

*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 Bonds (as defined below) 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 Bonds, see the discussion under the heading "TAX MATTERS" herein. Under existing law, the Bonds 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).*

**THE METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)**

**\$89,480,000  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011**

**Dated: Date of Delivery**

**Due: July 1, as shown on inside cover**

The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") is issuing its \$89,480,000 General Obligation Refunding Bonds, Series 2011 (the "Bonds"). The Bonds are being issued pursuant to the provisions of Tennessee law described herein and pursuant to resolution of the Metropolitan County Council of the Metropolitan Government as further described herein.

The proceeds of the Bonds will be used to (i) refund certain maturities of the Metropolitan Government's currently outstanding bonds and (ii) pay certain costs of issuance of the Bonds.

The Bonds will be direct obligations of the Metropolitan Government for which its full faith and credit are pledged and shall be payable from ad valorem taxes to be levied on all taxable property within the Metropolitan Government without limitation as to rate or amount. See "SECURITY AND SOURCE OF PAYMENT" herein. The Metropolitan Government has never defaulted on its bonds or notes.

The Bonds shall be fully registered bonds without coupons in denominations of \$5,000 as described herein and integral multiples thereof, and when issued will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, ("DTC") to which principal and interest will be paid. Beneficial owners of the Bonds will not receive physical delivery of Bond certificates except as described herein. Deutsche Bank National Trust Company, Olive Branch, Mississippi, will serve as Registrar and Paying Agent (the "Registration Agent") for the Bonds.

The Bonds will be dated their date of delivery, will mature on July 1 in each of the years and in the principal amounts as specified on the inside cover and will bear interest from their date payable on January 1 and July 1 in each year beginning January 1, 2012, at the rates per annum specified on the inside cover. The Bonds are subject to optional and mandatory redemption as described herein.

The Bonds are offered for delivery when, as, and if issued, subject to the legal opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel to the Metropolitan Government. Certain legal matters will be passed on for the Metropolitan Government by the Metropolitan Deputy Director of Law and for the Underwriters by their counsel, Charles E. Carpenter, A Professional Corporation, Nashville, Tennessee and Wyatt Tarrant & Combs, LLP, Nashville, Tennessee. The Bonds will be available for delivery through DTC on or about September 29, 2011.

**J.P. MORGAN**

**JEFFERIES & COMPANY**

**MESIROW FINANCIAL, INC.**

**MORGAN KEEGAN**

**FIFTH THIRD SECURITIES**

**LOOP CAPITAL MARKETS, LLC**

**MORGAN STANLEY**

**RAYMOND JAMES**

**WILEY BROS-AINTREE CAPITAL LLC**

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND  
DAVIDSON COUNTY (TENNESSEE)**

**\$89,480,000  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011**

| <u>Maturity<br/>(July 1)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Yield</u> | <u>Initial<br/>CUSIP No.<sup>1</sup></u> |
|------------------------------|-----------------------------|--------------------------|--------------|--|
| 2012                         | \$4,885,000                 | 2.00%                    | 0.24%        | 592112HB5                                |
| 2013                         | 3,760,000                   | 3.00                     | 0.40         | 592112HC3                                |
| 2014                         | 3,910,000                   | 4.00                     | 0.54         | 592112HJ8                                |
| 2015                         | 100,000                     | 3.00                     | 0.72         | 592112HD1                                |
| 2015                         | 4,010,000                   | 5.00                     | 0.72         | 592112HK5                                |
| 2016                         | 500,000                     | 3.00                     | 1.10         | 592112HE9                                |
| 2016                         | 3,825,000                   | 5.00                     | 1.10         | 592112HL3                                |
| 2018                         | 500,000                     | 4.00                     | 1.73         | 592112HF6                                |
| 2018                         | 9,645,000                   | 5.00                     | 1.73         | 592112HM1                                |
| 2019                         | 10,920,000                  | 5.00                     | 2.05         | 592112HN9                                |
| 2020                         | 11,475,000                  | 5.00                     | 2.29         | 592112HP4                                |
| 2021                         | 12,065,000                  | 5.00                     | 2.49         | 592112HQ2                                |
| 2022*                        | 650,000                     | 4.00                     | 2.67         | 592112HG4                                |
| 2022*                        | 18,400,000                  | 5.00                     | 2.67         | 592112HR0                                |
| 2023*                        | 4,835,000                   | 5.00                     | 2.85         | 592112HH2                                |

\*Priced to July 1, 2021 par call.

<sup>1</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard and Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Services. The Metropolitan Government is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Metropolitan Government, the Underwriters or their respective consultants and attorneys. This Official Statement 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 it not guaranteed as to accuracy or completeness by, and it not to be construed as a representation by, the Underwriters.

This Official Statement is not to be construed as a contract with the purchaser of the Bonds. Statements contained in this Official Statement 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 Official Statement 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 Official Statement 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 Bonds are qualified in their entirety by reference to the form thereof included in the Bond Resolution (as defined herein), and the provisions with respect thereto included in the aforementioned documents and agreements.

**THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFICIAL STATEMENT 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 OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.**

**THE BONDS 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 BONDS 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 BONDS. 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 BONDS.**

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS A PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

For additional information regarding the following, please contact:

Metropolitan Government

Mr. Richard Riebeling  
Director of Finance for the  
Metropolitan Government  
Metropolitan Courthouse  
1 Public Square  
Suite 106  
Nashville, TN 37201  
(615) 862-6151

Official Statement

Mr. Lannie Holland  
Treasurer for the  
Metropolitan Government  
700 2<sup>nd</sup> Avenue South  
Suite 205  
Nashville, TN 37210  
(615) 862-6112

## TABLE OF CONTENTS

|   |     |
|---|-----|
| THE BONDS.....  | 2   |
| REDEMPTION PROVISIONS.....  | 4   |
| SECURITY AND SOURCE PAYMENT.....  | 5   |
| PLAN OF FINANCE.....  | 5   |
| SOURCES AND USES OF FUNDS.....  | 7   |
| CURRENT FINANCIAL CONSIDERATIONS.....   | 7   |
| SUMMARY OF GENERAL FUND, FISCAL YEARS 2006-2010.....  | 8   |
| ANTICIPATED FUTURE BORROWING PLANS.....   | 8   |
| INVESTMENT CONSIDERATIONS.....  | 8   |
| LITIGATION.....   | 11  |
| CERTAIN LEGAL MATTERS.....  | 11  |
| CONTINUING DISCLOSURE.....  | 11  |
| TAX MATTERS.....  | 12  |
| VERIFICATION OF DEFEASANCE.....   | 13  |
| RATINGS.....  | 13  |
| UNDERWRITING.....   | 14  |
| FINANCIAL ADVISOR.....  | 14  |
| INDEPENDENT AUDITORS.....   | 14  |
| FORWARD LOOKING STATEMENTS.....   | 15  |
| MISCELLANEOUS INFORMATION.....  | 15  |
| <br>  |     |
| APPENDIX A- ELECTRONIC LINK TO COMPREHENSIVE ANNUAL FINANCIAL REPORT<br>FOR THE METROPOLITAN GOVERNMENT FOR THE FISCAL YEAR ENDED JUNE 30, 2010 ..... | A-1 |
| <br>  |     |
| APPENDIX B- FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE<br>METROPOLITAN GOVERNMENT.....  | B-1 |
| <br>  |     |
| APPENDIX C- FORM OF OPINION OF BOND COUNSEL.....  | C-1 |
| <br>  |     |
| APPENDIX D- FORM OF CONTINUING DISCLOSURE CERTIFICATE.....  | D-1 |

**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          | Tony Tenpenny – District Council Member    |
| Ronnie Steine – Council Member At Large        | Sandra Moore – District Council Member     |
| Tim Garrett – Council Member At Large          | Burkley Allen – District Council Member    |
| Charlie Tygard – Council Member At Large       | Erica Gilmore – District Council Member    |
| Jerry Maynard – Council Member At Large        | Buddy Baker – District Council Member      |
| Lonnell Matthews Jr. – District Council Member | Edith Langster – District Council Member   |
| Frank Harrison – District Council Member       | Sherry Weiner – District Council Member    |
| Walter Hunt – District Council Member          | Emily Evans – District Council Member      |
| Michael Craddock – District Council Member     | Jason Holleman – District Council Member   |
| Jamie Hollin – District Council Member         | Sean McGuire – District Council Member     |
| Mike Jameson – District Council Member         | Chris Harmon – District Council Member     |
| Anthony Davis – District Council Member        | Davette Blalock – District Council Member  |
| Karen Bennett – District Council Member        | Duane A. Dominy – District Council Member  |
| Bill Pridemore – District Council Member       | Karen Y. Johnson – District Council Member |
| Doug Pardue – District Council Member          | Jason Potts – District Council Member      |
| Darren Jernigan – District Council Member      | Fabian Bedne – District Council Member     |
| Steve Glover – District Council Member         | Jacobia Dowell – District Council Member   |
| Carl Burch – District Council Member           | Robert Duvall – District Council Member    |
| Bruce Stanley – District Council Member        | Carter Todd – District Council Member      |
| Phil Claiborne – District Council Member       | Bo Mitchell – District Council Member      |

**Select Administrative Staff**

|  |   |
|--|---|
| Richard M. Riebeling – Director of Finance   | Wm. Michael Safley – Deputy Director of Law |
| Kim McDoniel – Assistant Director of Finance | Lannie Holland – Treasurer                  |
| Ana L. Escobar – Metropolitan Clerk          |   |

**Consultants and Advisors**

|                                       |  |
|---------------------------------------|--|
| Metropolitan Government Counsel ..... | Metropolitan Department of Law<br>Nashville, Tennessee |
| Bond Counsel .....                    | Bass, Berry & Sims PLC<br>Nashville, Tennessee         |
| Financial Advisor .....               | First Southwest Company<br>Dallas, Texas               |

**OFFICIAL STATEMENT  
RELATING TO  
THE METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY (TENNESSEE)  
\$89,480,000  
GENERAL OBLIGATION REFUNDING BONDS,  
SERIES 2011**

**INTRODUCTION**

The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Metropolitan Government") is issuing its \$89,480,000 General Obligation Refunding Bonds, Series 2011 (the "Bonds"). The Bonds 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 Bonds adopted by the Metropolitan Council on June 21, 2011 (the "Bond Resolution").

The proceeds of the Bonds will be used to (i) refund certain maturities of the Metropolitan Government's currently outstanding bonds, as further described in the "PLAN OF FINANCE" herein, and (ii) pay certain costs of issuance of the Bonds. The bonds being refunded by the Bonds are collectively referred to herein as the "Refunded Bonds."

The Bonds shall be issued as fully registered bonds without coupons and shall be dated as of their date of delivery. The principal of, interest on and premium, if any, on the Bonds shall be payable at the office of Deutsche Bank National Trust Company, Olive Branch, Mississippi, as Registrar and Paying Agent (the "Registration Agent"), as the same shall become due and payable.

The Bonds will bear interest at the rates specified on the inside cover page, payable semiannually on January 1 and July 1 in each year beginning January 1, 2012, and will be in denominations of \$5,000 or any integral multiple thereof and will mature on July 1 in each of the years and in the amounts as specified on the inside cover page. Interest on the Bonds will be paid by draft or check mailed to the person in whose name the Bond is registered in the bond registration books kept by the Registration Agent as Bond Registrar as of the close of business on the fifteenth day of the calendar month next preceding any interest payment date. As long as the Bonds are held by The Depository Trust Company, New York, New York, ("DTC") or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in next day funds on each interest payment date.

The Bonds will initially be issued in book-entry-only form and will be registered in the name of Cede & Co., as nominee of DTC. Purchases of the Bonds will be made in book-entry form through DTC Participants. No physical delivery of Bonds will be made to purchasers of the Bonds unless the book-entry-only system of registration is discontinued, or as may otherwise be provided herein. Payments on the Bonds will be made to bondholders by DTC through DTC Participants. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein.

All financial and other information presented in this Official Statement 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 Bonds and proceedings of the Metropolitan Government relating thereto are qualified in their entirety by reference to the form of the Bonds 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, 2010 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 Continuing Disclosure Certificate is attached as Appendix D.

Investors should consider the entire Official Statement 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 Official Statement for more complete information.

## THE BONDS

### Description of the Bonds

The Bonds 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 "Local Government Public Obligations Law" or "LGPOL") and the Bond Resolution. Proceeds of the Bonds will be used as set forth hereinafter under "Purpose" and in "PLAN OF FINANCE".

### Book-Entry-Only System

*This section describes how ownership of the Bonds is to be transferred and how the principal and interest on the Bonds are to be paid to and credited by DTC while the Bonds 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 Official Statement. 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 Bonds, 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 Bonds), 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 Official Statement. 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 Bonds. The Bonds 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 Bond will be issued for each maturity of the Bonds 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 Standard & Poor's rating: 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal of or interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the 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 Bonds 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, Bonds 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 Bonds will be printed and delivered.

### **Use of Certain Terms in Other Sections of This Official Statement**

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, 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 Bond 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 Underwriters.

### **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 Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution.

## **REDEMPTION PROVISIONS**

### **Optional Redemption**

The Bonds maturing July 1, 2022 and thereafter shall be subject to redemption prior to maturity at the option of the Metropolitan Government on July 1, 2021 and thereafter, as a whole or in part at any time, at a redemption price of par plus interest accrued to the redemption date.

If less than all of the Bonds are to be redeemed, the Registration Agent, upon written instruction from the Metropolitan Government, shall select the Bonds for redemption from such maturity dates and in such amounts as are selected by the Metropolitan Government, and if less than all the Bonds within a single maturity are to be redeemed, DTC or a successor depository shall select the Bonds from within such selected maturities by lot or such other manner as DTC or the successor depository shall determine. If less than all the Bonds within a single maturity are to be redeemed and the Bonds are no longer held under a book-entry system by DTC or a successor depository, the Registration Agent shall select the Bonds from within such selected maturities by lot or such other manner as the Registration Agent shall determine. In any event, the portion of any Bond to be redeemed in part shall be in the principal amount of \$5,000 or any integral multiple thereof.

### **Notice of Redemption**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Metropolitan Government not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. If at the time of the giving of the notice of optional or mandatory redemption there shall not be on deposit with the Registration Agent moneys sufficient to redeem all the Bonds of a series called for redemption, the notice of redemption shall state that the redemption of such Bonds of such series is conditional upon and subject to deposit of moneys with the Registration Agent sufficient to redeem all such Bonds not later than the opening of business on the redemption date and that such notice shall be of no effect if such moneys are not on deposit. The Registration Agent shall mail said notices, in the case of mandatory redemption, as and when provided herein and in the Bonds, and, in the case of optional redemption, as and when directed by the

Metropolitan Government pursuant to written instructions from an authorized officer of the Metropolitan Government given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent).

## SECURITY AND SOURCE OF PAYMENT

The Bonds 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 Bonds, 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 Bonds are issued, reference is hereby made to the Bond 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 \$4.69 per one hundred dollars of assessed property value be first approved by voter referendum prior to implementation by the Metropolitan Government. The current tax rate is \$4.13. The Charter amendment does not purport to specifically limit that portion of the tax rate allocable to the payment of debt service.

The LGPOL (pursuant to which the Bonds 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 Bonds. (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 Official Statement 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.

## PLAN OF FINANCE

The proceeds of the Bonds will be used to (i) refund certain maturities of the Metropolitan Government's currently outstanding bonds (the “Refunded Bonds”) and (ii) pay certain costs of issuance of the Bonds.

**REFUNDED BONDS**

**General Obligation Multi-Purpose Refunding Bonds, Series 2001B**

| <b><u>Maturity Date</u></b> | <b><u>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Redemption Date</u></b> | <b><u>Redemption Price</u></b> |
|-----------------------------|----------------------|-----------------------------|-------------------------------|--------------------------------|
| 10/15/2012                  | \$9,515,000          | 5.25%                       | 10/31/2011                    | 100.00                         |
| 10/15/2013                  | 3,620,000            | 5.25                        | 10/31/2011                    | 100.00                         |
| 10/15/2014                  | 3,835,000            | 5.50                        | 10/31/2011                    | 100.00                         |
| 10/15/2015                  | 4,070,000            | 5.50                        | 10/31/2011                    | 100.00                         |
| 10/15/2016                  | 4,310,000            | 5.50                        | 10/31/2011                    | 100.00                         |

**General Obligation Bonds, Series 2005A**

| <b><u>Maturity Date</u></b> | <b><u>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Redemption Date</u></b> | <b><u>Redemption Price</u></b> |
|-----------------------------|----------------------|-----------------------------|-------------------------------|--------------------------------|
| 01/01/2023                  | \$4,495,000          | 5.00%                       | 01/01/2015                    | 100.00                         |
| 01/01/2024                  | 4,720,000            | 5.00                        | 01/01/2015                    | 100.00                         |

**General Obligation Bonds, Series 2005C**

| <b><u>Maturity Date</u></b> | <b><u>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Redemption Date</u></b> | <b><u>Redemption Price</u></b> |
|-----------------------------|----------------------|-----------------------------|-------------------------------|--------------------------------|
| 02/01/2023                  | \$14,105,000         | 5.00%                       | 02/01/2015                    | 100.00                         |

**General Obligation Bonds, Series 2006B**

| <b><u>Maturity Date</u></b> | <b><u>Amount</u></b> | <b><u>Interest Rate</u></b> | <b><u>Redemption Date</u></b> | <b><u>Redemption Price</u></b> |
|-----------------------------|----------------------|-----------------------------|-------------------------------|--------------------------------|
| 08/01/2018                  | \$10,410,000         | 5.00%                       | 08/01/2016                    | 100.00                         |
| 08/01/2019                  | 10,940,000           | 5.00                        | 08/01/2016                    | 100.00                         |
| 08/01/2020                  | 11,500,000           | 5.00                        | 08/01/2016                    | 100.00                         |
| 08/01/2021                  | 12,090,000           | 5.00                        | 08/01/2016                    | 100.00                         |

A portion of the proceeds of the sale of the Bonds, together with other available funds of the Metropolitan Government, will be deposited in an escrow fund (the "Escrow Fund") to be created pursuant to an escrow agreement to be dated as of the date of the Bonds (the "Escrow Agreement"), between the Metropolitan Government and Deutsche Bank National Trust Company, Olive Branch, Mississippi, as escrow agent thereunder (the "Escrow Agent"), to be used, together with the earnings thereon, to pay in full and retire the Refunded Bonds. The Refunded Bonds will be paid in full on their maturity date or, if earlier, the first optional redemption date for each series of the Refunded Bonds, as listed above. The Escrow Agent shall invest monies on deposit in the Escrow Fund in direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof (the "Escrowed Securities"). The principal and interest on the Escrowed Securities will be verified by Grant Thornton LLP, Minneapolis, Minnesota (see "VERIFICATION OF DEFEASANCE" herein) to be sufficient to provide for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds.

Neither principal of, redemption premium, if any, nor the interest on the Escrowed Securities will be available for the payment of the Bonds. Upon deposit of the Escrowed Securities and moneys in the Escrow Fund and in compliance with provisions of the resolutions pursuant to which the Refunded Bonds were issued, the Refunded Bonds will be deemed paid and all covenants, agreements and obligations of the Metropolitan Government to the holders of the Refunded Bonds shall cease, terminate and become void and be discharged and satisfied.

## SOURCES AND USES OF FUNDS

The table below sets forth the sources and uses of funds in connection with the issuance of the Bonds.

### SOURCES

|                        |                                 |
|------------------------|---------------------------------|
| Par Amount             | \$ 89,480,000.00                |
| Original Issue Premium | 16,029,978.15                   |
| Issuer Contribution    | <u>1,997,224.17</u>             |
| <b>Total Sources</b>   | <b>\$ <u>107,507,202.32</u></b> |

### USES

|                                  |                                 |
|----------------------------------|---------------------------------|
| Deposit to Escrow Fund           | \$ 106,810,000.00               |
| Costs of Issuance <sup>(1)</sup> | <u>697,202.32</u>               |
| <b>Total Uses</b>                | <b>\$ <u>107,507,202.32</u></b> |

(1) Includes underwriters' discount, legal counsel fees, financial advisor fees, rating agencies fees, printing and mailing expenses and other costs of issuance of the Bonds.

## CURRENT FINANCIAL CONSIDERATIONS

In Fiscal Year 2010, the Metropolitan Government experienced a decline in local option sales tax revenues, resulting in collections of \$16.6 million less than budgeted. However, this decline was offset by \$30.1 million more in property tax collections than budgeted. When combined with budgeted expense savings, revenues and expenditures for Fiscal Year 2010, the Metropolitan Government's undesignated fund balance in the General Fund increased by \$11.7 million.

The Fiscal Year 2011 budget of \$1.524 billion reflected an \$18 million decrease (1.2%) from the Fiscal Year 2010 adopted budget. The budget included approximately \$8 million in reductions to the various departmental budgets, but also included additional funding for public education (\$25 million), employee benefits (\$28 million), and contractual and other obligations (\$20 million). In addition, based on the sale of the Series 2010A Bonds and Series 2010C Bonds issued on June 3, 2010, the budget provided for reduced debt service payments for the next two fiscal years. Although the audited financial statements for Fiscal Year 2011 are not yet available, current projections are for net Fiscal Year 2011 revenues and expenses to be near budgeted levels.

The Fiscal Year 2012 budget of \$1.58 billion has been adopted and represents a \$61 million increase (4%) from Fiscal Year 2011. Budgeted revenues include a \$5.4 million decrease in property tax, \$11 million increase in sales tax, \$29 million increase from federal, state and other governmental grants and an increase of \$2.4 million in other revenue sources. In addition, \$24.6 million of fund balance is being appropriated. The budget continues the Metropolitan Government's commitment to education, public safety, livability and economic development, with the largest budget increase in education (\$37 million). The maximum for any department budget decrease was 3.0%.

During early May 2010, the Nashville metropolitan area experienced record rainfalls that caused major flooding issues in many areas of Davidson County. On May 4, 2010, President Obama declared several counties in Tennessee, including Davidson, a major disaster area, thus making the area eligible for federal aid. In addition to federal aid, the Metropolitan Government has flood insurance to cover a portion of the damages. Flood-related claims are estimated to total \$153.5 million. Of this total, \$55.2 million is for the water and sewer system and funded from water and sewer system funds or borrowings and not general obligation bonds or general funds of the Metropolitan Government. The Metropolitan Government has spent \$85.7 million on flood-related expenses, of which \$34.8 million was for the water and sewer system. Reimbursements of \$55.1 million for such expenses have been received, including \$52 million in insurance payments and \$3 million in federal reimbursements. The Metropolitan Government anticipates its portion of funding for the flood damage to be less than 5% of the total repair cost.

**SUMMARY OF GENERAL FUND, FISCAL YEARS 2006-2010**  
(in thousands of dollars)

|                                   | 2010     | 2009     | 2008     | 2007     | 2006     |
|-----------------------------------|----------|----------|----------|----------|----------|
| Beginning Fund Balance            | \$79,727 | \$63,118 | \$60,586 | \$46,934 | \$37,277 |
| Revenues                          | 751,517  | 773,119  | 799,054  | 789,846  | 776,280  |
| Expenditures                      | -720,494 | -717,153 | -755,763 | -735,826 | -722,217 |
| Other Financing Sources<br>(Uses) | -49,850  | -39,357  | -40,759  | -40,368  | -44,406  |
| Ending Fund Balance               | \$60,900 | \$79,727 | \$63,118 | \$60,586 | \$46,934 |
| Unreserved Fund Balance           | \$59,061 | \$47,338 | \$33,482 | \$39,344 | \$43,460 |

Source: Metropolitan Government Department of Finance

**ANTICIPATED FUTURE BORROWING PLANS**

The Metropolitan Government does not anticipate issuing additional general obligation bonds during the remainder of calendar year 2011. A capital spending plan for Fiscal Year 2012 is under consideration by the administration but no decision has been made on the projects to be included or the dollar amount of the plan. Any such plan requires the approval of the Metropolitan County Council. Work on projects approved in previous capital budgets continues. The Metropolitan Government finances many authorized capital projects with its commercial paper program and ultimately through long-term general obligation debt. The Metropolitan Government has approximately \$105 million outstanding in commercial paper and authority to issue up to \$295 million in additional commercial paper.

**INVESTMENT CONSIDERATIONS**

**General**

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Metropolitan Government to pay principal of and interest on the Bonds, and which could also affect the marketability of or the market price for the Bonds.

The purchase of the Bonds involves certain investment considerations that are discussed throughout this Official Statement. Certain of these investment considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of the information presented in this Official Statement. Each prospective purchaser of any Bonds should read this Official Statement in its entirety and consult such prospective purchaser's own investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing an investment such as the Bonds.

**American Jobs Act of 2011**

On September 12, 2011, President Obama submitted to Congress the "American Jobs Act of 2011" (the "American Jobs Act"), which, if enacted as proposed, could result in additional federal income tax being imposed on certain owners of tax-exempt obligations, including the Bonds, for tax years beginning on or after January 1, 2013 and would apply to bonds issued before the effective date as well as to bonds issued on and after that effective date. As proposed, the American Jobs Act would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest, to 28 percent irrespective of the actual marginal tax rate imposed on such taxpayers. The American Jobs Act or other proposed legislation, if enacted, could directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from

gross income for federal income tax purposes, and could directly or indirectly reduce or eliminate the exemption of interest on the Bonds from personal income taxation by the State. The introduction or enactment of the American Jobs Act or other proposed legislation could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to the American Jobs Act or other pending or proposed tax legislation.

### **Ratings**

There is no assurance that the ratings assigned to the Bonds at the time of issuance (see "RATINGS") will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds.

### **Secondary Market Prices**

No assurance can be given that a secondary market for any of the Bonds will be available, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an owner thereof determines to solicit purchasers of the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current owner of the Bonds, depending on existing market conditions and other factors.

[Remainder of Page Intentionally Left Blank]

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
LONG-TERM GENERAL OBLIGATION DEBT SERVICE SCHEDULE**

| Period<br>Ending | Outstanding Debt Service |                      |                      | Less Refunded Debt Service |                     |                      | Plus Series 2011 Debt Service |                     |                      | Total<br>Debt Service  |
|------------------|--------------------------|----------------------|----------------------|----------------------------|---------------------|----------------------|-------------------------------|---------------------|----------------------|------------------------|
|                  | Principal                | Interest(1)          | Total                | Principal                  | Interest            | Total                | Principal                     | Interest            | Total                |                        |
| 6/30/12          | \$ 9,710,000             | \$ 95,264,498        | \$104,974,498        | \$ -                       | \$ 3,067,913        | \$ 3,067,913         | -                             | \$1,070,688         | \$ 1,070,688         | \$ 102,977,273         |
| 6/30/13          | 48,140,000               | 94,220,194           | 142,360,194          | 9,515,000                  | 4,524,644           | 14,039,644           | 4,885,000                     | 4,140,800           | 9,025,800            | 137,346,350            |
| 6/30/14          | 93,110,000               | 91,723,521           | 184,833,521          | 3,620,000                  | 4,179,850           | 7,799,850            | 3,760,000                     | 4,035,000           | 7,795,550            | 184,829,221            |
| 6/30/15          | 108,735,000              | 87,183,851           | 195,918,851          | 3,835,000                  | 3,979,363           | 7,814,363            | 3,910,000                     | 3,900,950           | 7,810,950            | 195,915,438            |
| 6/30/16          | 111,570,000              | 82,567,340           | 194,137,340          | 4,070,000                  | 3,761,975           | 7,831,975            | 4,110,000                     | 3,721,000           | 7,831,000            | 194,136,365            |
| 6/30/17          | 119,640,000              | 76,372,243           | 196,012,243          | 4,310,000                  | 3,531,525           | 7,841,525            | 4,325,000                     | 3,516,125           | 7,841,125            | 196,011,843            |
| 6/30/18          | 124,985,000              | 71,027,513           | 196,012,513          | -                          | 3,413,000           | 3,413,000            | -                             | 3,413,000           | 3,413,000            | 196,012,513            |
| 6/30/19          | 130,875,000              | 65,127,170           | 196,002,170          | 10,410,000                 | 3,152,750           | 13,562,750           | 10,145,000                    | 3,161,875           | 13,306,875           | 195,746,295            |
| 6/30/20          | 117,435,000              | 59,212,890           | 176,647,890          | 10,940,000                 | 2,619,000           | 13,559,000           | 10,920,000                    | 2,637,750           | 13,557,750           | 176,646,640            |
| 6/30/21          | 113,570,000              | 53,539,660           | 167,109,660          | 11,500,000                 | 2,058,000           | 13,558,000           | 11,475,000                    | 2,077,875           | 13,552,875           | 167,104,535            |
| 6/30/22          | 120,130,000              | 47,825,953           | 167,955,953          | 12,090,000                 | 1,468,250           | 13,558,250           | 12,065,000                    | 1,489,375           | 13,554,375           | 167,952,078            |
| 6/30/23          | 125,770,000              | 42,213,818           | 167,983,818          | 18,600,000                 | 1,166,000           | 19,766,000           | 19,050,000                    | 714,750             | 19,764,750           | 167,982,568            |
| 6/30/24          | 130,610,000              | 36,028,040           | 166,638,040          | 4,720,000                  | 236,000             | 4,956,000            | 4,835,000                     | 120,875             | 4,955,875            | 166,637,915            |
| 6/30/25          | 122,730,000              | 29,930,160           | 152,660,160          | -                          | -                   | -                    | -                             | -                   | -                    | 152,660,160            |
| 6/30/26          | 99,105,000               | 24,053,643           | 123,158,643          | -                          | -                   | -                    | -                             | -                   | -                    | 123,158,643            |
| 6/30/27          | 81,275,000               | 19,205,095           | 100,480,095          | -                          | -                   | -                    | -                             | -                   | -                    | 100,480,095            |
| 6/30/28          | 68,825,000               | 15,428,152           | 84,253,152           | -                          | -                   | -                    | -                             | -                   | -                    | 84,253,152             |
| 6/30/29          | 31,955,000               | 11,774,938           | 43,729,938           | -                          | -                   | -                    | -                             | -                   | -                    | 43,729,938             |
| 6/30/30          | 33,200,000               | 9,982,127            | 43,182,127           | -                          | -                   | -                    | -                             | -                   | -                    | 43,182,127             |
| 6/30/31          | 29,065,000               | 8,119,777            | 37,184,777           | -                          | -                   | -                    | -                             | -                   | -                    | 37,184,777             |
| 6/30/32          | 30,170,000               | 6,429,506            | 36,599,506           | -                          | -                   | -                    | -                             | -                   | -                    | 36,599,506             |
| 6/30/33          | 31,320,000               | 4,674,889            | 35,994,889           | -                          | -                   | -                    | -                             | -                   | -                    | 35,994,889             |
| 6/30/34          | 32,510,000               | 2,853,500            | 35,363,500           | -                          | -                   | -                    | -                             | -                   | -                    | 35,363,500             |
| 6/30/35          | <u>33,745,000</u>        | <u>962,914</u>       | <u>34,707,914</u>    |                            |                     |                      |                               |                     |                      | <u>34,707,914</u>      |
|                  | <u>1,948,180,000</u>     | <u>1,035,721,393</u> | <u>2,983,901,393</u> | <u>\$93,610,000</u>        | <u>\$37,158,269</u> | <u>\$130,768,269</u> | <u>\$89,480,000</u>           | <u>\$34,000,613</u> | <u>\$123,480,613</u> | <u>\$2,976,613,738</u> |

(1) Does not include direct pay subsidy on outstanding bonds

## LITIGATION

At the time of original delivery of the Bonds, there will also be furnished to the Underwriters a certificate of certain officers of the Metropolitan Government stating that except as disclosed in the Official Statement there is no litigation then pending, or to their knowledge threatened, affecting the validity of the Bonds or the power of the Metropolitan Government to levy and collect ad valorem taxes to pay them.

The Metropolitan Government is a party to various lawsuits in the normal course of business. It is the opinion of the Deputy 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.

## CERTAIN LEGAL MATTERS

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix C will be delivered with the Bonds. Other than the descriptions of legal documents and Bond Counsel's legal opinion set forth herein under the captions "THE BONDS" (other than the information relating to DTC and its book-entry system), "SECURITY AND SOURCE OF PAYMENT" (excluding financial and statistical data as to which no opinion is expressed), "TAX MATTERS," and APPENDIX C – FORM OF OPINION OF BOND COUNSEL, which have been reviewed by Bond Counsel, Bond Counsel has not undertaken any responsibility for any of the information contained in this Official Statement. Certain legal matters with respect to the Metropolitan Government will be passed upon by its Deputy Director of Law. Certain legal matters will be passed upon for the Underwriters by their counsel Charles E. Carpenter, A Professional Corporation, Nashville, Tennessee and Wyatt Tarrant & Combs, LLP, Nashville, Tennessee.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

## CONTINUING DISCLOSURE

In connection with the issuance of the Bonds and to assist the Underwriters in complying with Rule 15c2-12 (the "Rule") promulgated by the SEC under the Securities Exchange Act of 1934, as amended, the Metropolitan Government has executed the Continuing Disclosure Certificate. The Metropolitan Government has covenanted for the benefit of the holders of the Bonds that, consistent with the Rule, it will provide: annual financial information for the Metropolitan Government, including audited financial statements of the Metropolitan Government for each fiscal year ending on and after June 30, 2011, in a timely manner, and notices of certain events with respect to the Bonds. The proposed form of the Continuing Disclosure Certificate is in Appendix D hereto.

The Metropolitan Government has agreed to provide the foregoing information only as described in the Continuing Disclosure Certificate. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

The Metropolitan Government has been in compliance with its undertakings under the Rule.

## TAX MATTERS

### Tennessee State Tax Exemption

Under existing law, the Bonds 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 Bonds during the period the Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State.

### Federal Tax Exemption

*General.* Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Bond Counsel is of the opinion that, under existing law, relying on certain statements by the Metropolitan Government and assuming compliance by the Metropolitan Government with certain covenants, interest on the Bonds is:

- excluded from a bondholder's federal gross income under the Code; and
- not a preference item for a bondholder under the federal alternative minimum tax; but
- taken into account in determining the adjusted current earnings of certain corporations for purposes of the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the Metropolitan Government must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the Metropolitan Government does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds 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.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder 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 Tax-Exempt Bonds.

If a bondholder 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 Bonds or affect the market price of the Bonds.

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 Bonds, or under state, local or foreign tax law.

*Bond Premium.* If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bond. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any premium Bond, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

*Miscellaneous.* Tax legislation, administrative actions taken by tax authorities, and court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

### **VERIFICATION OF DEFEASANCE**

Grant Thornton LLP, Minneapolis, Minnesota, ("Grant Thornton") a firm of independent public accountants, will deliver to the Metropolitan Government, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Metropolitan Government and its representatives. Included in the scope of its verification will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the securities in the Escrow Fund to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The verification performed by Grant Thornton will be solely based upon data, information and documents provided to Grant Thornton by the Metropolitan Government and its representatives. The Grant Thornton report of its verification will state that Grant Thornton has no obligation to update such report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

### **RATINGS**

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have assigned ratings of Aa1 and AA, respectively, to the Bonds. 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 Official Statement, 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 Bonds.

## **UNDERWRITING**

The Underwriters of the Bonds have agreed, subject to certain conditions, to purchase all of the Bonds from the Metropolitan Government at an aggregate purchase price to be paid by the Underwriters of \$105,098,442.95 (representing the principal amount of the Bonds of \$89,480,000.00 plus an original issue premium of \$16,029,978.15, less an Underwriters' discount of \$411,535.20). The Bond Purchase Agreement between the Metropolitan Government and the Underwriters provides, with respect to the Bonds, that all of the Bonds will be purchased by the Underwriters, if any of the Bonds of such issue are purchased.

The Bonds will be offered at the respective initial public offering prices or yields shown on the inside cover page of this Official Statement. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. Following the initial public offering, the initial public offering prices may be changed from time to time by the Underwriters in their discretion.

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

## **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the Metropolitan Government in connection with the issuance of the Bonds. The Financial Advisor's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. 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 Bonds 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 Official Statement: The Financial Advisor has reviewed the information in this Official Statement 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.

## **INDEPENDENT AUDITORS**

An electronic link to the Metropolitan Government's comprehensive annual financial statements as of the fiscal year ended June 30, 2010 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 procedures on the financial statements addressed in that report and has not performed any procedures relating to this Official Statement.

## FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, 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 Official Statement 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 are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and 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 Official Statement would prove to be accurate.

In considering the matters set forth in this Official Statement, prospective investors should carefully review all information included herein (particularly the information under the captions "INVESTMENT CONSIDERATIONS" and "FORWARD LOOKING STATEMENTS") to identify any investment considerations. Potential investors should be thoroughly familiar with this entire Official Statement 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 Bonds.

## MISCELLANEOUS INFORMATION

There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information. Reference is made to original documents in all respects. This Official Statement, and the execution and delivery of this Official Statement, were authorized by the Metropolitan Government.

THE METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY

/s/ Karl F. Dean  
Metropolitan Mayor

/s/ Richard M. Riebeling  
Director of Finance

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A**

**ELECTRONIC LINK TO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE METROPOLITAN GOVERNMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

[THIS PAGE INTENTIONALLY LEFT BLANK]

### **General Purpose Financial Statements**

Audited Financial Statements of the Metropolitan Government and supplementary information as of and for the fiscal year ending June 30, 2010, together with the independent auditors' report from Crosslin & Associates, are available through the website of the Metropolitan Government's Department of Finance at [www.nashville.gov/finance/investor-relations/investor\\_relations.asp](http://www.nashville.gov/finance/investor-relations/investor_relations.asp) 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 procedures on the financial statements addressed in that report and has not performed any procedures relating to this Official Statement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX B**

**FINANCIAL AND DEMOGRAPHIC INFORMATION RELATED TO THE METROPOLITAN GOVERNMENT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## FINANCIAL 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 1<sup>st</sup>. 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 1<sup>st</sup>, 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 2011-2012 Capital Improvements Budget, which are given priority for funding by the Mayor and the Metropolitan County Council for fiscal year 2011-2012 and the following five fiscal years. See "CURRENT FINANCIAL CONSIDERATIONS" in the Official Statement to which this Appendix B is attached for additional information regarding future funding of capital projects.

[Remainder of Page Intentionally Left Blank]

**2011-2012 to 2016-2017 Mayor's Recommended Capital Improvements Budget - By Agency \***

| <b>Departments</b>              | <b>2011-12</b>         | <b>% of '11-<br/>'12<br/>Total</b> | <b>2012-13</b>       | <b>2013-14</b>       | <b>2014-15</b>       | <b>2015-16</b>       | <b>2016-17</b>       | <b>Total</b>           | <b>% of '12-<br/>'17<br/>Total</b> |
|---------------------------------|------------------------|------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------------------|
| Bordeaux Long Term Care         | \$1,035,200            | 0.083%                             | \$914,600            | \$547,400            |                      |                      |                      | 2,497,200              | 0.080%                             |
| District Energy System - USD    | 1,670,000              | 0.134%                             | 1,950,000            | 900,000              | 650,000              | 650,000              |                      | 5,820,000              | 0.187%                             |
| Election Commission             | 893,700                | 0.072%                             |                      |                      |                      |                      |                      | 893,700                | 0.029%                             |
| Farmer's Market                 | 536,000                | 0.043%                             |                      |                      |                      |                      |                      | 536,000                | 0.017%                             |
| Finance                         | 187,000,000            | 15.051%                            | 2,000,000            | 2,000,000            | 2,000,000            |                      |                      | 193,000,000            | 6.187%                             |
| Fire Department - GSD           | 43,120,900             | 3.471%                             | 16,330,600           |                      |                      |                      |                      | 59,451,500             | 1.906%                             |
| Fire Department - USD           | 250,000                | 0.020%                             |                      |                      |                      |                      |                      | 250,000                | 0.008%                             |
| General Hospital                | 4,597,900              | 0.370%                             | 280,000              | 280,000              |                      |                      |                      | 5,157,900              | 0.165%                             |
| General Services                | 108,905,900            | 8.766%                             | 7,050,000            | 4,500,000            |                      |                      |                      | 120,455,900            | 3.861%                             |
| General Sessions Court          | 1,150,000              | 0.093%                             |                      |                      |                      |                      |                      | 1,150,000              | 0.037%                             |
| Health                          | 39,500,000             | 3.179%                             |                      |                      |                      |                      |                      | 39,500,000             | 1.266%                             |
| Historical Commission           | 1,962,000              | 0.158%                             |                      |                      |                      |                      |                      | 1,962,000              | 0.063%                             |
| Human Resources                 | 350,000                | 0.028%                             |                      |                      |                      |                      |                      | 350,000                | 0.011%                             |
| Information Technology Services | 19,265,600             | 1.551%                             | 992,300              | 992,300              | 992,300              |                      |                      | 22,242,500             | 0.713%                             |
| Justice Integration Services    | 712,700                | 0.057%                             |                      |                      |                      |                      |                      | 712,700                | 0.023%                             |
| Juvenile Court                  | 1,271,000              | 0.102%                             |                      |                      |                      |                      |                      | 1,271,000              | 0.041%                             |
| Juvenile Court Clerk            | 380,000                | 0.031%                             |                      |                      |                      |                      |                      | 380,000                | 0.012%                             |
| Knowles Home                    | 259,100                | 0.021%                             | 100,000              | 181,100              |                      |                      |                      | 540,200                | 0.017%                             |
| Metro Action Commission         | 11,637,800             | 0.937%                             | 120,000              |                      |                      |                      |                      | 11,757,800             | 0.377%                             |
| MNPS (Schools)                  | 90,741,000             | 7.304%                             | 86,714,000           | 87,023,000           | 88,476,000           | 83,870,000           | 80,226,000           | 517,050,000            | 16.575%                            |
| MTA                             | 13,961,000             | 1.124%                             | 500,000              |                      |                      |                      |                      | 14,461,000             | 0.464%                             |
| Municipal Auditorium            | 1,393,000              | 0.112%                             | 550,000              | 60,000               |                      | 744,000              |                      | 2,747,000              | 0.088%                             |
| Parks & Recreation              | 56,250,000             | 4.527%                             | 22,872,500           | 100,000              |                      |                      |                      | 79,222,500             | 2.540%                             |
| Planning - GSD                  | 5,900,000              | 0.475%                             | 4,700,000            | 4,700,000            | 4,700,000            |                      |                      | 20,000,000             | 0.641%                             |
| Planning - USD                  | 250,000                | 0.020%                             |                      |                      |                      |                      |                      | 250,000                | 0.008%                             |
| Police                          | 47,323,500             | 3.809%                             |                      |                      |                      |                      |                      | 47,323,500             | 1.517%                             |
| Public Library                  | 27,463,700             | 2.211%                             | 5,292,700            | 5,897,100            | 9,524,900            | 8,820,200            | 8,768,700            | 65,767,300             | 2.108%                             |
| Public Works - GSD              | 476,238,798            | 38.332%                            | 189,621,000          | 169,400,500          | 171,280,000          | 450,822,000          | 228,790,000          | 1,686,152,298          | 54.052%                            |
| Public Works - USD              | 79,672,182             | 6.413%                             | 23,512,890           | 24,094,918           | 20,100,000           | 28,300,000           | 20,175,000           | 195,854,990            | 6.278%                             |
| Sheriff                         | 1,681,000              | 0.135%                             | 2,000,000            | 1,500,000            | 500,000              |                      |                      | 5,681,000              | 0.182%                             |
| Social Services                 | 772,500                | 0.062%                             |                      |                      |                      |                      |                      | 772,500                | 0.025%                             |
| Sports Authority                | 15,984,500             | 1.287%                             |                      |                      |                      |                      |                      | 15,984,500             | 0.512%                             |
| State Fair Board                | 285,000                | 0.023%                             |                      |                      |                      |                      |                      | 285,000                | 0.009%                             |
| <b>Totals</b>                   | <b>\$1,242,413,980</b> | <b>100.000%</b>                    | <b>\$365,500,590</b> | <b>\$302,176,318</b> | <b>\$298,223,200</b> | <b>\$573,206,200</b> | <b>\$337,959,700</b> | <b>\$3,119,479,988</b> | <b>100.000%</b>                    |

\* Excludes agencies funded by sources other than the general obligation of the Metropolitan Government

[Remainder of Page Intentionally Left Blank]

## 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 the CAFR are available on the Metropolitan Government's website, [www.nashville.gov/finance/investor-relations/investor\\_relations.asp](http://www.nashville.gov/finance/investor-relations/investor_relations.asp).

The Metropolitan Government manages its financial reporting through the use of categories of fund types and account groups.

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. For the year ended June 30, 2010, these services included fleet management, information systems, radio maintenance, insurance, central storeroom, 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 purchaser 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, 2010, property taxes totaled \$792.9 million dollars and accounted for 57.34% of all revenues available to the GSD General Fund and for GSD Debt Service; 78.43% of all revenues available to the USD General and Debt Service Funds; 39.43% of revenues available to the Schools funds, including Debt Service; and 0.59% of revenues available to the other governmental funds. Sales tax collections totaled \$256.2 million in the fiscal year ended June 30, 2010. 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. For a discussion of this tax and this Charter amendment, see "PROPERTY TAXES" herein and "THE BONDS – SECURITY AND SOURCE OF PAYMENT" in the Official Statement to which this Appendix B is attached.

**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.

## PROPERTY TAXES

### Rates of Tax Levy

An annual tax is levied on all taxable property within the GSD and an additional tax is levied on all taxable property within the USD. Every four years, the Assessor's Office – as required by State law – conducts a reappraisal of the value of all property in the Metropolitan Government. This process is done to periodically adjust recorded property assessments to generally reflected market values. The most recent reappraisal was completed in 2009.

State law requires that this reappraisal be revenue neutral for the taxing authority. This means that as the aggregated value of property changes, the tax rate must change as well to ensure that the local government receives the same amount of revenue. For example, if property in the Metropolitan Government collectively increases in value, the actual property tax rate must drop so that the revenue collected remains the same. The 2009 reappraisal showed an increase in aggregate property values, so to remain revenue neutral the certified combined GSD/USD tax rate dropped to \$4.13 per \$100 of assessed value from its pre-assessment level of \$4.69. The tax rate for Fiscal Year 2012 remains at \$4.13.

| FY 2011 Property Tax Distribution<br>(Rates per \$100 of Assessed Value) |                         |  |          |
|--|-------------------------|--|----------|
| District   | Fund                    |  | 2011Rate |
| GSD<br>(General<br>Services<br>District)                                 | General                 |  | \$1.82   |
|  | Schools General Purpose |  | 1.17     |
|  | General Debt Service    |  | 0.42     |
|  | Schools Debt Service    |  | 0.15     |
|  | Subtotal - GSD          |  | \$3.56   |
| USD (Urban<br>Services<br>District)                                      | General                 |  | 0.46     |
|  | General Debt Service    |  | 0.11     |
|  | Subtotal - USD          |  | \$0.57   |
| Combined USD/GSD rate  |                         |  | \$ 4.13  |

[Remainder of Page Intentionally Left Blank]

The following table is a statement of the composition of rates of tax levy for the last ten fiscal years.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
Unaudited - See Accompanying Accountants' Report

| Fiscal Year | General Services District |                             |                       |                          |                | Urban Services District |                       |                | Total Direct Tax Rate |
|-------------|---------------------------|-----------------------------|-----------------------|--------------------------|----------------|-------------------------|-----------------------|----------------|-----------------------|
|             | GSD General Fund (1)      | General Purpose School Fund | GSD Debt Service Fund | School Debt Service Fund | Total GSD Rate | USD General Fund (1)    | USD Debt Service Fund | Total USD Rate |                       |
| 2000-01     | \$ 1.68                   | \$ 0.96                     | \$ 0.50               | \$ 0.25                  | \$ 3.39        | \$ 0.74                 | \$ 0.11               | \$ 0.85        | \$ 4.24               |
| 2001-02 (2) | 1.97                      | 1.24                        | 0.43                  | 0.20                     | 3.84           | 0.64                    | 0.10                  | 0.74           | 4.58                  |
| 2002-03 (3) | 1.94                      | 1.27                        | 0.43                  | 0.20                     | 3.84           | 0.64                    | 0.10                  | 0.74           | 4.58                  |
| 2003-04     | 1.94                      | 1.27                        | 0.43                  | 0.20                     | 3.84           | 0.64                    | 0.10                  | 0.74           | 4.58                  |
| 2004-05     | 1.94                      | 1.27                        | 0.43                  | 0.20                     | 3.84           | 0.64                    | 0.10                  | 0.74           | 4.58                  |
| 2005-06 (2) | 2.00                      | 1.33                        | 0.54                  | 0.17                     | 4.04           | 0.56                    | 0.09                  | 0.65           | 4.69                  |
| 2006-07 (3) | 2.07                      | 1.33                        | 0.47                  | 0.17                     | 4.04           | 0.56                    | 0.09                  | 0.65           | 4.69                  |
| 2007-08 (3) | 2.06                      | 1.33                        | 0.48                  | 0.17                     | 4.04           | 0.56                    | 0.09                  | 0.65           | 4.69                  |
| 2008-09 (3) | 2.06                      | 1.33                        | 0.48                  | 0.17                     | 4.04           | 0.53                    | 0.12                  | 0.65           | 4.69                  |
| 2009-10 (4) | 1.82                      | 1.17                        | 0.42                  | 0.15                     | 3.56           | 0.46                    | 0.11                  | 0.57           | 4.13                  |

Tax rates are per \$100 of assessed valuation. Payments may be made through February 28 of the year following the year of assessment and levy without penalty.

On November 7, 2006, voters approved a ballot initiative prohibiting the Metropolitan Council from raising real property tax rates from their current and future levels without the approval of the voters in a referendum. Prior to the adoption of the ballot proposal, the Metropolitan Council was authorized to set the real property tax rate without any requirement of voter approval. The Government's legal department has issued a memo stating that the approved initiative violates the Tennessee Constitution because it places the power to set property tax rates with voters, rather than with the Metropolitan Council, as prescribed by the Constitution. However, the Government cannot predict whether there will be a court challenge as to the constitutionality of the approved initiative. If there is a challenge, the Government cannot predict the timing or be certain of the outcome of any court challenge as to the constitutionality of the approved initiative.

- (1) A portion of the revenue of the GSD General Fund generated from the tax levy collected for the area of the USD is recorded in the USD General Fund. Referred to as the levy for fire protection service, this amount of the levy has ranged from \$.12 to \$.07 over the last ten years.
- (2) The State mandates a reappraisal valuation of property within Davidson County every four years resulting in a reduction of the combined GSD-USD tax rate. Also, the combined GSD-USD tax rate was increased by the Metropolitan Council and reallocated among the funds receiving property tax revenue. The rates above reflect the net change of the reappraisal valuation and the increase and reallocation by the Metropolitan Council.
- (3) In these fiscal years, the property tax rate was reallocated among the funds receiving property tax revenue.
- (4) The State mandates a reappraisal valuation of property within Davidson County every four years resulting in a reduction of the combined GSD-USD tax rate. Also, the combined GSD-USD tax rate was reallocated among the funds receiving property tax revenue. The rates above reflect the net change of the reappraisal valuation and the reallocation by the Metropolitan Council.

**Source: The Metropolitan Government CAFR as of June 30, 2010**

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF GENERAL SERVICES DISTRICT TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**Unaudited**

| Fiscal Year | Realty           | Personalty     | Public Utility | Total Taxable Assessed Value | Total GSD Tax Rate (1) | Total Estimated Actual Property Value | Assessed Value as a Percentage of Actual Value |
|-------------|------------------|----------------|----------------|------------------------------|------------------------|---------------------------------------|--|
| 2000-01     | \$ 9,878,422,974 | \$ 953,834,854 | \$ 557,537,258 | \$ 11,389,795,086            | \$ 3.39                | \$ 39,576,025,308                     | 28.78 %  |
| 2001-02     | 11,649,748,674   | 1,059,163,097  | 664,461,669    | 13,373,373,440               | 3.84                   | 42,634,022,131                        | 31.37  |
| 2002-03     | 11,792,547,023   | 1,025,692,548  | 645,179,869    | 13,463,419,440               | 3.84                   | 42,988,853,105                        | 31.32  |
| 2003-04     | 11,809,122,372   | 917,401,480    | 553,940,253    | 13,280,464,105               | 3.84                   | 45,150,830,802                        | 29.41  |
| 2004-05     | 11,933,712,504   | 907,818,023    | 590,493,038    | 13,432,023,565               | 3.84                   | 45,746,447,359                        | 29.36  |
| 2005-06     | 13,962,265,146   | 963,153,348    | 608,300,242    | 15,533,718,736               | 4.04                   | 50,477,218,642                        | 30.77  |
| 2006-07     | 14,249,283,812   | 1,026,510,506  | 622,162,501    | 15,897,956,819               | 4.04                   | 51,736,469,429                        | 30.73  |
| 2007-08     | 14,562,824,424   | 1,004,636,613  | 585,267,521    | 16,152,728,558               | 4.04                   | 60,386,015,276                        | 26.75  |
| 2008-09     | 14,949,650,247   | 1,003,474,654  | 601,229,146    | 16,554,354,047               | 4.04                   | 61,881,138,204                        | 26.75  |
| 2009-10     | 17,452,127,001   | 1,118,966,031  | 651,277,995    | 19,222,371,027               | 3.56                   | 63,157,226,914                        | 30.44  |

Assessment date: January 1 (Pick-up assessments and cancellations for each year in minor amounts are not reflected in above figures).

Tax levy:

Ratio of assessed value

to appraised value: Commercial and industrial properties - 40% for real property and 30%  
for tangible personal property  
Farm and residential properties - 25%  
Public utilities - 55%

Note: The State mandates a reappraisal valuation of property within the Metropolitan Government every four years.

(1) All properties within the General Services District are taxed at the GSD tax rate. Only those properties within the Urban Services District are taxed the additional USD tax rate.

Source: Tax Aggregate Reports for Tennessee State Board of Equalization

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

**ASSESSED VALUE OF URBAN SERVICES DISTRICT TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
Unaudited**

| Fiscal Year | Realty           | Personalty     | Public Utility | Total USD Taxable Assessed Value | Total USD Tax Rate |
|-------------|------------------|----------------|----------------|----------------------------------|--------------------|
| 2000-01     | \$ 6,544,802,327 | \$ 745,794,683 | \$ 462,282,505 | \$ 7,752,879,515                 | 0.85               |
| 2001-02     | 7,681,717,993    | 794,416,879    | 553,090,149    | 9,029,225,021                    | 0.74               |
| 2002-03     | 7,722,115,933    | 765,147,395    | 535,610,099    | 9,022,873,427                    | 0.74               |
| 2003-04     | 7,667,951,606    | 680,464,904    | 443,772,979    | 8,792,189,489                    | 0.74               |
| 2004-05     | 7,996,403,388    | 699,060,182    | 472,283,935    | 9,167,747,505                    | 0.74               |
| 2005-06     | 9,293,334,373    | 736,566,609    | 484,073,719    | 10,513,974,701                   | 0.65               |
| 2006-07     | 9,653,540,683    | 812,794,594    | 497,183,632    | 10,963,518,909                   | 0.65               |
| 2007-08     | 9,828,095,806    | 800,146,680    | 476,649,480    | 11,104,891,966                   | 0.65               |
| 2008-09     | 9,936,748,153    | 804,965,057    | 469,223,447    | 11,210,936,657                   | 0.65               |
| 2009-10     | 11,881,888,627   | 899,198,794    | 507,695,082    | 13,288,782,503                   | 0.57               |

Note: The Urban Services District lies within the General Services District. The above schedule reflects the assessed value of the properties within the Urban Services District.

Source: Tax Aggregate Reports for Tennessee State Board of Equalization

## **Exemptions**

State law exempts from property taxes any property (i) owned by the Federal, State, or local government and used exclusively for public, county, or municipal purposes or (ii) which purely and exclusively is used for religious, scientific, non-profit educational or charitable purposes. Currently in the Metropolitan Government, there are approximately 8,390 tax-exempt parcels.

Included in these exempt parcels are properties titled in the name of the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County. The properties are titled to this instrumentality of the Metropolitan Government in order to facilitate financing arrangements and/or tax abatements for economic development purposes pursuant to State law. For the current fiscal year, these properties have an approximate value of \$39,663,160 representing approximately .40% of the value of all property within the Metropolitan Government. In most cases, a tax equivalent is paid to the Metropolitan Government on the basis of the actual rates of tax levy. For Fiscal Year 2010, the Electric Power Board of the Metropolitan Government of Nashville and Davidson County also paid \$23,472,736 as a tax equivalent of its exempted property to the Metropolitan Government.

## **Reappraisals**

State law requires a complete reappraisal of all property in the State except those properties centrally appraised by the State such as utilities and railroads. Beginning in 1993, reappraisals have been done on a four-year cycle in the Metropolitan Government in accordance with State law. Under this plan there were reappraisals in 1993, 1997, 2001, 2005, and 2009. The 2009 values will be in place until completion of the 2013 reappraisal.

## **Elderly Low-Income Property Tax Freeze Program**

In 2007, the Tennessee General Assembly authorized and the Metropolitan County Council adopted a Property Tax Freeze Program for elderly low-income taxpayers. Under the Property Tax Freeze Program, approved taxpayers age 65 and older with an income below specified amounts will have the property taxes on their primary residence frozen at the current level. The effect of the Property Tax Freeze Program will be that the Metropolitan Government will not realize any increase in revenues from either appreciation or tax rate increases on affected properties. The Property Tax Freeze Program has not had, and is not expected to have, a material impact on the revenues of the Metropolitan Government.

## **Tax Collection**

Personalty and public utility taxes are levied each year based upon assessed valuation at January 1 of that year. Real property taxes are levied each year based upon assessed valuation at January 1 of that year. In addition, for the period January 1 through September 1, supplemental assessments of real property taxes are made and related taxes are levied for improved, demolished or damaged property during such period, in accordance with State law.

Property taxes may be paid in installments without penalty, as long as the total tax is paid by February 28 of the following year.

On March 1 of the calendar year following the levy, taxes become delinquent and a penalty is assessed at a rate of 1/2 of 1% per month. Interest on outstanding obligations is assessed at a rate of 1% per month. The Metropolitan Trustee is designated as the collection official for delinquent property taxes, tax equivalents, and merchant's ad valorem taxes. Property taxes which become twelve months delinquent are transferred to the custody of the Department of Law for collection through Chancery Court action. The following table is a summary of the tax levies and collections of the last ten fiscal years. In June 2007, the Metropolitan Government sold the majority of its delinquent real property tax receivables for tax years 2005 and 2006 under authority of Tennessee Code Annotated Section 67-5-2012. In June 2008, 2009, 2010 and 2011, the Metropolitan Government sold delinquent real property tax receivables for tax years 2007, 2008, 2009 and 2010 respectively. It is anticipated that the tax receivables will continue to be sold annually.

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

**PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS**

Unaudited

| Fiscal Year | Amount<br>GSD Levy | Amount<br>USD Levy | Total Tax<br>Levy | Collections Within the<br>Fiscal Year of the Levy |       | Adjustment to<br>Levy | Total<br>Levy After<br>Adjustment | Collections in<br>Subsequent<br>Years | Total Collections to Date |                | Outstanding<br>Delinquent<br>Taxes | Percentage<br>Uncollected |            |      |   |
|-------------|--------------------|--------------------|-------------------|---|-------|-----------------------|-----------------------------------|---------------------------------------|---------------------------|----------------|------------------------------------|---------------------------|------------|------|---|
|             |                    |                    |                   | Current Tax<br>Amount                             | %     |                       |                                   |                                       | Amount                    | %              |                                    |                           |            |      |   |
| 2000-01     | \$ 378,375,194     | \$ 73,652,420      | \$ 452,027,614    | \$ 432,592,562                                    | 95.70 | %                     | \$ (4,836,646)                    | \$ 447,190,968                        | \$ 14,027,016             | \$ 446,619,578 | 99.87                              | %                         | \$ 571,390 | 0.13 | % |
| 2001-02     | 504,508,539        | 75,845,541         | 580,354,080       | 554,792,713                                       | 95.60 |                       | (6,789,156)                       | 573,564,924                           | 17,887,165                | 572,679,878    | 99.85                              |                           | 885,046    | 0.15 |   |
| 2002-03     | 508,874,943        | 74,889,899         | 583,764,842       | 557,508,632                                       | 95.50 |                       | (6,671,257)                       | 577,093,585                           | 18,667,568                | 576,176,200    | 99.84                              |                           | 917,385    | 0.16 |   |
| 2003-04     | 502,057,059        | 72,975,223         | 575,032,282       | 555,507,839                                       | 96.60 |                       | (2,704,831)                       | 572,327,451                           | 15,978,425                | 571,486,264    | 99.85                              |                           | 841,187    | 0.15 |   |
| 2004-05     | 507,538,957        | 76,092,355         | 583,631,312       | 565,446,465                                       | 96.88 |                       | (2,678,372)                       | 580,952,940                           | 14,736,784                | 580,183,249    | 99.87                              |                           | 769,691    | 0.13 |   |
| 2005-06 (1) | 619,151,100        | 76,752,024         | 695,903,124       | 671,768,730                                       | 96.53 |                       | (8,834,430)                       | 687,068,694                           | 14,462,748                | 686,231,478    | 99.88                              |                           | 837,216    | 0.12 |   |
| 2006-07 (1) | 633,541,786        | 79,714,977         | 713,256,763       | 705,244,782                                       | 98.88 |                       | (5,314,103)                       | 707,942,660                           | 1,576,230                 | 706,821,012    | 99.84                              |                           | 1,121,648  | 0.16 |   |
| 2007-08 (2) | 643,729,137        | 80,683,950         | 724,413,087       | 717,920,126                                       | 99.10 |                       | (2,845,965)                       | 721,567,122                           | 1,317,287                 | 719,237,413    | 99.68                              |                           | 2,329,709  | 0.32 |   |
| 2008-09 (3) | 659,755,545        | 82,555,463         | 742,311,008       | 732,021,054                                       | 98.61 |                       | (3,747,939)                       | 738,563,069                           | 4,619,599                 | 736,640,653    | 99.74                              |                           | 1,922,416  | 0.26 |   |
| 2009-10 (4) | 675,043,791        | 84,818,421         | 759,862,212       | 748,828,597                                       | 98.55 |                       | (2,585,371)                       | 757,276,841                           | -                         | 748,828,597    | 98.88                              |                           | 8,448,244  | 1.12 |   |

Source: The Metropolitan Government CAFR as of June 30, 2010

- 1) In June 2007, the Metropolitan Government sold the majority of the 2006-07 and 2005-06 real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balances of \$23,025,457 for 2006-07, which is reflected in current tax amount collections, and \$2,418,959 for 2005-06, which is reflected in collections in subsequent years.
- 2) In June 2008, the Metropolitan Government sold the majority of the 2007-08 real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$24,448,736 for 2007-08, which is reflected in current tax amount collections.
- 3) In June 2009, the Metropolitan Government sold the majority of the 2008-09 real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$21,544,115 for 2008-09, which is reflected in current tax amount collections.
- 4) In June 2010, the Metropolitan Government sold the majority of the 2009-10 real property taxes outstanding to an outside party. The sale generated property tax revenue and a reduction of the property tax receivable balance of \$26,509,998 for 2009-10, which is reflected in current tax amount collections.

The following table shows the status of the property taxes remaining to be collected at June 30, 2010.

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
SCHEDULE OF DELINQUENT PROPERTY TAXES RECEIVABLE - BY TYPE  
June 30, 2010**

|   | Year of<br>Levy | Realty              | Personalty          | Public<br>Utility   | Total                |
|---|-----------------|---------------------|---------------------|---------------------|----------------------|
| General Services District                       | 2009            | \$ 5,228,819        | \$ 1,914,797        | \$ 321,039          | \$ 7,464,655         |
|   | 2008            | 570,082             | 1,056,807           | 42,871              | 1,669,760            |
|   | 2007            | 437,864             | 1,266,996           | 325,584             | 2,030,444            |
|   | 2006            | 219,321             | 679,756             | 53,418              | 952,495              |
|   | 2005            | 147,780             | 483,475             | 68,859              | 700,114              |
|   | 2004            | 178,303             | 376,565             | 90,052              | 644,920              |
|   | 2003            | 105,427             | 377,563             | 254,500             | 737,490              |
|   | 2002            | 169,393             | 313,193             | 297,874             | 780,460              |
|   | 2001            | 208,279             | 417,050             | 134,432             | 759,761              |
|   | 2000            | 24,154              | 457,076             | 34,266              | 515,496              |
|   | 1999            | 26,551              | 459,709             | 13,307              | 499,567              |
| Total General Services District                 |                 | <u>7,315,973</u>    | <u>7,802,987</u>    | <u>1,636,202</u>    | <u>16,755,162</u>    |
| Urban Services District                         | 2009            | 742,588             | 200,620             | 40,381              | 983,589              |
|   | 2008            | 90,336              | 154,098             | 8,221               | 252,655              |
|   | 2007            | 59,387              | 181,790             | 58,088              | 299,265              |
|   | 2006            | 57,494              | 102,932             | 8,726               | 169,152              |
|   | 2005            | 55,235              | 72,693              | 9,174               | 137,102              |
|   | 2004            | 39,517              | 65,323              | 19,932              | 124,772              |
|   | 2003            | 321                 | 52,577              | 50,801              | 103,699              |
|   | 2002            | 21,063              | 57,322              | 58,539              | 136,924              |
|   | 2001            | 29,253              | 68,796              | 27,236              | 125,285              |
|   | 2000            | 1,678               | 44,860              | 9,356               | 55,894               |
|   | 1999            | (1,051)             | 74,591              | 2,713               | 76,253               |
| Total Urban Services District                   |                 | <u>1,095,821</u>    | <u>1,075,602</u>    | <u>293,167</u>      | <u>2,464,590</u>     |
| Total Delinquent Property Taxes<br>Receivable * |                 | <u>\$ 8,411,794</u> | <u>\$ 8,878,589</u> | <u>\$ 1,929,369</u> | <u>\$ 19,219,752</u> |

\* Excludes 2010 property tax levy

Source: The Metropolitan Government CAFR for each fiscal year

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO

Unaudited - See Accompanying Accountants' Report

| Taxpayer                     | December 31, 2010       |                      |      |                     | December 31, 2001       |                      |      |                     |
|------------------------------|-------------------------|----------------------|------|---------------------|-------------------------|----------------------|------|---------------------|
|                              | 2010 Assessed Valuation | Amount of Tax        | Rank | % of Total Tax Levy | 2001 Assessed Valuation | Amount of Tax        | Rank | % of Total Tax Levy |
| Electric Power Board (1) \$  | N/A                     | \$ 25,427,819        | 1    | 3.35 %              | \$ N/A                  | \$ 16,143,959        | 1    | 2.78 %              |
| Columbia/HCA                 | 261,865,701             | 10,365,070           | 2    | 1.36                | 130,448,103             | 5,354,054            | 4    | 0.92                |
| Gaylord                      | 239,565,000             | 9,046,305            | 3    | 1.19                | 295,849,479             | 11,437,420           | 2    | 1.97                |
| AT&T                         | 173,454,767             | 7,683,455            | 4    | 1.01                | -                       | -                    | (2)  | -                   |
| Piedmont Natural Gas Company | 88,540,012              | 3,539,985            | 5    | 0.47                | 88,805,710              | 3,908,260            | 6    | 0.67                |
| Vanderbilt                   | 44,412,493              | 3,227,248            | 6    | 0.43                | -                       | -                    | (2)  | -                   |
| Opry Mills Co.               | 88,000,000              | 2,140,747            | 7    | 0.28                | -                       | -                    | (2)  | -                   |
| Davis Street Land            | 51,671,840              | 2,134,047            | 8    | 0.28                | -                       | -                    | (2)  | -                   |
| CBL & Associates             | 44,534,672              | 1,876,766            | 9    | 0.25                | 166,500,180             | 4,046,627            | 5    | 0.70                |
| 100 Oaks Plaza               | 36,158,080              | 1,493,329            | 10   | 0.20                | -                       | -                    | (2)  | -                   |
| BellSouth                    | -                       | -                    | (2)  | -                   | 188,314,321             | 8,428,185            | 3    | 1.45                |
| PREFCO XIV LTD               | -                       | -                    | (2)  | -                   | 58,415,390              | 2,763,048            | 7    | 0.48                |
| H. G. Hills                  | -                       | -                    | (2)  | -                   | 36,368,428              | 1,665,674            | 8    | 0.29                |
| SunTrust Bank                | -                       | -                    | (2)  | -                   | 31,362,355              | 1,266,510            | 10   | 0.22                |
| Baptist Hospital             | -                       | -                    | (2)  | -                   | 38,829,681              | 1,489,235            | 9    | 0.26                |
|                              | <u>\$ 1,028,202,565</u> | <u>\$ 66,934,771</u> |      | <u>8.82 %</u>       | <u>\$ 1,034,893,647</u> | <u>\$ 56,502,972</u> |      | <u>9.74 %</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.

## SUMMARY OF MAJOR FUNDS

### General Fund – Five Year Summary

#### Five Year Summary of Revenues, Expenditures and Changes in Fund Balances (1)

|   | Years Ended June 30  |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 |
| <b>REVENUES:</b>  |                      |                      |                      |                      |                      |
| Property taxes  | \$ 444,069,326       | \$ 435,605,556       | \$ 427,679,185       | \$ 434,593,970       | \$ 444,304,982       |
| Local option sales tax  | 79,665,435           | 86,346,221           | 94,605,207           | 94,234,544           | 89,795,510           |
| Other taxes, licenses and permits   | 92,273,405           | 98,494,812           | 107,221,918          | 100,085,098          | 99,976,969           |
| Fines, forfeits and penalties   | 14,945,708           | 13,325,113           | 13,323,712           | 14,100,396           | 13,841,149           |
| Revenue from use of money of property   | 82,193               | 1,053,155            | 2,351,064            | 2,770,783            | 1,317,882            |
| Revenue from other governmental agencies  | 76,934,508           | 89,947,232           | 92,509,134           | 87,945,024           | 79,624,370           |
| Commissions and fees  | 13,991,938           | 16,599,245           | 29,070,315           | 26,156,439           | 21,261,179           |
| Charges for current services  | 26,036,703           | 29,213,374           | 29,704,119           | 27,264,419           | 23,794,003           |
| Compensation for loss, sale or damage to property                                     | 770,528              | 314,660              | 377,878              | 611,348              | 634,143              |
| Contributions and gifts   | 598,824              | 604,355              | 690,744              | 669,329              | 543,390              |
| Miscellaneous   | 2,148,142            | 1,615,211            | 1,520,969            | 1,414,910            | 1,186,236            |
| <b>Total revenues</b>   | <b>751,516,710</b>   | <b>773,118,934</b>   | <b>799,054,245</b>   | <b>789,846,260</b>   | <b>776,279,813</b>   |
| <b>EXPENDITURES</b>   |                      |                      |                      |                      |                      |
| General government  | 23,676,884           | 26,623,136           | 24,331,909           | 23,583,082           | 21,470,893           |
| Fiscal administration   | 22,499,859           | 24,112,437           | 16,472,712           | 15,777,516           | 14,578,459           |
| Administration of justice   | 54,590,759           | 56,871,162           | 65,699,378           | 63,883,484           | 58,621,082           |
| Law enforcement and care of prisoners   | 206,419,773          | 211,373,327          | 222,550,295          | 210,992,633          | 193,586,575          |
| Fire prevention and control   | 104,214,957          | 107,034,837          | 119,648,604          | 112,717,674          | 100,684,959          |
| Regulation and inspection   | 7,492,864            | 7,951,586            | 8,581,612            | 8,351,652            | 7,879,011            |
| Conservation of natural resources   | 352,001              | 407,442              | 456,284              | 444,857              | 421,822              |
| Public welfare  | 6,391,205            | 7,460,432            | 8,368,409            | 9,059,595            | 8,134,531            |
| Public health and hospitals   | 93,805,990           | 83,419,885           | 85,557,855           | 85,715,255           | 129,089,250          |
| Public library system   | 18,445,049           | 19,891,826           | 21,830,610           | 20,988,942           | 20,379,979           |
| Public works, highway, and street   | 30,946,270           | 33,787,255           | 37,832,716           | 36,583,000           | 31,099,675           |
| Recreational and cultural   | 31,368,718           | 35,539,361           | 38,852,055           | 36,748,546           | 32,931,787           |
| Employee benefits   | 64,637,576           | 62,420,127           | 61,100,542           | 59,012,395           | 56,369,642           |
| Miscellaneous   | 55,652,301           | 40,260,803           | 44,480,259           | 51,967,639           | 46,968,961           |
| <b>Total expenditures</b>   | <b>720,494,206</b>   | <b>717,153,616</b>   | <b>755,763,240</b>   | <b>735,826,270</b>   | <b>722,216,626</b>   |
| Excess (deficiency) of revenues<br>over expenditures                                  | 31,022,504           | 55,965,318           | 43,291,005           | 54,019,990           | 54,063,187           |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                      |                      |                      |                      |                      |
| Transfers in  | 17,158,395           | 21,859,528           | 16,696,087           | 15,850,393           | 16,501,209           |
| Transfers out   | (67,008,567)         | (61,216,302)         | (57,455,113)         | (56,218,467)         | (60,907,145)         |
| <b>Total other financing sources (uses)</b>   | <b>(49,850,172)</b>  | <b>(39,356,774)</b>  | <b>(40,759,026)</b>  | <b>(40,368,074)</b>  | <b>(44,405,936)</b>  |
| Excess (deficiency) of revenues and other<br>sources over expenditures and other uses | (18,827,668)         | 16,608,544           | 2,531,979            | 13,651,916           | 9,657,251            |
| <b>FUND BALANCE, beginning of year</b>  | <b>79,726,517</b>    | <b>63,117,973</b>    | <b>60,585,994</b>    | <b>46,934,078</b>    | <b>37,276,827</b>    |
| <b>FUND BALANCE, end of year</b>  | <b>\$ 60,898,849</b> | <b>\$ 79,726,517</b> | <b>\$ 63,117,973</b> | <b>\$ 60,585,994</b> | <b>\$ 46,934,078</b> |

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

Source: The Metropolitan Government CAFR for each fiscal year

## Special Revenue Funds – Five Year Summary

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   |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  |
| <b>REVENUES:</b>   |                       |                       |                       |                       |                       |
| Property taxes   | \$ 226,114,328        | \$ 221,223,164        | \$ 216,365,991        | \$ 217,105,797        | \$ 207,366,885        |
| Local option sales tax   | 171,369,784           | 159,185,602           | 171,454,343           | 171,377,172           | 163,902,255           |
| Other taxes, licenses and permits  | 43,909,306            | 45,074,681            | 45,353,803            | 30,091,185            | 26,849,863            |
| Fines, forfeits and penalties  | 3,414,841             | 3,765,696             | 5,986,697             | 4,549,128             | 5,417,581             |
| Revenue from the use of money or property  | 225,106               | 1,890,504             | 5,566,554             | 6,092,863             | 3,147,248             |
| Revenue from other governmental agencies   | 403,564,662           | 357,587,139           | 344,063,374           | 321,504,080           | 305,216,003           |
| Commissions and fees (2)   | 8,010,122             | 8,450,307             | -                     | -                     | -                     |
| Charges for current services   | 23,678,064            | 21,084,956            | 23,233,415            | 24,114,122            | 23,602,266            |
| Compensation for loss, sale or damage to property                                  | 402,567               | 364,704               | 399,614               | 444,463               | 387,535               |
| Contributions and gifts  | 4,094,898             | 8,495,946             | 8,684,409             | 7,019,037             | 9,602,229             |
| Miscellaneous  | 558,235               | 584,535               | 538,334               | 403,376               | 243,659               |
| Total revenues   | <u>885,341,913</u>    | <u>827,707,234</u>    | <u>821,646,534</u>    | <u>782,701,223</u>    | <u>745,735,524</u>    |
| <b>EXPENDITURES</b>  |                       |                       |                       |                       |                       |
| Personal services  | 672,621,647           | 649,208,731           | 610,393,323           | 568,039,061           | 546,774,235           |
| Contractual services   | 167,758,730           | 144,055,508           | 134,786,207           | 112,283,440           | 104,534,079           |
| Supplies   | 69,485,240            | 63,233,777            | 63,636,483            | 68,705,431            | 68,262,372            |
| Other  | 7,928,239             | 6,508,348             | 8,519,747             | 17,844,543            | 16,605,676            |
| Capital outlay   | 36,365,815            | 26,537,782            | 13,323,287            | 10,599,889            | 13,874,112            |
| Total expenditures   | <u>954,159,671</u>    | <u>889,544,146</u>    | <u>830,659,047</u>    | <u>777,472,364</u>    | <u>750,050,474</u>    |
| Excess (deficiency) of revenues over expenditures                                  | <u>(68,817,758)</u>   | <u>(61,836,912)</u>   | <u>(9,012,513)</u>    | <u>5,228,859</u>      | <u>(4,314,950)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                       |                       |                       |                       |                       |
| Insurance recovery   | 15,000,000            | -                     | -                     | -                     | -                     |
| Transfers in   | 67,848,554            | 56,684,091            | 76,591,169            | 65,972,623            | 74,255,972            |
| Transfers out  | (65,664,990)          | (37,016,989)          | (42,363,567)          | (43,602,031)          | (44,735,640)          |
| Total other financing sources (uses)   | <u>17,183,564</u>     | <u>19,667,102</u>     | <u>34,227,602</u>     | <u>22,370,592</u>     | <u>29,520,332</u>     |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | <u>(51,634,194)</u>   | <u>(42,169,810)</u>   | <u>25,215,089</u>     | <u>27,599,451</u>     | <u>25,205,382</u>     |
| FUND BALANCE, beginning of year  | <u>162,633,602</u>    | <u>204,803,412</u>    | <u>179,588,323</u>    | <u>151,988,872</u>    | <u>126,783,490</u>    |
| FUND BALANCE, end of year  | <u>\$ 110,999,408</u> | <u>\$ 162,633,602</u> | <u>\$ 204,803,412</u> | <u>\$ 179,588,323</u> | <u>\$ 151,988,872</u> |

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

(2) Commissions and fees reported in special revenue funds beginning in 2009 were reported in the general fund in prior years.

Source: The Metropolitan Government CAFR for each fiscal year

[Remainder of Page Intentionally Left Blank]

## Debt Service Funds – Five Year Summary

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  |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 |
| <b>REVENUES:</b>   |                      |                      |                      |                      |                      |
| Property taxes   | \$ 122,698,575       | \$ 118,575,150       | \$ 113,948,311       | \$ 110,717,130       | \$ 68,148,594        |
| Local option sales tax   | 5,143,018            | 19,041,127           | 19,424,138           | 19,646,782           | 17,613,670           |
| Other taxes, licenses and permits  | -                    | 126,816              | -                    | -                    | -                    |
| Fines, forfeits and penalties  | 554,813              | 434,021              | 559,348              | 604,993              | 475,020              |
| Revenue from the use of money of property  | 169,738              | 778,297              | 2,336,473            | 2,999,181            | -                    |
| Revenue from other governmental agencies   | 4,100,815            | 4,073,441            | 4,143,610            | 6,402,439            | 3,802,884            |
| Compensation for loss, sale, or damage to property                                 | -                    | -                    | -                    | -                    | 6,130,888            |
| Charges for current services   | 972,094              | 838,699              | 1,001,783            | 228,712              | -                    |
| Miscellaneous  | -                    | 2,403,918            | 796,575              | -                    | -                    |
| <b>Total revenues</b>  | <b>133,639,053</b>   | <b>146,271,469</b>   | <b>142,210,238</b>   | <b>140,599,237</b>   | <b>96,171,056</b>    |
| <b>EXPENDITURES</b>  |                      |                      |                      |                      |                      |
| Principal retirement   | 85,889,567           | 85,914,567           | 94,819,566           | 95,569,567           | 99,000,000           |
| Interest   | 80,611,709           | 83,169,612           | 79,323,719           | 72,522,916           | 65,621,896           |
| Fiscal charges   | 906,832              | 3,604,978            | 3,730,505            | 2,818,981            | 2,779,879            |
| Debt issue costs   | 4,347,663            | 240,000              | 323,288              | 587,900              | 1,600                |
| <b>Total expenditures</b>  | <b>171,755,771</b>   | <b>172,929,157</b>   | <b>178,197,078</b>   | <b>171,499,364</b>   | <b>167,403,375</b>   |
| Excess (deficiency) of revenues over expenditures                                  | (38,116,718)         | (26,657,688)         | (35,986,840)         | (30,900,127)         | (71,232,319)         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                      |                      |                      |                      |                      |
| Issuance of refunding debt   | 189,895,243          | 59,140,000           | -                    | 186,890,000          | 60,805,000           |
| Payments to refunded bond escrow agent   | (206,868,923)        | (58,900,000)         | -                    | (198,934,669)        | (60,463,650)         |
| Bond issue premium (discount)  | 18,244,966           | -                    | -                    | 12,632,569           | -                    |
| Transfers in   | 18,831,042           | 17,578,067           | 29,729,100           | 17,912,077           | 25,883,513           |
| Transfers out  | -                    | (4,010,200)          | (7,922,177)          | (30)                 | (8,807,018)          |
| <b>Total other financing sources (uses)</b>  | <b>20,102,328</b>    | <b>13,807,867</b>    | <b>21,806,923</b>    | <b>18,499,947</b>    | <b>17,417,845</b>    |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (18,014,390)         | (12,849,821)         | (14,179,917)         | (12,400,180)         | (53,814,474)         |
| <b>FUND BALANCE, beginning of year</b>   | <b>45,587,432</b>    | <b>58,437,253</b>    | <b>72,617,170</b>    | <b>85,017,350</b>    | <b>138,831,824</b>   |
| <b>FUND BALANCE, end of year</b>   | <b>\$ 27,573,042</b> | <b>\$ 45,587,432</b> | <b>\$ 58,437,253</b> | <b>\$ 72,617,170</b> | <b>\$ 85,017,350</b> |

(1) Includes the Correctional Facility Revenue Bonds.

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

Source: The Metropolitan Government CAFR for each fiscal year

[Remainder of Page Intentionally Left Blank]

**Debt Calculations**

**THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
COMPUTATION OF NET GENERAL OBLIGATION DEBT  
JUNE 30, 2010**

|   |                    |                         |
|---|--------------------|-------------------------|
| Gross General Obligation Debt                     |                    |                         |
| General Obligation Bonds Payable                  |                    |                         |
| General Services District:                        |                    |                         |
| For School Purposes                               | \$ 628,750,223     |                         |
| For General Purposes                              | 1,117,766,829      |                         |
| Urban Services District:                          |                    |                         |
| For General Purposes                              | <u>157,591,740</u> |                         |
| Total Gross General Obligation Debt               |                    | \$ 1,904,108,792        |
| Less:   |                    |                         |
| Amounts Available In Debt Service Funds           |                    |                         |
| General Services District:                        |                    |                         |
| For School Purposes                               | 14,559,256         |                         |
| For General Purposes                              | 8,406,361          |                         |
| Urban Services District:                          |                    |                         |
| For General Purposes                              | <u>2,984,488</u>   |                         |
| Total Amounts Available In Debt Service Funds (1) |                    | <u>25,950,105</u>       |
| Net General Obligation Debt                       |                    | <u>\$ 1,878,158,687</u> |

(1) Excludes the Correction Facility Revenue Bonds.

Source: The Metropolitan Government CAFR and Finance Department as of June 30, 2010

[Remainder of Page Intentionally Left Blank]

## DEBT RATIOS

### THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

AS OF JUNE 30, 2010

|                                |    |          |
|--------------------------------|----|----------|
| Total Debt (1)                 |    |          |
| Debt to Estimated Market Value |    | 3.02%    |
| Debt to Assessed Value         |    | 9.91%    |
| Debt per Capita                | \$ | 2,995.25 |
| Net Debt (1)                   |    |          |
| Debt to Estimated Market Value |    | 2.97%    |
| Debt to Assessed Value         |    | 9.77%    |
| Debt per Capita                | \$ | 2,954.43 |

The above table is based upon:

|                        |    |                |
|------------------------|----|----------------|
| Estimated Market Value | \$ | 63,157,226,914 |
| Assessed Value         | \$ | 19,222,371,027 |
| Population (2)         |    | 635,710        |

- (1) Please refer to pages H-16-17 (Estimated Market Value), H-26 and H-32 in the 2010 CAFR.  
(2) Source: US Department of Commerce, Bureau of the Census and Labor.

[Remainder of Page Intentionally Left Blank]

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

### HISTORICAL DEBT RATIOS

| Fiscal<br>Year | Population | Assessed<br>Valuation<br>(in thousands) | Gross Debt<br>(in thousands) | Debt Service<br>Monies<br>Available<br>(in thousands) | Debt Payable   |                            | Ratio of Net<br>Debt to<br>Assessed<br>Valuation | Net Debt<br>(in thousands) | Net Debt<br>Per Capita |
|----------------|------------|---|------------------------------|---|--|----------------------------|--|----------------------------|------------------------|
|                |            |   |                              |   | From Sources<br>Other Than<br>Property Taxes<br>(in thousands) | Net Debt<br>(in thousands) |  |                            |                        |
| 2000-01        | 571,312    | \$ 11,389,795                           | \$1,196,320                  | \$156,402   | \$26,939   | \$1,012,979                | 8.89%  | \$ 1,773.07                |                        |
| 2001-02        | 569,174    | 13,373,373                              | 1,187,245                    | 162,066   | 22,360   | 1,002,819                  | 7.50%  | 1,761.88                   |                        |
| 2002-03        | 570,136    | 13,463,419                              | 1,114,990                    | 163,737   | 17,563   | 993,690                    | 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                              | 1,279,935                    | 136,955   | 7,220  | 1,135,760                  | 8.46%  | 1,956.67                   |                        |
| 2005-06        | 576,382    | 15,533,719                              | 1,600,695                    | 83,596  | 1,655  | 1,515,444                  | 9.76%  | 2,629.24                   |                        |
| 2006-07        | 578,698    | 15,897,957                              | 1,503,390                    | 70,969  | 130  | 1,432,291                  | 8.97%  | 2,475.02                   |                        |
| 2007-08        | 619,626    | 16,152,729                              | 1,718,615                    | 56,803  | -  | 1,661,812                  | 10.23%   | 2,681.96                   |                        |
| 2008-09        | 626,144    | 16,554,047                              | 1,578,135                    | 43,962  | -  | 1,534,173                  | 9.35%  | 2,450.19                   |                        |
| 2009-10        | 635,710    | 19,222,371                              | 1,904,109                    | 25,950  | -  | 1,878,159                  | 9.77%  | 2,954.43                   |                        |

Source: The Metropolitan Government CAFR as of June 30, 2010

[Remainder of Page Intentionally Left Blank]

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

### TOTAL DEBT SERVICE

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
Total Debt Service as of June 30, 2010  
Secured by Ad Valorem Taxes

| Year<br>Ending<br>June 30 | GSD                   |                         | USD                   |           | Total GSD<br>and USD |
|---------------------------|-----------------------|-------------------------|-----------------------|-----------|----------------------|
|                           | School<br>Purposes    | General<br>Purposes     | General<br>Purposes   |           |                      |
| 2011                      | \$ 26,587,594         | \$ 47,473,113           | \$ 7,026,273          | \$        | 81,086,980           |
| 2012                      | 31,748,391            | 59,204,540              | 8,867,134             |           | 99,820,065           |
| 2013                      | 48,498,661            | 74,871,703              | 13,833,041            |           | 137,203,405          |
| 2014                      | 62,856,080            | 100,064,431             | 16,754,616            |           | 179,675,127          |
| 2015                      | 69,118,768            | 108,985,816             | 18,559,470            |           | 196,664,054          |
| 2016                      | 67,371,397            | 113,766,414             | 13,743,885            |           | 194,881,696          |
| 2017                      | 67,156,456            | 114,165,867             | 15,418,547            |           | 196,740,870          |
| 2018                      | 66,540,697            | 112,320,796             | 17,876,549            |           | 196,738,042          |
| 2019                      | 68,603,833            | 111,030,284             | 17,091,930            |           | 196,726,047          |
| 2020                      | 56,602,008            | 100,130,305             | 14,714,194            |           | 171,446,507          |
| 2021                      | 53,470,074            | 94,577,243              | 13,848,653            |           | 161,895,970          |
| 2022                      | 53,753,752            | 94,985,771              | 13,995,978            |           | 162,735,501          |
| 2023                      | 53,765,746            | 94,991,786              | 13,995,406            |           | 162,752,938          |
| 2024                      | 53,307,419            | 94,329,937              | 13,766,201            |           | 161,403,557          |
| 2025                      | 48,252,364            | 87,333,222              | 11,822,836            |           | 147,408,422          |
| 2026                      | 34,835,099            | 73,099,110              | 9,961,191             |           | 117,895,400          |
| 2027                      | 28,017,615            | 63,906,881              | 8,555,599             |           | 100,480,095          |
| 2028                      | 20,033,953            | 57,113,267              | 7,105,931             |           | 84,253,151           |
| 2029                      | 7,173,389             | 33,971,300              | 2,585,249             |           | 43,729,938           |
| 2030                      | 7,090,268             | 33,542,318              | 2,549,541             |           | 43,182,127           |
| 2031                      | 5,612,874             | 29,133,753              | 2,438,151             |           | 37,184,778           |
| 2032                      | 5,524,530             | 28,675,201              | 2,399,775             |           | 36,599,506           |
| 2033                      | 5,433,265             | 28,201,492              | 2,360,132             |           | 35,994,889           |
| 2034                      | 5,337,960             | 27,706,807              | 2,318,732             |           | 35,363,499           |
| 2035                      | 5,239,002             | 27,193,166              | 2,275,745             |           | 34,707,913           |
|                           | <b>\$ 951,931,195</b> | <b>\$ 1,810,774,523</b> | <b>\$ 253,864,759</b> | <b>\$</b> | <b>3,016,570,477</b> |

Source: The Metropolitan Government CAFR as of June 30, 2010

#### 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 at least quarterly 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.

### **Mass Transit Expenditures**

In 1973, the Metropolitan Government acquired the net assets of the Nashville Transit Company and the Metropolitan Transit Authority was established. 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, 2010, approximately \$20.7 million and \$5.4 million respectively, to pay approximately 43% 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.

[Remainder of Page Intentionally Left Blank]

## District Energy System Overview

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 39 buildings in the downtown Metropolitan Nashville area for the purposes of general heating and air conditioning. DES is managed by Constellation Energy Projects & Services ("CEPS") of Baltimore, MD. CEPS has been involved in the development of many other district energy plants, including those in Chicago, Boston, New Orleans 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, pressurized, dual-fuel boilers and a duplex soft water system; (ii) the chilled water subsystem comprised of nine 2,600-ton electrical drive chillers, 18 single-cell, induced draft 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) 14,000 linear feet of underground energy distribution piping.

The Metropolitan Government is a customer of DES and purchased approximately 33% of the steam and 35% 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 Amount 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*   |

\*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 and 1998 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 for the National Football League's Tennessee Titans and Tennessee State University, while 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. 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 and a ticket surcharge at the Bridgestone Arena). However, a portion of the debt service as well as any deficiencies from the other pledged revenue streams are backed by a pledge of certain of the Metropolitan Government's non-tax General Fund revenues. In 2004, a portion of the Series 1996 Bonds were advance refunded for debt service savings. In total, the annual debt service for these bond issues is approximately \$6.7 million through 2019 and \$4.8 million thereafter until 2027.

## **Convention Center Authority**

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”). For more information on the Convention Center and the Omni Hotel, 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 General Services Fund revenues (as it has with respect to the Sports 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 purchased property adjacent to the Convention Center and will construct an 800-room hotel that will serve as headquarters hotel for the Convention Center. Omni has commenced construction of the hotel, which is scheduled to open in 2013, shortly after the Convention Center. 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 General Services Fund revenues (as it has with respect to the Sports 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.

## **Pension Plans and Other Post-Employment Benefits**

There are currently eight pension plans covering employees of the Metropolitan Government and the Metropolitan Board of Education (“MBE”). Two of these plans, the Metropolitan Employee Benefit System and the Metropolitan Board of Education Teacher Retirement Plan, were created upon the adoption of the metropolitan form of government on April 1, 1963 (the “Metropolitan Plans”). All certified employees of the MBE hired since July 1, 1969, are covered under the Tennessee Consolidated Retirement System.

Under the Charter, the Metropolitan Plans are required to be actuarially sound. The Metropolitan Plans were originally funded by annual contributions of employees and employers under the Metropolitan Plans. In 1987 employees ceased making contributions to the Metropolitan Plans, and both Division A and B (as hereinafter defined) are funded by contributions by the Metropolitan Government. Employees continue to contribute to the medical insurance plans. The contributions of the Metropolitan Government to the Metropolitan Employee Benefit System are determined as a percentage of the aggregate payroll of the participating employees. The Metropolitan Government has no liability for any benefits under the Tennessee Consolidated Retirement System, which is funded solely by employees and State contributions.

On January 1, 1996, Metropolitan Government employees in the Metropolitan Plans had the option to participate in a modified version of the currently effective retirement and disability programs. Of the approximately 11,300 Metropolitan Government employees, 5% elected to stay with the old pension plan (Division A) and 95% elected to

enroll in the new pension plan (Division B). All pension benefits are being funded actuarially according to generally accepted accounting principles.

Contributions to the Metropolitan Board of Education Teacher Retirement Plan, a closed plan of the Metropolitan Government, are made by the MBE and the employees. To meet its obligations to fund future benefits of this plan in excess of plan assets, the MBE contributes a percentage of payroll determined by an annual actuarial valuation.

The remaining five pension plans were formerly administered by the City of Nashville and by Davidson County and were closed to participation on April 1, 1963 (the "Closed Plans"). The Closed Plans include the Civil Service Employee's Pension Fund, The Police and Firemen Pension Fund, The Teachers' Civil Service and Pension Fund, The Davidson County Employees' Retirement Fund, and The Employees Pension and Insurance Fund. Prior to July 1, 2000, the Closed Plans were funded on a pay-as-you-go basis. The difference between the revenue of these funds and benefit expenditures was paid by the Metropolitan Government out of operating budgets of the USD for the former City of Nashville plans and/or the GSD for the former Davidson County plans.

In August 2000, the Metropolitan Government adopted a Guaranteed Payment Plan ("GPP") to fund the obligations of the Closed Plans ("superseded systems") on an actuarially sound basis. Under the GPP, the unfunded accrued liabilities and other funding obligations of the Closed Plans, including any benefit improvements granted by the superseded systems, are determined in a manner so as to amortize the same over a period not to exceed thirty (30) years from July 1, 2000. Appropriations made by the Metropolitan County Council to fund the obligations of the superseded systems shall not be reduced for any year until all of the pension obligations of the superseded systems are fully amortized.

The MBE is also required to fund in its annual budget the actuarial contribution attributable to the aggregate benefits of all teachers covered under its superseded systems. The amounts required to fund such actuarial contributions shall be set forth in the annual budget adopted by the Metropolitan County Council.

All funds appropriated for funding obligations of the superseded systems are directly transferred to the GPP. From the GPP, the Metropolitan Government transfers such amounts as needed to each respective superseded system in such amounts required to ensure full amortization of all liabilities.

In prior years, cost-of-living benefits under the Metropolitan Plans were funded on a pay-as-you-go basis, which resulted in lower contributions to the plans than were called for under generally accepted accounting principles. To reflect this shortfall and the fact that the Closed Plans were being funded on a pay-as-you-go basis, a liability was set up in the government-wide financial statements. Now that the Metropolitan Plans are being funded actuarially (taking into account prior shortfalls), and as the Closed Plans are declining in importance, the liability established in prior years is rapidly declining.

[Remainder of Page Intentionally Left Blank]

The following summary states (in thousands) the unfunded pension benefit obligation (asset) (as defined in Statement No. 27 of the Government Accounting Standards Board) for all of the following plans as of the most recent actuarial valuations:

City/County (as of June 30, 2010)

|                           |          |
|---------------------------|----------|
| Metro Benefits            | \$ 3,642 |
| Davidson County Employees | (7,374)  |
| Police and Fire           | (12,586) |

Board of Education Plans (as of June 30, 2010)

|                                 |            |
|---------------------------------|------------|
| Nashville City Teachers         | \$ (8,420) |
| Employees Pension and Insurance | (6,005)    |
| MBE Teachers                    | 71,850     |

It is expected that the aggregate contributions required for the pension plans, as a percentage of the total covered payroll, will remain relatively level. Information on the actuarial valuations for each pension plan is given in the required supplementary information to the notes in the Basic Financial Statements of the CAFR.

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 hospitalization insurance program, the Metropolitan Government contributes 75% of all premium payments, and the retiree contributes 25%. 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, 2010, benefits paid totaled \$34,671,526.

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, 2010, benefits paid totaled \$12,438,273.

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, 2010, amounts related to OPEB were (all amounts in thousands):

|                                   | Metro Plan | School Plan |
|-----------------------------------|------------|-------------|
| Net OPEB Obligation               | \$ 387,186 | \$ 84,978   |
| Actuarial Accrued Liability (AAL) | 2,023,428  | 584,937     |
| Unfunded AAL                      | 2,023,428  | 584,937     |
| Annual Required Contribution      | 197,193    | 50,435      |

The key assumptions used in developing these amounts include:

- Current level of benefits provided
- July 1, 2009 valuation date and census data
- Actual dependent coverage information
- 4.5% rate of return (net of administrative expenses)
- Health care cost trend rate: 8% graded to 5% for other medical expenses, 11% graded to 5% for prescription drugs, 4% for dental and vision expenses

### **Public Employees' Representation**

As of June 30, 2010, the Metropolitan Government and MBE employed approximately 21,745 persons of whom approximately 12,789 worked full-time for the MBE and 8,956 worked full-time for the Metropolitan Government. Approximately 84% of the uniformed personnel of the Fire Department are members of Local No. 140 of the International Association of Firefighters. The Police Department has 1,859 active employees, of which 1,363 are sworn personnel. Approximately 1,106 sworn officers (or 81%) 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 3,899 (or 30.4%) of the teaching employees are members of the Metropolitan Nashville Education Association (the "MNEA"); 1,550 (or 12.1%) of the non-teaching employees are members of the Service Employees International Union; and 300 (or 3.9%) 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.

### **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<br/>2000 - 2010</u> |
|--------------------|-------------|-------------|-------------------------------|
| Nashville/Davidson | 569,891     | 626,681     | 10.0%                         |
| MSA                | 1,311,789   | 1,589,935   | 21.2%                         |
| State              | 5,689,283   | 6,346,105   | 11.5%                         |
| United States      | 281,421,906 | 308,745,538 | 9.7%                          |

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>Area</u>        | <u>PER CAPITA PERSONAL INCOME</u> |             |             |             |             |             |             |             |             |             |
|--------------------|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                    | <u>2000</u>                       | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
| Nashville/Davidson | 35,010                            | 35,549      | 36,979      | 37,693      | 39,052      | 39,764      | 42,614      | 44,023      | 45,138      | 43,457      |
| MSA                | 31,662                            | 31,845      | 32,511      | 33,354      | 34,865      | 36,051      | 38,172      | 39,522      | 40,246      | 38,656      |
| State              | 26,691                            | 27,529      | 28,127      | 28,998      | 30,255      | 31,302      | 32,881      | 34,237      | 35,119      | 34,277      |
| United States      | 30,318                            | 31,145      | 31,461      | 32,271      | 33,881      | 35,424      | 37,698      | 39,461      | 40,674      | 39,635      |

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.

## Employment

The following table shows the labor force segments of the eight-county Nashville Metropolitan Statistical Area for calendar years 2001 through June 2010.

### NASHVILLE MSA EMPLOYMENT BY INDUSTRY <sup>(1)</sup>

| NASHVILLE MSA<br>EMPLOYMENT BY INDUSTRY (000) |             |             |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Industry</u>                               | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| Education & Health Services                   | 86.1        | 90.6        | 94.9        | 98.4        | 101.4       | 104.4       | 108.1       | 112.0       | 114.9       | 118.3       |
| Financial Activities                          | 44.2        | 43.6        | 44.7        | 44.5        | 45.2        | 45.7        | 46.2        | 45.9        | 45.0        | 45.8        |
| Government                                    | 91.6        | 92.1        | 94.2        | 95.9        | 96.9        | 98.6        | 99.9        | 103.1       | 104.6       | 106.3       |
| Information                                   | 23.3        | 21.6        | 19.9        | 19.4        | 19.7        | 19.3        | 19.8        | 21.1        | 20.0        | 19.4        |
| Leisure & Hospitality                         | 68.6        | 69.7        | 71.7        | 72.0        | 74.6        | 77.6        | 80.7        | 79.5        | 76.5        | 76.8        |
| Manufacturing                                 | 88.8        | 83.8        | 81.8        | 83.6        | 84.5        | 84.1        | 79.3        | 73.4        | 62.4        | 60.1        |
| Professional & Business Services              | 86.6        | 87.0        | 84.1        | 91.5        | 96.7        | 98.9        | 101.9       | 100.6       | 93.0        | 98.3        |
| Trade, Transportation, Utilities              | 141.9       | 137.9       | 141.8       | 146.0       | 150.7       | 153.7       | 154.6       | 154.6       | 147.7       | 147.1       |
| Total Non-Farm Employment                     | 693.5       | 689.5       | 697.6       | 715.3       | 735.4       | 751.8       | 762.5       | 760.6       | 726.0       | 732.9       |

Source - Bureau of Labor Statics (bls.gov)

(1) Employment numbers in thousands.

[Remainder of Page Intentionally Left Blank]

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

|                                   | Nashville MSA |       |       |       |       | Tennessee |       |       |       |       | United States |         |         |         |         |
|-----------------------------------|---------------|-------|-------|-------|-------|-----------|-------|-------|-------|-------|---------------|---------|---------|---------|---------|
|                                   | 2010          | 2009  | 2008  | 2007  | 2006  | 2010      | 2009  | 2008  | 2007  | 2006  | 2010          | 2009    | 2008    | 2007    | 2006    |
| Total All Industries <sup>1</sup> | 733           | 726   | 761   | 763   | 752   | 2,617     | 2,592 | 2,714 | 2,805 | 2,788 | 129,818       | 130,807 | 136,790 | 137,598 | 136,086 |
| In Percentages:                   |               |       |       |       |       |           |       |       |       |       |               |         |         |         |         |
| Construction & Mining             | 4.2%          | 4.4%  | 5.2%  | 5.5%  | 5.2%  | 4.1%      | 4.0%  | 4.5%  | 4.9%  | 4.8%  | 4.8%          | 5.1%    | 5.8%    | 6.1%    | 6.2%    |
| Education & Health Services       | 11.6%         | 12.4% | 12.5% | 13.0% | 13.6% | 14.4%     | 14.2% | 13.4% | 12.6% | 12.4% | 15.1%         | 14.7%   | 13.8%   | 13.3%   | 13.1%   |
| Financial Activities              | 5.9%          | 6.0%  | 5.9%  | 5.9%  | 6.1%  | 5.2%      | 5.4%  | 5.3%  | 5.2%  | 5.2%  | 5.9%          | 5.9%    | 6.0%    | 6.0%    | 6.1%    |
| Government                        | 12.3%         | 12.6% | 12.4% | 12.7% | 13.0% | 16.5%     | 16.6% | 15.9% | 15.1% | 15.0% | 17.3%         | 17.2%   | 16.5%   | 16.1%   | 16.1%   |
| Information                       | 3.1%          | 3.0%  | 2.6%  | 2.6%  | 2.6%  | 1.7%      | 1.7%  | 1.8%  | 1.8%  | 1.8%  | 2.1%          | 2.1%    | 2.2%    | 2.2%    | 2.2%    |
| Leisure & Hospitality             | 9.2%          | 9.5%  | 9.5%  | 9.5%  | 10.0% | 10.0%     | 10.1% | 9.9%  | 9.9%  | 9.8%  | 10.0%         | 10.0%   | 9.8%    | 9.8%    | 9.6%    |
| Manufacturing                     | 11.9%         | 11.4% | 10.8% | 11.1% | 11.4% | 11.2%     | 11.5% | 12.5% | 13.3% | 14.0% | 8.9%          | 9.1%    | 9.8%    | 10.1%   | 10.4%   |
| Professional & Business Services  | 11.6%         | 11.9% | 11.1% | 12.1% | 13.0% | 11.8%     | 11.3% | 11.4% | 11.6% | 11.5% | 12.9%         | 12.7%   | 13.0%   | 13.0%   | 12.9%   |
| Trade, Transportation, Utilities  | 19.0%         | 18.8% | 18.7% | 19.3% | 20.3% | 21.3%     | 21.3% | 21.5% | 21.8% | 21.9% | 19.0%         | 19.0%   | 19.2%   | 19.4%   | 19.3%   |
| Other                             | 15.3%         | 14.4% | 16.4% | 13.7% | 10.0% | 7.9%      | 7.9%  | 8.3%  | 8.6%  | 8.5%  | 8.9%          | 9.2%    | 9.8%    | 10.0%   | 10.2%   |

(1) Total Employment in thousands

Source - Bureau of Labor Stastics (bls.gov)

[Remainder of Page Intentionally Left Blank]

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND NINE YEARS AGO  
 Unaudited - See Accompanying Accountants' Report

| Employer   | June 30, 2010  |      |                       | June 30, 2001 |      |                       |
|--|----------------|------|-----------------------|---------------|------|-----------------------|
|  | Employees      | Rank | % of Total Employment | Employees     | Rank | % of Total Employment |
| Vanderbilt University and Medical Center                   | 20,968         | 1    | 2.86 %                | 13,688        | 3    | 1.99 %                |
| Metro Nashville-Davidson Co. Government And Public Schools | 20,162         | 3    | 2.75                  | 18,231        | 2    | 2.65                  |
| State of Tennessee   | 20,000         | 2    | 2.73                  | 18,870        | 1    | 2.75                  |
| U.S. Government  | 11,496         | 4    | 1.57                  | 11,400        | 4    | 1.66                  |
| St. Thomas Health Services                                 | 6,500          | 5    | 0.89                  | -             |      | - (2)                 |
| Nissan North America Inc.                                  | 5,850          | 6    | 0.80                  | 5,794         | 7    | 0.84                  |
| HCA (including Tri-Star Health System) (1)                 | 5,447          | 7    | 0.74                  | 8,500         | 5    | 1.24                  |
| Wal-Mart Stores Inc.                                       | 4,500          | 8    | 0.61                  | -             |      | - (2)                 |
| Gaylord Entertainment Co. (1)                              | 4,500          | 8    | 0.61                  | 3,271         | 9    | 0.48                  |
| CBRL Group Inc.  | 4,189          | 9    | 0.57                  | -             |      | - (2)                 |
| Dell Inc.  | 3,200          | 10   | 0.44                  | -             |      | - (2)                 |
| Saturn Corporation   | -              |      | - (2)                 | 7,921         | 6    | 1.15                  |
| Shoney's Inc.  | -              |      | - (2)                 | 4,177         | 8    | 0.61                  |
| BellSouth Telecommunications                               | -              |      | - (2)                 | 2,989         | 10   | 0.44                  |
|  | <u>106,812</u> |      | <u>14.57 %</u>        | <u>94,841</u> |      | <u>13.81 %</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.

[Remainder of Page Intentionally Left Blank]

## Unemployment Rates

The following table sets forth the unemployment percentage rates in the Metropolitan Government, the MSA, the State and the United States for the calendar years 2001-2010.

### UNEMPLOYMENT RATES (Percentages)

|                         | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Metropolitan Government | 3.6         | 4.4         | 4.6         | 4.6         | 4.5         | 4.2         | 4.0         | 5.4         | 8.8         | 8.8         |
| Nashville MSA           | 3.8         | 4.4         | 4.7         | 4.5         | 4.5         | 4.2         | 4.1         | 5.7         | 9.2         | 8.6         |
| Tennessee               | 4.7         | 5.3         | 5.7         | 5.4         | 5.6         | 5.2         | 4.9         | 6.6         | 10.4        | 9.7         |
| United States           | 4.7         | 5.8         | 6.0         | 5.5         | 5.1         | 4.6         | 4.6         | 5.8         | 9.3         | 9.6         |

Source - Bureau of Labor Statistics (bls.gov)

## Investment and Job Creation

In the past two years, the Nashville Area Chamber of Commerce announced some 126 business relocations or expansions into the Nashville MSA, collectively bringing 10,290 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 have relocated to Nashville. Asurion, which provides enhanced services to the wireless telecommunications industry, relocated from Silicon Valley in May 2003, adding 600 jobs to Nashville's employment base. CareMark Rx, a Fortune 100 pharmaceuticals company, moved its headquarters from Birmingham, AL to downtown Nashville, bringing 50 executive jobs with the relocation. Aegis Sciences, a provider of scientific services and programs, relocated its headquarters to Nashville. Quanta is the world's largest manufacturer of notebook computers and brought 500 new jobs with their initial move. Louisiana-Pacific Corporation, which manufactures building products, relocated its headquarters to downtown Nashville after 30 years in Portland, OR. The move created 225-plus jobs. Clarcor, Inc., a manufacturer of filtration products with a market capitalization of \$1.1 billion, relocated its corporate headquarters to the Nashville area from Rockford, Ill, creating up to 75 executive positions. Actus Lend Lease moved its military housing operations company from Napa Valley to Nashville in January 2005. Great American Country also relocated in 2005, bringing their headquarters from Denver to Music Row. The Fraternal Order of Police constructed a new 20,000 square-foot facility in Nashville's Century City office park to house headquarter operations. Nissan North America relocated corporate operations to Middle Tennessee in June 2006, temporarily moving into downtown Nashville before settling into a new campus in Cool Springs in neighboring Williamson County in 2008. The international headquarters of the Barbershop Harmony Society, the largest all-male singing organization with 30,000 members, founded in 1938, occupies a 36,000 square foot building in downtown Nashville.

## Education

The Metropolitan School System had its beginning in 1963 with the merger of Nashville and Davidson County. The Metropolitan Government public schools make up the second largest school system in Tennessee. In the 2010-2011 school year, Metropolitan Government had 139 public schools, with more than 78,000 students and 5,000 teachers. In addition, there are 75 independent schools, which are attended by over 27,800 students from pre-kindergarten through 12th grade.

The 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.

**The Metropolitan Board of Education  
2011-2012**

| <u>Member</u>              | <u>Office</u> | <u>Term Expires</u> |
|----------------------------|---------------|---------------------|
| Gracie Porter              | Chairman      | 2012                |
| Mark North                 | Vice-Chair    | 2012                |
| Dr. Jo Ann Brannon         | Member        | 2014                |
| Sharon Dixon Gentry, Ed.D. | Member        | 2012                |
| Michael Hayes              | Member        | 2014                |
| Edward T. Kindall          | Member        | 2012                |
| Cheryl D. Mayes            | Member        | 2014                |
| Anna Shepherd              | Member        | 2014                |
| Kay Simmons                | Member        | 2012                |

[Remainder of Page Intentionally Left Blank]

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

**SCHOOL SYSTEM**  
**Public Education Facilities**  
**2010 – 2011**

| <u>Education Level</u> | <u>Number of Schools</u> | <u>School Year Enrollment</u> |
|------------------------|--------------------------|-------------------------------|
| Pre-School             | **                       | 197                           |
| Pre-Kindergarten       | **                       | 2,071                         |
| Elementary             | 72                       | 32,938                        |
| Middle                 | 34                       | 22,075                        |
| High                   | 21                       | 20,336                        |
| Alternative            | 3                        | ***                           |
| Exceptional Education  | 4                        | ***                           |
| Charter Schools        | 5                        | ***                           |
| <b>Total</b>           | <b>139</b>               | <b>77,617</b>                 |

\*\*No Separate Facilities

\*\*\*Included in grade totals

**SCHOOL SYSTEM**  
**Public Schools Enrollment and Attendance**

| <u>School Year</u> | <u>Enrollment</u> | <u>Average Attendance</u> |
|--------------------|-------------------|---------------------------|
| 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          | 78,014            | 72,347                    |

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.

### **Manufacturing**

As of April 2011, an average of 60,100 persons were employed in the manufacturing industries in the Nashville 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 \$29.0 billion. Nashville is one of the top 50 retail markets in the country. In the Nashville region there are 242 shopping centers with 37.2 million square feet of gross leasable area. Eight 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.

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 trolley cars in the downtown area for shoppers, tourists and downtown workers.

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:

- 900,000-square-foot terminal
- 45 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
- 46,000-plus tons of cargo in 2010
- Serving 66 markets; 46 nonstop (03/11)
- 366 daily flights (03/11)

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 following table describing the number and value of building permits issued by the Department of Codes Administration of the Metropolitan Government. Construction has grown through most of the 2000's. In 2010, the Metropolitan Government saw a total dollar volume of permit activity at \$1.38 billion.

Of the nine major areas of office development in Nashville, the Central Business District ("CBD") is by far the largest, with approximately 7.5 million square feet of leasable space. The CBD remained relatively flat in 2010 in overall leasing. Office vacancy in the CBD at the end of the fourth quarter of 2010 was 19.9%, up slightly from 19.3% in the third quarter. Three other important office submarkets- Green Hills, West End and MetroCenter - in Nashville, meanwhile have vacancy rates at 10% or lower. Leasing activity remains steady in most Nashville office submarkets. New construction in downtown Nashville includes the new Music City Center, a 1.2 million square feet convention center scheduled to open in early 2013. Omni Hotel and Resorts is building an 800 room hotel adjacent to the Music City Center that will serve as the centers headquarter hotel. The hotel is scheduled to open in 2013, shortly after the convention center.

[Remainder of Page Intentionally Left Blank]

**Number and Value of Building Permits in  
The Metropolitan Government of Nashville and Davidson County**

| Calendar<br>Year | Residential<br>Construction |               | Non-Residential<br>Construction |               | Repairs, Alterations<br>& Installations |               | Other (1) |            | Total     |               |
|------------------|-----------------------------|---------------|---------------------------------|---------------|---|---------------|-----------|------------|-----------|---------------|
|                  | Number of                   |               | Number of                       |               | Number of                               |               | Number of |            | Number of | Permit        |
|                  | Permits                     | Value         | Permits                         | Value         | Permits                                 | Value         | Permits   | Value      | Permits   | 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 |

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

Source: Metropolitan Government Department of Code Administration

## **Tourism**

Tourism is a major industry in Nashville. The Convention and Visitors Bureau and U. S. Travel Data Center estimate that more than 11 million tourists came to Nashville in 2010 and they spent approximately \$3.9 billion. Music, history, art and generous hospitality attract convention delegates and leisure visitors. Excellent air service combined with geographic location and a superior highway transportation system contribute to the city's success.

In the spring of 2010, the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County began construction on the new Convention Center – the Music City Center. The Music City Center, scheduled for completion in February 2013, will feature an approximate 350,000 square foot exhibit hall, approximately 75,000 square feet of ballroom space (consisting of a 57,000 square foot grand ballroom and an 18,000 square foot junior ballroom), approximately 90,000 square feet of meeting rooms, and 31 loading docks. In addition, there are approximately 30,000 square feet of retail space and a parking garage with approximately 1,800 spaces. A new \$275 million headquarters hotel will be built next to the Music City Center. The 800-room Omni Hotel will feature four restaurants, two ballrooms, 64,000 square feet of meeting space, a pool and spa fitness center. A feature unique to Nashville will be the hotel's physical connection to the adjacent Country Music Hall of Fame and Museum. Omni, through an agreement with the Country Music Hall of Fame and Museum and the Metropolitan Government, will build an addition to the attraction including additional exhibit space and a 500 seat performance theater. The hotel and Country Music Hall of Fame and Museum will be connected and share some space. The project that will contain 765 underground parking spaces is scheduled to open summer 2013.

The new Convention Center and Omni hotel is located downtown in the Metropolitan Government's CBD, and is within walking distance of many notable attractions, including, but not limited to, the Bridgestone Arena, the Ryman Auditorium, Frist Center for the Visual Arts and the Schermerhorn Symphony Center.

Each year, the Country Music Association coordinates 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 each year since then, with average estimates at 124,000 attendees annually. The last three years CBS or ABC have broadcast a 2 hour show of highlights with Nashville featured as much as the music.

Opry Mills Mall, located adjacent to the Opryland Hotel, closed in May 2010 due to severe flooding. In September 2010, Bass Pro Shop re-opened in the space it previously occupied. The mall owners have announced four additional anchor stores will re-open in time for the 2011 holiday shopping season. The official re-opening is scheduled for late first quarter 2012.

The downtown entertainment district features the Hard Rock Café, Jimmy Buffett's Margaritaville and the Wild Horse Saloon- a concert hall, restaurant, dance hall and TV production facility. The Ryman Auditorium (2,200 seats), a former home of the Grand Ole Opry, is known for outstanding acoustics. The Ryman has become a venue of choice by entertainers visiting Nashville and three times has been named Pollstar Magazines 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 feature "no-cover-charge/no minimum purchase" live bands performing 15 hours a day, 7 days a week. The close proximity of the Bridgestone Arena (20,000 seats) and LP Field, the NFL football stadium, to this entertainment district assures good crowds on event days.

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 4,400 seat theater in the Gaylord Opryland complex a few miles from downtown. Each show features 10 to 20 acts or performers, is unrehearsed, broadcast on WSM terrestrial and internet radio and draws fans from around the world.

The Bridgestone Arena is now in its twelfth year of operation as a premier entertainment facility. The Arena is home of the Nashville Predators, an NHL team that in 2011 played two rounds into the Stanley Cup playoffs, in its eleventh season in Nashville.

The Tennessee NFL Stadium, opened in 1999 and now named LP Field, is the home of the 1999 AFC Champion and 2002 AFC South Division Champion Tennessee Titans and the 1999 OVC Champion Tennessee State

University Tigers. Now in its eleventh year of operation, 100% of Titans season ticket packages are sold, and the Titans have played every game since the facility opened in front of a sell-out crowd. LP Field seats nearly 69,000 fans.

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 Metropolitan Government.

The Adventure Science Center and the Nashville Zoo provide opportunities for Nashville's adults and children to learn how science and wildlife affect their lives. The Adventure Science Center features a state-of-the-art planetarium. It also features exhibits and programs which focus on geology, zoology, ecology, physics and other sciences. The Nashville Zoo is continuing its 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 Grassmere Home and features an ever-expanding display of reptiles, amphibians and birds from throughout the world.

The Nashville MSA has more than 315 hotels and motels that offer more than 35,639 rooms. Developers are in the due diligence stage for multiple additional 300 to 500 room 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 2,884 hotel rooms, 300,000 square feet of exhibit space and 300,000 square feet of meeting space. The hotel was severely damaged in the May 2010 flood and closed for 6 months. Reopened in November 2010 the Gaylord company spent \$270 million in upgrades and repair. Below is a history of hotel/motel rooms in Nashville MSA and percentage of occupancy from 1996 through 2010:

#### **HOTEL AND MOTEL ROOMS**

| Calendar<br>Year | Rooms<br>Available | Occupancy<br>Rate |
|------------------|--------------------|-------------------|
| 1996             | 27,041             | 67.20%            |
| 1997             | 28,684             | 66.40%            |
| 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%            |

Source: Nashville Conventions and Visitors Bureau

#### **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.

A new downtown main library, with over 280,000 square feet, opened in the spring of 2001. With the downtown public library, its 20 community branches, the Vanderbilt University Library, and the libraries of other schools, Nashville offers a wide range of books and other materials for instruction, research and innovation.

The Schermerhorn Symphony Center, named in honor of the late Maestro Kenneth Schermerhorn who led the Nashville Symphony for 22 years, opened in September 2006. The \$123 million concert hall is an acoustic masterpiece that impressed national and international music critics and journalists beginning with the opening concert and adds one more attraction to a city known world-wide as Music City. Home to the critically acclaimed Nashville Symphony, the Schermerhorn Symphony Center plays host to more than 100 classical, pops, and special concert events each season. The Nashville Symphony has become the top selling Naxos orchestra for Compact Disks, and the performance hall has garnered stellar reviews. In addition, the Nashville Symphony presents recitals, choral concerts, cabaret, jazz, and world music events. With the Schermerhorn Symphony Center's debut, the Tennessee Performing Arts Center, a State cultural facility in Downtown Nashville with a 2,442-seat concert hall, a 1,054 seat legitimate theater and a 300 seat flexible theater, is now able to feature a multitude of additional cultural events each year.

The Frist Center for the Visual Arts opened in the spring of 2001 in Nashville's historic downtown 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 is a full-scale replica of the original 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.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX C- FORM OF OPINION OF BOND COUNSEL**

[THIS PAGE INTENTIONALLY LEFT BLANK]

(Form of Opinion of Bond Counsel)

Bass, Berry & Sims PLC  
150 Third Avenue South, Suite 2800  
Nashville, Tennessee 37201

September 29, 2011

We have acted as bond counsel to The Metropolitan Government of Nashville and Davidson County (the "Issuer") in connection with the issuance of \$89,480,000 General Obligation Refunding Bonds, Series 2011, dated September 29, 2011 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding general obligations of the Issuer.
2. The resolution of the Metropolitan County Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the boundaries of the Issuer.
4. Interest on the Bonds is 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, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings under the federal corporate alternative minimum tax. 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 issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds 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 any of the Bonds during the period such Bonds 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 of the Bonds 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 Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Yours truly,

Bass, Berry & Sims PLC

**APPENDIX D**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

**\$89,480,000**

**GENERAL OBLIGATION REFUNDING BONDS, SERIES 2011**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered this 29th day of September, 2011 by The Metropolitan Government of Nashville and Davidson County (Tennessee) (the "Issuer") in connection with the issuance of its \$89,480,000 General Obligation Refunding Bonds, Series 2011. The Bonds are being issued pursuant to a resolution adopted by the Metropolitan County Council of the Issuer on June 21, 2011 (the "Resolution"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means the Issuer or any successor designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto.

"Official Statement" shall mean the Official Statement dated September 16, 2011, relating to the Bonds.

"Participating Underwriter" shall collectively mean J.P. Morgan Securities LLC, Jefferies & Company, Inc., Mesirow Financial, Inc., Morgan Keegan & Company, Inc., Fifth Third Securities, Loop Capital Markets, LLC, Morgan Stanley, & Co., Incorporated, Raymond James & Associates, Inc., and Wiley Brothers-Aintree Capital, LLC.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Depository" shall mean any public or private depository or entity designated by the State as a state depository to which continuing disclosure information shall be sent pursuant to State law. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports. Not later than one year after the end of the Fiscal Year, commencing with Fiscal Year ending June 30, 2011, the Issuer shall provide an Annual Report to the MSRB at emma.msrb.org and to the State Depository, if any. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. Notwithstanding the foregoing, the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Issuer shall include unaudited financial statements of the Issuer in the Annual Report and shall indicate in the Annual Report the date on which the audited financial statements of the Issuer will be submitted. The audited financial statements of the Issuer, when available, will be provided to the MSRB and to the State Depository, if any. If the Annual Report (or audited financial statements which were to be separately submitted) is not timely filed, the Issuer shall in a timely manner send a notice to the MSRB and to the State Depository, if any. As of the date hereof, the Issuer is in compliance with the all required disclosure filings.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements of the Issuer are not yet available, the unaudited financial statements of the Issuer, and when audited financial statements are available, the audited financial statements of the Issuer, both such types of financial statements to be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Such financial statements shall be accompanied by an audit report resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants in conformity with generally accepted auditing standards.

(b) If the accounting principles changed from the previous Fiscal Year, a description of the impact of the change as required by Section 8 of this Disclosure Certificate.

(c) A statement indicating that the Fiscal Year has not changed, or, if the Fiscal Year has changed, a statement indicating the new Fiscal Year.

(d) An update of the information in Appendix B to the Official Statement under the following headings:

1. "Capital Improvements Budget by Department";
2. "Revenues";
3. "Property Taxes";
4. "Summary of Major Funds";
5. "Computation of Net General Obligation Debt";
6. "Debt Ratios";
7. "Historical Debt Ratios";
8. "Total Debt Service"; and
9. "Pension Plans and other Post-Employment Benefits"

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB at emma.msrb.org. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of Bondholders, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;
- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB.

(c) For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the Issuer shall determine the materiality of such event as soon as possible after learning of its occurrence.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Bonds. The Issuer shall notify the MSRB and any State Depository that the Issuer's obligations under this Disclosure Certificate have terminated. If the Issuer's obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Issuer, and the original Issuer shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and the Issuer may, from time to time, discharge the dissemination agent, with or without appointing a successor dissemination agent. If at any time there is not a designated dissemination agent, the Issuer shall be the dissemination agent.

SECTION 8. Amendment. This Disclosure Certificate may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Issuer to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Disclosure Certificate is amended or any provision of the Disclosure Certificate is waived, the notice of a Listed Event pursuant to Section 5(a)(vii) hereof shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Report. If an amendment or waiver is made in this Disclosure Certificate which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to the MSRB and any State Depository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for any party hereto or the Issuer), and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Intermediaries; Expenses. The Dissemination Agent is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorneys' fees).

SECTION 14. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State of Tennessee.

SECTION 15. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

SECTION 16. Filings with the MSRB. All filings required to be made with the MSRB shall be made electronically at [emma.msrb.org](http://emma.msrb.org), shall be accompanied by identifying information as prescribed by the MSRB and shall be submitted in any other manner pursuant to, and in accordance with, SEC Release No. 34-59062.

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND  
DAVIDSON COUNTY

By: \_\_\_\_\_  
Metropolitan Mayor

APPROVED AS TO FORM AND  
LEGALITY:

\_\_\_\_\_  
Wm. Michael Safley, Deputy Director of Law

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]





Printed by: ImageMaster  
[www.ImageMaster.com](http://www.ImageMaster.com)