that date through the following Wednesday or, if earlier, the

applicable Extended Maturity Date. As used in the formula, the E and F variables shall be the fixed percentage rates, expressed in basis points and yields, respectively, determined based on the Prevailing Ratings of the Rating Agencies then rating the ECP Notes, as follows:

Prevailing Rating

Moody's	S&P	E Variable	F Variable
P-1	A-1+	250 basis points	7.00%
-	A-1	350 basis points	7.50%
P-2	A-2	550 basis points	8.00%
Lower than P-2 (or rating withdrawn for credit reasons)	Lower than A-2 (or rating withdrawn for credit reasons)	Maximum Rate	Maximum Rate

If the individual Prevailing Ratings indicate different E or F variables as a result of split ratings assigned to the Metropolitan Government, the E or F variable shall be the arithmetic average of those indicated by the Prevailing Ratings. If another credit rating agency becomes a Rating Agency, the Issuing and Paying Agent shall, upon written direction of the Metropolitan Government, following consultation with the Metropolitan Government and the Dealer, determine how the agency's rating categories shall be treated for the purpose of indicating an E or F variable.

Redemption of the ECP Notes

The ECP Notes shall not be subject to redemption prior to their Original Maturity Date. In the event the Metropolitan Government exercises its option to extend the maturity of an ECP Note, that ECP Note may be redeemed on any date after its Original Maturity Date, at the option of the Metropolitan Government at a redemption price equal to par, plus accrued and unpaid interest to the redemption date; provided that no ECP Note with an Extended Maturity Date shall be redeemed unless all ECP Notes then Outstanding that have been extended beyond their Original Maturity Date are redeemed simultaneously. To exercise its redemption option, the Metropolitan Government shall provide not less than 5 nor more than 25 calendar days' notice to the Issuing and Paying Agent. The Issuing and Paying Agent will notify DTC of the Notes to be redeemed within one Business Day of receipt of such notice.

Book-Entry-Only System

This section describes how ownership of the ECP Notes is to be transferred and how the principal and interest on the ECP Notes are to be paid to and credited by DTC while the ECP Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Offering Memorandum. The Metropolitan Government believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Metropolitan Government cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the ECP Notes, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the ECP Notes), or redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the ECP Notes. The ECP Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered ECP Note will be issued for each maturity of the ECP Notes in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's ratings of: AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of ECP Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for ECP Notes on DTC's records. The ownership interest of each actual purchaser of each ECP Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the ECP Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the ECP Notes, except in the event that use of the book-entry system for the ECP Notes is discontinued.

To facilitate subsequent transfers, all ECP Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of ECP Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the ECP Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such ECP Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of ECP Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the ECP Notes, such as redemptions, tenders, defaults, and proposed amendments to the ECP Program documents. For example, Beneficial Owners of ECP Notes may wish to ascertain that the nominee holding the ECP Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registration Agent and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the ECP Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Metropolitan Government as soon as possible after the record

date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the ECP Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal of or interest on the ECP Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Metropolitan Government or the Registration Agent, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registration Agent or the Metropolitan Government, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal or interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Metropolitan Government, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the ECP Notes at any time by giving reasonable notice to the Metropolitan Government and the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, ECP Notes are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of This Offering Memorandum

In reading this Offering Memorandum it should be understood that while the ECP Notes are in the Book-Entry-Only System, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the ECP Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners pursuant to the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Metropolitan Government, the Financial Advisor or the Underwriter.

Effect of Discontinuance of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Metropolitan Government, printed ECP Notes will be issued to the holders and the ECP Notes will be subject to transfer, exchange and registration provisions as set forth in the ECP Resolution.

SECURITY AND SOURCE OF PAYMENT

The ECP Notes shall be payable primarily from the proceeds of subsequently issued ECP Notes and the proceeds of the Bonds, as defined in the ECP Resolution. Additionally, the ECP Notes shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Metropolitan Government. For the prompt payment of principal of and interest on the ECP Notes, the full faith and credit of the Metropolitan Government are irrevocably pledged.

Under State law, the Metropolitan Government's legislative body is authorized to levy a tax on all taxable property within the Metropolitan Government, or a portion thereof, without limitation as to rate or amount, and a referendum is neither required nor permitted to set the rate or amount. For a more complete statement of the general covenants and provisions pursuant to which the ECP Notes are issued, reference is hereby made to the ECP Resolution.

By referendum passed on November 7, 2006, voters in the Metropolitan Government amended the Charter to require that all future increases of the maximum ad valorem (real property) tax rate of \$4.04 per one hundred dollars of assessed property value in the General Service District (GSD) plus \$0.65 per one hundred dollars of assessed property value in the Urban Service District (USD) (\$4.69 total) be first approved by voter referendum prior to implementation by the Metropolitan Government. The current tax rates are \$3.924 for the GSD and an additional \$0.592 for the USD (\$4.516 total). The Charter amendment does not purport to specifically limit that portion of the tax rate allocable to the payment of debt service.

The Act (pursuant to which the ECP Notes are issued) dictates the levy of a tax sufficient to pay debt service of any general obligation bonds issued thereunder, without regard to any other State or local laws to the contrary. Bond Counsel will opine that the pledge of the Metropolitan Government's unlimited taxing power is valid, binding and enforceable against it, and that there is no limitation on the Metropolitan Government's ability to impose sufficient taxes to fund debt service on the ECP Notes. (See Appendix C – Form of Opinion of Bond Counsel.)

If valid, the Charter amendment may limit the Metropolitan Government's ability to raise additional revenues for governmental requirements – other than the payment of general obligation debt service – by increasing property tax rates. The information set forth in Appendices A and B to this Offering Memorandum details the percentage of the Metropolitan Government's budget funded with ad valorem property tax revenues, and provides other pertinent information regarding the Metropolitan Government's collection and expenditure of ad valorem property tax revenues.

The Metropolitan Government's Department of Law and Bond Counsel have each opined that a court would likely find the Charter amendment to be invalid as an unconstitutional limitation on the exercise of the Metropolitan County Council's taxing authority. Neither the legal effect nor the constitutionality of the Charter amendment has been challenged, and the timing and outcome of any such challenge cannot be predicted.

The ECP Notes when duly issued will constitute a contract between the Metropolitan Government and each registered owner of the ECP Notes. Any registered owner or owner(s) of the ECP Notes, including a trustee or trustees for the registered owners, shall have the right, in addition to all other rights: (a) by mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce his or her rights against the Metropolitan Government and the Metropolitan Council and any officer, agent or employee of the Metropolitan Government, including, but not limited to, the right to require the Metropolitan Government and the Metropolitan Council and any proper officer, agent or employee of the Metropolitan Government to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes and to require the Metropolitan Government and the Metropolitan Council and any officer, agent or employee of the Metropolitan Government to carry out any other covenants and agreements and to perform its and their duties under the provisions of Section 9-21-101 et seq. of the T.C.A.; and (b) by action or suit in equity to enjoin any acts or things which may be unlawful or a violation of the rights of such registered owners of the ECP Notes.

CURRENT FINANCIAL CONSIDERATIONS

Audited financial results for Fiscal Year 2013 resulted in a positive budgetary balance of \$37 million in the General Services District and Urban Services District General Funds, primarily due to savings achieved throughout the government and improved revenues from business taxes, beer and liquor taxes, building permits, and income taxes that exceeded projections. The General Purpose School Fund also had a positive budget variance of \$24 million primarily due to expenditure savings achieved by schools and higher property and sales tax collections that exceeded projections. The unassigned fund balance for the Metropolitan Government's three operating funds increased by \$23 million ending the fiscal year at \$148 million.

The Fiscal Year 2014 adopted budget of \$1.812 billion represents a \$103 million increase over Fiscal Year 2013. Increases in the budget primarily were in three categories: (1) public education (\$26 million); (2) debt service (\$34 million); and (3) public safety (\$19 million). Additional budget increases will be funded from: (1) \$24 million increase in local option sales tax collection, (2) \$16 million increase in property tax collection, and (3) \$45 million increase in appropriation of fund balance.

SUMMARY OF GENERAL FUND, FISCAL YEARS 2009-2013
(in thousands of dollars)

	2013	2012	2011	2010	2009
Beginning Fund Balance	\$70,744	\$ 67,486	\$60,900	\$79,727	\$63,118
Revenues	838,922	778,024	760,397	751,517	773,119
Expenditures	-769,234	-736,999	-728,068	-720,494	-717,153
Other Financing Sources (Uses)	-39,894	- 37,767	-25,743	-49,850	-39,357
Ending Fund Balance	\$100,538	\$70,744	\$67,486	\$60,900	\$79,727
Unreserved Fund Balance	\$84,054	\$69,837	\$53,134	\$59,061	\$47,338

Source: Metropolitan Government Department of Finance

ANTICIPATED FUTURE BORROWING PLANS

The Metropolitan Government has approximately \$1 billion of approved capital projects that have not been bonded. Initial funding for these projects is through the Metropolitan Government's existing \$400 million commercial paper program that expires in July 2014. Commercial paper financing will continue through this extendable commercial program and the Metropolitan Government's new traditional commercial paper program. No additional bond issue is anticipated within the next two to three years.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
LONG-TERM GENERAL OBLIGATION DEBT SERVICE SCHEDULE
(As of March 1, 2014)**

<u>Outstanding Debt Service(1)</u>			
<u>Ending</u>	<u>Principal</u>	<u>Interest(2)</u>	<u>Total</u>
6/30/14	\$9,055,000	\$4,656,888	\$13,711,888
6/30/15	111,785,000	102,930,065	214,715,065
6/30/16	112,120,000	98,254,284	210,374,284
6/30/17	122,980,000	92,353,214	215,333,214
6/30/18	124,785,000	87,719,803	212,504,803
6/30/19	130,385,000	81,993,868	212,378,867
6/30/20	128,400,000	76,598,974	204,998,974
6/30/21	134,205,000	70,793,592	204,998,592
6/30/22	136,760,000	64,236,829	200,996,829
6/30/23	144,485,000	57,510,893	201,995,893
6/30/24	154,425,000	50,570,872	204,995,872
6/30/25	152,360,000	44,029,430	196,389,430
6/30/26	131,360,000	37,653,660	169,013,660
6/30/27	114,850,000	31,637,789	146,487,789
6/30/28	109,730,000	26,027,619	135,757,619
6/30/29	66,620,000	21,471,163	88,091,163
6/30/30	69,575,000	17,966,127	87,541,127
6/30/31	68,040,000	14,306,977	82,346,977
6/30/32	71,060,000	10,694,756	81,754,756
6/30/33	74,235,000	6,907,514	81,142,514
6/30/34	35,825,000	2,936,375	38,761,375
6/30/35	<u>33,745,000</u>	<u>962,914</u>	<u>34,707,914</u>
	<u>\$2,236,785,000</u>	<u>\$1,002,213,605</u>	<u>\$3,238,998,605</u>

(1) Includes Debt Service on District Energy Revenue and Refunding Bonds, Series 2012 secured by Net Revenues from the District Energy System and additionally secured by ad valorem taxes levied on all taxable property in the Metropolitan Government.

(2) Does not include any direct pay subsidy or tax credit subsidy on outstanding bonds.

LITIGATION

At the time of the original delivery of the ECP, there will be furnished a certificate of certain officers of the Metropolitan Government stating that there is no litigation then pending, or to their knowledge threatened, affecting the corporate existence or boundaries of the Metropolitan Government, or the titles of its officials to their respective offices, or the validity of the ECP or the power of the Metropolitan Government to levy and collect taxes to pay the ECP.

The Metropolitan Government is a party to various lawsuits in the normal course of business. It is the opinion of the Director of Law of the Metropolitan Government that there is no pending litigation against the Metropolitan Government that, if decided adversely to the Metropolitan Government, would have a material adverse financial impact upon the Metropolitan Government or its operations.

TAX MATTERS

Federal Taxes

Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the ECP. Their opinion under existing law, relying on certain statements by the Metropolitan Government and assuming compliance by the Issuer with certain covenants, is that interest on the ECP is excluded from a ECP Note holder's federal gross income under the Internal Revenue Code of 1986, is not a preference item for a ECP Note holder under the federal alternative minimum tax, and is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Internal Revenue Code of 1986, as amended (the "Code") imposes requirements on the ECP that the Issuer must continue to meet after the ECP Notes are issued. These requirements generally involve the way that ECP Note proceeds must be invested and ultimately used. If the Issuer does not meet these requirements, it is possible that a ECP Note holder may have to include interest on the ECP Note in its federal gross income on a retroactive basis to the date of issue. The Metropolitan Government has covenanted to do everything necessary to meet these requirements of the Code.

An ECP Note holder who is a particular kind of taxpayer may also have additional tax consequences from owning the ECP Notes. This is possible if an ECP Note holder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Commercial Paper.

If an ECP Note holder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the ECP or affect the market price of the ECP. See also "Changes in Federal and State Tax Law" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the ECP, or under State, local or foreign tax law.

State Taxes

Under existing law, the ECP and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the ECP during the period the ECP are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c)

Tennessee franchise taxes by reason of the inclusion of the book value of the ECP in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the ECP or otherwise prevent holders of the ECP from realizing the full benefit of the tax exemption of interest on the ECP. Further, such proposals may impact the marketability or market value of the ECP simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to ECP Notes issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the ECP. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the ECP would be impacted thereby. Purchasers of the ECP Notes should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the ECP Notes, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

LEGAL OPINION

The validity of the ECP will be approved by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. For the form of proposed Bond Counsel opinion, which includes certain assumptions as to future acts by the Metropolitan Government, see Appendix C.

FINANCIAL INFORMATION

The Metropolitan Government is not required to file reports with the S.E.C. in connection with the ECP. In connection with the issuance of the ECP, the Metropolitan Government will not agree to provide any "annual financial information" (within the meaning of S.E.C. Rule 15c-12) or any other information or notices required by Rule 15c2-12 to the MSRB. However, the Metropolitan Government has agreed to provide such "annual financial information" and other information and notices required by S.E.C. Rule 15c2-12 to the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board ("EMMA") in connection with the issuance of its various outstanding general obligation bonds, and such information is available from the EMMA (www.emma.msrb.org) as long as the Metropolitan Government has outstanding general obligation bonds.

Audited financial statements of the Metropolitan Government and certain supplementary information for each fiscal year are also available through the website of the Metropolitan Government's Department of Finance at <http://www.nashville.gov/Finance/Office-of-the-Treasurer/Debt/Investor-Relations.aspx>. Such audited financial statements and supplementary information are additionally available from the Metropolitan Government upon request sent to the Treasurer of the Metropolitan Government at 700 2nd Avenue South, 2nd Floor, Nashville, TN 37210. To the extent there are any differences between the financial statements posted on the Department of Finance's website or sent by the Treasurer of the Metropolitan Government and the financial statements filed with EMMA, the statements filed with EMMA shall control.

This Offering Memorandum is not a summary of the terms of the ECP, and information essential to the making of an informed decision with respect to the ECP may be obtained in the manner described above. All references to documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced. The information and expressions of opinion in this Offering Memorandum are subject to change without notice, and future use of this Offering Memorandum shall not create any implication that there has been no change in the matters described herein since the date hereof.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned ratings of "P-1" and "A-1+", respectively, to the ECP. The ratings reflect only the respective views of such organizations, and the Metropolitan Government makes no representation as to the appropriateness of the ratings. Any explanation of the significance of the ratings may be obtained only from the respective rating agency furnishing the same at the following addresses: Moody's Investors Services, Inc., 7 World Trade Center at 250 Greenwich Street, New York, NY 10007; Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041. The Metropolitan Government furnished to each rating agency certain information and materials, some of which may not have been included in this Offering Memorandum, relating to the Metropolitan Government and its outstanding debt. Generally, rating agencies base their ratings upon such information and materials and upon investigations, studies and assumptions by the ratings agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the ECP.

Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the ECP, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the ECP.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the Metropolitan Government in connection with the issuance of the ECP. The Financial Advisor's fees for services rendered with respect to the sale of the ECP are contingent upon the issuance and delivery of the ECP. First Southwest Company, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the ECP or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, First Southwest Company may from time to time sell investment securities to the Metropolitan Government for the investment of bond proceeds or other funds of the Metropolitan Government upon the request of the Metropolitan Government.

The Financial Advisor has provided the following sentence for inclusion in this Offering Memorandum: The Financial Advisor has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibilities to the Metropolitan Government and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

DEALER

The Metropolitan Government has appointed Morgan Stanley & Co. LLC (the "Dealer") to serve as dealer for the ECP Notes. Adams and Reese LLP has been retained as counsel to the Dealer in connection with the issuance of the ECP Notes. Under the Dealer Agreement, dated as of July 1, 2014, by and between the Metropolitan Government and the Dealer, the Dealer has no commitment to purchase any of the ECP Notes, but is obligated only to use best efforts as agents of the Metropolitan Government to solicit and arrange sales of the ECP Notes on behalf of the Metropolitan Government. Inquiries to the Dealer may be directed to the following:

Morgan Stanley
1585 Broadway
New York, New York 10036
Attn: Municipal Short Term Products
Tel: (212) 761-9093
Fax: (212) 507-2103
Email: short-term-notice@morganstanley.com

INDEPENDENT AUDITORS

An electronic link to the Metropolitan Government's comprehensive annual financial statements as of the fiscal year ended June 30, 2013 is included in Appendix A, and such financial statements have been audited by Crosslin & Associates, independent auditors, as stated in its report.

Crosslin & Associates has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to this Offering Memorandum.

FORWARD LOOKING STATEMENTS

The statements contained in this Offering Memorandum, and in any other information provided by the Metropolitan Government, that are not purely historical, are forward-looking statements, including certain statements regarding the Metropolitan Government's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Offering Memorandum are based on information available to the Metropolitan Government on the date hereof and the Metropolitan Government assumes no obligation to update any such forward-looking statements. It is important to note that the Metropolitan Government's actual results could differ materially from those in such forward-looking statements.

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

In considering the matters set forth in this Offering Memorandum, prospective investors should carefully review all information included herein (particularly the information under this caption) to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Offering Memorandum and the appendices hereto, and should have accessed whatever additional financial and other information any such investor may deem necessary, prior to making an investment decision with respect to the ECP.

MISCELLANEOUS INFORMATION

The references, excerpts and summaries of all documents referred to in this Offering Memorandum and in the Appendices to this Offering Memorandum do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the ECP, the security for the payment of the ECP and the rights and obligations of the holders thereof.

Any statements made in this Offering Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Offering Memorandum nor any statement, which may have been made verbally or in writing, is to be construed as a contract with the holders of the ECP.

The information contained in this Offering Memorandum has been compiled from sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

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AUTHORIZATION OF OFFERING MEMORANDUM

The execution and distribution of this Offering Memorandum have been duly authorized by the Metropolitan Government.

**THE METROPOLITAN GOVERNMENT OF
NASHVILLE AND DAVIDSON COUNTY**

By: /s/ Karl F. Dean
Karl F. Dean
Metropolitan Mayor

APPENDIX A

**ELECTRONIC LINK TO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE METROPOLITAN GOVERNMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

General Purpose Financial Statements

Audited Financial Statements of the Metropolitan Government and supplementary information as of and for the fiscal year ending June 30, 2013, together with the independent auditors' report from Crosslin & Associates, are available through the website of the Metropolitan Government's Department of Finance at <http://www.nashville.gov/Finance/Office-of-the-Treasurer/Debt/Investor-Relations.aspx> and are hereby incorporated by reference as part of this Appendix A. To the extent there are any differences between the electronically posted financial statements of the Metropolitan Government and the printed financial statements of the Metropolitan Government, the printed version shall control.

Crosslin & Associates has not been engaged to perform and has not performed, since the date of its report included herein, any procedure on the financial statements addressed in that report and has not performed any procedures relating to this Offering Memorandum.

APPENDIX B

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT

FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT

The Metropolitan Government

Organization

On June 28, 1962, the voters of Nashville and Davidson County approved the Charter of the Metropolitan Government (the "Charter"). The Tennessee Supreme Court upheld the validity of the Charter in October 1962. On April 1, 1963 the governments of the City of Nashville and of Davidson County were consolidated to form "The Metropolitan Government of Nashville and Davidson County" (the "Metropolitan Government"), under which the boundaries of Nashville and Davidson County are co-extensive.

The executive and administrative powers are vested in the Metropolitan Mayor (the "Mayor"), who is elected at large for a four-year term. The Mayor is authorized to administer, supervise and control all departments and to appoint all members of boards and commissions created by the Charter or by ordinance enacted pursuant to the Charter unless otherwise excepted. A two-thirds vote of the Metropolitan County Council is required to override the Mayor's veto. The Charter also provides for a Vice Mayor, who is elected at large for a four-year term and is the presiding officer of the Metropolitan County Council. The Metropolitan County Council is the legislative body of the Metropolitan Government and is composed of 40 members who are elected for four-year terms: 35 are elected from council districts and five are elected at large.

The Charter provides a framework for the Metropolitan Government in Nashville to serve the needs of two service districts: (i) the General Services District ("GSD") and (ii) the Urban Services District ("USD"). The GSD embraces the entire area of Davidson County and is taxed to support those services, functions and debt obligations, which are deemed properly chargeable to the whole population. Such services include general administration, police, fire protection, courts, jails, health, welfare, hospitals, streets and roads, traffic, schools, parks and recreation, auditoriums, public housing, urban renewal, planning and public libraries. The original USD conformed to the corporate limits of the City of Nashville as they existed on April 1, 1963, the date of consolidation. The residents of the USD are charged an additional tax to support those services, functions and debt obligations, which benefit only the USD. Such services include additional police and fire protection, storm sewers, street lighting and refuse collection. The Charter provides: "The area of the Urban Services District may be expanded and its territorial limits extended by annexation whenever particular areas of the General Services District come to need urban services, and the Metropolitan Government becomes able to provide such services within a reasonable period which shall be not greater than one year after ad valorem taxes in the annexed area become due." Since April 1, 1963, the area of the USD has been expanded from 72 square miles to 184 square miles.

Fiscal Year

The Metropolitan Government operates on a fiscal year, which commences July 1 and ends June 30.

Budgeting Procedures

Operating Budget. The Charter requires the Director of Finance to obtain information necessary to compile the annual operating budget of the Metropolitan Government from all officers, departments, boards, commissions and other agencies for which appropriations are made by the Metropolitan Government or which collect revenues for the Metropolitan Government.

The Mayor reviews the operating budget submitted by the Director of Finance, and may make such revisions in the budget deemed necessary or desirable before it is submitted to the Metropolitan County Council for consideration no later than May 1st. In no event can the total appropriations from any fund exceed the total anticipated revenues plus the estimated unappropriated fund balance and applicable reserves. After the Metropolitan County Council has passed the budget ordinance on first reading, it will hold public hearings. After the conclusion of the public hearings, the Metropolitan County Council may amend the operating budget prepared by the Mayor. The budget as finally amended and adopted, however, must provide for all expenditures required by law or by provisions of the Charter and for all debt service requirements for the ensuing fiscal year

as certified by the Director of Finance. If the Metropolitan County Council fails to adopt a budget by July 1st, the budget submitted by the Mayor is deemed to be the adopted budget.

The Charter requires that following the adoption of the Metropolitan Government's annual operating budget, an annual tax is to be levied on all taxable property within the GSD and an additional annual tax on all taxable property within the USD. These annual taxes must be at rates sufficient to finance the GSD and USD budgets adopted for their respective service districts.

Capital Improvements Budget. As provided by the Charter, the capital improvements budget and program for the Metropolitan Government is prepared annually to "include a program of proposed capital expenditures for the ensuing fiscal year and the five fiscal years thereafter..." The Mayor submits to the Metropolitan County Council the capital improvements budget, based on information from all officers, departments, boards, commissions and other agencies requesting funds from the Metropolitan Government for capital improvements, and recommends those projects to be undertaken during the ensuing fiscal year and the method of financing them. The Mayor's recommendation notes the impact of proposed projects on the debt structure of the Metropolitan Government and includes in the appropriate current operating budget any projects to be financed from current revenues for the ensuing fiscal year.

The Metropolitan County Council has the power to accept, with or without amendment, or reject, the proposed program and proposed means of financing. The Metropolitan County Council cannot authorize an expenditure for the construction of any building, structure, work or improvement, unless the appropriation for such project is included in its capital improvements budget, except to meet a public emergency threatening the lives, health or property of the inhabitants, when passed by two-thirds vote of the membership of the Metropolitan County Council.

The following information identifies recommended capital projects in the 2014-2015 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan County Council for fiscal year 2014-2015 and the following five fiscal years.

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2014-2015 to 2019-2020 Capital Improvements Budget - Final - By Agency

Departments	% of '14-'15		2015-16	2016-17	2017-18	2018-19	2019-20	% of '15-'20	
	2014-15	Total						Total	Total
Arts Commission	\$2,507,000	0.147%						\$2,507,000	0.053%
District Energy System - USD	744,500	0.044%	\$495,000	\$1,017,500	\$825,000	\$495,000		3,577,000	0.075%
Farmers Market	80,000	0.005%						80,000	0.002%
Finance	35,300,000	2.072%	2,000,000	2,000,000	2,000,000			41,300,000	0.867%
Fire Department - GSD	11,450,000	0.672%	150,000					11,600,000	0.243%
General Hospital	3,100,000	0.182%	837,900					3,937,900	0.083%
General Services	126,332,300	7.416%						126,332,300	2.651%
General Sessions Court	275,000	0.016%						275,000	0.006%
Health	1,100,000	0.065%						1,100,000	0.023%
Historical Commission	2,571,000	0.151%	698,000	3,725,000				6,994,000	0.147%
Human Resources	400,000	0.023%						400,000	0.008%
Information Technology Services	12,154,000	0.713%						12,154,000	0.255%
Justice Integration Services	1,938,100	0.114%						1,938,100	0.041%
Juvenile Court	1,228,000	0.072%						1,228,000	0.026%
Juvenile Court Clerk	380,000	0.022%						380,000	0.008%
Mayor's Office	6,000,000	0.352%						6,000,000	0.126%
MDHA - GSD	131,800,000	7.737%	61,800,000	53,000,000				246,600,000	5.174%
Metro Action Commission	6,546,000	0.384%						6,546,000	0.137%
Metropolitan Clerk	500,000	0.029%						500,000	0.010%
MNPS (Schools)	249,355,500	14.638%	193,420,500	189,578,500	154,931,000	110,282,500	\$91,594,000	989,162,000	20.756%
MTA	99,040,000	5.814%						99,040,000	2.078%
Municipal Auditorium	1,550,000	0.091%	750,000	450,000	500,000	1,000,000		4,250,000	0.089%
Nashville Electric Service	35,000,000	2.055%						35,000,000	0.734%
Parks & Recreation	61,723,000	3.623%						61,723,000	1.295%
Planning - GSD	10,550,000	0.619%	6,700,000	6,700,000	6,700,000	2,000,000		32,650,000	0.685%
Planning - USD	250,000	0.015%						250,000	0.005%
Police	36,180,100	2.124%						36,180,100	0.759%
Public Library	13,081,600	0.768%	11,015,000	7,835,000	9,160,300	5,050,000	5,250,000	51,391,900	1.078%
Public Works - GSD	486,994,774	28.587%	211,632,000	186,560,000	124,910,000	184,302,000	142,000,000	1,336,398,774	28.042%
Public Works - USD	75,678,000	4.442%	21,955,000	21,675,000	5,875,000	275,000	275,000	125,733,000	2.638%
Sheriff	5,250,000	0.308%						5,250,000	0.110%
Social Services	772,500	0.045%						772,500	0.016%
State Fair Board	100,000	0.006%	100,000	100,000				300,000	0.006%
State Trial Courts	1,000,000	0.059%						1,000,000	0.021%
Water & Sewer GSD	173,604,000	10.191%	202,324,000	289,938,200	257,078,700	353,949,700	91,300,000	1,368,194,600	28.709%
Water & Sewer USD	109,000,000	6.398%	9,000,000	9,000,000	9,000,000	9,000,000		145,000,000	3.043%
Totals	\$1,703,535,374	100.000%	\$722,877,400	\$771,579,200	\$570,980,000	\$666,354,200	\$330,419,000	\$4,765,745,174	100.000%

District Energy System of the Metropolitan Government

The Metropolitan Government's District Energy System ("DES") began operations in December 2003. DES is a district heating and cooling system that provides steam and chilled water to 40 buildings in the downtown Metropolitan Nashville area for the purposes of general heating and air conditioning. DES is managed by Constellation NewEnergy Projects ("CNE") of Baltimore, MD. CNE has been involved in the development of many other district energy plants, including those in Chicago, Las Vegas, Old Hickory, TN, Pittsburgh and Baltimore. The Metropolitan Government is the owner of the DES and the site on which the facility is located.

The primary components of the DES include (i) the steam production subsystem consisting of four 65,000 PPH forced draft, dual-fuel boilers and associated appurtenances; (ii) the chilled water subsystem comprised of nine 2,600-ton electrical motor drive chillers, 18 single-cell, cross flow cooling towers and 6 chilled water and 5 condenser water pump/motor sets; (iii) a 69/13/8 KV supply substation and two 69/13.8 KV transformers; and (iv) 22,829 linear feet of chilled water supply, 22,829 linear feet of chilled water return piping, 22,086 linear feet of steam piping and 23,015 linear feet of condensate piping in the underground energy distribution system.

The Metropolitan Government is a customer of DES and purchased approximately 33.1% of the steam and 33.7% of the chilled water sold by the system. In addition, the Metropolitan Government has covenanted to provide funding in an amount equal to any shortage in revenues necessary to pay debt service and operating expenses (the "Metro

Funding Amount”) and to replenish the DES debt service reserve fund and operating reserve fund if necessary. To date, no amounts have been required to replenish the reserve funds and the amounts paid as the Metro Funding Amounts are as follows:

Fiscal Year	Amount
2004	\$2,000,000
2005	1,698,900
2006	2,173,100
2007	2,291,300
2008	1,214,050
2009	2,256,100
2010	2,444,100
2011	2,444,100
2012	2,363,000
2013	2,358,300
2014	1,958,300*

*Budgeted Amount

The Sports Authority of the Metropolitan Government

The Sports Authority of The Metropolitan Government of Nashville and Davidson County (the "Authority") is a public non-profit corporation and instrumentality of the Metropolitan Government organized in 1995 pursuant to Chapter 67, Title 7 of Tennessee Code Annotated, as amended; it is a Component Unit of the Metropolitan Government and is included in the Metropolitan Government's CAFR. The purpose of the Authority is to plan, promote, finance, construct, and acquire sports complexes, stadiums, arenas, and facilities for public participation and enjoyment of professional and amateur sports activities for the people in the State of Tennessee. The Authority has no taxing power.

The Authority, on behalf of the Metropolitan Government, issued revenue bonds in 1996, 1998, 2012 and 2013 to assist in the funding of certain sports projects. The proceeds of the Series 1996 Bonds were used for a portion of the construction of the Coliseum (now LP Field) for the National Football League's Tennessee Titans and Tennessee State University; the Series 1998 Bonds were issued to fund a portion of the franchise payment to the National Hockey League ("NHL") for the NHL's Nashville Predators; the Series 2012A Bonds were issued for upgrades to LP Field; the Public Facility Revenue Improvement Bonds, Series 2013A were issued to fund ice skating and hockey rinks in the southeastern part of Davidson County; and the Public Improvement Revenue Bonds (Ballpark Project), Series 2013A and Series 2013B (Federally Taxable) were issued to fund the acquisition of land and costs to construct a minor league baseball ballpark and related public improvements. These bond issues were primarily funded with new, dedicated revenue streams (consisting of a payment in lieu of tax from the Water and Sewerage Department, parking revenues, lease payments from Tennessee State University, a ticket surcharge at the Bridgestone Arena and a ticket surcharge at LP Field). However, a portion of the debt service as well as any deficiencies from the other pledged revenue streams for these prior bonds are backed by a pledge of the Metropolitan Government's non-tax GSD General Fund revenues. In 2004, a portion of the Authority's Series 1996 Bonds were advance refunded for debt service savings, and in 2012, the Authority's Series 1998 Bonds were refunded for debt service savings. In 2013, a portion of the Authority's Series 2004 Bonds were refunded for debt service savings. In total, the annual debt service for these bond issues is approximately \$9.1 million through 2019, \$7.5 million through 2027, and \$2.8 million thereafter until 2034.

Convention Center Authority of the Metropolitan Government

The Convention Center Authority ("CCA") of the Metropolitan Government of Nashville and Davidson County is a nonprofit public corporation created in 2009 by the Metropolitan Government pursuant Chapter 89 of Title 7 of the Tennessee Code Annotated, as amended (the "Act"), for the purposes set forth in the Act, including, without limitation, owning, operating and financing a convention center in order to promote economic development and to stimulate business and commercial activity in the Metropolitan Government. The Metropolitan Council approved the creation of the CCA, its charter and the appointment by the Metropolitan Mayor of its Board members.

On April 21, 2010, the CCA issued \$51,730,000 of its Tourism Tax Revenue Bonds, Series 2010A-1 and \$152,395,000 Tourism Tax Revenue Bonds Federally Taxable, Series 2010A-2 (Build America Bonds-Direct Payment) (together, the “CCA Series 2010A Bonds”), and \$419,090,000 Subordinate Tourism Tax Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds-Direct Payment) (the “CCA Series 2010B Bonds”), to finance the development, construction, equipping, furnishing, repair, refurbishment and opening of a new downtown convention center facility (the “Convention Center” or “Music City Center”). For more information on the Convention Center and the Omni Hotel discussed below, see “Tourism” herein. The CCA Series 2010A Bonds are payable solely from certain hotel/motel tax revenues and certain other designated tourism tax revenues (the “Tourism Tax Revenues”). The CCA Series 2010B Bonds are payable from Tourism Tax Revenues, subordinate to the payment of the CCA Series 2010A Bonds, and from Convention Center operating income. If those funds are insufficient to pay debt service when due on the CCA Series 2010B Bonds, the Metropolitan Government has pledged its non-tax GSD General Fund revenues (as it has with respect to the Authority bonds described above) to the payment of debt service on the CCA Series 2010B Bonds. The maximum annual debt service on the CCA Series 2010B Bonds is approximately \$26.5 million. The CCA has established a debt service reserve equal to the maximum annual debt service on the CCA Series 2010B Bonds.

Omni Hotels & Resorts (“Omni”) has constructed an 800-room hotel adjacent to the Convention Center that serves as the Center’s headquarters hotel. The hotel opened on October 1, 2013. The CCA has entered into a development agreement with Omni, under which the CCA has agreed to pay approximately \$100 million in present value financial incentives for Omni to develop the hotel, which incentives are payable over the course of approximately 20 years from Omni’s completion of the hotel. The Metropolitan Government has pledged its non-tax GSD General Fund revenues (as it has with respect to the Authority bonds and the CCA Series 2010B Bonds described above) to the payment of these incentives, in the event the CCA is unable to make payment. The maximum annual incentive payment is approximately \$15 million. The incentive payments are conditioned upon Omni’s construction and continued operation of the hotel.

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Economic and Demographic Profile of the Metropolitan Government

Introduction

The Metropolitan Government as created in 1963, is in the north central part of Tennessee and covers 533 square miles. Nashville is the capital of the State of Tennessee and is situated in the Nashville Basin, between the Tennessee River on the west and the Eastern Highland Rim on the east.

Population Growth

The following table sets forth information concerning population growth in the Metropolitan Government. A comparison with the Nashville Metropolitan Statistical Area ("MSA"), the State and the United States serves to illustrate relative growth.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY DEMOGRAPHIC STATISTICS - POPULATION GROWTH

<u>Area</u>	<u>2000</u>	<u>2010</u>	<u>Change 2000 – 2010</u>	<u>Estimates 2013</u>
Nashville/Davidson	569,891	626,681	10.0%	658,602
MSA	1,311,789	1,670,890	7.4%	1,757,912
State	5,689,283	6,346,105	11.5%	6,495,978
United States	281,421,906	308,745,538	9.7%	316,128,839

Census Bureau (census.gov)

Growth within the MSA has occurred to the greatest extent in surrounding communities, which, although suburbs of Nashville, are in themselves residential, manufacturing and agricultural communities.

Per Capita Personal Income

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Davidson County	\$40,242	\$42,365	\$42,042	\$44,160	\$44,503	\$46,253	\$46,070	\$46,952	\$48,725	\$51,526
Nashville MSA	34,157	36,052	36,664	38,385	39,136	40,372	39,458	40,696	42,629	45,213
Tennessee	29,513	30,918	31,718	33,109	34,164	35,061	34,412	35,431	37,129	38,752
United States	32,676	34,300	35,888	38,127	39,804	40,873	39,357	40,163	42,298	43,735

Source – Bureau of Economic Analysis (bea.gov)

Economy of the Metropolitan Area

Nashville has a diverse economy, having considerable involvement in commerce and industry, education and government. Agriculture is also a major factor in the economy of the surrounding counties. Insurance, finance, publishing, banking, health care, music, tourism, manufacturing and distribution are all mainstays of the economy. Lack of dependency on one industry has helped to insulate Nashville from the impact of product business cycles. Businesses have been attracted to Nashville because of its location, work force, services and taxes. The central location of Nashville, approximately halfway between Houston and New York, has contributed to its emergence as an important wholesale and retail center.

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Employment

The following table shows the labor force segments of the eight-county Nashville Metropolitan Statistical Area for calendar years 2004 through 2013.

NASHVILLE MSA EMPLOYMENT BY INDUSTRY ⁽¹⁾

Industry	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education & Health Services	98.4	101.4	104.4	108.1	112	114.9	118.5	121.5	125	127.2
Financial Activities	44.5	45.2	45.7	46.2	45.9	45	46.2	47.4	48.3	50.9
Government	95.9	96.9	98.6	99.9	103.1	104.6	106	105.1	104.4	103.5
Information	19.4	19.7	19.3	19.8	21.1	20	19.3	19.3	20.2	20.4
Leisure & Hospitality	72	74.6	77.6	80.7	79.5	76.5	76.9	79	83.7	88
Manufacturing	83.6	84.5	84.1	79.3	73.4	62.4	60.4	62.7	67.3	71.1
Professional & Business Services	91.5	96.7	98.9	101.9	100.6	93	98.6	106.6	114.5	121.5
Trade, Transportation, Utilities	146	150.7	153.7	154.6	154.6	147.7	147.8	152.4	158.6	160.3
Total Non-Agriculture Employment	715.3	735.4	751.8	762.5	760.6	726	734.3	756.7	786.2	808.3

Source – Bureau of Labor Statics (bls.gov)

(1) Employment numbers in thousands

PERCENTAGE OF PERSONS EMPLOYED BY INDUSTRY: MSA, STATE, AND NATION

	<u>Nashville MSA</u>					<u>Tennessee</u>					<u>United States</u>				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total All Industries ⁽¹⁾	808	786	752	734	726	2,750	2,714	2,656	2,615	2,620	136,368	130,100	131,359	129,874	130,807
In Percentages:															
Education & Health Services	15.74%	15.90%	16.10%	16.14%	15.83%	14.42%	14.42%	14.42%	14.30%	13.97%	15.47%	15.62%	15.14%	15.07%	14.67%
Financial Activities	6.30%	6.14%	6.24%	6.29%	6.20%	5.00%	5.07%	5.10%	5.24%	5.37%	5.78%	5.98%	5.85%	5.88%	5.94%
Government	12.80%	13.28%	13.86%	14.44%	14.41%	15.27%	15.61%	16.26%	16.55%	16.36%	16.03%	16.85%	16.83%	17.32%	17.24%
Information	2.52%	2.57%	2.50%	2.63%	2.75%	1.60%	1.58%	1.6%	1.72%	1.79%	1.97%	2.06%	2.02%	2.09%	2.14%
Leisure & Hospitality	10.89%	10.65%	10.34%	10.47%	10.54%	10.43%	10.21%	10.01%	10.02%	10.06%	10.44%	10.57%	1.014%	10.03%	10.00%
Manufacturing	8.80%	8.56%	8.26%	8.23%	8.60%	11.59%	11.55%	11.45%	11.43%	11.80%	8.80%	9.16%	8.93%	8.88%	9.06%
Professional & Business Services	15.03%	14.56%	14.17%	13.43%	12.81%	12.76%	12.40%	12.12%	11.63%	11.22%	13.61%	13.78%	13.19%	12.85%	12.67%
Trade, Transportation Utilities	19.83%	20.17%	20.03%	20.13%	20.34%	21.18%	21.18%	21.04%	21.23%	21.36%	18.97%	19.61%	19.05%	18.95%	19.04%
Other	8.09%	8.17%	8.34%	4.07%	8.53%	7.76%	7.97%	7.94%	7.89%	8.09%	8.92%	6.37%	8.85%	8.93%	9.23%

(1)Total Nonfarm Employment in thousands

Source: Bureau of Labor Statistics (bls.gov)

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**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Unaudited - See Accompanying Accountants' Report

Employer	June 30, 2013			June 30, 2004		
	Employees	Rank	% of Total Employment	Employees	Rank	% of Total Employment
Vanderbilt University and Medical Center	22,933	1	2.87 %	16,327	3	2.22 %
State of Tennessee	18,210	2	2.28	19,234	2	2.61
Metro Nashville-Davidson Co. Government and Public Schools	18,088	3	2.26	21,608	1	2.93
U.S. Government	12,407	4	1.55	11,116	4	1.51
Nissan North America Inc.	8,150	5	1.02	6,600	7	0.90
HCA (including Tri-Star Health System)(1)	7,000	6	0.88	9,657	5	1.31
St. Thomas Health Services	6,350	7	0.79	8,500	6	1.15
Randstad	3,495	8	0.44	-		(2)
Shoney's Inc.	3,000	9	0.38	4,000	8	0.54
The Kroger Company	2,753	10	0.34	-		(2)
CBRL Group Inc.	-	-	- (2)	3,675	9	0.50
Gaylord Entertainment Co. (1)	-	-	- (2)	3,451	10	0.47
	<u>102,386</u>		<u>12.80</u> %	<u>104,168</u>		<u>14.15</u> %

Sources:

Principal Employers and Number of Employees - Nashville Area Chamber of Commerce, Nashville Business Journal
Total Employment - TN Department of Labor & Workforce Development

(1)National, State or Corporate Headquarters.

(2)Values for employers that are outside the top ten ranking are excluded.

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Business Investment and Job Creation

In 2013, the Nashville Area Chamber of Commerce announced some 113 business relocations or expansions into the Nashville MSA, collectively bringing 4,868 new jobs to the Metro area. Continued expansion has occurred in recent years in corporate and regional headquarters, information processing operations, the automotive industry, health care management and many areas where the local economy has established strength and growth potential.

Over the past several years, many sizable headquarters, shared service operations, and manufacturing operations have relocated and/or expanded in Nashville. UBS established a shared services center in downtown Nashville, adding 1,000 new jobs. Asurion, which provides enhanced services to the wireless telecommunications industry, expanded its headquarter operations in 2013, adding 800 jobs to Nashville's employment base. Aramark, a global leader in delivering food, facility and uniform services for businesses, schools/universities, hospitals, and stadiums, relocated its new Business Services Center adding 1,500 new jobs. naviHealth, a Nashville-based startup in the health care industry, has expanded and added 175 new jobs. Total Quality Logistics, a truck brokerage service, added 105 new jobs to Davidson County. Inside Track, which works with colleges and universities to improve student and institutional success, opened a Coaching Center in downtown Nashville adding 250 new jobs in 2013. AmSurg, who is a national leader in the development, management and operation of outpatient surgery centers, expanded its headquarter operations adding 50 new jobs to Nashville. Service Source expanded its downtown operations once again in 2013 adding 300 jobs in Nashville. Sony/ATV expanded adding 60 new jobs in 2013. TransCore, a global provider of toll and traffic management services, moved its corporate headquarters to downtown Nashville, adding 60 new jobs. Tyson Food Inc. expanded its meat-processing plant in Goodlettsville, adding 100 new jobs.

Unemployment Rates

The following table sets forth the unemployment percentage rates in Davidson County, the MSA, the State and the United States for the calendar years 2004-2013.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Davidson County	4.6	4.6	4.2	3.9	5.5	8.9	8.9	8.2	6.6	6.0
Nashville MSA	4.5	4.5	4.2	4.1	5.7	9.4	8.7	8.1	6.6	6.4
Tennessee	5.4	5.6	5.2	4.8	6.6	10.6	9.9	9.3	8.2	8.2
United States	5.5	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4

Source: Bureau of Labor Statistics (bls.gov)

2004-2013 Annual average rate

Manufacturing

As of December 2012, an average of 67,300 persons were employed in the manufacturing industries in the MSA, engaging in a wide range of activities and producing a variety of products, including food, tobacco, textiles and furnishings, lumber and paper, printing and publishing, chemical and plastics, leather, concrete, glass, stone, primary metals, machinery and electronics, motor vehicle equipment, measuring and controlling devices, and consumer products.

Nashville MSA's largest manufacturing employers include Nissan North America, Bridgestone Americas, Electrolux Home Products, A.O. Smith Water Products and Vought Aircraft Industries.

Trade

Nashville is the major wholesale and retail trade center for the MSA and some 50 counties in the central region of the State, southern Kentucky and northern Alabama, a retail trade area of more than 2.3 million people with consumer spending by Nashville MSA residents exceeding \$32.0 billion. Nashville is one of the top 50 retail markets in the country. In the Nashville region, there are 245 shopping centers with 37.3 million square feet of gross leasable area. Nine of these centers are super-regional and 15 are regional.

Agriculture

Nashville is surrounded by agricultural-based economies. The area encompassing middle Tennessee produces livestock, dairy products, soybeans, small grain, feed lot cattle, strawberries, hay and tobacco. Additionally, the area surrounding Nashville is the home of the Tennessee Walking Horse.

Transportation

Nashville serves as a conduit or trans-shipment point for much of the traffic between the northeast and southeast United States. Three interstate highways extending in six directions intersect in Nashville in addition to nine Federal highways and four State highways. Barge service on the Cumberland River, together with good rail and air services, give Nashville an excellent four-way transportation network.

The Cumberland River, connecting Nashville and the surrounding area to the Gulf of Mexico and intermediate points on the Ohio and Mississippi Rivers, is used by 51 commercial operators, 18 of which serve Nashville. With the completion of the Tennessee-Tombigbee Waterway in 1985, Cumberland River freight is able to reach the Port of Mobile, thereby eliminating approximately 600 miles of the distance from Nashville to the open sea and contributing to the development of foreign trade in Nashville. In addition, the Federal Government in 1982 approved Nashville as a Foreign Trade Zone, a secured area supervised by the United States Customs Service, which provides for the storing of foreign merchandise without duty payments.

The CSX System, a major national railroad, serves Nashville. In addition, five major rail lines link Nashville to all major markets in the nation. Rail carriers interchange freight and cooperate in providing and extending transit privileges covering both dry and cold storage and the processing or conversion of materials.

A commuter rail service from Lebanon, Tennessee to Nashville, approximately 32 miles, known as the Music City Star commenced transportation services in the September of 2006. It is operated under the direction of the Regional Transportation Authority, a multi-county agency. The ticket price includes Metropolitan Transportation Authority ("MTA") bus service on circulator routes in the downtown area.

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. MTA provides a comprehensive public transportation system covering the entire metropolitan area. In addition to regularly scheduled bus routes, MTA provides special transportation services for the handicapped and operates bus service in the downtown area for shoppers, tourists and downtown workers. The revenues derived from the transit system are not sufficient to pay the expenses incurred in the operation of the system. The Metropolitan Government and the State of Tennessee contributed in the fiscal year ending June 30, 2013, approximately \$29,370,000 and \$3,940,000 respectively, to pay approximately 55.8% of the Authority's operating expenses. The State directs revenues from a two cent per gallon gasoline tax, which it

imposes on local governments that may be applied to mass transit. The contribution of the Metropolitan Government was paid from its general revenues.

The Metropolitan Nashville Airport Authority (the "Airport Authority") owns Nashville International and John C. Tune airports. Nashville International Airport (the "Airport") is situated approximately eight miles from downtown Nashville.

Airport Facts:

- 1 million+-square-foot terminal
- 44 gates and 15 commuter aircraft parking positions
- Up to 78 commuter aircraft parking positions on 4,500 acres
- Four runways
- Ranked sixth in the nation of airports its size in customer satisfaction in 2008 by J.D. Power and Associates
- Nearly 10 million passengers a year
- \$1.18 billion in wages and more than 39,700 jobs annually
- 45,000-plus tons of cargo in 2011
- Serving 70 markets; 50 nonstop
- 380 daily flights

The Airport Authority also operates the John C. Tune Airport in the Cockrill Bend Industrial area west of Nashville. It serves the needs of regional corporate and private aircraft and allows Nashville International's air carrier traffic to flow with fewer constraints. Tune Airport also provides a pilot training environment and modern facilities for the transient and corporate operator.

Construction

Construction in Nashville is illustrated by the table on the following page describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government.

Of the nine major areas of office development in Nashville, the Central Business District ("CBD") is by far the largest, with approximately 11.4 million square feet of leasable space. The CBD achieved positive absorption of 120,000 square feet in 2012. Office vacancy in the CBD at the end of the fourth quarter of 2012 was 12.6%, down from the third quarter. There continues to be renewed interest in Downtown and in the new Music City Center, which could spark new interest in office space downtown. Five other important office submarkets in Davidson County- Green Hills, West End, MetroCenter, Airport North and Rivergate have vacancy rates at 10% or lower, reflecting the overall vitality of the city and improvement over 2011. Leasing activity remains steady and growing in many Nashville office submarkets, which is a positive sign of economic recovery in Nashville. There is continued national interest in Nashville, and Tennessee's attractiveness has been evident with new relocations, renewals and expansions.

**NUMBER AND VALUE OF BUILDING PERMITS IN
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

Calendar Year	Residential Construction		Non-Residential Construction		Repairs, Alterations, and Installations		Other (1)		Totals	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	Number of Permits	Permit Value
2000	2,421	\$444,626,418	1,010	\$386,428,784	4,673	\$479,932,778	1,272	\$11,960,044	9,376	\$1,322,948,024
2001	2,975	521,311,880	896	354,527,042	4,146	336,595,779	1,179	14,962,413	9,196	1,227,397,114
2002	2,846	476,572,494	851	173,707,294	4,302	405,697,860	1,433	20,029,867	9,432	1,076,007,515
2003	3,207	536,278,115	693	279,867,295	4,531	356,979,647	1,222	20,013,372	9,653	1,193,138,429
2004	3,708	655,382,120	849	398,788,311	4,023	351,762,279	1,291	23,195,687	9,871	1,429,128,397
2005	3,794	747,525,151	865	428,627,829	4,431	462,950,966	1,434	24,073,860	10,524	1,663,177,806
2006	3,801	758,964,847	620	503,077,069	5,094	553,177,902	1,422	15,722,367	10,937	1,830,942,185
2007	5,965	851,544,710	1,453	619,951,806	2,754	267,721,486	1,469	17,293,882	11,641	1,756,511,884
2008	4,361	412,842,242	489	408,945,106	3,597	460,743,268	858	21,723,839	9,305	1,304,254,455
2009	3,149	318,357,857	495	375,074,904	1,913	205,828,855	1,730	14,464,364	7,287	913,725,980
2010	2,067	294,470,986	528	647,479,914	6,722	424,461,986	1,663	15,189,625	10,980	1,381,602,481
2011	2,166	372,440,931	444	382,483,854	3,163	377,053,306	1,840	18,738,180	7,613	1,150,716,271
2012	2,656	526,206,509	735	621,590,087	4,850	431,579,639	2,047	34,340,897	10,288	1,613,717,132
2013	3,406	737,396,336	762	493,330,146	3,405	455,745,450	2,135	23,344,644	9,708	1,709,816,576

(1) Includes moved residential buildings, house trailers, and the demolition of residential and non-residential buildings and signs & billboard permits

Metropolitan Government Department of Code Administration

Medical and Cultural Facilities

Nashville is one of the nation's leaders in the healthcare field. HCA Healthcare has its headquarters and operates several hospitals in the surrounding area. Baptist Hospital, Vanderbilt University Medical Center, and St. Thomas Hospital are the city's other primary hospitals.

The Metropolitan Government relocated the city-owned hospital, the Metropolitan Nashville General Hospital, to Hubbard Hospital of Meharry Medical College in 1998. In addition, Meharry provides medical staff to the Metropolitan Nashville General Hospital. The arrangement provides the city with a renovated facility staffed with residents from Meharry Medical College.

The Nashville Public Library system includes a 300,000 square foot downtown main library and 20 community branches located across the county. In addition, an extensive online offering of books and resources has extended its reach beyond the traditional branch system. The library facilities host numerous in-house programs and community events throughout the year.

The Tennessee Performing Arts Center is the first state-funded facility of its kind in the nation and is home to the Nashville Ballet, the Nashville Opera Association, and the Tennessee Repertory Theatre. The arts center occupies an entire city block, and its venues include Andrew Jackson Hall (2,472 seats), the James Polk Theater (1,075 seats), the Andrew Jackson Theater (256 seats), and the War Memorial Auditorium (1,661 seats). The center plays host to numerous events each year, including an annual series of Broadway plays.

The Frist Center for the Visual Arts occupies the former Nashville's historic downtown former post office building. A public-private partnership between the Metropolitan Government, the Frist Foundation and the Dr. Thomas F. Frist, Jr. family, the Frist Center contains more than 24,000 square feet of gallery space capable of showcasing major national and international visual arts exhibitions. The Frist Center does not house a permanent art collection but instead places special emphasis on education, arts-related programs for the school children of Nashville, and community outreach. The Center has given Nashville the ability to host significant art shows.

The Parthenon, located in Nashville's Centennial Park, is a full-scale replica of the original building in Athens, Greece. The reproduction was built to honor Nashville's reputation for education and has attracted visitors since 1897. The recently restored building features a 41' tall gilded statue of Athena. Close ties have been established between Nashville and Athens, Greece to market and promote the two complimentary buildings.

The Nashville Children's Theater is home to the oldest professional theater for children in the county. Thousands of school age children and adults are treated to a variety of productions each year. The 2013-2014 season will be the 82nd year for the theater.

Cheekwood Botanical Garden and Art Museum is a fifty-five acre site that includes the original Cheek gardens, with pools, fountains, statuary, extensive boxwood plantings and breathtaking views of the rolling Tennessee hills. The Museum of Art is housed in a 30,000-square foot Georgian-style mansion, and contains world-class collections of American and contemporary painting and sculpture, English and American decorative arts and traveling exhibitions. Collections also include silver, and the most comprehensive collection of Worcester porcelain in America.

Vanderbilt University's Fine Arts Gallery showcases six exhibitions each year that represent Eastern and Western art and an international collection of works. The Van Vechten Gallery at Fisk University houses more than 100 pieces from artists like Picasso, Renoir, and O'Keeffe. For religious art, there's a wooden 8-foot-by-17-foot carving of "The Last Supper" based on Leonardo da Vinci's masterpiece at The Upper Room Chapel along with a striking 9,000-mosaic stained glass World Christian Fellowship Window. The museum at the Upper Room also has outstanding religious works, besides two annual displays of nearly 70 Ukrainian Easter eggs in April and more than 100 Nativity scenes in December.

Tourism

Tourism is a major industry in Nashville consistently ranking in the top 5 producers. The Convention and Visitors Corporation (“CVC”) and U. S. Travel Data Center estimate more than 12.2 million tourists came to Nashville in 2013 and spent approximately \$4.6 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors. Recently the city has become known as a destination for great food and culinary creativity. Excellent air service combined with geographic location and a superior highway system contribute to the city’s success.

Nashville’s new Music City Center (“MCC”) opened in May 2013 and features a 350,000 square foot exhibit hall, 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), 90,000 square feet of meeting rooms, 31 loading docks and a parking garage with 1,800 spaces. MCC management and the CVC exceeded their goal of over 1 million room nights booked prior to opening of the center. MCC has generated \$135 million in direct economic impact in less than a full year of operation.

A new \$275 million full-service OMNI headquarters hotel opened in September 2013 next to the MCC. The 800 room OMNI Hotel features 4 restaurants, 2 ballrooms, 64,000 square feet of meeting space, a pool and spa fitness center. A feature unique to Nashville is the hotel’s physical connection to the adjacent Country Music Hall of Fame and Museum. OMNI, through an agreement with the museum and the Metropolitan Government, built an addition to the attraction almost doubling exhibit space and adding an 800 seat performance theater. The shared space provides access to the museum directly from the hotel and a 765 underground parking garage provides onsite parking.

The MCC and OMNI hotel are located downtown in the Metropolitan Government’s Central Business District and are within walking distance of many notable attractions, including the Bridgestone Arena, the Ryman Auditorium, Frist Center for the Visual Arts, Schermerhorn Symphony Center, Musicians Hall of Fame and Museum and the Johnny Cash Museum.

Each year for the past 42 years, the Country Music Association has coordinated a music festival known as CMA Music Festival. The event includes performances by more than 100 entertainers and groups, autograph sessions and activities directed at the attendees. In 2001, the music festival moved to downtown Nashville and attendance has steadily increased, with 80,000 attendees in 2013. The last three years ABC has broadcast a 2 hour show of highlights with Nashville featured as much as the music.

In 2013, ABC TV network began broadcasting a weekly music/drama “Nashville.” The hour-long show is shot entirely in Nashville and features well known locales. Songs from top songwriters drive the storyline, enticing millions of viewers to watch an extended commercial for the city.

The downtown entertainment district features the Hard Rock Café, Jimmy Buffett’s Margaretville, and the Wild Horse Saloon, which is a concert hall, restaurant, dance hall, and TV production facility. The Ryman Auditorium (2,362 seats), former home of the Grand Ole Opry, is known for outstanding acoustics. The 122 year old Ryman has become a venue of choice by entertainers visiting Nashville and six times has been named Pollstar Magazine’s venue of the year for the United States. A four block section of the downtown area, called Lower Broadway, features bars and clubs known as Honky Tonks. These venues are housed in historic brick buildings and highlight live bands performing 15 hours a day, 7 days a week and are in close proximity of the Bridgestone Arena (20,000 seats) and LP Field.

The Bridgestone Arena is now in its 15th year of operation as a premier entertainment facility and in 2011, 2012, and 2013 ranked 6th in the United States in concert attendance. The Arena is home of the Nashville Predators, a National Hockey League team that in 2012 played two rounds into the Stanley Cup playoffs, in its fourteenth season in Nashville.

Nashville is the headquarters of CMT (formerly Country Music Television). Their Nashville friendly programming is transmitted daily to 91 million households. Sirius XM Radio has their southern broadcast facilities inside the Bridgestone Arena where they program multiple channels in 8 studios with a potential daily audience of 49 million.

The Tennessee NFL Stadium, opened in 1999, named LP Field, is the home of the 1999 American Football Conference Champion and 2002 AFC South Division Champion Tennessee Titans and the 1999 Ohio Valley Conference Champion Tennessee State University Tigers. Now in its thirteenth year of operation, the Titans have sold out the nearly 69,000 seat Stadium for each of its games.

The Tennessee State Museum, the Cheekwood Botanical Gardens and Fine Arts Center, President Andrew Jackson's Home: The Hermitage, Belmont Mansion, The Tennessee Performing Arts Center, the Adventure Science Center, and the Parthenon supplement educational and cultural opportunities in the City.

The Grand Ole Opry is America's longest running live radio show. The Opry first broadcast in 1925 and the country music variety show now plays in a 4,372 seat theater in the Opryland complex near Opry Mills Mall and a few miles from downtown. Each show features 10 to 20 acts or performers and is broadcast on WSM terrestrial and internet radio drawing fans from around the world.

Opry Mills is a 1.1 million square foot megamall, which opened in May 2000. The mall contains 200 stores, theme restaurants, a 20 screen multi-theater complex and an IMAX theater. It is visited by more than 12 million customers annually.

The Adventure Science Center and the Nashville Zoo provide opportunities for adults and children to learn how science and wildlife affect their lives. The Center features a state-of-the-art Planetarium as well as exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing a multi-year, multi-million dollar expansion program which will make it one of the largest zoos in the country. The Zoo property is built around the historic 1810 Croft Home and features an ever-expanding display of animals from throughout the world.

The Nashville MSA has more than 322 hotels and motels offering more than 37,140 rooms. In addition to the 800 room OMNI Hotel, a 255 room Hyatt Place opened in fall of 2013 near the MCC, and a 194 room Hilton Garden Inn opened in the Vanderbilt area. Developers are in the due diligence stage for 9 additional hotel properties in the downtown area. The Gaylord Opryland Resort and Convention Center is the third largest hotel/convention center under one roof in the United States. The complex features 2,881 hotel rooms, 263,000 square feet of exhibit space and 300,000 square feet of meeting space.

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MSA HOTEL AND MOTEL ROOMS / OCCUPANCY RATE

Calendar Year	Rooms Available	Occupancy Rate
1998	30,122	61.90%
1999	31,106	61.00%
2000	32,385	59.90%
2001	33,316	56.50%
2002	33,474	56.90%
2003	32,661	58.50%
2004	32,727	60.70%
2005	32,983	62.30%
2006	33,052	66.20%
2007	33,056	66.90%
2008	34,921	62.50%
2009	35,662	57.00%
2010	35,639	59.50%
2011	35,727	63.50%
2012	36,263	66.80%
2013	37,142	69.80%

Source: Nashville Conventions and Visitors Corporation

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Education

The school system had its beginning in 1963 with the merger of Nashville and Davidson County. The Nashville public schools make up the second largest school system in Tennessee. In the 2012-2013 school year, Nashville had 153 public schools, with more than 81,000 students and 5,300 teachers. In addition, there are approximately 70 independent schools, which are attended by over 2,600 students from pre-kindergarten through 12th grade.

The Metropolitan Board of Education (“MBE”), consisting of 9 members, administers the school system. The Metropolitan Government voters elect one member from each school district to a four-year term. The terms are staggered so that at least four members are elected every two years. The MBE holds regular meetings on the second and fourth Tuesday of each month. These meetings are open to the public.

The current members of the MBE, the office held by each and the date their term of office expires are listed below.

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Cheryl D. Mayes	Chair	2014
Anna Shepherd	Vice-Chair	2014
Dr. Jo Ann Brannon	Member	2014
Amy Frogge	Member	2016
Sharon Dixon Gentry, Ed.D.	Member	2016
Michael W. Hayes	Member	2014
Elissa Kim	Member	2016
Will Pinkston	Member	2016
Jill Speering	Member	2016

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The following tables summarize certain information regarding the school system's building facilities and enrollment and attendance trends.

SCHOOL SYSTEM
Public Education Facilities
2012-2013

<u>Education Level</u>	<u>Number of Schools</u>	<u>School Year Enrollment</u>
Pre-School	**	141
Pre-Kindergarten	**	1,978
Elementary	72	34,793
Middle	33	22,656
High	25	19,895
Alternative	3	***
Exceptional Education	4	1,570
Charter Schools	<u>15</u>	<u>***</u>
Total	153	81,033

**No Separate Facilities

***Included in grade totals

SCHOOL SYSTEM
Public Schools Enrollment and Attendance

School Year	Enrollment	Average Attendance
2000-2001	69,457	65,289
2001-2002	69,700	66,319
2002-2003	70,028	66,554
2003-2004	70,760	65,857
2004-2005	71,651	65,960
2005-2006	72,735	67,530
2006-2007	74,163	69,360
2007-2008	74,733	70,231
2008-2009	75,043	69,686
2009-2010	76,329	70,979
2010-2011	78,096	73,808
2011-2012	79,117	75,072
2012-2013	81,077	76,946

The Nashville Metropolitan Statistical Area has 15 colleges and universities, including Vanderbilt University, Belmont University, Tennessee State University, David Lipscomb University, Meharry Medical College, Nashville State Technical Institute and Fisk University. Total higher education enrollment exceeds 65,000 students annually.

Seven of Nashville's institutions of higher education offer graduate programs. Nashville is also a leading center for medical research and education with Vanderbilt University emphasizing medical research in addition to its programs in other disciplines and with Meharry Medical College specializing in health care delivery.

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Financial

Accounting

Pursuant to the Charter, independent auditors annually audit the financial statements of the Metropolitan Government. The Basic Financial Statements and other financial information, which are presented in the Comprehensive Annual Financial Report (CAFR), are prepared in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and with those standards and procedures recommended by the State Comptroller of the Treasury. Copies of CAFRs are available on the Metropolitan Government's website, <http://www.nashville.gov/Finance/Office-of-the-Treasurer/Debt/Investor-Relations.aspx>.

The Metropolitan Government reports the following major governmental funds:

The **General Fund** is the Metropolitan Government's primary operating fund which is used to account for all financial resources of the general operations of the Metropolitan Government, except those required to be accounted for in another fund.

The **General Purpose School Fund** is used to account for the receipt and disbursement of federal, state and local funds for education purposes, except those required to be accounted for in another fund.

The **GSD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the GSD general obligation debt.

The **GSD School Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the debt related to schools.

The **USD General Purposes Debt Service Fund** is used to account for the accumulation of resources and the payment of principal and interest for the USD general obligation debt.

The **GSD Capital Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various public projects in the GSD.

The **Education Capital Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various school facilities.

The **USD Capital Projects Fund** is used to account for the use of bond proceeds for the construction and equipping of various public projects in the USD.

The Metropolitan Government reports the following major enterprise funds:

The **Department of Water and Sewerage Services** provides services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to fund debt service requirements, operating expenses and adequate working capital.

The **District Energy System** provides heating and cooling services to the Metropolitan Government and downtown businesses. The District Energy System is managed by a third party and is self-supporting by utilizing a rate structure designed to fund debt service requirements, pay for operating expenses and generate adequate working capital.

Additionally, the Metropolitan Government reports the following fund types:

Internal service funds are used to account for the operations of self-sustaining agencies rendering services to other agencies of the Metropolitan Government on a cost reimbursement basis. These services included fleet management, information systems, radio maintenance, insurance, postal services, treasury management, general services and printing.

Pension (and other employee benefit) trust funds are used to account for assets and liabilities held by the Metropolitan Government in a fiduciary capacity to provide retirement and disability benefits for employees and retirees.

Agency funds are used to account for assets held by elected officials as agents for individuals, collections by the Metropolitan Government due to the purchasers of certain outstanding property tax receivables, funds held by the Sheriff's Department for inmates, and funds held by the Planning Commission for performance bonds for contractors.

Revenues

The Metropolitan Government derives its revenues from a direct tax levy on real property, sales tax, fees, and State of Tennessee (the "State") and Federal payments. During the fiscal year ended June 30, 2013, property taxes totaled \$892.4 million dollars and accounted for 56.60% of all revenues available to the GSD General Fund and for GSD Debt Service; 87.76% of all revenues available to the USD General and Debt Service Funds; 40.75% of revenues available to the Schools funds, including Debt Service; and 0.50% of revenues available to the other governmental funds. Sales tax collections totaled \$301.4 million in the fiscal year ended June 30, 2013. A description of each major revenue category available to both the GSD and USD follows:

Property Taxes – The levy is without legal limit. An amendment to the Charter states that certain increases in the ad valorem tax rate must be approved by referendum.

Sales Tax – A local option sales tax is collected at the rate of 2-1/4% on all sales of tangible personal property and certain services, except for sales of certain energy sources and other limited exemptions. This local option sales tax is currently levied, in accordance with State law, only on the first \$1,600 of a transaction.

Other Taxes, Licenses, and Permits – This category includes charges for licenses and permits issued by departments, agencies, boards and commissions of the Metropolitan Government. Also included is the Hotel/Motel Tax, which is assessed against the gross receipts of hotels and motels within the Metropolitan Government, based on occupancy. Currently, there is a 6% tax levied by Metropolitan County Council ordinance. Half of the revenues derived from such tax are required to be allocated to the Convention Center Authority for payment of its bonds (see “– Convention Center Authority” in this Appendix B). 2% of the remaining 3% is required to be appropriated for tourist promotion, and the 1% balance is allocated to the general fund.

Fines, Forfeits and Penalties – This category includes collections of obligations imposed by the courts, law enforcement and agencies charged with the care of prisoners.

Revenue from Use of Money or Property – This category includes interest on investments, rentals and commissions for use of Metropolitan Government property or rights.

Revenue from Other Governmental Agencies and Contributions and Gifts – Under this revenue category are payments to the Metropolitan Government by other public divisions (Federal, State or other governmental units or agencies) and gifts or donations received from individuals or citizens groups.

Charges for Current Services – These are fees and charges for activities and services provided by agencies of the Metropolitan Government.

Revenues from Enterprise, Utility and Working Capital Funds – These are amounts received from the above types of funds as compensation for services rendered or as contributions.

Other Revenue – Includes (i) commissions and fees collected by certain officials for certain activities of the Metropolitan Government; (ii) proceeds from confiscation of property; (iii) compensation for loss, sale or damage to property; and (iv) miscellaneous.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
GENERAL FUND (1)
FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Years Ended June 30

	2013	2012	2011	2010	2009
REVENUES:					
Property taxes	\$480,982,166	\$443,340,151	\$438,412,159	\$444,069,326	\$435,605,556
Local option sales tax	97,752,470	91,050,593	81,191,512	79,665,435	86,346,221
Other taxes, licenses and permits	115,430,380	107,705,008	101,931,24	92,273,405	98,494,812
Fines, forfeits and penalties	12,866,976	12,573,870	13,245,652	14,945,708	13,325,113
Revenue from use of money of property	86,552	20,916	20,882	82,193	1,053,155
Revenue from other governmental agencies	83,258,475	77,327,122	78,494,810	76,934,508	89,947,232
Commissions and fees	15,590,951	15,355,507	15,177,986	13,991,938	16,599,245
Charges for current services	28,890,730	27,011,407	29,115,469	26,036,703	29,213,374
Compensation for loss, sale or damage to property	2,103,455	1,509,595	502,104	770,528	314,660
Contributions and gifts	391,814	432,325	533,958	598,824	604,355
Miscellaneous	1,568,111	1,697,115	1,770,865	2,148,142	1,615,211
Total Revenues	838,922,080	\$778,023,609	\$760,396,642	\$751,516,710	\$773,118,934
EXPENDITURES					
General Government	26,138,400	\$26,010,451	\$24,920,818	\$23,676,884	\$26,623,136
Fiscal administration	22,164,457	21,912,507	23,760,394	22,499,859	24,112,437
Administration of Justice	55,703,453	53,575,166	55,407,798	54,590,759	56,871,162
Law enforcement and care of prisoners	231,121,038	219,993,520	215,945,118	206,419,773	211,373,327
Fire prevention and control	110,753,856	108,609,078	109,108,267	104,214,957	107,034,837
Regulation and inspection	7,685,912	7,760,963	7,867,410	7,492,864	7,951,586
Conservation of natural resources	398,931	333,713	340,296	352,001	407,442
Public welfare	7,814,574	7,735,922	6,658,098	6,391,205	7,460,432
Public health and hospitals	65,669,538	60,411,628	62,481,289	93,805,990	83,419,885
Public library system	21,430,534	20,363,498	19,769,677	18,445,049	19,891,826
Public works, highway, and street	30,497,505	29,171,348	29,563,956	30,946,270	33,787,255
Recreational and cultural	33,609,697	32,214,593	31,849,947	31,368,718	35,539,361
Employee benefits	76,165,493	72,920,868	69,327,218	64,637,576	62,420,127
Miscellaneous	80,080,144	75,985,530	71,067,149	55,652,301	40,260,803
Total Expenditures	769,233,532	\$736,998,785	\$728,067,435	\$720,494,206	\$717,153,616
Excess (Deficiency) of revenues over expenditures	69,688,548	41,024,824	32,329,207	31,022,504	55,965,318
Transfers in	36,857,090	40,553,865	41,898,124	17,158,395	21,859,528
Transfers out	(76,751,375)	(78,320,831)	(67,640,036)	(67,008,567)	(61,216,302)
Total Other Financing Sources (Uses)	(39,894,285)	(37,766,966)	(25,741,912)	(49,850,172)	(39,356,774)
Excess (deficiency) of revenues and other sources over expenditures and other uses	29,794,263	3,257,858	6,587,295	(18,827,668)	16,608,544
FUND BALANCE, beginning of year	70,744,022	67,486,144	60,898,849	79,726,517	63,117,973
FUND BALANCE, end of year	<u>\$100,538,265</u>	<u>\$70,744,002</u>	<u>\$67,486,144</u>	<u>\$60,898,849</u>	<u>\$79,726,517</u>

(1) Certain numbers have been re-classified for comparative purposes.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
SPECIAL REVENUE FUNDS (1)
FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30				
	2013	2012	2011	2010	2009
REVENUES:					
Property taxes	\$277,467,379	\$225,243,162	\$223,021,552	\$226,114,328	\$221,223,164
Local option sales tax	201,896,100	188,282,638	175,271,993	171,369,784	159,185,602
Other taxes, licenses and permits	59,271,893	55,099,243	45,451,041	43,909,306	45,074,681
Fines, forfeits and penalties	5,479,124	3,256,519	4,834,363	3,414,841	3,765,696
Revenue from the use of money or property	64,148	22,113	96,206	225,106	1,890,504
Revenue from other governmental agencies	460,861,393	481,894,104	465,985,670	403,564,662	357,587,139
Commissions and fees (2)	8,620,598	8,646,969	8,282,460	8,010,122	8,450,307
Charges for current services	29,709,668	29,298,030	27,477,875	23,678,064	21,084,956
Compensation for loss, sale or damage to property	1,698,946	968,076	833,531	402,567	364,704
Contributions and gifts	6,163,884	4,716,714	2,998,162	4,094,898	8,495,946
Bond Interest tax credit	-	861,853	-	-	-
Miscellaneous	513,816	572,582	697,845	558,235	584,535
Total revenues	\$1,051,746,949	\$998,862,003	\$954,950,698	\$885,341,913	\$827,707,234
EXPENDITURES					
General government	55,691,027	69,071,765	96,225,824	65,277,671	33,412,252
Fiscal administration	151,790	-	-	-	-
Administration of justice	12,776,019	-	-	-	-
Law enforcement and care of prisoners	28,263,321	35,283,366	33,779,726	32,594,686	28,063,131
Fire prevention and control	2,698,298	-	-	-	-
Regulation and inspection	371,494	-	-	-	143,542
Public welfare	32,241,772	31,433,222	34,727,797	36,555,083	30,464,332
Public health and hospitals	24,087,867	25,564,284	23,538,028	20,288,888	18,155,999
Public library system	898,004	814,644	772,565	571,944	673,024
Public works, highways and streets	27,753,624	22,621,447	28,587,767	20,092,811	29,416,834
Recreational and cultural	2,500,800	2,239,899	1,780,171	1,867,132	1,772,931
Education	832,358,297	797,821,823	777,006,808	740,545,641	720,904,319
Capital outlay	30,927,789	49,352,454	47,615,352	36,365,815	26,537,782
Total Expenditures	1,050,720,102	1,034,202,904	1,044,034,038	954,159,671	889,544,146
Excess (deficiency) of revenues over expenditures	1,026,847	(35,340,901)	(89,083,340)	(68,817,758)	(61,836,912)
OTHER FINANCING SOURCES (USES)					
Insurance recovery	-	-	37,000,000	15,000,000	-
Transfers in	112,746,251	113,965,491	93,818,289	67,848,554	56,684,091
Transfers out	(72,698,705)	(60,474,881)	(52,154,173)	(65,664,990)	(37,016,989)
Total Other Financing Sources (Uses)	40,047,546	53,490,610	78,664,116	17,183,564	19,667,102
Excess (deficiency) of revenues and other sources over expenditures and other uses	41,074,393	18,149,709	(10,419,224)	(51,634,194)	(42,169,810)
FUND BALANCE, beginning of year, as restated	118,729,893	100,580,184	110,999,408	162,633,602	204,803,412
FUND BALANCE, end of year	\$159,804,286	\$118,729,893	\$100,580,184	\$110,999,408	\$162,633,602

(1) Certain numbers have been re-classified for comparative purposes.
Source: The Metropolitan Government CAFR for each fiscal year

The Metropolitan Government of Nashville and Davidson County

DEBT SERVICE FUNDS (1) (2)
FIVE YEAR SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	Years Ended June 30				
REVENUES:	2013	2012	2011	2010	2009
Property Taxes	\$133,949,349	\$122,191,565	\$120,804,490	\$122,698,575	\$118,575,150
Local option sales tax	1,782,042	1,961,289	1,643,404	5,143,018	19,041,127
Other taxes, licenses and permits	-	-	-	-	126,816
Fines, forfeits and penalties	306,638	422,692	494,577	554,813	434,021
Revenue from the use of money of property	324,354	198,825	117,865	169,738	778,297
Revenue from other governmental agencies	9,395,046	8,203,784	5,708,388	4,100,815	4,073,441
Compensation for loss, sale, or damage to Property	-	-	-	-	-
Charges for current services	-	-	-	972,094	838,699
Bond interest tax credit	4,900,351	5,033,674	5,327,305	-	-
Miscellaneous	-	-	-	-	2,403,916
Total Revenues	\$150,657,780	\$138,011,829	\$134,096,029	\$133,639,053	\$146,271,469
EXPENDITURES					
Principal retirement	44,743,407	12,943,203	3,397,777	85,889,567	85,914,567
Interest	93,272,037	93,879,521	85,123,862	80,611,709	83,169,612
Fiscal charges	3,716,622	3,257,031	3,406,148	906,832	3,604,978
Debt issue costs	2,704,649	2,207,494	1,925,066	4,347,663	240,000
Total Expenditures	\$144,436,715	\$112,287,249	\$93,852,853	\$171,755,771	\$172,929,157
Excess (deficiency) of revenues over expenditures	6,221,065	25,724,580	40,243,176	(38,116,718)	(26,657,688)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding debt	382,598,457	316,085,913	290,201,755	189,895,243	59,140,000
Payments to refunded bond escrow agent	(433,836,850)	(383,595,322)	(331,757,177)	(206,868,923)	(58,900,000)
Bond issue premium (discount)	53,750,807	67,444,362	43,480,488	18,244,966	-
Transfers in	16,407,137	15,724,752	13,996,949	18,831,042	17,578,067
Transfers out	(16,978,806)	(51,793,700)	(44,160,500)	-	(4,010,200)
Total Other Financing Sources (Uses)	1,940,745	(36,133,995)	(28,238,485)	20,102,328	13,807,867
Excess (deficiency) of revenues and other Sources over expenditures and other uses	8,161,810	(10,409,415)	12,004,691	(18,014,390)	(12,849,821)
FUND BALANCE, beginning of year	29,168,318	39,577,733	27,573,042	45,587,432	58,437,253
FUND BALANCE, end of year	\$37,330,128	\$29,168,318	\$39,577,733	\$27,573,042	\$45,587,432

(1) Includes the Correctional Facility Revenue Bonds.

(2) Certain numbers have been re-classified for comparative purposes.

Investment Policy

The Metropolitan County Council has approved a comprehensive Investment Policy governing the overall administration and investment management of those funds held in the Short-Term Investment Portfolio. The policy applies to all short-term financial assets of the Metropolitan Government from the time of receipt until the time the funds ultimately leave the Metropolitan Government accounts. These assets include, but are not limited to, all operating funds, bond funds, debt service reserve funds, water and sewer funds, Urban Services District and General Services District funds, those pension monies not yet allocated to money managers, all float and certain school funds.

The Short-Term Investment Portfolio of the Metropolitan Government is managed to accomplish the following hierarchy of objectives:

- 1) Preservation of principal
- 2) Maintenance of liquidity
- 3) Maximize returns

The Cash Investment Committee meets periodically to review the position of the portfolio and to discuss investment strategies. The Committee reviews investment policy and procedures at least once each year. The Metropolitan Treasurer is responsible for the investment process, carries out the daily operational requirements, and maintains written administrative procedures for the operation of the investment program that are consistent with the Investment Policy.

The Metropolitan Investment Pool has been established to meet investment objectives in the most cost-effective way. All payments and receipts of income on pool investments are allocated on a pro rata basis among the accounts invested in the pool on the daily invested balance in each fund. Earnings are calculated and distributed on a monthly basis.

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Debt Calculations

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
COMPUTATION OF NET GENERAL OBLIGATION DEBT
JUNE 30, 2013

Gross General Obligation Debt		
General Obligation Bonds Payable		
General Services District:		
For School Purposes	\$	702,620,096
For General Purposes		1,364,222,925
Urban Services District:		
For General Purposes		<u>196,077,069</u>
Total Gross General Obligation Debt	\$	2,262,920,090
Less:		
Amounts Available In Debt Service Funds		
General Services District:		
For School Purposes		9,479,123
For General Purposes		19,222,308
Urban Services District:		
For General Purposes		<u>8,628,697</u>
Total Amounts Available In Debt Service Funds		<u>37,330,128</u>
Net General Obligation Debt	\$	<u><u>2,225,589,962</u></u>

(1) Excludes general obligation debt funded by business-type activities.
Source: The Metropolitan Government CAFR and Finance Department as of June 30, 2013

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THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEBT RATIOS

AS OF JUNE 30, 2013

Total Debt (1)

Debt to Estimated Market Value	3.58%
Debt to Assessed Value	11.81%
Debt per Capita	\$ 3,490.57

Net Debt

Debt to Estimated Market Value	3.52%
Debt to Assessed Value	11.62%
Debt per Capita	\$ 3,432.99

The above table is based upon:

Estimated Market Value	\$	63,259,449,113
Assessed Value	\$	19,160,522,585
Population		648,295

(1) Please refer to pages H-16-17 (Estimated Market Value), H-26 and H-32 in the 2013 CAFR.

(2) Source: US Department of Commerce, Bureau of the Census and Labor.

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The following table illustrates certain debt ratios for the past ten fiscal years.

HISTORICAL DEBT RATIOS

Fiscal Year	Population	Assessed Valuation (in thousands)	Gross Debt (in thousands)	Debt Service Monies Available (in thousands)	Debt Payable From Sources Other Than Property Taxes (in thousands)	Net Debt (in thousands)	Ratio of Net Debt to Assessed Valuation	Net Debt Per Capita
2002-03	570,136	13,463,419	1,114,990	163,737	17,563	933,690	6.94%	1,637.66
2003-04	572,475	13,280,464	1,158,710	151,390	12,519	994,801	7.49%	1,737.72
2004-05	580,455	13,432,024	1,287,630	136,955	14,915	1,135,760	8.46%	1,956.67
2005-06	576,382	15,533,719	1,608,390	83,596	9,350	1,515,444	9.76%	2,629.24
2006-07	578,698	15,897,957	1,510,825	70,969	7,565	1,432,291	9.01%	2,475.02
2007-08	619,626	16,152,729	1,725,785	56,803	7,170	1,661,812	10.29%	2,681.96
2008-09	626,144	16,554,354	1,585,025	43,962	6,890	1,534,173	9.27%	2,450.19
2009-10	635,710	19,222,371	1,910,500	25,950	6,391	1,878,159	9.77%	2,954.43
2010-11	626,681	19,208,515	1,895,530	37,955	6,195	1,851,380	9.64%	2,954.26
2011-12	635,475	19,104,264	1,923,680	29,168	6,336	1,888,176	9.88%	2,971.28
2012-13	648,295	19,160,523	2,323,100	67,330	60,180	2,225,590	11.62%	3,432.99

Source: The Metropolitan Government CAFR as of June 30, 2012

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The following table sets forth annual debt service requirements by district of the Metropolitan Government on outstanding general obligation bonds secured by ad valorem taxes.

TOTAL DEBT SERVICE

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

Total Debt Service as of June 30, 2013

Secured by Ad Valorem Taxes

Year Ending June 30	GSD		USD	Total GSD and USD
	School Purposes	General Purposes	General Purposes	
2014	\$ 63,780,328	108,558,764	22,106,880	194,445,972
2015	69,969,892	120,240,479	24,504,694	214,715,065
2016	70,781,011	118,638,773	20,954,500	210,374,284
2017	73,357,019	119,291,076	22,685,118	215,333,213
2018	72,491,952	115,769,944	24,242,907	212,504,803
2019	72,234,747	116,796,795	23,347,325	212,378,867
2020	63,784,216	119,862,087	21,352,670	204,998,973
2021	63,371,995	120,049,652	21,576,945	204,998,592
2022	62,721,281	117,202,049	21,073,499	200,996,829
2023	59,218,975	121,559,985	21,216,933	201,995,893
2024	64,672,198	117,952,308	22,371,366	204,995,872
2025	60,074,142	114,625,015	21,690,273	196,389,430
2026	49,896,518	99,585,716	19,531,425	169,013,659
2027	41,201,744	85,412,804	19,873,242	146,487,790
2028	34,630,628	82,364,900	18,762,093	135,757,621
2029	20,886,632	52,203,597	15,000,933	88,091,162
2030	19,348,702	54,065,111	14,127,315	87,541,128
2031	10,405,135	62,119,087	9,822,755	82,346,977
2032	10,241,362	61,795,231	9,718,164	81,754,757
2033	10,072,178	61,465,773	9,604,563	81,142,514
2034	9,895,500	19,371,903	9,493,971	38,761,374
2035	9,712,051	19,012,788	5,983,087	34,707,926
	<u>\$ 1,012,748,206</u>	<u>\$ 2,007,943,837</u>	<u>\$ 399,040,658</u>	<u>\$ 3,419,732,701</u>

Source: The Metropolitan Government CAFR as of June 30, 2013

Principal Property Taxpayers

The following table presents information concerning the principal property taxpayers of the Metropolitan Government.

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

Unaudited- See Accompanying Accountants' Report

Taxpayer	December 31, 2012				December 31, 2003			
	2012 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy	2003 Assessed Valuation	Amount of Tax	Rank	% of Total Tax Levy
Electric Power Board (1)	\$ N/A	\$ 28,079,617	1	3.49 %	\$ N/A	\$ 18,796,439	1	3.27 %
RHP Hotels Inc.	282,303,960	13,068,919	2	1.26	-	-	(2)	-
Columbia/HCA	311,862,070	12,425,328	3	1.65	102,365,222	4,702,260	4	0.82
AT&T	169,256,472	7,813,554	4	1.02	-	-	(2)	-
Piedmont Natural Gas	18,685,996	4,608,217	5	0.47	74,342,409	3,277,746	6	0.57
Opry Mills Co.	86,495,741	3,560,336	6	0.21	68,960,000	2,648,064	8	0.46
Vanderbilt	71,438,500	3,329,433	7	0.44	-	-	(2)	-
Green Hills Mall	53,698,840	2,502,366	8	0.21	-	-	(2)	-
Walmart Stores	48,358,800	2,255,555	9	0.21	-	-	(2)	-
Verizon	51,777,423	2,091,807	10	0.29	-	-	(2)	-
Gaylord	-	-	(2)	-	283,333,838	10,118,923	2	1.76
Bellsouth	-	-	(2)	-	176,197,090	7,892,432	3	1.37
CBL & Associates	-	-	(2)	-	102,966,354	4,384,540	5	0.76
PREFCO XIV LTD	-	-	(2)	-	58,415,390	2,763,048	7	0.48
BEL-EQR	-	-	(2)	-	49,465,808	2,265,534	9	0.39
E.I. Dupont	-	-	(2)	-	37,503,300	1,438,185	10	0.25
	<u>\$ 1,093,877,802</u>	<u>\$ 79,735,132</u>		<u>9.25 %</u>	<u>\$ 953,549,411</u>	<u>\$ 58,287,171</u>		<u>10.13%</u>

Source: Tax Assessor's Office, Trustee's Office

- (1) The amount of tax for the Electric Power Board represents a payment in lieu of taxes and is not based on an assessed valuation.
- (2) Values for taxpayers that are outside the top ten ranking are excluded.

Pension Plans and Other Post-Employment Benefits

Overview

Metro employees participate in one of three main pension plan groups:

1. Metro Active Plans
2. Tennessee Consolidated Retirement System (TCRS) for Metro Schools Certificated Employees (Teachers)
3. Closed Plans maintained under the Guaranteed Payment Program

The Metro Active Plans consist of two divisions – A and B. Division A was established at the inception of the Government on April 1, 1963 and implemented on November 4, 1964. At that time, all employees of the former city and county governments were given the option of continuing as participants of the pension plans of those organizations or transferring to the Metro Plan Division A. Division A of the Metro Plan was closed to new members on July 1, 1995.

On July 1, 1995, Division B of the Metro Active Plans was established for all non-certified employees of the Metropolitan Nashville Public Schools and all other Metropolitan Government employees. Metropolitan Government employees who were members of Division A were given the option to transfer to Division B as of January 1, 1996. At that time, 95% of the approximately 11,300 employees elected to transfer to Division B.

The Metro Active Plan Division B is a non-contributory, defined benefit plan, covering approximately 13,000 current employees and 10,300 retired and deferred vested employees. The Active Plan covers all employees of the Metropolitan Government other than teachers. Contributions attributable to employees of the general government (approximately 75% of total) are funded from Metro's operating fund and revenues. The balance of contributions (approximately 25%) is attributable to Metro employees at enterprise funds and other non-operating funded agencies of the Metropolitan Government (e.g. contributions for water and sewer department employees and funded from water and sewer revenues).

Metropolitan Nashville Public School's (MNPS) teachers participate in the State Employees, Teachers, and Higher Education Employees' Pension Plan (SETHEEPP), a cost-sharing multiple-employer, contributory, defined benefit plan administered by the Tennessee Consolidated Retirement System (TCRS). Approximately 6,630 current teachers and 2,350 retired teachers are covered by TCRS. TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs.

The TCRS employer contribution rate is established at an actuarially determined rate and set every two years by the TCRS Board of Trustees. MNPS is required to make contributions based on the established rate directly to TCRS. The Metropolitan Government funds this contribution from its operating funds and revenues, through its annual funding of MNPS's education budget. The employer rate for the fiscal year ending June 30, 2013 was 9.05% of annual covered payroll. The employer's contributions to TCRS for the years ending June 30, 2013, and 2012, were \$31,637,282, and \$31,044,714 respectively, equal to the required contributions for each year. The Employer's Contribution Rate for Fiscal Year 2013 and 2014 is 8.88%. Teachers are required by state statute to contribute 5% of salary to the plan.

The Closed Plans are defined benefit plans collectively covering one active employee and approximately 2,044 retired employees. Contributions to the Closed Plans are funded from Metro's operating fund through the Guaranteed Payment Plan and contributions from the State of Tennessee.

Metro Active Plan

Benefits

Normal retirement for employees other than police officers and fire fighters occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited employee service

equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime annual benefit is calculated as 1.75% X final average earnings X years of credited service. Final average earnings are the highest 60 consecutive months of credited service divided by 5. Benefits fully vest on completing 5 years of service. Employees with a date of hire on or after January 1, 2013 will become fully vested on completing 10 years of service.

Normal retirement for police officers and fire fighters occurs any time after attaining the unreduced retirement age which is the date when the employee's age plus completed years of credited police and fire service equals 75, but not before age 53 nor after age 60. The lifetime annual benefit is the sum of 2% of final average earnings X years of credited police and fire service up to 25 years; plus 1.75% of final average earnings X year of credited police and fire service over 25 years. Final average earnings is the highest 60 consecutive months of credited service divided by 5. Benefits fully vest upon completing 5 years of service. Employees with a date of hire on or after January 1, 2013 will become fully vested on completing 10 years of service.

An early retirement pension is available for retired employees if the retirement occurs prior to the eligibility of normal retirement but after age 50 (45 for police and fire) and after the completion of 10 years credited employee service. Benefits are reduced by 4% for each of the first 5 years by which the retirement date precedes the normal retirement age, and by 8% for each additional year by which the retirement date precedes the normal retirement age.

Any employee who terminates after completion of required years of service to be vested and before eligibility for normal or early retirement is eligible to receive a monthly deferred pension commencing on the first day of the month following the attainment of unreduced retirement age computed and payable in accordance with the plan.

Funding

Minimum Required Employer Contribution: The Metropolitan Code of Ordinance requires the Metropolitan Government to contribute to the Metro Active Plans each fiscal year an amount equal to a percentage of the annual payroll of members who are eligible employees and who are covered for pension benefits the percentage to be known as the "employer contribution rate." The employer contribution rate applicable for any fiscal year is determined by resolution of the benefit board at a public meeting held at least four months prior to the beginning date of such fiscal year and filed with the Metropolitan Clerk and must be no less than the smaller of (1) three-tenths of one percent plus the employer contribution rate applicable to the prior fiscal year, or (2) an employer contribution rate, which shall be the ratio of the actuarially determined contribution level to the amount of the valuation payroll, on the basis of an actuarial valuation of the system made as of the last day of the fiscal year preceding the adoption of the contribution rate. The actuarially determined contribution level equals the sum of normal cost and a percentage of unfunded past service liabilities, such percentage to be determined by the board at a level at least equal to the actuarial valuation interest rate. The actuarial valuation must be made by a qualified or accredited actuary according to accepted and sound actuarial principles and methods and based on actuarial assumptions which have been recommended by the actuary and approved by the Benefit Board.

Historic Employer Contribution: Metro has historically made employer contributions at a rate higher than the minimum required contribution. Metro's policy has been to make annual contributions to the Active Plans equal to the actuary's recommended rate, sufficient to amortize the unfunded liability over the 40 year period commencing in 1978. Beginning with the plan year ended June 30, 2006, the Benefit Board adopted a level unfunded liability amortization period of 15 years. The level amortization period is designed to reduce contribution volatility compared with a continuing decline in the amortization period. The chart below shows the annual employer contribution rate (in both percentage of employee salary and aggregate dollar terms) for the past 10 years. The employer contribution rate for fiscal year 2012-2013 is 15.938%. The Metropolitan Government expects that its contribution rate for 2013-2014 will increase to 17.1%. This increase results from the combination of (1) the anticipated changes in actuarial assumptions described below (which in isolation would reduce the contribution rate) and (2) the increase in unfunded liability described below.

**Historical Metro Contributions
Metro Active Plan**

Fiscal Year Ending June 30	Contribution Rate	Contribution Amount
2013	15.938%	\$82,653,128
2012	15.416%	81,636,995
2011	15.416%	81,502,645
2010	13.012%	72,253,372
2009	13.012%	72,561,790
2008	16.658%	90,922,719
2007	16.637%	85,427,968
2006	13.857%	68,674,155
2005	12.171%	58,894,435
2004	9.265%	44,902,059

Key Actuarial Assumptions

- Current actuarial assumptions include a discount rate of 7.5%, cost-of-living adjustments (COLA) of 2.50% for Division A and 1.50% for Division B, salary increases averaging 4.0% annually and five year smoothing of gains and losses.

Schedule of Funding Progress

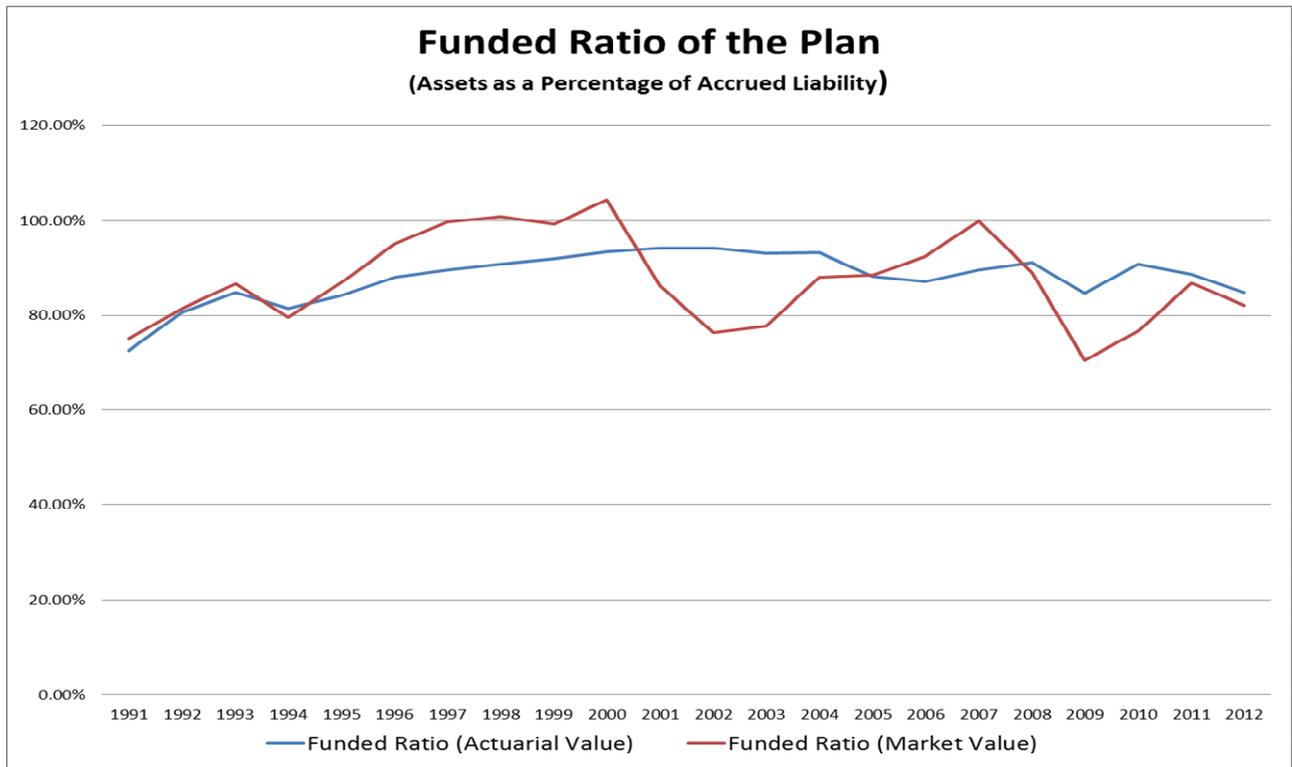
The table below provides a 10 year history of funding progress:

**Metropolitan Government of Nashville and Davidson County Tennessee Pension Plan
Schedule of Funding Progress
June 30, 2012**

Plan Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a % of Covered Payroll
June 30, 1999	1,241,356,861	1,350,000,989	108,644,128	91.95%	375,552,645	28.93%
June 30, 2000	1,419,820,507	1,522,468,982	102,648,475	93.30%	384,283,394	26.71%
June 30, 2001	1,532,338,623	1,628,956,808	96,618,185	94.10%	398,426,904	24.25%
June 30, 2002	1,569,455,257	1,668,629,134	99,173,877	94.10%	434,699,880	22.81%
June 30, 2003	1,569,047,675	1,688,192,909	119,145,234	92.90%	466,820,160	25.52%
June 30, 2004	1,592,671,213	1,708,318,774	115,647,561	93.20%	481,881,171	24.00%
June 30, 2005	1,602,285,363	1,818,206,856	215,921,493	88.10%	474,531,741	45.50%
June 30, 2006	1,706,677,125	1,959,952,204	253,275,079	87.10%	515,500,760	49.13%
June 30, 2007	1,921,193,702	2,144,144,792	222,951,090	89.60%	529,100,484	42.14%
June 30, 2008	2,119,228,659	2,323,837,472	204,608,813	91.20%	555,972,878	36.80%
June 30, 2009	1,925,305,076	2,275,399,550	350,094,474	84.60%	562,015,408	62.29%
June 30, 2010	2,143,522,150	2,360,892,310	217,370,160	90.80%	554,606,279	39.19%
June 30, 2011	2,188,868,356	2,468,971,488	280,103,132	88.70%	571,381,362	49.02%
June 30, 2012	2,185,046,912	2,580,685,072	395,638,160	84.70%	563,356,943	70.23%

The increase in the Unfunded Actuarial Accrued Liability as of June 30, 2012 results from Active Plan investments underperforming versus actuarially assumed investment returns.

The graph below provides a historical comparison of the plans funded ratio based on actuarial and market values of assets as a percentage of accrued liability.



Source: Bryan, Pendleton, Swats & McAllister, LLC

Additional statistical information for the Active Plans can be found in the Metropolitan Government’s CAFR, a link to which is included in this Offering Memorandum.

TCRS

Benefits

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly.

Funding Sources

Teachers – 5% of salaries

Metro, via funding of the MNPS school budget, contributes an amount equal to the percentage of certified payroll set by the TCRS each year. The certified percentage results from a bi-annual TCRS actuarial report and equals normal cost, accrued liability cost and administrative costs (minus teacher contributions).

Actuarial Information

Plan Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a percent of Payroll
2011	\$18,388,337	\$19,423,152	\$1,034,815	94.67%	\$3,626,582	28.53%
2009	16,031,755	17,118,650	1,086,895	93.65	3,523,942	30.84
2007	15,993,095	15,998,286	5,191	99.97	3,241,772	0.16
2005	14,464,578	14,464,578	0	100	3,000,297	na
2003	13,509,863	13,509,863	0	100	2,762,152	na
2001	12,629,990	12,629,990	0	100	2,560,093	na

Source: TCRS Valuation and Report as of July 1, 2011

Annual Contributions

Required TCRS contributions in 2012 and 2013 were 9.05% of salary, or \$31,044,714 and \$31,637,282.

Required TCRS contributions in 2014 will be 8.88% of salary, or approximately \$30,659,615.

Trends

It is anticipated that there will be upward pressure in the employer contribution rates in future actuarial valuations as the difference between the market value of assets and the actuarial value of assets that are being deferred are recognized. At June 30, 2011 \$1.5 billion of market losses for the state-wide Teachers group are being deferred. Metro's share of these losses will be recognized in future valuations.

Additional Information

Additional information about TCRS can be accessed at www.tn.gov/treasury/tcrs.

Closed Plans – Guaranteed Payment Plan

The Metro Council created the Guaranteed Payment Plan effective July 1, 2000 to ensure actuarially sound funding for a group of five closed plans supervised by the Metro Benefit Board and the Board of Education. Under the Guaranteed Payment Plan, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years beginning with the effective date. Payments for each constituent plan are transferred to a payment account from which distributions are disbursed to the constituent plans as necessary to satisfy current benefit needs and funding objectives of the Guaranteed Payment Plan. Appropriations made by Metro and the Board of Education to fund obligations of the aggregate plan may not be reduced until all plan obligations are fully amortized. Plan improvements adopted subsequent to inception are to be funded over a period ending June 30, 2030.

The five plans included in the Guaranteed Payment Plan are:

- Metropolitan Board of Education Teacher Retirement Plan
- Davidson County Board of Education Retirement Plan
- Nashville City Teachers Retirement Plan
- Former Davidson County Pension System
- Former City of Nashville Pension System

Current Funded Status

Metro's Liability At June 30, 2012 (Dollars in Thousands)

	Present Value of Future Benefits*	Present Value of Future Employee Contributions	Actuarial Value of Assets	Remaining Liability
Metro Teachers	\$207,805	\$0	\$53,321	\$154,484
County Teachers	32,510	0	5,930	26,580
City Teachers	17,809	0	3,769	14,040
City Employees	55,674	0	7,275	48,399
County Employees	11,786	0	1,557	10,229
Total	\$325,584	\$0	\$71,852	\$253,732

*Net of State cost-sharing in the three teacher plans

Based on current valuation the expected amortization period is approximately 11 years.

Historical Contributions

Contributions Metro Closed Plans

Fiscal Year Ending June 30	Metro Contributions	State Contributions
2013	\$33,521,052	\$18,130,962
2012	33,520,844	18,769,087
2011	33,529,553	19,333,186
2010	33,519,574	19,643,816
2009	33,513,758	20,106,215
2008	33,507,435	20,635,657
2007	33,486,214	21,017,217
2006	33,474,046	21,260,495
2005	33,519,098	21,699,309
2004	33,577,400	21,143,526

Additional statistical information for the Closed Plans can be found in the Metropolitan Government's CAFR, a link to which is included in this Offering Memorandum.

The Metropolitan Government currently provides various other post-employment benefits ("OPEB") other than pensions, with healthcare representing the most significant portion of the OPEB cost. For any retiree in the Metro, City or County Plan who elects to participate in the Metro Medical Benefit Plan, the Metropolitan Government contributes 75% of all premium payments, and the retiree contributes 25%. For employees hired January 1, 2013 or later, the Metropolitan Government contribution is based on years of service and ranges from 25% for a retiree with less than 15 years of service to 75% for a retiree with 20 or more years of service. No later than January 1, 2014, Metro will implement a Medicare Part D or Employer Group Waiver Plan for eligible retirees that is expected to reduce OPEB liability once implemented. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases. The Metropolitan Government also provides a matching contribution on dental insurance for any retiree who elects to participate and provides life insurance at no charge. During the year ended June 30, 2013, benefits paid totaled \$46,709,200.

For any retiree in the Metro, City or County Education Plans who elects to participate in the medical and dental insurance plans of the Metropolitan Nashville Public Schools, Schools contribute 75% of all premium payments with the retiree contributing the remaining 25%. Funding is on a pay-as-you-go basis under which payments are made in amounts sufficient to cover benefits paid. During the year ended June 30, 2013, benefits paid totaled \$18,171,949.

The Metropolitan Government adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, in Fiscal Year 2008. This Statement addresses how governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits; it does not require that the liability be funded.

For June 30, 2013, amounts related to OPEB were (all amounts in thousands):

	Metro Plan	School Plan
Net OPEB Obligation	\$ 768,874	\$ 150,534
Actuarial Accrued Liability (AAL)	1,888,322	427,916
Unfunded AAL	1,888,322	427,916
Annual Required Contribution	175,948	35,832

The key assumptions used in developing these amounts include:

- Current level of benefits provided
- July 1, 2012 valuation date and census data
- Actual dependent coverage information
- 4.5% rate of return (net of administrative expenses), 2.75% rate of inflation, and 4% of projected increases in salary
- Health care cost trend rate: 8% graded to 5% for other medical expenses, 11% graded to 5% for prescription drugs, 4% each year for dental and vision expenses

Public Employees' Representation

As of June 30, 2012, the Metropolitan Government and the MBE employed approximately 17,362 persons of whom approximately 9,505 worked full-time for the MBE and 7,857 worked full-time for the Metropolitan Government. Approximately 87% of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters. The Police Department has 1,841 active employees, of which 1,350 are sworn personnel. Approximately 1,086 sworn officers (or 80%) of the Police Department belong to the Fraternal Order of Police, Andrew Jackson Lodge No. 5, the designated employee representative. Of those employed by the MBE, approximately 2,424 (or 41%) of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 988 (or 36%) of the non-teaching employees are members of the Service Employees International Union; and 172 (or 22%) are in the Steel Workers Union.

The MBE is a party to a Memorandum of Understanding with the MNEA which is renewed annually. The Metropolitan Government confers on an informal basis with representatives of employee unions mentioned above concerning employees' working conditions within their respective departments.

With the exception of school teachers covered specifically by the Education Professional Negotiation Act, which provides for memoranda of understanding, the State does not recognize collective bargaining agreements between municipalities and their employees. The State courts have ruled that collective bargaining between municipalities and their employees are void and of no effect because they are contrary to public policy. The State courts have also ruled that strikes by municipal employees are illegal and subject to injunction.

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel
[Issue Date]

The Metropolitan Government of Nashville
and Davidson County
Nashville, Tennessee

U.S. Bank National Association
New York, New York

Morgan Stanley & Co. LLC
New York, New York

The Metropolitan Government of Nashville and Davidson County
\$200,000,000 General Obligation Extendable Commercial Paper Notes, 2014 Series

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Metropolitan Government of Nashville and Davidson County (the "Issuer") of up to \$200,000,000 in aggregate principal amount at any time of its General Obligation Extendable Commercial Paper Notes, 2014 Series (the "Notes"). In such capacity, we have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion, including, but not limited to, Resolution No. RS2014-1066 (the "Resolution") authorizing the issuance and sale of the Notes. The terms used herein, but not defined herein, shall have the respective meanings given such terms in the Resolution.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Notes have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and are valid and binding obligations of the Issuer.
2. The Resolution authorizing the Notes has been duly and lawfully adopted, is in full force and effect and is the valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Notes constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit and unlimited taxing power, and the full faith and credit of the Issuer is pledged to the payment thereof.
4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the date hereof in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Notes to be so included in gross income retroactive to the date of issuance of the Notes. Except as set forth in this paragraph, we express no opinion regarding other federal tax consequences arising with respect to the Notes.

5. Under existing law, the Notes and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on the Notes during the period such Notes are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Notes in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Offering Memorandum relating to the Notes.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX D
SUMMARY OF ECP RESOLUTION

Definitions

"Act" means Title 9, Chapter 21, Tennessee Code Annotated, as amended from time to time.

"Authorized Officer" means the Director of Finance of the Metropolitan Government and any other persons authorized in writing by the Director of Finance of the Metropolitan Government to act as an Authorized Officer hereunder.

"Bond Counsel" means Bass, Berry & Sims PLC or any other firm of attorneys specializing in the field of municipal finance law, selected by the Metropolitan Government.

"Bonds" means general obligation bonds of the Metropolitan Government authorized by the Initial Resolutions.

"Book-Entry ECP" means ECP issued in book-entry only form through the Depository.

"Business Day" means any day other than (i) a Saturday, (ii) a Sunday, (iii) a State legal holiday, (iv) a day on which banking institutions in Nashville, Tennessee, New York, New York, or the city in which the Office of the Issuing and Paying Agent is located, or the city in which the principal office of the Dealer is located, are authorized or obligated by law or executive order to be closed, (v) a day on which the New York Stock Exchange is not open for trading, or (vi) with respect to the Book-Entry ECP, a day on which the Depository is not scheduled to be open for money market instrument settlement services.

"Code" means the Internal Revenue Code of 1986, including regulations, rulings and judicial decisions promulgated thereunder.

"Costs" shall mean any of the costs of a Public Works Project permitted to be financed by Section 9-21-109 of the Act.

"Dealer" means Morgan Stanley & Co. LLC, appointed by the Metropolitan Government pursuant to the Resolution to serve as dealer for the ECP Program in accordance with the Dealer Agreement, and any other dealer for the ECP Program or any successor to any of them appointed pursuant to the Resolution.

"Dealer Agreement" means each Dealer Agreement authorized by the Resolution, as the same may be amended or supplemented, and any other dealer agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Depository" means (i) DTC, (ii) any other Person appointed by the Metropolitan Government to serve as securities depository for the Master Note, and (iii) in each such case, its successors and assigns.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"ECP" or "ECP Notes" means general obligation bond anticipation notes of the Metropolitan Government issued in the form of extendable commercial paper in accordance with the Resolution.

"ECP Fund" means the special purpose trust fund described below to be held by the Issuing and Paying Agent for the benefit of the Holders from time to time of ECP for the deposit of proceeds of ECP and other moneys to be used to pay the principal of and interest on Outstanding ECP, and the payment therefrom of principal of and interest on Outstanding ECP.

"ECP Program" means a program of the Metropolitan Government consisting of the issuance from time to time of ECP.

"Electronic Means" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"EMMA" means the Electronic Municipal Market Access of the Municipal Securities Rulemaking Board.

"Extended Maturity Date" means, for each ECP Note, a Business Day that is the earlier of: 1) 270 days after its Issue Date and 2) the Final Maturity Date.

"Extended Period Interest Payment Date" means: (i) if the applicable Original Maturity Date is before the 15th day of the month, the first Business Day of the next month and the first Business Day of each month thereafter; and (ii) if the applicable Original Maturity Date is on or after the 15th day of the month, the first Business Day of the second succeeding month and the first Business Day of each month thereafter.

"Extension Rate" means, for each ECP Note, the rate of interest per annum established under the Resolution for each weekly period from and after the Original Maturity Date.

"Final Maturity Date" means January 1, 2019.

"Holder" means any Person who is in possession of any ECP issued or endorsed to such Person or to the order of such Person or to bearer or in blank; provided, however, that "Holder", when used with reference to Book-Entry ECP evidenced by a Master Note, and such Master Note, shall mean the registered owner of such Master Note as shown on the books of the Issuing and Paying Agent kept pursuant to the Resolution.

"Initial Resolutions" means, collectively, (i) the following initial resolutions of the Metropolitan Government adopted by the Metropolitan County Council for the purposes and not in excess of the respective amounts therein: RS2009-746; RS2010-1120; RS2010-1139; RS2010-1363; RS2012-276; RS2012-316; RS2013-559; RS2013-710 and RS2014-963; and (ii) future initial resolutions adopted by the Metropolitan County Council of the Metropolitan Government; provided that any future initial resolution must first be published and either not sufficiently protested or approved by referendum, all as prescribed by the Act.

"Issuance Request" means a request made by the Metropolitan Government, acting through an Authorized Officer, to the Issuing and Paying Agent for the delivery of ECP Notes, as described below.

"Issue Date" means, for each ECP Note, the date on which beneficial ownership is transferred to the original purchaser thereof.

"Issuing and Paying Agency Agreement" means the Issuing and Paying Agency Agreement authorized by the Resolution, as the same may be amended or supplemented, and any other issuing and paying agency agreement which the Metropolitan Government determines to be in replacement thereof as may be entered into by the Metropolitan Government from time to time with respect to the ECP Program.

"Issuing and Paying Agent" means U.S. Bank National Association, appointed by the Metropolitan Government pursuant to the Resolution to serve as Issuing and Paying Agent and registrar in accordance with the Issuing and Paying Agency Agreement, and any successor thereto appointed pursuant to the Resolution.

"Master Note" means a master note issued pursuant to the Resolution.

"Maximum Rate" means, as of any time, the rate equal to the lesser of (a) 9% per annum, calculated on the basis of actual days elapsed and a 365 or 366 day year, or (b) the maximum rate of interest at the time permitted by Section 47-14-103, Tennessee Code Annotated, or other applicable State law.

"Metropolitan Government" means The Metropolitan Government of Nashville and Davidson County.

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

"Office" means, when used with reference to the Issuing and Paying Agent, such address as the Issuing and Paying Agent may designate from time to time by notice in writing to the Metropolitan Government and the Dealer.

"Original Maturity Date" means, for each ECP Note, a Business Day not less than 1 day and not greater than: i) the 90th day after the Issue Date, or ii) the 90th day preceding the Final Maturity Date.

"Original Rate" means, for each ECP Note, the rate of interest per annum borne by such ECP Note to the Original Maturity Date.

"Outstanding" means, when used as of any particular time with reference to ECP, all ECP theretofore or thereupon issued pursuant to the Resolution except (i) ECP theretofore canceled by the Issuing and Paying Agent or surrendered to the Issuing and Paying Agent for cancellation; (ii) ECP with respect to which, and only to the extent, all liability of the Metropolitan Government shall have been discharged in accordance with the defeasance provisions described below; and (iii) ECP in lieu of, or in substitution for, which other ECP has been or is then being issued by the Issuing and Paying Agent pursuant to the terms of the Resolution.

"Person" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prevailing Rating" means, at the time of determination and with respect to a Rating Agency, the rating assigned to the ECP Notes by the Rating Agency or any comparable future designation by the Rating Agency.

"Prior Notes" shall have the meaning ascribed in the preamble.

"Program Documents" shall mean, collectively, the Resolution, the Dealer Agreement and the Issuing and Paying Agency Agreement.

"Public Works Project" shall have the meaning prescribed by Section 9-21-105 of the Act.

"Rating Agency" means either or both of Moody's and Standard & Poor's, and/or such other securities rating agencies providing a rating on ECP, at the request of the Metropolitan Government.

"Resolution" means the Resolution, as the same may be amended or supplemented.

"SIFMA" means the Securities Industry and Financial Markets Association (formerly the Bond Market Association) or any successor thereto.

"SIFMA Index" means (i) the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA or (ii) if such index is not published, such other publicly available rate as the Dealer shall deem most nearly equivalent thereto. Such index may be expressed as a percentage of (more or less than, or equal to, 100%) and/or a fixed spread to another index.

"Standard & Poor's" means Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, or any successor, then maintaining a rating on ECP at the request of the Metropolitan Government.

"State" means the State of Tennessee.

"Tax Certificate" means a certificate, as amended from time to time, executed and delivered on behalf of the Metropolitan Government by an Authorized Officer on the date upon which ECP Notes are initially issued and delivered, or any functionally equivalent certificate subsequently executed and delivered on behalf of the

Metropolitan Government by an Authorized Officer with respect to the requirements of Section 148 (or any successor section) of the Code relating to the ECP Notes.

References to Time

All references to time shall, unless otherwise stated, be deemed to be to the prevailing time in New York, New York.

ECP Fund

The Resolution establishes with the Issuing and Paying Agent a separate and special purpose trust fund for the benefit of the Holders to be designated as the "Metropolitan Government General Obligation Extendable Commercial Paper Fund" (the "ECP Fund"). The Issuing and Paying Agent shall have the sole right of withdrawal over the moneys in the ECP Fund, except as may otherwise be described below.

(a) The Metropolitan Government may deposit its funds or proceeds of its Bonds or other indebtedness or fund into the ECP Fund for the purpose of paying the principal of and/or interest on Outstanding ECP.

(b) The Issuing and Paying Agent, as agent for the Holders from time to time of ECP, shall:

(i) Upon the sale of ECP on any day, deposit to the ECP Fund an amount of the proceeds thereof, which, together with any funds otherwise on deposit in the ECP Fund on such day is sufficient to pay the principal of and interest on Outstanding ECP maturing or being redeemed on such day, and use such proceeds and other funds (if applicable) to pay the principal of and interest on such Outstanding ECP;

(ii) Upon the sale of ECP on any day, to the extent the proceeds thereof are in excess of the amount required by subsection (i), transfer the balance of such excess to the Metropolitan Government;

(iii) deposit into the ECP Fund the proceeds of Bonds, notes or other evidences of indebtedness transferred to the Issuing and Paying Agent by or on behalf of the Metropolitan Government, and apply such deposits to the payment of the principal of and interest on Outstanding ECP, or otherwise, as an Authorized Officer shall specify from time to time in written instructions filed with the Issuing and Paying Agent; and

(iv) apply the moneys on deposit in the ECP Fund solely to the payment of the principal of and interest on the ECP, as aforesaid, as the same mature and become due and payable, or otherwise as provided above.

(c) Amounts on deposit in the ECP Fund as proceeds of ECP to be used to pay the principal of and/or interest on other ECP as required by subsection (c)(i) of this Section shall not be invested prior to their application for such purposes. Other amounts on deposit in the ECP Fund may be invested prior to their application for authorized purposes, but only at the direction of an Authorized Officer, and only in securities held in the name of the Metropolitan Government or the Issuing and Paying Agent as trustee for the Metropolitan Government (in either case, either as registered or beneficial owner), and otherwise shall not earn interest.

(d) The ECP Fund, and all moneys and securities on deposit therein, shall be held by the Issuing and Paying Agent in a fiduciary capacity and shall not be commingled with the assets of the Issuing and Paying Agent or any other person. It is the intent of the Metropolitan Government that the ECP Fund, and all moneys and securities on deposit therein, shall constitute a special deposit and not a general deposit of the Issuing and Paying Agent.

Issuance Requests

(a) The Issuing and Paying Agent shall authenticate and deliver ECP Notes from time to time for the consideration and in the manner hereinafter provided, but only upon receipt by the Issuing and Paying Agent of an

Issuance Request, no later than 12:00 Noon on the Business Day on which ECP Notes are to be delivered, directing the Issuing and Paying Agent to authenticate the ECP Notes referred to therein and to deliver the same to or upon the order of the Dealer. Each Issuance Request shall include:

- (i) the aggregate principal amount of ECP Notes then to be issued;
- (ii) the denominations in which they are to be issued;
- (iii) the Original Rate;
- (iv) the Issue Date;
- (v) the Original Maturity Date;
- (vi) the Extended Maturity Date; and
- (vii) any additional designations thereof.

(b) The delivery of any Issuance Request under subsection (a) hereof to the Issuing and Paying Agent by an Authorized Officer in the manner provided therein shall constitute the certification and representation of the Metropolitan Government to the Issuing and Paying Agent that, as of the date thereof:

(i) after the issuance of such ECP Notes and the application of the proceeds thereof, (1) the sum of the aggregate principal amount of ECP Notes Outstanding will not exceed \$200,000,000 and (2) the sum of the aggregate principal amount of ECP Notes Outstanding, together with all other Bonds, notes or other indebtedness issued pursuant to the Initial Resolutions, will not exceed the amount of indebtedness authorized by the Initial Resolutions;

(ii) to the Metropolitan Government's knowledge there has been no change in the facts, estimates, circumstances and representations of the Metropolitan Government set forth or made in the Tax Certificate;

(iii) the Original Maturity Date set forth in the Issuance Request does not extend beyond 90 days prior to the Final Maturity Date;

(iv) the Extended Maturity Date of such Commercial Paper Notes set forth in the Issuance Request does not extend beyond the Final Maturity Date;

(v) the Metropolitan Government has not been notified by Bond Counsel that its opinion with respect to the validity of the ECP Notes and the tax treatment of the interest thereon has been revised or withdrawn or, if any such revision or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealer has been delivered;

(vi) to the actual knowledge of the Metropolitan Government, the Metropolitan Government in in compliance with the terms of the Resolution; and

(vii) all of the conditions precedent to the issuance of such ECP Notes set forth in this Section of the Resolution have been satisfied.

(c) The Metropolitan Government may deliver an Issuance Request for the issuance of multiple ECP Notes on multiple dates in the future, and shall have the right to rescind such notice with respect to any issue of ECP Notes to be issued until 11:00 a.m. on any date ECP Notes are to be issued.

(d) No later than 2:30 p.m. on each Business Day on which the Metropolitan Government proposes to issue ECP Notes, the Dealer shall report to the Metropolitan Government each transaction made with or arranged by it or shall notify the Metropolitan Government and the Issuing and Paying Agent of the difference, if any, between the amount of maturing ECP Notes and the amount of ECP Notes which the Dealer has arranged to sell or has agreed to purchase.

(e) Upon receipt of such Issuance Request (which may be transmitted by mail, telecopy or other electronic communications method, or by telephone, promptly confirmed in writing by 2:00 p.m.), the Issuing and Paying Agent shall, by 3:00 p.m. on such day, complete each ECP Note as to amount, Issue Date, Original Maturity Date, Extended Maturity Date and Original Rate specified in such Issuance Request, and deliver each such ECP Note to or upon the order of the Dealer upon receipt of payment therefor. If an Issuance Request is received after 12:00 Noon on a given day, the Issuing and Paying Agent shall not be obligated to deliver the requested ECP Notes until the next succeeding Business Day.

(f) Notwithstanding the foregoing, the Issuing and Paying Agent shall not deliver any ECP Notes if:

(i) such delivery would cause the sum of the aggregate principal amount of ECP Notes Outstanding to exceed \$200,000,000;

(ii) the Issuing and Paying Agent shall have received notice from an Authorized Officer directing the Issuing and Paying Agent to cease authenticating and delivering ECP Notes until such time as such direction is withdrawn by similar notice;

(iii) the Issuing and Paying Agent shall have received notice from Bond Counsel that its opinion regarding the exclusion of interest on the ECP Notes from gross income for Federal income tax purposes of the holders thereof is being withdrawn;

(iv) the Original Maturity Date of such ECP Notes would extend beyond the 90th day preceding the Final Maturity Date; or

(v) the Extended Maturity Date of such ECP Notes would extend beyond the Final Maturity Date.

(g) Any Issuance Request made by telephone pursuant to this Section may be recorded by the Issuing and Paying Agent and shall be confirmed promptly in writing by an Authorized Representative; provided, however, that any conflict between any recorded oral Issuance Request and the written confirmation thereof, shall not affect the validity of any recorded oral Issuance Request received by the Issuing and Paying Agent as provided herein. If the Issuing and Paying Agent does not record an oral Issuance Request, and a conflict exists between such oral Issuance Request and the written confirmation thereof, the terms of the written confirmation shall control.

(h) The purchase price of each Note shall be 100% of the principal amount thereof, and no Note shall be deemed to be issued until payment for its purchase has been made in lawful money of the United States of America.

Proceeds of Sale of ECP

The proceeds of the sale hereunder of ECP shall be applied as follows:

(i) The proceeds of each sale of ECP on any day in an amount not in excess of the principal of Outstanding ECP becoming due and payable on such day, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying such principal, and such proceeds shall be deposited into the ECP Fund and used to pay such principal.

(j) The proceeds of each sale of ECP on any day in an amount in excess of the principal of Outstanding ECP becoming due and payable on such day, if any, and for the payment of which the Metropolitan Government has not theretofore deposited other amounts into the ECP Fund, shall be deemed to have been issued for the purpose of paying Costs of Public Works Projects or retiring the Prior Notes and shall be transferred to the Metropolitan Government as directed in writing by an Authorized Officer. Such proceeds shall be held and invested in a segregated fund of the Metropolitan Government in accordance with applicable law and applied exclusively to the Costs of Public Works Projects; provided that amounts to be used to retire the Prior Notes shall be deposited with the paying agent therefor.

Issuing and Paying Agent

(k) The Metropolitan Government covenants to maintain and provide an Issuing and Paying Agent at all times while the ECP is Outstanding, which shall be a bank, trust company or national banking association (and, except in the case of Book-Entry ECP, having an office for delivery of ECP in New York, New York), in each case with trust powers. Should a change in the Issuing and Paying Agent for the ECP Program occur, the Metropolitan Government agrees to promptly cause a notice thereof to be posted on EMMA; provided however, that such notice shall not be required to be posted, but shall be delivered to the Depository, if the ECP are being issued as Book-Entry ECP at such time. Such notice shall specify the Office of the successor Issuing and Paying Agent. A successor Issuing and Paying Agent may be appointed without the consent of the Holders.

(l) The Metropolitan Government may remove any Issuing and Paying Agent by giving not less than fifteen (15) days advance written notice to the Issuing and Paying Agent and the Dealer. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(m) The Issuing and Paying Agent may resign at any time by giving written notice of such resignation to the Metropolitan Government and the Dealer specifying the date as of which the Issuing and Paying Agent proposes that the same shall become effective, which date shall be not less than 30 days after the date of such notice. The Metropolitan Government shall give written notice of the appointment of a successor Issuing and Paying Agent to the Dealer.

(n) Notwithstanding subsections (b) and (c) above, no such removal or resignation shall be effective unless and until a successor has been appointed and shall have accepted the duties and obligations of Issuing and Paying Agent under the Resolution. If no successor has been appointed within 30 days as aforesaid, the Issuing and Paying Agent shall have the right to petition a court of competent jurisdiction for the appointment of a successor Issuing and Paying Agent, and the Issuing and Paying Agent shall be reimbursed by the Metropolitan Government for any and all expenses in connection with any such petition and appointment. On the effective date of any such removal or resignation, the Issuing and Paying Agent shall deliver to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government, all canceled or unissued ECP instruments then held by the Issuing and Paying Agent for disposition in accordance with the Resolution, and shall transfer the funds then held by it to the successor Issuing and Paying Agent, if any, at the direction of the Metropolitan Government, or otherwise to the Metropolitan Government. The Metropolitan Government shall pay all outstanding fees and expenses due and owed to the Issuing and Paying Agent following such removal or resignation.

Covenants

Punctual Payment

The Metropolitan Government will punctually pay or cause to be paid the principal of and interest on the ECP in conformity with the Resolution. For the purpose of providing for the payment of the principal of and interest on Outstanding ECP on the date that the same shall become due and payable, the Metropolitan Government, on or prior to such date, will pay or cause to be paid to the Issuing and Paying Agent for deposit in the ECP Fund, amounts which, together with other amounts then on deposit in such ECP Fund, will be sufficient and available to make such payment on such date. The foregoing is not intended to preclude the Metropolitan Government from extending the maturity date of ECP Notes in the manner described in the Resolution.

Covenant to Refinance

With respect to any ECP Notes the maturity of which has been extended pursuant to the Resolution, the Metropolitan Government covenants that it will promptly seek approval of the Metropolitan County Council for the issuance of Bonds or other debt obligations to refinance such ECP Notes and, provided such approval is received, to offer and sell such Bonds or other debt obligations upon reasonable and customary terms and conditions so that the proceeds thereof may be applied to the payment of such ECP Notes on or prior to the applicable Extended Maturity Date.

Compliance with Agreements and Other Documents

The Metropolitan Government will comply with the terms and provisions of the Dealer Agreement, the Issuing and Paying Agency Agreement and any other resolution or contract to which the Metropolitan Government is a party, the non-compliance with which would materially adversely affect the ability of the Metropolitan Government to make payment of the principal of and interest on the ECP as and when the same becomes due and payable.

ECP to Remain Tax Exempt

The Metropolitan Government covenants that it will execute and deliver a Tax Certificate in the form prescribed by Bond Counsel in connection with the first issuance of ECP, and that in connection with any subsequent issuance of ECP it will, if requested by Bond Counsel, execute and deliver either written confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date or a revised Tax Certificate dated such issue date. Each Issuance Request by an Authorized Officer given or made pursuant to the Resolution shall constitute a representation by the Metropolitan Government that the facts, estimates, circumstances and reasonable expectations contained in the latest of such Tax Certificates continues to be true and accurate as of the date of such Issuance Request, and that no fact material to the exclusion of the interest on the ECP from gross income for federal income tax purposes exists which has not been reflected in a revised Tax Certificate. The Metropolitan Government represents and covenants that it will not expend, or permit to be expended, the proceeds of any ECP in any manner inconsistent with its reasonable expectations as certified in the Tax Certificates to be executed from time to time with respect to the ECP Program; provided however, that the Metropolitan Government may expend ECP proceeds in such manner if the Metropolitan Government first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exclusion of interest on the ECP from gross income for federal income tax purposes.

The Metropolitan Government further covenants that no use of the proceeds of any of the ECP or any other funds of the Metropolitan Government will be made which will cause any ECP to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. To that end, the Metropolitan Government shall comply with all requirements of said Section 148 and of all regulations issued thereunder or otherwise applicable thereto.

The Metropolitan Government covenants that it will not use any proceeds of the ECP or any other funds held under the Resolution for any purpose which would cause any ECP to be subject to treatment as a "private activity bond" defined in Section 141 of the Code.

Reservation of Right to Issue Other Obligations

The Metropolitan Government expressly reserves the right hereafter to issue Bonds, notes or other evidences of indebtedness in addition to the ECP, constituting a general obligation of the Metropolitan Government, and additionally secured as may be required by the Act or other provisions of law or as determined by the Metropolitan Government, when and as the Metropolitan Government shall determine and authorize.

Amendments and Supplements to the Resolution

Without Consent of Holders of ECP

The Metropolitan Government, from time to time and at any time, (i) without the consent or concurrence of any Holder of any ECP, may adopt a resolution for the purpose of providing for the issuance of any Bonds, notes or other evidences of indebtedness, and (ii) without the consent or concurrence of any Holder of any ECP, may adopt a resolution amendatory hereof or supplemental hereto, if the provisions of such resolution shall not materially adversely affect the rights of the Holders of the ECP then Outstanding, for any one or more of the following purposes:

(o) to make any changes or corrections in the Resolution as to which the Metropolitan Government shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution, or to insert in the Resolution such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable;

(p) to add additional covenants and agreements of the Metropolitan Government for the purpose of further securing the payment of the ECP;

(q) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Resolution;

(r) to grant to or confer upon the Holders of the ECP any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(s) to comply with any request by or requirement of any Rating Agency which is necessary, or which the Metropolitan Government reasonably believes is necessary, to prevent a downward revision by such Rating Agency in the rating of ECP;

(t) to provide for the issuance, transfer, exchange, registration, discharge from registration and replacement of ECP other than Book-Entry ECP; and

(u) to increase the maximum aggregate principal amount of ECP that may be Outstanding at any time; provided however, that prior to the effectiveness thereof the Metropolitan Government shall have received written evidence from each Rating Agency to the effect that such increase will not, by itself, result in a reduction, withdrawal or suspension of such Rating Agency's rating of the ECP Program which then prevails; and

(v) to modify any of the provisions of the Resolution in any other respect if such modification shall be effective only with respect to ECP issued subsequent to the effectiveness of such resolution or modification, in which case any ECP instrument (except any Master Note) issued subsequent to the effectiveness of any such modification shall contain a specific reference to, and the Metropolitan Government shall give written notice to the Depository of Book-Entry ECP of, the modifications contained in such resolution; *provided, however*, that nothing contained in the Resolution shall permit or be construed to permit the amendment of the terms and conditions of the Resolution or of the ECP Program so as to:

(i) make any change in the maturity of any Outstanding ECP;

(ii) reduce the rate of interest borne by any Outstanding ECP;

(iii) reduce the amount of the principal payable on any Outstanding ECP;

(iv) modify the terms of payment of principal of or interest on any Outstanding ECP, or impose any conditions with respect to such payment;

- (v) affect the rights of the Holders of less than all Outstanding ECP; or
- (vi) reduce or restrict the provision made in the Resolution for payment of Outstanding ECP.

Defeasance

ECP Deemed Paid; Discharge of Resolution

ECP will be deemed paid for all purposes of the Resolution when (a) payment of the principal of and interest on such ECP to the due date of such principal and interest (whether at maturity or otherwise) either (1) has been made in accordance with the terms of such ECP or (2) has been provided for by depositing with the Issuing and Paying Agent (A) moneys sufficient to make such payment and/or (B) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America ("Government Obligations") maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all compensation and expenses of the Issuing and Paying Agent pertaining to the ECP Program in respect of which such deposit is made have been paid or provided for to the satisfaction of the Issuing and Paying Agent. When ECP is deemed paid, it will no longer be secured by or entitled to the benefits of the Resolution or be an obligation of the Metropolitan Government, except for payment from such moneys or Government Obligations, and no additional ECP may be issued except that it may be transferred, exchanged, registered, discharged from registration or replaced.

When all outstanding ECP are deemed paid under the foregoing provisions of this Section, the Issuing and Paying Agent will, upon the request of the Metropolitan Government, acknowledge the discharge of the Metropolitan Government's obligations under the Resolution and the ECP Program.

No such deposit will be made or used in any manner which, in the opinion of Bond Counsel, would cause any ECP to be treated as "arbitrage bonds" within the meaning of Sections 103 and 141 through 150 of the Code.

Application of Trust Moneys

The Issuing and Paying Agent will hold in trust moneys or Government Obligations deposited with it and apply the deposited money and the proceeds from the Government Obligations in accordance with the Resolution only to the payment of principal of and interest on the ECP with respect to which the same was deposited.

Repayment to Metropolitan Government

The Issuing and Paying Agent will pay to the Metropolitan Government promptly upon its request any excess moneys or securities held by the Issuing and Paying Agent at any time, and any moneys held by the Issuing and Paying Agent under any provision of the Resolution for the payment of principal or interest on ECP that remains unclaimed for one year or such other shorter or longer period, or to such other Person, as may at the time be prescribed by State law with respect to unclaimed property.

Miscellaneous

Notices to Rating Agencies

The Metropolitan Government shall give each Rating Agency, the Dealer and the Issuing and Paying Agent advance notice in writing of any (i) change of Dealer, (ii) change of Issuing and Paying Agent, (iii) amendment or material change to the Program Documents, and (iv) termination or defeasance of the ECP Program; *provided however*, that if the Metropolitan Government does not have advance actual notice of any such event, notice shall be given by the Metropolitan Government as soon as practicable after the Metropolitan Government has actual notice thereof.

Resolution to Constitute a Contract; Equal Security

In consideration of the acceptance of the ECP, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Metropolitan Government and the Holders from time to time of the ECP, and the pledge made by the Resolution by the Metropolitan Government and the covenants and agreements set forth in the Resolution to be performed by the Metropolitan Government shall be for the equal and proportionate benefit, security and protection of all Holders of the ECP, without preference, priority or distinction as to security or otherwise of any of the ECP authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by the Resolution.

Payment and Performance on Business Days

Whenever under the terms of the Resolution or the ECP Program, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the ECP, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the ECP, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the originally scheduled date of performance or payment, and, with respect to any payment, without any additional interest accruing after the originally scheduled date of payment.

No Personal Recourse

No recourse shall be had for any claim based on the Resolution or the ECP Program against any member, officer or employee, past, present or future, of the Metropolitan Government, the Metropolitan County Council of the Metropolitan Government or of any successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise.

Disclosure of Liability

All covenants, stipulations, promises, agreements and obligations of the Metropolitan Government contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Metropolitan Government and not of any member, officer or employee of the Metropolitan Government in his individual capacity, and no recourse shall be had for the payment of the principal of or interest on the ECP or for any claim based thereon or on the Resolution against any member, officer, or employee of the Metropolitan Government, or against any Person executing the ECP.