TENNESSEE HOUSING DEVELOPMENT AGENCY
BOND FINANCE COMMITTEE
January 24, 2011

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Bond Finance Committee met on Monday, January 24, 2011, at 9:30 A.M. in the Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee. The following members were present: E. D. Latimer *(Chairman)*, Secretary of State Tre Hargett, State Treasurer David Lillard, Cathy Pierce for Commissioner Mark Emkes, and Comptroller Justin Wilson *(Secretary)*.

Recognizing a quorum present, Chairman Latimer called the meeting to order and asked for approval of the minutes of the November 15, 2010, November 17, 2010, and December 2, 2010, meetings. Mr. Lillard moved approval of the minutes of the three meetings. Mr. Wilson seconded the motion and the minutes of the three meetings were unanimously approved.

Chairman Latimer stated that the next item for consideration was the committee's recommendation regarding authorization for THDA bond issues, Issue 2011-A and Issue 2009 Subseries B-3. Mr. Ted Fellman, Executive Director, stated that THDA had committed approximately $18 million of mortgage loans against the proceeds of the next bond issue and that the authorization will allow staff to prepare for the bond issue when additional loan proceeds are needed. Mr. Fellman then introduced Bronson Martin of Caine Mitter, THDA's financial advisor, who provided an overview of Caine Mitter's recommendation.

Mr. Martin referenced a memo from Caine Mitter dated January 14, 2011, which was included in the Board material. He provided an update on the housing bond market and pointed out that in December 2010, THDA locked in an interest rate of 2.95% under the New Issue Bond Program ("NIBP"), which resulted in a maximum interest rate of 3.70% for the NIBP bonds. Mr. Martin informed the committee that Caine Mitter recommended a negotiated sale for Issue 2011-A, with pricing contemplated for March, because a negotiated sale was the best way to reach retail investors and could possibly allow THDA to achieve a 5-15 basis points savings on the shorter term bond maturities. He reported that there was no advantage at this time to sell bonds competitively because the savings in a negotiated sale would be realized on the shorter term maturities sold at retail. Mr. Martin then described the preliminary structuring analysis included with the recommendation memo, which outlined three bond structure scenarios, one scenario under the 1985 General Resolution and two scenarios under the 2009 General Resolution. The first proposed structure under the 2009 General Resolution was a level debt structure, without any additional structuring, that resulted in 5.05% full spread interest rate. The second proposed structure under the 2009 General Resolution was a level debt structure with a Planned Amortization Class ("PAC") bond that resulted in a 4.90% full spread interest rate. He explained that the PAC bond structure provides certainty to investors who usually pay a premium for PAC bonds which results in a lower bond yield and a reduced cost of borrowing for THDA. He noted that Caine Mitter would revise the structuring analysis closer to the bond pricing, if necessary, to adjust for any changes in the housing bond market.

Mr. Lillard asked how THDA was assured that it would achieve a lower interest rate on the bonds by marketing directly to retail investors through a negotiated sale versus selling bonds competitively. Mr. Martin explained that when bonds are sold competitively there is less flexibility and the underwriters do not have time to market the bonds to retail investors who are known to pay higher prices for the bonds. He explained further that a negotiated sale provides the underwriters with more time to market the bonds to retail investors and there is much more flexibility, especially on the shorter end of the yield curve, to adjust the bond structure to achieve more savings. Mr. Martin pointed out that in a competitive sale, the bonds are priced for institutional investors and that usually results in a pricing that is 5-15 basis points higher than in a negotiated sale.

Mr. Lillard stated that he was not as familiar with the pricing of housing bonds but, in his experience, competitive sales of other types of bonds usually resulted in lower interest rates on bonds than in negotiated sales along with a smaller underwriter's discount. Mr. Fellman pointed out that housing bonds were different. He stated that in negotiated bond sales, the underwriters have the opportunity to work with the investors during pricing and if there is an oversubscription in a particular bond maturity, the underwriters may be able to lower the interest rates on the bonds. He pointed out that THDA had achieved a lower cost of debt on previous bond issues because of the negotiated bond sale process. Mr. Fellman further stated that a PAC bond cannot be sold in a competitive sale and that one of Caine Mitter's proposed structures included a PAC bond that provided a 15 basis point savings. He stated that these factors have lead staff to conclude that in the current market, the best pricing is achieved through a negotiated sale. Mr. Wilson commented that he was not convinced that competitive bond sales should not be contemplated. He added that with a new financial advisor, THDA will have an opportunity to look at some new ideas for their debt issuance. He also pointed out that housing bonds may be different, but the state's general obligation (GO) bonds are sold competitively.

Ms. Mary-Margaret Collier, Director of State and Local Finance, pointed out that a negotiated sale of the next bond issue would provide Caine Mitter the opportunity to observe the retail order period so that they can provide their own recommendations. She noted that retail investors like investing in housing bonds because they generate a higher bond yield than GO bonds. She further added that there are not many opportunities to offer GO bonds to retail investors in Tennessee. With THDA as a highly-rated security, there is some assurance to a retail investor that they will receive their principal back at maturity. Ms. Collier stated that with a PAC bond, there is even more assurance that the bonds will be held by the original investor until maturity. She further stated that the development of a retail sales policy could be achieved in discussions with both the Bond Finance Committee and the Board of THDA in concert with the development of THDA's debt policy. No further action was necessary.

Ms. Lynn Miller then asked the members to refer to documents in the Board materials which included the following:

- the Plan of Financing for Issue 2011 A and Issue 2009-B, Subseries B-3 in an aggregate principal amount not to exceed $100 million. Issue 2011-A will be the NIBP required 40% market bonds in an amount not to exceed $40 million. Issue 2009-B, Subseries B-3 will be the 60% NIBP bonds that will be released from escrow in an amount not to exceed $60 million.

- the resolution of the Board of Directors authorizing Issue 2011-A, authorizing the release from escrow and conversion of a portion of Issue 2009-B, to be designated Subseries B-3 and delegating authority to the Bond Finance Committee to determine all final terms and conditions of these bonds

- the form of Series Resolution for the Issue 2011-A and Issue 2009-B bonds

Ms. Miller stated that the Reimbursement Resolution was also included in the Board material for the Committee's consideration. She reminded the Committee that THDA has begun committing THDA funds to purchase mortgage loans in anticipation of this next bond issue. The Reimbursement Resolution authorizes THDA to reimburse itself in an amount not to exceed $60 million from the proceeds of Issue 2011-A and Issue 2009-B, Subseries B-3 for mortgage loans originated with THDA funds prior to the closing date.

Mr. Lillard moved to approve the Plan of Financing and to recommend the transaction and the Reimbursement Resolution to the Board for approval. Mr. Wilson seconded the motion, and it was unanimously approved.

There being no further business to be presented to the Committee, Chairman Latimer adjourned the meeting.

Approved this 24th day of March, 2011.

Respectfully submitted,

Mary-Margaret Collier
Assistant Secretary

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Memorandum

To: THDA Board of Directors and THDA Bond Finance Committee
From: Caine Mitter
Subject: Financing Plan Recommendation
Re: Homeownership Program Bonds Issue 2011-A/ Issue 2009-B, Subseries B-3 (Released Bonds)
Date: January 14, 2011

Market Update

During 2010, the market for US Treasury securities was volatile as yields fell throughout the first three quarters of the year but rose sharply in the last quarter after the Federal Open Markets Committee announced their second round of quantitative easing ("QE2"). The 10-year US Treasury ended the year at 3.29%, a decline of 0.54% from 2009. The US Treasury yield curve steepened by 0.25% as measured by the difference between the 2- and 30-year maturities. Since the beginning of 2011, the US Treasury market has continued to be volatile, although currently the 10-year US Treasury yield is only 0.04% above the 2010 year-end level. Interest rates in the US Treasury market are expected to increase in 2011 as the US economy strengthens and QE2 ends in the middle of the year. The market will also be dependent on the willingness of foreign countries, particularly China, to continue to purchase US Treasury securities.

The municipal bond market underperformed the US Treasury market in 2010. The yield on 30-year municipal bonds as represented by the Municipal Market Data index ("MMD") started the year at 0.55% below the 30-year US Treasury bond yield and ended the year at 0.23% above. The relatively poor performance of the municipal market resulted from (1) QE2 assisting the US Treasury market, (2) high volume as the municipal market set a new record by slightly exceeding the previous record in 2007 and (3) investor concern about State and municipal budget gaps and pension liabilities, which resulted in municipal bond funds liquidating bond positions as investors tendered their shares. Some of the impact on the municipal market was tempered by Build America Bonds (BABs), which shifted more than 25% of the volume of municipal bonds from the tax-exempt market to the taxable market. Since the beginning of 2011, the municipal bond market has continued to underperform the US Treasury market with 30-year MMD rising 0.33%. The performance of the municipal bond market in 2011 will be dependent on easing the concerns of investors about possible bond defaults and attracting them back to the municipal market.

Tax-exempt housing bonds underperformed the municipal bond market as reflected in MMD in 2010 with the spread between non-AMT housing bonds and 30-year MMD increasing from approximately 0.80% in the beginning of the year to 1.15% at the end of the year. In addition to the difficulties being experienced by the municipal market as a whole, housing bonds have been affected by their association with the difficulties of the broader housing market as part of the financial crisis. Although housing finance agencies have not sold bonds since the third week of December, 30-year housing bonds are estimated to have risen by 0.30% since the end of 2010. Bonds issued by State housing finance agencies to finance new mortgage loans were insulated from the full impact of this poor performance by changes in the federal New Issue Bond Program ("NIBP") that took effect in the last third of the year. The continuation of NIBP in 2011 should enable State housing finance agencies to finance programs at favorable interest rates.

Background

In December, 2009, the Tennessee Housing Development Agency ("THDA") issued $300 million of Housing Finance Program Bonds Issue 2009-B under NIBP in the General Housing Finance Resolution (the "2009 General Resolution"). The bond proceeds have been held in escrow until released in conjunction with publicly offered bonds ("Market Bonds") at a ratio of 60% NIBP Bonds and 40% Market Bonds.

In November, 2010, THDA sold their Housing Finance Program Bonds, Issue 2010-B under the 2009 General Resolution in the principal amount of $40 million as Market Bonds and released from escrow a portion of Issue 2009-B as Issue 2009-B, Subseries B-2 in the principal amount of $60 million as NIBP Bonds. The funds made available were fully committed as of December 17, 2010, and approximately $93.5 million in principal amount of mortgage loans were purchased with these bond proceeds as of January 12, 2011.

As of January 12, 2011, THDA committed to purchase $15 million in mortgage loans against the proceeds of the next bond issue and purchased approximately $2 million in mortgage loans using available funds. New authorization is required to proceed with the next bond issue, which will provide proceeds to reimburse THDA for mortgage loans purchased with THDA funds and to purchase additional mortgage loans.

Bond Resolution

Issuing bonds under the 2009 General Resolution would allow THDA to use NIBP proceeds and achieve significant interest rate savings over issuing bonds under the General Homeownership Program Bond Resolution (the "1985 General Resolution"), which would require all of the bonds to be sold through a public offering. Issuing NIBP bonds would mitigate the effect of rising interest rates and the underperformance of the municipal bond market and tax-exempt housing bonds as described in the Market Update. In 2011, NIBP bonds released from escrow will reset to a permanent interest rate equal to 0.75% plus the lower of (1) 2.95% (a rate that THDA locked on December 7, 2010) or (2) the lowest yield reset on the 10-year Constant Maturity Treasury during a 52-day period that is triggered when a notification of escrow release is submitted by THDA 60 days prior to the date of the release. Under current market conditions, THDA's 3.70% rate ceiling (0.75% plus 2.95%) for NIBP bonds would be approximately 2.30% below the average interest rate on publicly offered bonds with similar maturities. This would result in a reduction to THDA's overall bond yield of approximately 1.65%. Exhibit A provides examples of bonds that could be issued under the 1985 General Resolution and bonds that could be issued under the 2009 General Resolution based on current interest rates.

Currently, $154,710,000 of NIBP proceeds remain in escrow. THDA has until December 15, 2011 to issue a sufficient amount of additional Market Bonds ($103,140,000) to allow the release of the full amount of Issue 2009-B proceeds remaining in escrow.

Sizing and Structure for Issue 2011-A and Issue 2009-B, Subseries B-3

As of January 12, 2011, THDA committed to purchase $15 million of mortgage loans to be permanently financed with the next bond issue and anticipates making additional commitments of approximately $10-$12 million per month in the first three months of 2011 resulting in an aggregate commitment amount of $50 to $60 million by the end of March. In April and May, THDA expects the rate of commitments to increase due to seasonal changes in demand. Authorizing a $100 million bond issue would allow THDA to continue committing mortgage loans through April or May, thereby developing a pipeline of loans that can immediately be purchased or reimbursed from the proceeds of this new bond issue, which minimizes negative arbitrage (which occurs when unspent bond proceeds earn less investment interest than the interest paid on the bonds), and minimizes costs by spreading the fixed costs of issuance over a greater amount of bonds.

Under the 2009 General Resolution, Issue 2011-A would be the 40% Market Bond component and Issue 2009-B, Subseries B-3, as released from escrow, would be the 60% NIBP Bond component of the bond issue. Based on current market conditions, the bond structure that will provide the lowest bond yield would include fixed rate serial and term bonds and be based on a level debt amortization schedule. Issue 2011-A would likely consist of serial bonds and term bonds and be the shortest maturities of the level debt structure, and Issue 2009-B, Subseries B-3 would likely consist of one term bond with sinking funds and be the longest maturity of the level debt structure.

Based on the current market conditions, structuring one of the Issue 2011-A term bonds as a planned amortization class ("PAC") bond at a premium would lower the bond yield by approximately 0.15%. Currently, PAC bonds are generally structured with a five-year average life assuming a prepayment speed of 75% of the mortgage prepayment model of the Securities Industry and Financial Markets Association ("SIFMA"). Prepayments on mortgages up to 75% of SIFMA are first directed to redeem the PAC bond until it is completely retired. Because of the projected five year average life of the PAC bond and the high coupon resulting from premium pricing, investors are willing to accept a lower yield than they would for a term bond with the same nominal maturity. The potential concern to THDA of a premium PAC bond is the risk that actual prepayments occur at a rate below 75% of SIFMA. This would cause the PAC bond to remain outstanding longer than expected and require THDA to pay interest at the high coupon rate for longer than originally projected. THDA's historical average prepayment speed is greater than 150% of SIFMA. If the actual prepayment speed is below 75% of SIFMA, THDA would also have the flexibility to maintain the five year average life of PAC bonds by redeeming the bonds with funds other than those received through mortgage prepayments associated with Issue 2011-A. Exhibit A compares examples of bonds that could be issued under the 2009 General Resolution with and without a PAC bond based on current interest rates.

Caine Mitter will continue to evaluate the benefits of including PAC bonds, as well as other premium or discount term bonds and super-sinker bonds, to determine if any or a combination of changes would result in an improvement in the structure of Issue 2011-A.

Method of Sale

THDA would benefit by selling the Issue 2011-A through a negotiated sale rather than a competitive sale for the reasons described below:

1) Retail Sales. Issue 2011-A is expected to have bonds maturing on or before 2028. Individual investors have generally been purchasers of bonds maturing through the first 20 years, with particular interest in the earliest maturities. When contacted directly, individual investors have been willing to accept lower interest rates than institutional investors because their rate of return on tax-exempt bonds is greater than the rate of return on shares of tax-exempt bond mutual funds. Housing bonds have been particularly attractive to individual investors because they provide higher rates than tax-exempt bonds with similar ratings. In order to attract individual investors, investment banking firms need time and an expectation that they will be able to fill at least a portion of the orders they receive from individual investors. In a competitive sale, underwriters price the bonds at rates that would be acceptable to institutional investors because they do not have the opportunity to market the bonds to individual investors before they submit their bid. A negotiated sale through a strong group of managing underwriters and selling group members provides the opportunity to reach individual investors and obtain the lowest interest rate and should provide an interest rate benefit of 0.05% to 0.15% on maturities sold primarily to individual investors.

2) Complexity and Credit. While the market is familiar with bonds issued by housing finance agencies, there are continuing concerns on the part of investors because the housing sector has been a major part of the financial crisis. These concerns are enhanced when programs involve the financing of whole loans. Investors have become more reluctant to rely on the nationally recognized rating

agencies in making credit decisions. A negotiated sale provides greater opportunity for communication about the bond structure and credit characteristics, enabling investors to become more comfortable with their investment decision.

3) Market Volatility. Although considerably more stable than at the height of the financial crisis, the municipal bond market has continued to be volatile. In recent months, this volatility has been increasing due to individual investors redeeming their shares in municipal bonds funds because of concerns about news reports and statements by securities analysts with little experience with municipal bonds. As a result, municipal bond funds, traditionally one of the largest buyers of municipal bonds, have had to liquidate part of their portfolios, adding to the supply of municipal bonds. A negotiated sale would provide greater opportunity to change the timing of the bond sale and to avoid any temporary disruptions in the bond market.

4) Bond Structure. Although the structure of the Issue 2011-A Bonds is expected to be straight forward, it may be beneficial to change the structure close to the time of the bond sale to reflect the interests of certain investors, such as those interested in a PAC bond. A negotiated sale would provide the opportunity to make such changes.

5) Monitoring of the Process. THDA has policies and practices that are implemented for negotiated sales, including reviewing co-manager price views, consensus scales, comparable pricing data, and historic and current spreads. In addition, Caine Mitter will provide a pre-pricing memo to THDA and the Office of State and Local Finance providing information related to the housing bond market and projected interest rate levels based on recent housing bond issues and previous bond sales by THDA. Caine Mitter will also provide advice on syndicate rules, including the priority of orders and the procedures for allocating bonds to create the appropriate incentives for the underwriters.

Recommendations

Caine Mitter recommends that the THDA Board of Directors:

- Authorize the issuance and sale of Housing Finance Program Bonds, Issue 2011-A under the 2009 General Resolution in a maximum principal amount of $40,000,000;
- Authorize the release from escrow and conversion of Housing Finance Program Bonds, Issue 2009-B, Subseries B-3 in a maximum principal amount of $60,000,000;
- Delegate to the Bond Finance Committee authority to establish the structure of Issue 2011-A and Issue 2009-B, Subseries B-3;
- Delegate to the Bond Finance Committee authority to establish the principal amount of Issue 2011-A and Issue 2009-B, Subseries B-3, with the aggregate principal amount of Issue 2011-A and Issue 2009-B, Subseries B-3 not exceeding the maximum authorized and the amount estimated to be needed to reimburse THDA for mortgage loans already purchased and to maintain anticipated mortgage loan volume in the first four to five months in 2011;
- Delegate to the Bond Finance Committee authority to schedule the bond sale based on the need for funds to purchase mortgage loans;
- Delegate to the Bond Finance Committee the authority to approve any combination of fixed rate bonds maturing between one and thirty-one years; and
- Authorize the sale of Issue 2011-A through a negotiated sale.

Additional recommendations and decisions about the final principal amount, structuring, and other recommendations should be made closer to the time of pricing.

Exhibit A

Preliminary Structuring Analysis

		Scenario 1	Scenario 2	Scenario 3
		1985 General Resolution	2009 General Resolution	2009 General Resolution
		100% Market Bonds	40% Market Bonds	40% Market Bonds
		0% NIBP Bonds	60% NIBP Bonds	60% NIBP Bonds
		Level Debt	Level Debt	Level Debt with PAC
Issue Amounts				
Non-AMT		$100,000,000	$100,000,000	$100,000,000
Total		$100,000,000	$100,000,000	$100,000,000
Structure				
Serials 2012-2022	0.500 - 4.600 %	$21,270,000	$23,310,000	
Serials 2012-2025	0.500 - 4.900			$30,600,000
Term 2026	5.125	10,405,000		
Term 2028	5.350		16,690,000	
Term 2031	5.700	16,570,000		
Term 2028 PAC	5.000			9,400,000
Term 2036	5.950	22,065,000		
Term 2041	6.100	29,690,000		
Term 2041 NIBP	3.700		60,000,000	60,000,000
Total		$100,000,000	$100,000,000	$100,000,000
Yields				
Mortgage Yield		6.710 %	5.075 %	4.910 %
Bond Yield		5.585	3.950	3.785
Spread		1.125 %	1.125 %	1.125 %
Full Spread "Great Rate" Mortgage Rate		6.700 %	5.050 %	4.900 %

Based on market conditions as of January 13, 2011.

TENNESSEE HOUSING DEVELOPMENT AGENCY
PLAN OF FINANCING
ISSUE 2011-A/ISSUE 2009-B, SUBSERIES B-3
HOUSING FINANCE PROGRAM BONDS

Pursuant to TCA Section 13-23-120(e)(4):

AMOUNT:

The bonds may be sold in one or more series to be known as the Issue 2011-A Bonds (the "Issue 2011-A Bonds"), which will be tax-exempt long term bonds, to be issued under the General Housing Finance Program Bond Resolution adopted by THDA on November 19, 2009, as amended (the "General Resolution").

The Issue 2011-A Bonds shall not exceed $40,000,000. The Issue 2011-A Bonds shall be issued in such amount as needed to satisfy the requirement of the U.S. Treasury New Issue Bond Program ("NIBP") that forty percent (40%) of a transaction that includes the release from escrow and conversion of a portion of Issue 2009-B Bonds be sold to the public.

Proceeds of the Issue 2009-B Bonds in an amount not to exceed $60,000,000 are authorized to be released from escrow in connection with the issuance of the Issue 2011-A Bonds (the "Issue 2009-B, Subseries B-3 Bonds" and, together with the Issue 2011-A Bonds, the "Bonds").

The aggregate principal amount of the Bonds shall not exceed $100,000,000. The actual aggregate principal amount shall be determined by the Bond Finance Committee upon the recommendation of the Financial Advisor, Executive Director, Assistant Secretary of the Bond Finance Committee and approved by THDA's Bond Counsel and may take into account the following limitations and other factors:

(1) the amount of Bonds which may be issued pursuant to the Act and the total amount of bonds outstanding under the General Resolution; and

(2) the amount of Bonds which may be issued, the proceeds of which are necessary to reimburse THDA for Program Loans (or participations therein) financed from available THDA funds prior to the availability of proceeds from the Bonds; and

(3) the amount of Bonds which may be issued, the proceeds of which are necessary to meet demand for Program Loans (or participations therein) under the General Resolution; and

(4) the availability of THDA's funds, subject to the review of the Bond Finance Committee, for the purpose of providing for the payment of the costs of issuance of the Bonds, paying capitalized interest with respect to the Bonds, providing additional security for the Bonds, and achieving a lower rate of interest on the Program Loans(or participations therein), and

(5) the amount of Issue 2009-B Bonds which may be released from escrow and converted to long term fixed rate tax-exempt bonds under NIBP to maintain the NIBP required proportion of 40% Issue 2011-A Bonds and 60% Issue 2009-B Bonds, Subseries B-3 Bonds.

APPLICATION OF PROCEEDS:	Proceeds of the Bonds will be applied to (i) purchase Program Loans; and (ii) other uses as specified below in approximately the following amounts: 90% for single-family first lien mortgage loans; 8% for debt service reserve; 1% for capitalized interest; and 1% for cost of issuance and underwriter's discount/fee.
DATE, METHOD AND TERMS OF SALE:	The sale of the Issue 2011-A Bonds will take place by competitive sale or negotiated sale, including private placement, and will occur no later than June 30, 2011. THDA will prepare for the sale with the aid of its financial advisor, Caine Mitter, and its bond counsel, Kutak Rock.
MATURITIES:	The Bonds may be any combination of tax-exempt long and/or short term serial, term, and/or discounted or premium bonds. The Bonds shall have a maturity not to exceed 34 years from the date of original issuance.
BOND INTEREST RATES:	The interest rates on the Bonds shall be fixed long term rates and shall not result in a net interest cost in excess of 9% per annum.
REDEMPTION TERMS:	The Bonds may be subject to redemption prior to maturity on such terms as are to be determined by the Bond Finance Committee.
LOAN INTEREST RATES AND COST OF ADMINISTRATION:	The blended effective interest rate on Program Loans (or participations therein) financed with Bond proceeds (including any transferred loans upon the refinancing of any outstanding bonds) will not exceed 112.5 basis points over the bond yield, as calculated in accordance with the Internal Revenue Code, from which all of THDA's costs of administration for the Bonds may be paid.

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING THE ISSUANCE AND SALE OF
HOUSING FINANCE PROGRAM BONDS, ISSUE 2011-A
AND THE RELEASE FROM ESCROW AND CONVERSION OF
A PORTION OF HOUSING FINANCE PROGRAM BONDS, ISSUE 2009-B
January 25, 2011

WHEREAS, pursuant to the Tennessee Housing Development Agency Act (the "Act"), the Bond Finance Committee (the "Committee") approved a plan of financing for Housing Finance Program Bonds, Issue 2011-A Bonds (the "Issue 2011-A Bonds") and Issue 2009-B, Subseries B-3 Bonds on January 24, 2011, in an aggregate amount not to exceed $100,000,000 (the "Plan of Financing"); and

WHEREAS, the Plan of Financing provides for the Issue 2011-A Bonds to be issued as additional series of long term, fixed rate, tax-exempt bonds, under the General Housing Finance Program Bond Resolution, adopted by THDA on November 19, 2009, as amended (the "General Resolution") and to be sold by competitive or negotiated sale, all at the election of the Committee; and

WHEREAS, Housing Finance Program Bonds, Issue 2009-B (the "Issue 2009-B Bonds") were previously issued and sold as short term, taxable bonds with the proceeds thereof deposited in escrow until a release is authorized; and

WHEREAS, the release from escrow of a portion of the proceeds of the Issue 2009-B Bonds is deemed necessary (the "Issue 2009-B, Subseries B-3 Bonds" and, together with the Issue 2011-A Bonds, the "Bonds"); and

WHEREAS, THDA established a Housing Cost Index, as defined in Section 13-23-103(7) of the Act, which shows that, as of January 4, 2011, primary housing costs exceed 25% of an average Tennessee household's gross monthly income; and

WHEREAS, pursuant to Section 147 of the Internal Revenue Code of 1986, as amended (the "Code"), THDA must conduct a public hearing regarding the issuance of the Issue 2011-A Bonds and the release from escrow of the Issue 2009-B, Subseries B-3 Bonds and submit the results of the public hearing to the Governor of the State of Tennessee for approval; and

WHEREAS, THDA proposes to distribute a preliminary official statement (the "Preliminary Official Statement") to prospective purchasers and to make available to the respective purchasers a final official statement (the "Official Statement") with respect to the Bonds; and

WHEREAS, the Board wishes to authorize the Committee to proceed with the issuance and sale of the Issue 2011-A Bonds and the release from escrow and conversion of Issue 2009-B, Subseries B-3 Bonds to provide funds for THDA's programs in accordance with the Plan of Financing and this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY AS FOLLOWS:

1. The issuance and sale of the Issue 201-A Bonds, in an aggregate principal amount not to exceed $40,000,000, and the release from escrow and conversion of the Issue 2009-B, Subseries B-3 Bonds, in an aggregate amount not to exceed $60,000,000 with final terms, all as determined by the Committee, upon the recommendation of THDA's Financial Advisor, the Executive Director and the Secretary of the Committee, with the approval of THDA's Bond Counsel, is hereby authorized.

2. The proportion of Issue 2011-A Bonds issued to purchase Program Loans (or participations therein) to Issue 2009-B, Subseries B-3 Bonds shall equal the U. S. Treasury New Issue Bond Program requirement of 40% to 60%, with the total aggregate principal amount not to exceed $100,000,000.

3. The resolution titled "A Resolution Authorizing the Sale of $__________ Housing Finance Program Bonds, Issue 2011-A (Non-AMT) and Authorizing the Release from Escrow of $__________ of the Proceeds of the Housing Finance Program Bonds Issue 2009-B (Taxable) (the "Supplemental Resolution"), in the form attached hereto, is adopted, subject to the provisions contained herein.

4. THDA is authorized and directed to conduct a public hearing prior to the issuance of the Issue 2011-A Bonds and the release from escrow of the Issue 2009-B, Subseries B-3 Bonds, to the extent required by the Code, with reasonable public notice and to submit the results of the public hearing to the Governor to obtain the Governor's written approval for the Issue 2011-A Bonds.

5. The Committee is authorized to (a) select the manner of sale; (b) designate multiple series or sub-series, as needed; (c) designate AMT or non-AMT components; (d) designate fixed or variable interest rates; (v) approve a final structure for the Bonds; (e) approve a final amount or amounts, not to exceed an aggregate principal amount of $100,000,000; (f) authorize bond insurance, if determined necessary; (g) determine all other final terms of the Bonds, in accordance with this Resolution, the Plan of Financing for Issue 2011-A, the Plan of Financing for Issue 2009-B, and the Supplemental Resolution; (h) approve the final version of the Supplemental Resolution, with such additional changes, substitutions, deletions, additions, completions or amendments therein as determined by the Committee, upon the recommendation of the Executive Director or Secretary of the Committee, with the approval of General Counsel of THDA and Bond Counsel, as the Committee shall determine to be necessary or appropriate to establish the final terms of the Bonds and their manner of sale; (i) approve all amendments to the General Resolution as may be required to effectuate changes announced by U. S. Treasury to the New Issue Bond Program and (j) award the Bonds in accordance therewith.

6. The Assistant Secretary of the Committee, with the assistance of Bond Counsel, the Financial Advisor, and the Executive Director and General Counsel of THDA, is authorized to prepare a Preliminary Official Statement and a final Official Statement for printing and distribution in connection with the issuance and sale of the Issue 2011-A Bonds and the release from escrow and conversion of the Issue 2009-B, Subseries B-3 Bonds.

7. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and General Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the competitive sale of all or any portion of the Issue 2011-A Bonds or all documents, including, without limitation, a purchase agreement in a form appropriate for a negotiated sale, including a private placement, of all or any portion of the Issue 2011-A Bonds, as determined to be necessary or appropriate, for a negotiated sale of all or any portion of the Issue 2011-A Bonds.

8. The Assistant Secretary of the Committee, with the assistance of Bond Counsel and the Executive Director and General Counsel of THDA, is authorized to prepare all documents determined to be necessary or appropriate for the release from escrow and conversion of all or any portion of the Issue 2009-B, Subseries B-3 Bonds, as determined to be necessary or appropriate.

9. The Secretary of the Committee, or the Chairman, the Vice Chairman, or the Executive Director of THDA is hereby authorized to execute the proposal submitted by the lowest bidder or bidders in the event of a competitive sale of all or any portion of the Issue 2011-A Bonds or a purchase agreement in the event of a negotiated sale, including a private placement, of all or any portion of the Issue 2011-A Bonds, the form of which has been approved by the Committee, upon the recommendation of the Financial Advisor and Bond Counsel, and to deliver the Issue 2011-A Bonds as appropriate.

10. The Assistant Secretary of the Committee is hereby authorized to do and perform all acts and things provided to be done or performed by the Secretary of the Committee herein, in the General

Resolution and in the Supplemental Resolution, and the Secretary of the Committee, and the Chairman, the Vice-Chairman, the Executive Director, the Director of Finance and the General Counsel of THDA and other appropriate officers and employees of THDA are hereby authorized to do and perform or cause to be done and performed, for or on behalf of THDA, all acts and things (including, without limitation, execution and delivery of documents) that constitute conditions precedent to the issuance and sale of the Issue 2011-A Bonds and the release from escrow and conversion of the Issue 2009-B, Subseries B-3 Bonds, or that are otherwise required to be done and performed by or on behalf of THDA prior to or simultaneously with the issuance and sale of the Issue 2011-A Bonds and the release from escrow and conversion of the Issue 2009-B, Subseries B-3 Bonds.

11. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Supplemental Resolution, as the context indicates.

12. This resolution shall take effect immediately.

This Resolution was adopted by the affirmative vote of no fewer than ten (10) members of the THDA Board of Directors at its meeting on January 25, 2011.

TENNESSEE HOUSING DEVELOPMENT AGENCY

A Resolution

Authorizing the Sale of

$[______]
Housing Finance Program Bonds,
Issue 2011-A (Non-AMT)

and

Authorizing the Release from Escrow of

$[______]
of Proceeds of the
Housing Finance Program Bonds
Issue 2009-B (Taxable)

Adopted January 25, 2011
as amended and supplemented
by the Bond Finance Committee
of THDA on [_______], 2011

ARTICLE I
DEFINITIONS AND AUTHORITY

ARTICLE II
TERMS AND ISSUANCE OF ISSUE 2011-A BONDS

ARTICLE III
RELEASE OF PROCEEDS OF ISSUE 2009-B BONDS

ARTICLE IV
REDEMPTION PROVISIONS FOR SERIES BONDS

ARTICLE V
SALE AND DELIVERY

ARTICLE VI
DISPOSITION OF ISSUE 2011-A BOND PROCEEDS, RELEASED ISSUE 2009-B PROCEEDS AND OTHER MONEYS

ARTICLE VII
FORM OF ISSUE 2011-A BONDS AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

ARTICLE VIII
MISCELLANEOUS

4843-7011-8152.1

A RESOLUTION AUTHORIZING THE SALE OF
$[______]
HOUSING FINANCE PROGRAM BONDS,
ISSUE 2011-A (NON-AMT)

and

AUTHORIZING THE RELEASE FROM ESCROW OF

$[______]
OF PROCEEDS OF THE
HOUSING FINANCE PROGRAM BONDS
ISSUE 2009-B (TAXABLE)

BE IT RESOLVED by the Board of Directors of the **TENNESSEE HOUSING DEVELOPMENT AGENCY** (“THDA”) as follows:

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Short Title. This resolution may hereafter be cited by THDA as the Issue 2011-A Supplemental Housing Finance Program Bond Resolution.

Section 1.02. Definitions.

(a) All terms which are defined in Section 1.2 of the resolution of THDA adopted November 19, 2009, as amended and supplemented, and entitled “General Housing Finance Program Bond Resolution” (the “General Resolution”) have the same meanings in this Resolution as such terms are given in Section 1.2 of the General Resolution.

(b) In addition, as used in this Resolution, unless the context otherwise requires, the following terms have the following respective meanings:

[“*[__]% PSA Prepayment Amount*” means the cumulative amount of principal prepayments on the Program Loans allocable to the Series Bonds at a rate equal to [__]% PSA, as set forth in Exhibit B hereto.]

“*Bond Purchase Agreement*” means the contract for the purchase of the Issue 2011-A Bonds between THDA and the Underwriters.

“*Business Day*” shall mean any day except for a Saturday, Sunday or any day on which banks in Tennessee or New York are required or authorized to be closed.

“*Co-Managers*” means [__________].

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*DTC*" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

["*Excess 2011-A Principal Payments*" means, while any Subseries B-3 Bonds are Outstanding, 40%, and subsequent to the payment, in full, of the Subseries B-3 Bonds, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.]

["*Excess Subseries B-3 Principal Payments*" means, while any Issue 2011-A Bonds are Outstanding, 60%, and subsequent to the payment, in full, of the Issue 2011-A Bonds, 100% of all regularly scheduled principal payments and prepayments on Program Loans allocable to the Series Bonds to the extent such regularly scheduled principal payments and prepayments are not required to make regularly scheduled principal payments, including Sinking Fund Payments, on the Series Bonds.]

"*Issue 2009-A/B Supplemental Resolution*" means the supplemental resolution pursuant to which the issuance of the Issue 2009-B Bonds was authorized, adopted by THDA on November 19, 2009, as amended and supplemented by the Bond Finance Committee on December 3, 2009 and October 27, 2010.

"*Issue 2009-B Bonds*" means the Issue 2009-B Bonds of THDA issued pursuant to the Issue 2009-A/B Supplemental Resolution.

"*Issue 2011-A Bonds*" means the Issue 2011-A Bonds of THDA authorized by this Resolution pursuant to the Plan of Financing.

["*Issue 2011-A PAC Bonds*" means the Issue 2011-A Bonds in the principal amount of $[_______] maturing [_________].]

"*Issue Date*" means, [_________], the date on which the Issue 2011-A Bonds are issued by THDA and delivered to the Underwriters.

"*MSRB*" means the Municipal Securities Rulemaking Board by operation of its Electronic Municipal Market Access System.

"*Official Statement*" means the Official Statement dated [_______], used in connection with the sale of the Issue 2011-A Bonds and the redesignation of the Subseries B-3 Bonds.

["*Planned Amortization Amount*" reflects the cumulative amount of Issue 2011-A PAC Bonds expected to be redeemed upon receipt of principal prepayments on the Program Loans allocable to the Issue 2011-A Bonds and the Subseries B-3 Bonds at a rate equal to [__]% PSA, as set forth in Exhibit B hereto.]

"*Preliminary Official Statement*" means the Preliminary Official Statement dated [________], 2011 used in connection with the sale of the Issue 2011-A Bonds and the redesignation of the Subseries B-3 Bonds.

"*Rating Agency*" shall mean Moody's Investors Service (or any successor thereto).

"*Released Issue 2009-B Proceeds*" means the $[_______] of proceeds of the Issue 2009-B Bonds authorized to be released from the Issue 2009-B Escrow Subaccount of the Loan Fund.

"*Resolution*" means this Supplemental Resolution adopted by THDA on January 25, 2011, as amended and supplemented by the Bond Finance Committee on [_______], 2011.

"*Serial Bonds*" means the Issue 2011-A Bonds which are not Term Bonds.

"*Series Bonds*" means, collectively, the Issue 2011-A Bonds and the Subseries B-3 Bonds.

"*Subseries B-3 Bonds*" means $[_______] in aggregate principal amount of the Issue 2009-B Bonds which have been redesignated as the Issue 2009-B Bonds, Subseries B-3 upon the release of $[_______] of the proceeds of the Issue 2009-B Bonds from the Issue 2009-B Escrow Subaccount of the Loan Fund pursuant to this Resolution.

"*Term Bonds*" means, collectively, the Issue 2011-A Bonds maturing [___________] and [________] and the Subseries B-3 Bonds.

"*Underwriters*" means, collectively, [RBC Capital Markets Corporation, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Morgan Keegan & Company, Inc.] and the Co-Managers, as purchasers of the Issue 2011-A Bonds.

(c) Unless the context otherwise indicates, words of the masculine gender will be deemed and construed to include correlative words of feminine and neuter genders, words importing the singular number include the plural number and vice versa, and words importing persons include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

(d) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms as used in this Resolution refer to this Resolution and such terms used in the form of registered bond herein refer to such bonds.

Section 1.03. Authority for this Resolution. This Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

ARTICLE II

TERMS AND ISSUANCE OF ISSUE 2011-A BONDS

Section 2.01. Issue Amount and Designation. In order to provide funds necessary for the Housing Finance Program in accordance with and subject to the terms, conditions and limitations established herein and in the General Resolution, Housing Finance Program Bonds, Issue 2011-A are hereby authorized to be issued in the aggregate principal amount of $[_______]. The Issue 2011-A Bonds may be issued only in fully registered form and will consist of $[_______] principal amount of Serial Bonds and $[________] principal amount of Term Bonds.

Section 2.02. Purposes. The Issue 2011-A Bonds are being issued (a) to finance Program Loans on single family residences located within the State, (b) if required, to pay capitalized interest on the Series Bonds, (c) if required, to make a deposit in the Bond Reserve Fund and (d) if required, to pay certain costs of issuance relating to the Issue 2011-A Bonds and certain costs in connection with the redesignation of the Subseries B-3 Bonds.

The proceeds of the Issue 2011-A Bonds and the Released Issue 2009-B Proceeds shall be applied in accordance with Article V hereof.

Section 2.03. Amounts, Maturities and Interest Rates.

(a) The Issue 2011-A Bonds will mature on the dates, in the principal amounts and bear interest from their Issue Date, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 1 and July 1, commencing July 1, 2011, at the rate set opposite such date in the following table:

Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Maturity Date	Principal Amount	Interest Rate
January 1, 2012	$	%	January 1, 2017	$	%
July 1, 2012			July 1, 2017		
January 1, 2013			January 1, 2018		
July 1, 2013			July 1, 2018		
January 1, 2014			January 1, 2019		
July 1, 2014			July 1, 2019		
January 1, 2015			January 1, 2020		
July 1, 2015			July 1, 2020		
January 1, 2016			January 1, 2021		
July 1, 2016			July 1, 2021		

Term Bonds

Maturity Date	Principal Amount	Interest Rate
July 1, 2024	$	%
January 1, 2027		

(b) Whenever the due date for payment of interest on or principal of the Issue 2011-A Bonds or the date fixed for redemption of any Issue 2011-A Bond shall be a day which is not a Business Day, then payment of such interest, principal or Redemption Price need not be made on such date, but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date for payment of principal, interest or Redemption Price and no additional interest shall be payable on such Business Day which, merely by operation of this paragraph, may have accrued after the original due date.

Section 2.04. Denominations, Numbers and Letters.

(a) The Issue 2011-A Bonds maturing in each year are to be issued in denominations of $5,000 or any integral multiple thereof not exceeding the aggregate principal amount of Issue 2011-A Bonds maturing in such year. The Issue 2011-A Bonds are to be lettered "RA," and numbered separately from 1 consecutively upwards in such order as the Trustee in its discretion may determine.

(b) The Issue 2011-A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. Only one Issue 2011-A Bond will be outstanding for each maturity and interest rate of the Issue 2011-A Bonds in the aggregate principal amount of such maturity and interest rate. Subject to the provisions of the General

Resolution, purchases of ownership interests in the Issue 2011-A Bonds will be made in book-entry form only in authorized denominations set forth in Section 2.04(a). Beneficial owners of the Issue 2011-A Bonds will not receive certificates representing their interest in the Issue 2011-A Bonds. So long as Cede & Co. shall be the registered owner of the Issue 2011-A Bonds, THDA will deem and treat Cede & Co. as the sole and exclusive owner of the Issue 2011-A Bonds and THDA will have no responsibility to any DTC participant or beneficial owner thereof.

Section 2.05. Paying Agent. The Trustee is hereby appointed as paying agent for the Issue 2011-A Bonds pursuant to Section 11.2 of the General Resolution. The Trustee may appoint an agent for presentation of transfers in New York, New York and DTC may act as such agent.

Section 2.06. Execution of Bonds. The Issue 2011-A Bonds shall be executed by the manual or facsimile signature of the Chairperson or Vice Chairperson and the seal of THDA or a facsimile thereof shall be imprinted, impressed or otherwise reproduced on the Issue 2011-A Bonds and attested by the manual or facsimile signature of the Executive Director or Secretary of THDA. The Issue 2011-A Bonds shall be delivered to the Trustee for proper authentication and delivered to DTC pursuant to the DTC FAST delivery program, as the registered owner of the Issue 2011-A Bonds upon instructions from THDA to that effect.

Section 2.07. Place of Payment; Record Date. While the Issue 2011-A Bonds are registered in book-entry only form in the name of Cede & Co. as nominee of DTC, payments of principal, Redemption Price and interest on the Issue 2011-A Bonds shall be made in accordance with the procedures of DTC. In the event the Issue 2011-A Bonds are no longer held in book-entry only form, the principal and Redemption Price of all Issue 2011-A Bonds shall be payable at the designated corporate trust office of the Trustee. Interest on the Issue 2011-A Bonds will be paid by check mailed by the Trustee to the registered owner thereof. Any registered owner of the Issue 2011-A Bonds in a principal amount equal to or exceeding $1,000,000 may receive payments of interest by wire transfer if written notice is given to the Trustee at least ten Business Days before an applicable Interest Payment Date. The Record Date for payment of interest on the Issue 2011-A Bonds shall be the 15th day of the month next preceding an Interest Payment Date.

ARTICLE III

RELEASE OF PROCEEDS OF ISSUE 2009-B BONDS

Section 3.01. Authorization of Release of Proceeds of the Issue 2009-B Bonds. In accordance with and subject to the Act, the General Resolution and the Issue 2009-A/B Supplemental Resolution, THDA hereby authorizes the release of $[_______] of the proceeds of the Issue 2009-B Bonds from the Issue 2009-B Escrow Subaccount of the Loan Fund on the Issue Date. THDA hereby determines that the release of Released Issue 2009-B Proceeds is necessary for the Housing Finance Program of THDA and for the more specific purposes herein set forth. THDA further hereby determines that all said purposes are authorized by the General Resolution. In connection with the Issue Date and in accordance with the Issue 2009-A/B

Supplemental Resolution, THDA shall arrange for the delivery to the Trustee of (a) a Subseries B-3 Bond certificate in an aggregate principal amount equal to $[______] and in addition to the title "Housing Finance Program Bonds," the new bond certificate delivered by THDA to the Trustee shall bear the additional designation of "Issue 2009-B, Subseries B-3" and (b) a new Issue 2009-B Bond certificate in an aggregate principal amount equal to $[______] and numbered R-4; such new Issue 2009-B Bond certificate shall replace the Issue 2009-B Bond certificate numbered R-3.

Section 3.02. Maturities and Interest Rates. The Subseries B-3 Bonds shall mature on July 1, 2041 and shall bear interest as provided in the Issue 2009-A/B Resolution payable on the Interest Payment Dates described in the Issue 2009-A/B Resolution.

Section 3.03. Delivery of the Subseries B-3 Bonds. The Chairperson or Vice Chairperson are hereby severally authorized to execute the Subseries B-3 Bonds, to deliver said Subseries B-3 Bonds for authentication by the Trustee under the General Resolution and the Issue 2009-A/B Supplemental Resolution, and upon authentication to deliver to the Trustee a written order in the name of THDA directing the Trustee to deliver said Subseries B-3 Bonds in accordance with the Issue 2009-A/B Supplemental Resolution, to apply the Released Issue 2009 B Proceeds and any other moneys in accordance with the terms of the General Resolution, the Issue 2009-A/B Supplemental Resolution and this Resolution, and in such manner as is required to cause the conditions precedent to the release of the Released Issue 2009-B Proceeds as stipulated in the Issue 2009-A/B Supplemental Resolution to be complied with, and to do and perform, or cause to be done and performed, for and on behalf of THDA, all acts and things that constitute conditions precedent to the authentication and delivery of the Subseries B-3 Bonds, or that are otherwise required to be done and performed by or on behalf of THDA prior to, or simultaneously with, the delivery of the Subseries B-3 Bonds.

Section 3.04. Effect of this Issue 2011-A Supplemental Resolution. This Resolution shall be deemed to supplement the Issue 2009-A/B Supplemental Resolution solely with respect to the release of the Released Issue 2009-B Proceeds and the redesignation of the Subseries B-3 Bonds. The Subseries B-3 Bonds shall be in all respects governed by and subject to the provisions of the Issue 2009-A/B Supplemental Resolution.

ARTICLE IV

REDEMPTION PROVISIONS FOR SERIES BONDS

Section 4.01. Sinking Fund Redemption Provisions.

(a) The Issue 2011-A Bonds that are Term Bonds are subject to redemption in part by lot on the dates set forth below for such maturity of Issue 2011-A Bonds at a Redemption Price equal to 100% of the principal amount thereof from mandatory Sinking Fund Payments in the principal amounts for each of the dates set forth below:

Issue 2011-A Term Bonds due July 1, 2024

Date	Amount Due	Date	Amount Due
January 1, 2022	$	July 1, 2023	$
July 1, 2022		January 1, 2024	
January 1, 2023		July 1, 2024*	

*Maturity

Issue 2011-A Term Bonds due January 1, 2027

Date	Amount Due	Date	Amount Due
July 1, 2024	$	January 1, 2026	$
January 1, 2025		July 1, 2026	
July 1, 2025		January 1, 2027*	

*Maturity

(b) The Subseries B-3 Bonds are subject to mandatory redemption prior to maturity, in part, at a Redemption Price equal to 100% of the principal amount thereof plus interest accrued and unpaid to the Redemption Date, from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem the principal amount of such Subseries B-3 Bonds on each of the dates set forth below:

Subseries B-3 Bonds

Date	Amount Due	Date	Amount Due
January 1, 2027	$	July 1, 2034	$
July 1, 2027		January 1, 2035	
January 1, 2028		July 1, 2035	
July 1, 2028		January 1, 2036	
January 1, 2029		July 1, 2036	
July 1, 2029		January 1, 2037	
January 1, 2030		July 1, 2037	
July 1, 2030		January 1, 2038	
January 1, 2031		July 1, 2038	
July 1, 2031		January 1, 2039	
January 1, 2032		July 1, 2039	
July 1, 2032		January 1, 2040	
January 1, 2033		July 1, 2040	
July 1, 2033		January 1, 2041	
January 1, 2034		July 1, 2041*	

*Maturity

(c) Upon the purchase or redemption of Series Bonds of any maturity for which Sinking Fund Payments have been established other than by application of Sinking Fund Payments, each future Sinking Fund Payment for such Series Bonds of such series and maturity will be credited by an amount bearing the same ratio to such Sinking Fund Payment as the total principal amount of such Series Bonds of such series and maturity to be purchased or redeemed bears to the total amount of all Sinking Fund Payments for such series of Series Bonds.

Section 4.02. Optional Redemption.

(a) The Issue 2011-A Bonds maturing on and after [July 1, 2020], are subject to redemption at the option of THDA prior to their respective maturities, either as a whole or in part at any time, on or after [January 1, 2020] (any such date to be determined by THDA or selected by the Trustee subject to the provisions of and in accordance with the General Resolution, and when so determined or selected will be deemed and is hereby set forth as the redemption date), upon notice as provided in Article V of the General Resolution, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

(b) The Subseries B-3 Bonds are subject to redemption at the option of THDA prior to their maturity, either as a whole or in part on the first Business Day of each month commencing [______], 2011, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Section 4.03. Special Optional Redemption.

(a) Except as otherwise provided herein, the Series Bonds are subject to redemption, at the option of THDA, as a whole or in part at any time prior to maturity, in accordance with the provisions of the General Resolution in an amount equal to (i) proceeds of the Series Bonds not expected to be applied to the financing of Program Loans, (ii) repayments and prepayments of Program Loans allocated to the Series Bonds in excess of regularly scheduled Debt Service payments on the Series Bonds and not otherwise applied to the special mandatory redemption of the applicable series of Series Bonds as provided in Sections 4.04(b), 4.04(c) and 4.04(d) hereof, (iii) repayments and prepayments of Program Loans made with the proceeds of any other Bonds issued under the General Resolution, subject to limitations contained in the Code, or (iv) other amounts on deposit in the Revenue Fund in excess of the amounts required for the payment of Debt Service and Program Expenses; provided, however, that the Issue 2011-A PAC Bonds (A) are only subject to redemption as described in clause (ii) above as described in Section 4.04(b) herein and (B) shall not be subject to redemption as described in clauses (iii) and (iv) above if such redemption would cause the amortization of the Issue 2011-A PAC Bonds to exceed the Planned Amortization Amount.

(b) The date of redemption pursuant to this Section 4.03 shall be determined by the Trustee upon the direction of THDA subject to the provisions of and in accordance with the General Resolution (and when so determined such date will be deemed and is hereby set forth as the redemption date). The Series Bonds to be so redeemed shall be redeemed at a Redemption Price of 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable; provided, however, that the Redemption Price for the Issue 2011-A PAC Bonds in the event of a redemption described in clause (i) of paragraph (a) above shall be the issue price thereof (par plus premium), plus accrued interest to the redemption date.

(c) The Series Bonds to be redeemed pursuant to this Section 4.03 shall be redeemed on a pro rata basis among all maturities of Series Bonds then Outstanding based on the principal amounts of such maturities then Outstanding unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of Series Bonds to be so redeemed; provided, however, that the Issue 2011-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Series Bonds then Outstanding in the event of any redemption pursuant to clause (i) of paragraph (a) above.

Section 4.04. Special Mandatory Redemptions.

(a) ***Unexpended Proceeds***. The Series Bonds are subject to mandatory redemption in the event and to the extent that there are unexpended proceeds of the Series Bonds on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund as follows:

(i) On [__________] to the extent such amount exceeds $[_________] on [_________]; and

(ii) On [________], from remaining moneys therein which have not been expended on or before [________] for the purchase of Program Loans;

provided that the redemption set forth in clause (ii) may occur prior to [________] (but not before[________]), and provided further that the dates set forth in clauses (i) and (ii) may be extended, in each case at the option of THDA, and in each case subject to the satisfaction of the conditions set forth in Section 6.01(a) hereof.

Notwithstanding any extension of the redemption dates described in (i) and (ii) above, in order to satisfy requirements of the Code, the Series Bonds are subject to mandatory redemption (i) on [______], 2012, to the extent amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund exceed $[________], and (ii) on [_________], to the extent any amounts remain on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund.

The redemption price of the Series Bonds to be so redeemed shall be 100% of the principal amount thereof plus interest accrued to the date of redemption, if applicable; provided, however, that the redemption price for the Issue 2011-A PAC Bonds shall be the issue price thereof (par plus premium) plus accrued interest to the redemption date. THDA shall direct the redemption of the Series Bonds pro rata among all maturities of such Series Bonds then Outstanding and eligible for redemption unless THDA shall also deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be so redeemed; provided, however, that (i) the Subseries B-3 Bonds shall be redeemed on a pro-rata basis from among all Series Bonds then Outstanding and (ii) the Issue 2011-A PAC Bonds may not be redeemed in an amount in excess of their proportionate amount of all Series Bonds then Outstanding.

(b) ***Excess 2011-A Principal Payments (Issue 2011-A PAC Bonds)***. The Issue 2011-A PAC Bonds are subject to redemption prior to their maturity, in whole or in part at a Redemption Price of 100% of the principal amount of such Issue 2011-A PAC Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Account representing Excess 2011-A Principal Payments. Any Excess 2011-A Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Issue 2011-A PAC Bonds on any Interest Payment Date commencing [January 1, 2012]; provided that if the amount on deposit in the Redemption Account attributable to Excess 2011-A Principal Payments exceeds $500,000, Issue 2011-A PAC Bonds may be redeemed between Interest Payment Dates on the first Business Day of any month for which adequate notice of redemption may be given.

While any Issue 2011-A PAC Bonds remain Outstanding, Excess 2011-A Principal Payments shall be used as follows:

FIRST, if principal prepayments on the Program Loans allocable to the Series Bonds are equal to or less than the [__]% PSA Prepayment Amount, as determined by THDA, then available Excess 2011-A Principal Payments shall first be applied to redeem Issue 2011-A PAC Bonds up to an amount correlating to the Planned Amortization

Amount for Issue 2011-A PAC Bonds and, subject to Section 4.04(e) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds under the Resolution, other than the Issue 2011-A PAC Bonds.

SECOND, if principal prepayments on the Program Loans allocable to the Series Bonds are in excess of the [__]% PSA Prepayment Amount, as determined by THDA, then available Excess 2011-A Principal Payments shall first be applied to redeem Issue 2011-A PAC Bonds up to an amount correlating to the Planned Amortization Amount (as set forth in "FIRST" above) and, subject to Section 4.04(e) below, the remainder may be applied by THDA for any purpose permissible under the Resolution, including the redemption of any Bonds issued under the Resolution, including the Issue 2011-A PAC Bonds (any such remainder used to redeem Issue 2011-A PAC Bonds being an "Excess Principal PAC Bond Redemption"); provided, however, that (i) the source of an Excess Principal PAC Bond Redemption is restricted to that portion of available Excess 2011-A Principal Payments which is in excess of [__]% PSA and (ii) the principal amount of an Excess Principal PAC Bond Redemption may not be an amount in excess of the Issue 2011-A PAC Bonds' proportionate amount of all Issue 2011-A Bonds then Outstanding.

The Planned Amortization Amount and the [__]% PSA Prepayment Amount set forth in Exhibit B hereto are each subject to proportionate reduction to the extent Issue 2011-A PAC Bonds are redeemed from amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund which are not applied to finance Program Loans in accordance with Section 4.04(a) hereof.

(c) ***Excess Subseries B-3 Principal Payments (Subseries B-3 Bonds)***. The Subseries B-3 Bonds are subject to redemption prior to their maturity, in whole or in part at a redemption price of 100% of the principal amount of such Subseries B-3 Bonds to be redeemed, plus interest accrued to the date of redemption, from amounts transferred to the Redemption Fund representing Excess Subseries B-3 Principal Payments. Any Excess Subseries B-3 Principal Payments so deposited in the Redemption Account shall be applied to the redemption of Subseries B-3 Bonds at least once during each semi-annual period ending on January 1 or July 1, commencing [July 1, 2011], to the extent there are at least $10,000 of Excess Subseries B-3 Principal Payments received during such semi-annual period.

(d) ***Mandatory Redemption – 10 Year Rule.***

(i) To the extent not required to make regularly scheduled principal payments on the Series Bonds or otherwise required to be used to redeem Series Bonds as described in Sections 4.04(b) or 4.04(c), the prepayments and repayments of principal of the Program Loans, or portions thereof, allocable to the Series Bonds shall be applied to redeem the Series Bonds on or before the next Interest Payment Date with respect to the Series Bonds, which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments, in such principal amounts as required to satisfy requirements of the Code. The Redemption Price of Series Bonds so redeemed shall be 100% of the principal amount thereof, plus interest accrued to the redemption date, if applicable.

(ii) As long as Section 143(a)(2)(A)(iv) of the Code remains applicable to the Series Bonds and such Section of the Code has not otherwise been amended, to the extent not required to make regularly scheduled principal payments on the Series Bonds or otherwise required to be used to redeem Series Bonds as described in Sections 4.04(b) or 4.04(c), the following percentages of prepayments and repayments of principal of the Program Loans, or portions thereof, financed with proceeds of the Issue 2011-A Bonds and the Subseries B-3 Bonds shall be applied to redeem the Series Bonds on or before the next Interest Payment Date with respect to the Series Bonds (at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, if applicable) which Interest Payment Date is at least six months from the date of receipt of such Program Loan principal payments:

Commencement Date	% Prepayment and Repayments Applied to Payment or Redemption
[_______], 2011	0%
[_______], 2021	100

THDA shall advise the Trustee of the appropriate Redemption Date for any redemption pursuant to this Section 4.04(d). THDA shall direct redemptions pursuant to this Section 4.04(d) pro rata among all maturities of the Series Bonds then Outstanding and eligible for redemption unless THDA shall deliver a Projected Cash Flow Statement indicating a different selection of the Series Bonds to be redeemed; provided, however, that the Issue 2011-A PAC Bonds may be redeemed in amount that exceeds the Planned Amortization Amount only if there are no other Series Bonds outstanding.

Section 4.05. Selection by Lot. If less than all of the Series Bonds of like Series and maturity are to be redeemed, the particular bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 6.4 of the General Resolution.

Section 4.06. Purchase of Bonds by THDA or Trustee. Whenever moneys are available for redemption of Series Bonds under this Article IV, THDA or the Trustee is authorized to purchase Series Bonds at a price not to exceed the applicable Redemption Price.

ARTICLE V

SALE AND DELIVERY

Section 5.01. Sale.

(a) The Issue 2011-A Bonds are hereby authorized to be sold to the Underwriters at the prices and on the terms and conditions set forth in the Bond Purchase

Agreement and upon the basis of the representations, warranties and agreements therein set forth. The Chairman, Secretary or Assistant Secretary of the Bond Finance Committee and the Executive Director of THDA are hereby authorized to execute the Bond Purchase Agreement in substantially the form attached hereto as Exhibit A. The Board of Directors of THDA hereby authorizes the Committee to adopt a resolution approving the purchase price of the Issue 2011-A Bonds.

(b) The Secretary of the Bond Finance Committee of THDA is hereby authorized to make public and to authorize distribution of the Official Statement relating to the Series Bonds in substantially the form presented to THDA with such changes, omissions, insertions and revisions as such officer shall deem advisable. The Chairman, Vice Chairman, Executive Director and Secretary of the Bond Finance Committee are hereby authorized to sign and deliver such Official Statement to the Underwriters and the Purchasers (as defined in the Issue 2009-A/B Supplemental Resolution). The distribution of the Preliminary Official Statement relating to the Issue 2011-A Bonds is hereby authorized and approved.

(c) The Issue 2011-A Bonds shall be delivered to the Underwriters in accordance with the terms of the Bond Purchase Agreement and this Issue 2011-A Supplemental Resolution.

ARTICLE VI

DISPOSITION OF ISSUE 2011-A BOND PROCEEDS, RELEASED ISSUE 2009-B PROCEEDS AND OTHER MONEYS

Section 6.01. Loan Fund; Bond Reserve Fund Requirement.

(a) Upon receipt of the proceeds of the sale of the Issue 2011-A Bonds and the transfer of the Released Issue 2009-B Proceeds, proceeds of the Issue 2011-A Bonds and the Released Issue 2009-B Proceeds shall be deposited in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund and the Bond Reserve Fund as shall be set forth in a certificate of THDA delivered on or prior to the Issue Date. Amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund shall be applied to the financing of Program Loans in accordance with the provisions of the General Resolution, payment of Costs of Issuance and payment of capitalized interest to the extent, if any, specified by written instructions of an Authorized Officer. The amount of funds on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund to be used to pay Costs of Issuance with respect to the issuance of Issue 2011-A Bonds and the redesignation of the Subseries B-3 Bonds shall not exceed 2% of the aggregate principal amount of the Series Bonds. Amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund shall be withdrawn therefrom and applied to the mandatory redemption of Series Bonds at the times and in the amounts described in Section 4.04(a) hereof. The dates of such redemptions provided in Section 4.04(a) may be extended upon receipt of written confirmation from the Rating Agency that such extension will not adversely impact the then existing rating on the Series Bonds; provided further that the date of such redemption shall not be extended beyond the dates set forth in the second paragraph of Section 4.04(a) unless THDA is in receipt of an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion of interest on the Series Bonds from the income of the owners thereof for federal income tax purposes. THDA hereby covenants that either amounts on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund or other available funds of THDA in an amount equal to 20% of the initial amount deposited in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund will be made available for owner financing of "targeted area residences" (as defined in Section 143(j) of the Code) until [________], 2011.

(b) the Bond Reserve Fund Requirement with respect to the Series Bonds shall be an amount equal to 3% of the then current balance of Program Loans allocable to the Series Bonds plus the amount on deposit in the Issue 2011-A/Subseries B-3 Subaccount of the Loan Fund which has not been designated to provide for the payment of Costs of Issuance or capitalized interest. On the Issue Date, THDA shall deposit an amount in the Bond Reserve Fund to satisfy the Bond Reserve Fund Requirement.

ARTICLE VII

FORM OF ISSUE 2011-A BONDS AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Section 7.01. Form of Bonds. Subject to the provisions of the General Resolution, the Issue 2011-A Bonds shall be in substantially the form of THDA's Housing Finance Program Bonds Issue 2010-B issued pursuant to the General Resolution on November 10, 2010, with such variations as shall be appropriate in order to conform to the terms and provisions the General Resolution and this Resolution.

Section 7.02. Form of Trustee's and Authenticating Agent's Certificate of Authentication. The Issue 2011-A Bonds shall not be valid or become obligatory for any purpose unless there shall have been endorsed thereon a certificate of authentication in substantially the following form:

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This bond is one of the bonds described in the within-mentioned Resolutions and is one of the Housing Finance Program Bonds, Issue 2011-A (Non-AMT) of the Tennessee Housing Development Agency.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By ______________________________
Authorized Officer

ARTICLE VIII

MISCELLANEOUS

Section 8.01. No Recourse Against Members or Other Persons. No recourse may be had for the payment of principal of or premium or interest on the Series Bonds or for any claim based thereon or on this Resolution against any member of THDA or any person executing the Series Bonds and neither the members of THDA nor any person executing the Series Bonds may be liable personally on the Series Bonds or be subject to any personal liability or accountability by reason of the execution thereof.

Section 8.02. Bonds not Debt, Liability or Obligation of the State or the United States of America. The Series Bonds are not a debt, liability or the obligation of the State or any other political subdivision thereof. Neither the full faith and credit nor the taxing power of the State, or of any other political subdivision thereof, is pledged for the payment of the principal of or interest on the Series Bonds. The Series Bonds are not a debt, liability or obligation of the United States of America or any agency thereof. Neither the full faith and credit nor the taxing power of the United States of America is pledged for payment of the principal of or interest on the Series Bonds.

Section 8.03. Delivery of Projected Cash Flow Statements. THDA shall deliver such Projected Cash Flow Statements at the times and on the occasions set forth in the General Resolution or this Resolution.

Section 8.04. Authorized Officers. The Chairman, Vice Chairman, Executive Director, General Counsel, Deputy Executive Director and Secretary of THDA and the Secretary and any Assistant Secretary of the Bond Finance Committee and any other proper officer of THDA, be, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, the General Resolution and the Official Statement.

Section 8.05. Authorized Trustee. THDA authorizes and directs the Trustee to perform any and all acts contemplated to be performed by the Trustee pursuant to the terms and provisions of this Resolution.

Section 8.06. Covenant to Comply with Federal Tax Law Requirements. THDA hereby covenants to comply with all applicable requirements of the Code so that interest on the Series Bonds will be excluded from gross income of the holders thereof for federal income tax purposes, including the rebate requirement of Section 148(f) of the Code. THDA also covenants to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements. In accordance with the rebate requirement, THDA agrees that there will be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series Bonds from time to time.

Section 8.07. Continuing Disclosure Undertaking.

(a) THDA shall deliver to the MSRB, within 180 days after the end of each Fiscal Year:

> (i) a copy of the annual financial statements of THDA prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board; and
>
> (ii) an update of the type of information in the Official Statement (A) contained in Appendices E and F, and (B) information of the nature disclosed under the following headings:
>
> (1) Housing Finance Program Bonds;
>
> (2) Housing Finance Program Loans; and
>
> (3) Financial Summary of Housing Finance Program.

The information described in this subsection (a) may be provided by specific reference to documents (including official statements, to the extent the official statements include the information described in this subsection (a)) previously provided to the MSRB.

If unaudited financial statements are provided as part of the information required to be delivered under this subsection (a) within the time period specified above, THDA shall provide, when and if available, a copy of THDA's audited financial statements to the MSRB.

(b) THDA shall deliver to the MSRB and the Trustee, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events (if applicable) with respect to the Issue 2011-A Bonds:

> (i) principal and interest payments delinquencies;
>
> (ii) non-payment related defaults, if material;
>
> (iii) unscheduled draws on the Debt Service Reserve Fund reflecting financial difficulties;
>
> (iv) unscheduled draws on any credit enhancement reflecting financial difficulties;
>
> (v) substitution of any credit or liquidity provider, or their failure to perform;

(vi) 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 Issue 2011-A Bonds, or other material events affecting the tax status of the Issue 2011-A Bonds;

(vii) modifications to rights of the beneficial owners of the Issue 2011-A Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Issue 2011-A Bonds, if material;

(xi) rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of THDA;

(xiii) The consummation of a merger, consolidation or acquisition involving THDA or the sale of all or substantially all of the assets of THDA, 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

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Issue 2011-A Bonds or defeasance of any Issue 2011-A Bonds need not be given pursuant to this Paragraph 8.07 any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Issue 2011-A Bonds pursuant to the Resolution.

(c) THDA shall give to the Trustee and the MSRB in a timely manner, not in excess of 10 business days after the occurrence of the event, notice of any failure by THDA to provide any information required pursuant to subsection (a) above within the time limit specified therein.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format at prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) THDA agrees that the provisions of this Section 8.07 shall be for the benefit of the beneficial owners of the Issue 2011-A Bonds.

(f) THDA may amend this Resolution with respect to the above agreements, without the consent of the beneficial owners of the Issue 2011-A Bonds (except to the extent required under clause (iv)(B) below), if all of the following conditions are satisfied: (i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of THDA or the type of business conducted thereby; (ii) these agreements as so amended would have complied with the requirements of Rule 15c2-12 (the "Rule") as of the date of this Resolution, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) THDA shall have delivered to the Trustee an opinion of counsel, addressed to THDA and the Trustee, to the same effect as set forth in clause (ii) above; (iv) either (A) THDA shall deliver to the Trustee an opinion of or determination by a person unaffiliated with THDA (which may include the Trustee or bond counsel), acceptable to THDA and the Trustee, addressed to THDA and the Trustee, to the effect that the amendment does not materially impair the interests of the beneficial owners of the Issue 2011-A Bonds or (B) the beneficial owners of the Issue 2011-A Bonds consent to the amendment pursuant to the same procedures as are required for amendments to the General Resolution with consent of the holders of Bonds pursuant to the General Resolution as in effect on the date of this Resolution; (v) the amendment or waiver is otherwise permitted under the Rule; and (vi) THDA shall have delivered copies of such opinion(s) and the amendment to the MSRB.

(g) THDA's obligations with respect to the beneficial owners of the Issue 2011-A Bonds under these agreements as set forth above terminate upon a legal defeasance pursuant to the General Resolution, prior redemption or payment in full of all of the Issue 2011-A Bonds. THDA shall give notice of any such termination to the MSRB.

(h) Failure by THDA to comply with this Section 8.07 shall not constitute an Event of Default under the General Resolution but the undertaking in this Section 8.07 may be enforced by any beneficial owner of the Issue 2011-A Bonds exclusively by an action for specific performance.

Section 8.08. Confirmation and Adjustment of Terms by Committee. The terms of the Series Bonds are herein established subject to confirmation by the Committee upon the sale of the Issue 2011-A Bonds by the Committee. The Committee is hereby authorized to make such changes or modifications in the principal amounts, maturities and interest rates for the Series Bonds and in the application of the proceeds thereof, paying agents, terms of redemption and the schedule of prepayment amounts to be used for accrued principal installments in such manner as the Committee determines to be necessary or convenient to better achieve the purposes of the Act and in the best interests of THDA.

Section 8.09. Effective Date. This Resolution will take effect immediately.

EXHIBIT A

BOND PURCHASE AGREEMENT

EXHIBIT B

[PLANNED AMORTIZATION AMOUNTS FOR ISSUE 2011-A PAC BONDS]

Date	Planned Amortization Amount
January 1, 2012	$
July 1, 2012	
January 1, 2013	
July 1, 2013	
January 1, 2014	
July 1, 2014	
January 1, 2015	
July 1, 2015	
January 1, 2016	
July 1, 2016	
January 1, 2017	
July 1, 2017	
January 1, 2018	
July 1, 2018	
January 1, 2019	
July 1, 2019	

[[ ]% PSA PREPAYMENT AMOUNTS
FOR ISSUE 2011-A BONDS AND SUBSERIES B-3 BONDS]

Date	Cumulative Amount	Date	Cumulative Amount
January 1, 2012	$	January 1, 2027	$
July 1, 2012		July 1, 2027	
January 1, 2013		January 1, 2028	
July 1, 2013		July 1, 2028	
January 1, 2014		January 1, 2029	
July 1, 2014		July 1, 2029	
January 1, 2015		January 1, 2030	
July 1, 2015		July 1, 2030	
January 1, 2016		January 1, 2031	
July 1, 2016		July 1, 2031	
January 1, 2017		January 1, 2032	
July 1, 2017		July 1, 2032	
January 1, 2018		January 1, 2033	
July 1, 2018		July 1, 2033	
January 1, 2019		January 1, 2034	
July 1, 2019		July 1, 2034	
January 1, 2020		January 1, 2035	
July 1, 2020		July 1, 2035	
January 1, 2021		January 1, 2036	
July 1, 2021		July 1, 2036	
January 1, 2022		January 1, 2037	
July 1, 2022		July 1, 2037	
January 1, 2023		January 1, 2038	
July 1, 2023		July 1, 2038	
January 1, 2024		January 1, 2039	
July 1, 2024		July 1, 2039	
January 1, 2025		January 1, 2040	
July 1, 2025		July 1, 2040	
January 1, 2026		January 1, 2041	
July 1, 2026			

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE TENNESSEE HOUSING DEVELOPMENT AGENCY
AUTHORIZING REIMBURSMENT OF THDA
FROM PROCEEDS OF ISSUE 2011-A
January 25, 2011

WHEREAS, the Tennessee Housing Development Agency ("THDA") is financing mortgage loans for eligible borrowers to purchase single family residences in compliance with the Internal Revenue Code of 1986, as amended (the "Code"), and the General Housing Finance Program Bond Resolution, as amended (the "2009 General Resolution"); and

WHEREAS, THDA expects to use its own funds to continue its mortgage loan programs prior to the availability of proceeds from the issuance of the General Housing Finance Program Bonds, Issue 2011-A (the "2011-A Bonds"), if and when issued and sold (the "Bonds"); and

WHEREAS, THDA will continue to commit and purchase mortgage loans prior to the closing date for the Bonds (the "Closing"); and

WHEREAS, THDA expects that up to $60,000,000 in mortgage loans may be purchased prior to Closing; and

WHEREAS, it is in the best interest of THDA to reimburse itself from the proceeds of the Bonds for THDA funds expended to purchase mortgage loans prior to the Closing.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THDA THAT:

1. Use of proceeds from the Bonds in an amount not to exceed Sixty Million and 00/100 Dollars ($60,000,000) shall be used to reimburse THDA for the actual amounts expended to purchase mortgage loans made to eligible borrowers who purchased single family residences in accordance with the requirements of the Code and the 2009 General Resolution.

2. This resolution shall take effect immediately.