

**TENNESSEE STATE FUNDING BOARD**  
**November 27, 2017**  
**(Reconvened from November 20, 2017)**  
**1:00 p.m./W.R. Snodgrass Tennessee Tower (Nashville Room – 3<sup>rd</sup> Floor)**

**AGENDA**

1. Reconvene Meeting from November 20, 2017
2. Report from the Department of Economic and Community Development (ECD) for approval of funding for the following projects: (Deferred from November 20, 2017 Meeting)
  - **American Lebanese Syrian Associated Charities (“ALSAC”) and St. Jude Children’s Research Hospital (“St. Jude”) – Memphis (Shelby County)**  
FastTrack Economic Development Grant \$24,000,000
  - **Nokian Tyres U.S. Operations LLC – Dayton (Rhea County)**  
FastTrack Job Training Grant \$ 6,435,000
  - **Gränges Americas Inc. – Huntingdon (Carroll County)**  
FastTrack Economic Development Grant \$ 1,375,000
  - **Gränges Americas Inc. – Huntingdon (Carroll County)**  
FastTrack Economic Development Grant \$ 1,500,000
  - **Volkswagen Group of America Chattanooga Operations, LLC – Chattanooga (Hamilton County)**  
FastTrack Job Training Grant \$12,000,000
  - **Amazon dedc, LLC – Memphis (Shelby County)**  
FastTrack Economic Development Grant \$ 3,000,000
  - **Shaw Industries Group, Inc. – Decatur (Meigs County)**  
FastTrack Economic Development Grant \$ 1,500,000
3. Staff Recommendation of Consensus State Revenue Projections
4. Staff Recommendation of Consensus Lottery Revenue Projections
5. Acknowledge receipt of notification from the Tennessee Education Lottery Corporation pursuant to Tennessee Code Annotated 4-51-111(a)(3)
6. Report from Tennessee Central Economic Authority  
Mr. Charly Lyons, President & CEO  
Mr. Carroll Carman, Board Chairman & Trousdale County Mayor
7. Report from Tennessee State Veterans’ Home Board:  
Mr. Ed Harries, Executive Director of the TSVHB  
Ms. Danielle Brown, Controller of the TSVHB

8. Report on State Pooled Investment Fund (SPIF) and Intermediate Term Investment Fund (ITIF):  
Mr. Tim McClure, Assistant CIO/Director of Cash Management  
State of Tennessee Department of the Treasury
9. Consideration and approval of an amendment to the Public Financial Management Contract
10. Report on Commercial Paper Program
11. Resolution Allocating from the Internal Service Fund to the Capital Projects Fund \$4,380,000 and  
Canceling Authorized Bonds
12. Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$1,400,000 and  
Canceling Authorized Bonds
13. Adjourn

## FastTrack Report to State Funding Board

11/15/2017

1. Previous FastTrack Balance, as of Last Report	242,620,100.97	
2. + New Appropriations:	0.00	
3. + Newly Deobligated Funds:	1,240,456.88	
4. + Funds Transferred to FastTrack:	12,000,000.00	
5. - Funds Transferred from FastTrack:	(4,674,000.00)	
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(8,622,650.00)	
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(2,373,099.00)	
8. - FastTrack Administration	(122,589.17)	
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:		240,068,219.68
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10. Total Amount of Commitments:	176,074,495.76	
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11. Uncommitted FastTrack:		63,993,723.92
12. Percentage Committed:		73.3%
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13. Amount of Proposed Grants or Loans:	49,810,000.00	
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:		14,183,723.92
15. Percentage Committed:		94.1%

See next page for explanations of the above questions.

I have reviewed the above and believe it to be correct:

Robert Rolf

\_\_\_\_\_  
Commissioner of Economic and Community Development

Date: 11/15/17



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

The Department of Economic & Community Development (the "Department") seeks approval by the State Funding Board (the "Board") pursuant to T.C.A. § 4-3-717(a) authorizing FastTrack infrastructure, training, and economic development grants where there is a commitment by an eligible business to create or retain private sector jobs or engage in private investment or where the Commissioner of Economic and Community Development determines that such investment will have a direct impact on employment and investment opportunities in the future. The following projects meet the statutory requirements and the Department presents these projects to the Board pursuant to the mandates of T.C.A. § 4-3-717(e), which requires approval of grants and loans under the FastTrack Infrastructure Development Program, the FastTrack Job Training Assistance Program, and the FastTrack Economic Development Program that exceed \$750,000 per eligible business within a three (3) year period.

**1. American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude") – Memphis (Shelby County)**

American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude"), is the only National Cancer Institute-designated Comprehensive Cancer Center devoted solely to children. The treatments developed at St. Jude have helped push the overall childhood cancer survival rate from 20 percent to 80 percent since the hospital opened more than 50 years ago. The research hospital treats patients from all 50 states and around the world, and families never receive a bill from St. Jude for treatment, travel, housing, or food.

Site improvements will be completed in the Pinch District surrounding the St. Jude campus in downtown Memphis, which will complement the research institution's expansion efforts announced in 2015.

St. Jude Children's Research Hospital has committed to create 1,800 new jobs and make a \$1,000,000,000 capital investment within six years. The company will have an average wage of \$33.20 per hour for the new positions.



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

FastTrack Economic Development Grant funds will be used for site improvements. **(\$24,000,000)**

**Total FastTrack funds for this project - \$24,000,000**

### **2. Nokian Tyres U. S. Operations LLC – Dayton (Rhea County)**

Nokian Tyres, headquartered in Finland, is a tire production company focusing on customer needs in demanding conditions. The company supplies innovative tires for cars, trucks and special heavy machinery mainly in areas with special challenges for tire performance including snow, forests and harsh driving conditions in different seasons.

Nokian Tyres' new Tennessee facility will focus on manufacturing passenger, SUV and light-truck tires. The company will begin construction on the new 830,000-square-foot facility in early 2018, and the facility is expected to be completed in 2020.

Nokian Tyres has committed to create 400 new jobs and make a \$381,409,092 capital investment within five years. The company will have an average wage of \$19.00 per hour for the new positions.

FastTrack Job Training Grant funds will be used to train the new workforce for the Dayton facility. **(\$6,435,000)**

**Total FastTrack funds for this project - \$6,435,000**

### **3. Gränges Americas Inc. – Huntingdon (Carroll County)**

Gränges Americas Inc. is a wholly owned subsidiary of Gränges AB, a leading global supplier of rolled aluminum products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers, Gränges is the global leader with a market share of approximately 20 percent.

In summer 2016, Gränges Americas Inc. purchased the downstream aluminum operations of Noranda Aluminum Inc. in an asset acquisition of an interest in real property including the company's lease with the Huntingdon Industrial Development Board, as part of Chapter 11 reorganization.

Gränges Americas Inc. has committed to retain 375 jobs and invest \$360,985,000 within five years. The company will have an average wage of \$23.52 per hour for the retained positions.



## Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

FastTrack Economic Development Grant funds will be used for site work and building construction & improvement. **(\$1,375,000)**

**Total FastTrack funds for this project - \$1,375,000**

#### **4. Gränges Americas Inc. – Huntingdon (Carroll County)**

Gränges Americas Inc. is a wholly owned subsidiary of Gränges AB, a leading global supplier of rolled aluminum products for heat exchanger applications and other niche markets. In materials for brazed heat exchangers, Gränges is the global leader with a market share of approximately 20 percent.

This Gränges' expansion helps the company meet growing demand for light gauge foil, automotive heat exchanger materials as well as heating, ventilation and air condition (HVAC) applications. The investment further positions Huntingdon as one of the most modern and efficient aluminum rolling mills in North America. The project is estimated to take approximately two years to complete. When completed, the capacity in Huntingdon will increase from about 160 metric kilotons to nearly 200 metric kilotons per year.

Gränges Americas Inc. has committed to create 100 new jobs and make a \$110,000,000 capital investment within five years. The company will have an average wage of \$25.99 per hour for the new positions.

FastTrack Economic Development Grant funds will be used to offset the costs the company will incur in site work and building construction & improvement. **(\$1,500,000)**

**Total FastTrack funds for this project - \$1,500,000**

#### **5. Volkswagen Group of America Chattanooga Operations, LLC – Chattanooga (Hamilton County)**

The Volkswagen Group of America, Chattanooga Operations, LLC (Volkswagen Chattanooga) manufacturing facility began production in April 2011 and currently builds the all-new Passat sedan and midsize sport utility vehicle, the Volkswagen Atlas.

This plant expansion project in the Enterprise South Industrial Park was undertaken to manufacture a new automotive line, a midsize SUV for the American market. Production of the



## Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

new SUV began in the fourth quarter of 2016. This expansion also included the creation of the National Research & Development and Planning Center of the Volkswagen Group of America.

Volkswagen Group of America, Chattanooga Operations, LLC has committed to create 2,000 new jobs and make a \$601,000,000 capital investment within five years. The company will have an average wage of \$24.26 per hour for the new positions.

FastTrack Job Training Grant funds will be used to offset the costs of training the increased workforce for the Chattanooga facility. **(\$12,000,000)**

**Total FastTrack funds for this project - \$12,000,000**

### **6. Amazon dedc, LLC – Memphis (Shelby County)**

Amazon dedc, LLC, a subsidiary of Amazon.com Inc., is an American electronic commerce and cloud computing company headquartered in Seattle, Washington. The company sells consumer products and subscriptions to customers globally.

Amazon will locate a new Receive Center in Shelby County to support the North American Fulfillment network. This facility will collect and repackage products for distribution to fulfillment centers across the country.

Amazon dedc, LLC has committed to create 600 new jobs and make a \$35,000,000 capital investment within five years. The company will have an average wage of \$13.90 per hour for the new positions.

FastTrack Economic Development grant funds will be used to offset the costs of site development and construction. **(\$3,000,000)**

**Total FastTrack funds for this project - \$3,000,000**

### **7. Shaw Industries Group, Inc. – Decatur (Meigs County)**

Headquartered in Dalton, Georgia, Shaw Industries Group, Inc. is a wholly owned subsidiary of Berkshire Hathaway, Inc. Shaw offers a diverse portfolio of carpet, resilient, hardwood, tile, stone and laminate flooring products, synthetic turf and other specialty items for residential and



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

commercial markets worldwide. Its brands include Anderson, Patcraft, Philadelphia Commercial, Shaw Contract, Shaw Floors, and more.

Shaw will modernize its facility, expanding capabilities that will allow the company to use both nylon and polyester fiber at the Meigs County facility. Shaw's Decatur facility supplies yarn for the company's carpet manufacturing locations.

Shaw Industries Group, Inc. has committed to create 75 new jobs and make a \$42,000,000 capital investment within five years. The company will have an average wage of \$15.71 per hour for the new positions.

FastTrack Economic Development Grant funds will be used for building, roof, and fixture retrofit and improvements at the Meigs County facility. **(\$1,500,000)**

**Total FastTrack funds for this project - \$1,500,000**

Sincerely,

A handwritten signature in black ink that reads "Bob Rolfe".

Bob Rolfe

BR/js



### State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee	\$24,000,000	
TOTAL		\$24,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

**\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): American Lebanese Syrian Associated Charities ("ALSAC") and St. Jude Children's Research Hospital ("St. Jude")**

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

**GENERAL STATUTORY COMPLIANCE**

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

**Identify which of the following apply:**

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

**Applicant must answer "Yes" to a or b.**

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

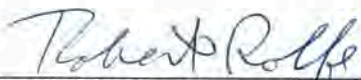
**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.

  
Commissioner of Economic and Community Development

11/15/17  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 9, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that ALSAC/St. Jude Children's Research Hospital intends, in good faith, to create 1,800 private sector jobs and make a capital investment of \$1,000,000,000 in exchange for incentives that will be memorialized in a grant agreement between ALSAC/St. Jude Children's Research Hospital and the State of Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant	\$ 24,000,000
<b>Total ECD Commitment:</b>	<b>\$ 24,000,000</b>

Please sign your name in the space below to signify ALSAC/St. Jude Children's Research Hospital's acceptance of ECD's offer set forth above and return it by November 13, 2017 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th floor  
Nashville, TN 37243  
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: Richard Shadye, Jr. Date: \_\_\_\_\_  
(Authorized Representative of Company)

ALSAC CEO  
St. Jude Children's Research Hospital

Date: 11/15/17



## Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

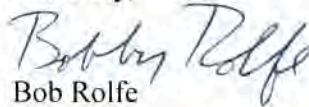
Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee for the benefit of ALSAC/St. Jude Children's Research Hospital in the amount of \$24,000,000 to offset the costs that will be incurred in site development. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. ALSAC/St. Jude Children's Research Hospital has committed to create 1,800 new jobs and to make a \$1,000,000,000 capital investment within six years. The company will have an average wage of \$33.20 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

  
Bob Rolfe

## State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*	<b>Nokian Tyres U. S. Operations LLC</b>	\$6,435,000	
ECONOMIC DEVELOPMENT			
TOTAL		\$6,435,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Nokian Tyres U. S. Operations LLC

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

### Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

### Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

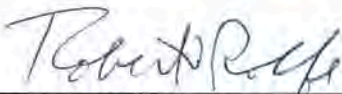
**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.



Commissioner of Economic and Community Development

11/15/17  
Date



## Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

October 13, 2017

### INCENTIVE ACCEPTANCE FORM

This form serves as notice that Nokian Tyres U.S. Operations LLC intends, in good faith, to create 400 private sector jobs in Dayton, Rhea County and make a capital investment of \$381,409,092 in exchange for incentives that will be memorialized in a grant agreement between Nokian Tyres U.S. Operations LLC and the State of Tennessee.

#### ECD OFFER SUMMARY

FastTrack Job Training Grant:	\$ 6,435,000
<b>Total ECD Commitment:</b>	<b>\$ 6,435,000</b>

Please sign your name in the space below to signify Nokian Tyres U.S. Operations LLC's acceptance of ECD's offer set forth above and return it by January 10, 2018 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th Floor  
Nashville, TN 37243  
jordan.taylorloan@tn.gov

**Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.**

Signature: \_\_\_\_\_

(Authorized Representative of Company)

Date: 11/9/17

## State Funding Board FastTrack Checklist

*FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).*

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	Huntingdon Industrial Development Board	\$1,375,000	
TOTAL		\$1,375,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Gränges Americas Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

### Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

### Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.



**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

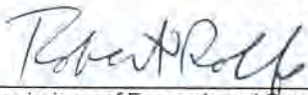
**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.



Commissioner of Economic and Community Development

11/15/17  
Date



Department of Economic and Community Development

Randy Boyd  
Commissioner

Bill Haslam  
Governor

December 22, 2016

**INCENTIVE ACCEPTANCE FORM**

This form serves as notice that Granges Americas, Inc. intends, in good faith, to create 375 private sector jobs and make a capital investment of \$360,985,000 in exchange for incentives that will be memorialized in a grant agreement between Granges Americas, Inc. and the State of Tennessee.


**ECD OFFER SUMMARY**

FastTrack Economic Development Grant:	\$ 1,375,000
<b>Total ECD Commitment:</b>	<b>\$ 1,375,000</b>

Please sign your name in the space below to signify Granges Americas, Inc.'s acceptance of ECD's offer set forth above and return it by March 22, 2017 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th floor  
Nashville, TN 37243  
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:   
(Authorized Representative of Company)

Date: 12/28/16



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

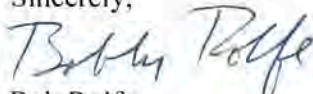
Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Huntingdon Industrial Development Board for the benefit of Gränges Americas Inc. in the amount of \$1,375,000 to offset the costs Gränges Americas Inc. will incur in site work and building construction & improvement. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. Gränges Americas Inc. has committed to retain 375 jobs and make a \$360,985,000 capital investment within five years. The company will have an average wage of \$23.52 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

  
Bob Rolfe

## State Funding Board FastTrack Checklist

*FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).*

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	Huntingdon Industrial Development Board	\$1,500,000	
TOTAL		\$1,500,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

**\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity):** Granges Americas Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

### **Identify which of the following apply:**

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

### **Applicant must answer "Yes" to a or b.**

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.

  
\_\_\_\_\_  
Commissioner of Economic and Community Development

11/15/17  
\_\_\_\_\_  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

October 2, 2017

**INCENTIVE ACCEPTANCE FORM**

This form serves as notice that Granges Americas, Inc. intends, in good faith, to create 100 private sector jobs in Huntingdon, Carroll County and make a capital investment of \$110,000,000 in exchange for incentives that will be memorialized in a grant agreement between Granges Americas, Inc. and the State of Tennessee.

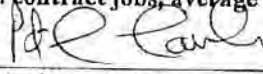
**ECD OFFER SUMMARY**

FastTrack Economic Development Grant:	\$ 1,500,000
Total ECD Commitment:	\$ 1,500,000

Please sign your name in the space below to signify Granges Americas, Inc.'s acceptance of ECD's offer set forth above and return it by December 31, 2017 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th floor  
Nashville, TN 37243  
jordan.taylor Sloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:   
(Authorized Representative of Company)

Date: 10/4/17



## Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Huntingdon Industrial Development Board for the benefit of Granges Americas Inc. in the amount of \$1,500,000 to offset the costs Granges Americas Inc. will incur in site work and building construction & improvement. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of high wage jobs and significant capital investment. Granges Americas Inc. has committed to create 100 new jobs and to make a \$110,000,000 capital investment within five years. The company will have an average wage of \$25.99 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

A handwritten signature in cursive script that reads "Robert Rolfe".

Bob Rolfe

### State Funding Board FastTrack Checklist

*FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).*

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*	<b>Volkswagen Group of America Chattanooga Operations, LLC</b>	\$12,000,000	
ECONOMIC DEVELOPMENT			
TOTAL		\$12,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

**\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Volkswagen Group of America Chattanooga Operations, LLC**

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

**GENERAL STATUTORY COMPLIANCE**

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

**Identify which of the following apply:**

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

**Applicant must answer "Yes" to a or b.**

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.



**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

**Applicant must answer "Yes" to a or b.**

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
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**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.

  
\_\_\_\_\_  
Commissioner of Economic and Community Development

11/15/17  
\_\_\_\_\_  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

October 11, 2017

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Volkswagen Group of America Chattanooga Operations, LLC intends, in good faith, to create 2,000 private sector jobs in Chattanooga, Hamilton County and make a capital investment of \$601,000,000 in exchange for incentives that will be memorialized in a grant agreement between Volkswagen Group of America Chattanooga Operations, LLC and the State of Tennessee.

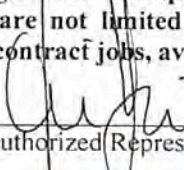
ECD OFFER SUMMARY

FastTrack Job Training Grant:	\$ 12,000,000
<b>Total ECD Commitment:</b>	<b>\$ 12,000,000</b>

Please sign your name in the space below to signify Volkswagen Group of America Chattanooga Operations, LLC's acceptance of ECD's offer set forth above and return it by January 9, 2018 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th Floor  
Nashville, TN 37243  
jordan.taylorsloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature:   
(Authorized Representative of Company)

Date: 10/23/2017



IC

### State Funding Board FastTrack Checklist

*FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).*

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING	RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
INFRASTRUCTURE			
TRAINING*			
ECONOMIC DEVELOPMENT	The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee	\$3,000,000	
TOTAL		\$3,000,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Amazon dedc, LLC

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

**GENERAL STATUTORY COMPLIANCE**

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

**Identify which of the following apply:**

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

**Applicant must answer "Yes" to a or b.**

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

Applicant must answer "Yes" to a or b.

- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
- b. Has the commissioner of economic and community development determined the funds make significant technological improvements such as digital switches or fiber optic cabling that would have a beneficial impact on the economy of this state T.C.A. § 4-3-717(h)(2)? If "yes," attach the commissioner's rationale.

**ECONOMIC DEVELOPMENT**

- 13. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 14. Is this grant or loan eligible for FastTrack infrastructure development or job training assistance funds T.C.A. § 4-3-717(d)(1)?  Yes  No
- 15. Will this grant or loan be used to facilitate economic development activities that include, but are not limited to, retrofitting, relocating equipment, purchasing equipment, building repairs and improvements, temporary office space or other temporary equipment related to relocation or expansion of a business T.C.A. § 4-3-717(d)(1)?  Yes  No
- 16. Will the funds be used in exceptional circumstances wherein the funds will make a proportionally significant economic impact on the affected community T.C.A. § 4-3-717(d)(1)? If "yes," attach an explanation of the exceptional circumstances and the proportionally significant economic impact.  Yes  No
- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.

  
\_\_\_\_\_  
Commissioner of Economic and Community Development

  
\_\_\_\_\_  
Date



Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 8, 2017

**INCENTIVE ACCEPTANCE FORM**

This form serves as notice that Amazon.com.dedc, LLC intends, in good faith, to create 600 private sector jobs in Memphis, Shelby County and make a capital investment of \$35,000,000 in exchange for incentives that will be memorialized in a grant agreement between Amazon.com.dedc, LLC and the State of Tennessee.

**ECD OFFER SUMMARY**

FastTrack Economic Development Grant:	\$ 3,000,000
<b>Total ECD Commitment:</b>	<b>\$ 3,000,000</b>

Please sign your name in the space below to signify Amazon.com.dedc, LLC's acceptance of ECD's offer set forth above and return it by February 6, 2018 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th Floor  
Nashville, TN 37243  
jordan.taylorsloan@tn.gov

**Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.**

Signature: Braden Cox  
DocuSigned by:  
3103772660150  
(Authorized Representative of Company)

Date: November 10, 2017



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

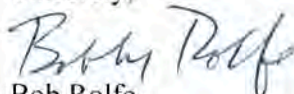
Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to The Economic Development Growth Engine Industrial Development Board for the City of Memphis and County of Shelby, Tennessee for the benefit of Amazon dedc, LLC in the amount of \$3,000,000 to offset the costs Amazon dedc, LLC will incur in site development and construction. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of jobs and significant capital investment. Amazon dedc, LLC has committed to create 600 new jobs and to make a \$35,000,000 capital investment within five years. The company will have an average wage of \$13.90 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

  
Bob Rolfe

## State Funding Board FastTrack Checklist

FastTrack grants or loans exceeding seven hundred fifty thousand dollars (\$750,000) per eligible business within a three-year period require state funding board approval T.C.A. § 4-3-717(e).

Please identify the type of FastTrack funding requested and the grant or loan amount:

TYPE OF FUNDING		RECIPIENT ENTITY	GRANT AMOUNT	LOAN AMOUNT
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input checked="" type="checkbox"/>	ECONOMIC DEVELOPMENT	Meigs County-Decatur Economic Development Corporation	\$1,500,000	
TOTAL			\$1,500,000	

(Recipient entity must be a local government, their economic development organization, a political subdivision of the state, or an eligible business beneficiary [for training only].)

\*ELIGIBLE BUSINESS BENEFICIARY (if different than Recipient Entity): Shaw Industries Group, Inc.

Complete the General Statutory Compliance section below and the section(s) that corresponds with the type of funding indicated above. General Statutory Compliance items apply to all types of funding represented above.

### GENERAL STATUTORY COMPLIANCE

1. Will this new commitment cause the FastTrack appropriations to be over-committed T.C.A. § 4-3-716(g)?  
If "yes," state funding board concurrence is required. Attach the commissioner's rationale used to determine the amount of actual commitments unlikely to be accepted based on historical program trends (maximum allowed is 130% of the appropriations available for new grants).  Yes  No
2. Will this new commitment place in jeopardy compliance with the legislative intent that actual expenditures and obligations to be recognized at the end of the fiscal year not exceed available reserves and appropriations of the programs T.C.A. § 4-3-716(g)?  Yes  No
3. Does this grant or loan comply with the legislative intent to distribute FastTrack funds in all areas of the state to the extent practicable T.C.A. § 4-3-716(f)?  Yes  No
4. Has the commissioner of economic and community development provided to the commissioner of finance and administration (with copies transmitted to the speaker of the house of representatives, the speaker of the senate, the chairs of the finance, ways and means committees, the state treasurer, the state comptroller, the office of legislative budget analysis, and the secretary of state) the most recent quarterly report regarding the status of the appropriations for the FastTrack fund T.C.A. § 4-3-716(h)?  Yes  No

Identify which of the following apply:

5. a. Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)?
- b. Do more than half of the business' products or services enter into the production of exported products T.C.A. § 4-3-717(h)(1)(B)?
- c. Does the use of business' products primarily result in import substitution on the replacement of imported products or services with those produced in the state T.C.A. § 4-3-717(h)(1)(C)?
- d. Has the commissioner of economic and community development determined the business has other types of economic activity that contributes significantly to community development education and has a beneficial impact on the economy of the state T.C.A. § 4-3-717(h)(1)(D)? If "yes," attach the commissioner's rationale.

Applicant must answer "Yes" to a or b.

6. a. Is there a commitment by a responsible official in an eligible business for the creation or retention of private sector jobs and investment T.C.A. § 4-3-717(a)? If "yes," attach documentation.
- b. Has the commissioner of economic and community development determined that this investment will have a direct impact on employment and investment opportunities in the future T.C.A. § 4-3-717(a)? If "yes," attach the commissioner's rationale.

**TRAINING**

- 7. Will the grant support the training of new employees for locating or expanding industries T.C.A. § 4-3-717(c)(1)?  Yes  No
- 8. Will the grant support the retraining of existing employees where retraining is required by the installation of new machinery or production processes T.C.A. § 4-3-717(c)(2)?  Yes  No

**INFRASTRUCTURE**

- 9. Is the land to be improved publicly owned and not subject to a purchase option by a private entity where the purchase option covering the land may be exercised within a period of five (5) years following the date of the infrastructure grant? T.C.A. § 4-3-717(b)(2-3)?  Yes  No
- 10. Is this grant or loan made to a local government, a local government economic development organization or other political subdivision of the state T.C.A. § 4-3-717(d)(1)?  Yes  No
- 11. In determining the level of assistance for infrastructure and site preparation, was consideration given to local ability-to-pay with areas of lesser ability being eligible for higher grant rates T.C.A. § 4-3-717(f)?  Yes  No

**Applicant must answer "Yes" to a or b.**


- 12. a. Will the grant or loan address infrastructure, such as, water, wastewater, transportation systems, line extensions, industrial site preparation or similar items where it is demonstrated that such improvements are necessary for the location or expansion of business or industry T.C.A. § 4-3-717(h)(2)?
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- 17. The department of economic and community development is required to notify and provide the state funding board a detailed written explanation of the purpose for which this economic development grant or loan is being awarded or used T.C.A. § 4-3-717(d)(2). Attach documentation.  Yes  No

I have reviewed this document and believe it to be correct.

  
\_\_\_\_\_  
Commissioner of Economic and Community Development

  
\_\_\_\_\_  
Date





Department of Economic and Community Development

Bob Rolfe  
Commissioner

Bill Haslam  
Governor

October 11, 2017

**INCENTIVE ACCEPTANCE FORM**

This form serves as notice that Shaw Industries Group, Inc. intends, in good faith, to create 75 private sector jobs in Decatur, Meigs County and make a capital investment of \$42,000,000 in exchange for incentives that will be memorialized in a grant agreement between Shaw Industries Group, Inc. and the State of Tennessee.

**ECD OFFER SUMMARY**

FastTrack Economic Development Grant:	\$ 1,500,000
<b>Total ECD Commitment:</b>	<b>\$ 1,500,000</b>

Please sign your name in the space below to signify Shaw Industries Group, Inc.'s acceptance of ECD's offer set forth above and return it by January 9, 2018 to:

Tennessee Department of Economic and Community Development  
Attn: Jordan Taylor Sloan  
312 Rosa Parks Avenue, 27th floor  
Nashville, TN 37243  
jordan.taylorloan@tn.gov

Please note that this Incentive Acceptance Form does not give rise to any legal obligations on the part of the State of Tennessee, any department or instrumentality of the State of Tennessee (including ECD and the Department of Revenue) or the Company. The terms and conditions governing the award of the incentive package described herein will be set forth in a grant agreement, the form of which will be provided to the Company following the delivery of an executed copy of the Incentive Acceptance Form. The incentives described in this letter are based upon the representations made by the Company to ECD regarding the project. ECD reserves the right to revise the incentives described in this Incentive Acceptance Form if any aspect of the project changes after receipt of this form. Changes that could result in revision of incentives include, but are not limited to: number of jobs, amount of capital investment, composition of company vs. contract jobs, average wage, or location of the project.

Signature: \_\_\_\_\_

(Authorized Representative of Company)  
**FREDERICK L. HOOPER, III**  
ASSISTANT SECRETARY

Date: 11-13-17



## Department of Economic and Community Development

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Bob Rolfe  
Commissioner

Bill Haslam  
Governor

November 20, 2017

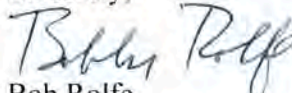
Comptroller Justin Wilson  
First Floor, State Capitol  
Nashville, TN 37243

Dear Comptroller Wilson:

Pursuant to Tennessee Code Annotated §4-3-717 (d)(1)-(2), I am writing to inform you that the Department of Economic and Community Development is awarding a FastTrack Economic Development Grant to the Meigs County-Decatur Economic Development Corporation for the benefit of Shaw Industries Group, Inc. in the amount of \$1,500,000 to offset the costs Shaw Industries Group, Inc. will incur in building, roof, and fixture retrofit and improvements at the Meigs County facility. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on the community due to the number of jobs and capital investment. Shaw Industries Group, Inc. has committed to create 75 new jobs and to make a \$42,000,000 capital investment within five years. The company will have an average wage of \$15.71 per hour for the new positions. This project will have an exceptional impact on this area of the state.

Sincerely,

  
Bob Rolfe

**COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2017 - 2018**

*(Accrual - Basis Estimates)*

2017-2018													
DEPARTMENT OF REVENUE TAXES	2016-2017		% Change	Dr. Fox		% Change	Fiscal Review		% Change	Dept. of Revenue		% Change	
	Actual Year	July 1, 2017 Budget Estimate	Over Actual	Estimate	Actual	Over Actual	Estimate	Actual	Over Actual	Estimate	Actual	Over Actual	
SOURCE OF REVENUE	Actual Year	Budget Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
Sales and Use Tax <sup>1</sup>	\$ 8,556,773,600	\$ 8,746,100,000	2.21%	\$ 8,710,100,000	1.79%	\$ 8,735,000,000	2.08%	\$ 8,739,200,000	2.13%	\$ 8,727,909,100	2.00%		
Gasoline Tax	669,631,000	807,300,000	20.56%	811,600,000	21.20%	844,350,000	26.09%	810,800,000	21.08%	790,164,600	18.00%		
Motor Fuel Tax	177,544,100	220,100,000	23.97%	220,300,000	24.08%	223,000,000	25.60%	224,000,000	26.17%	214,828,400	21.00%		
Gasoline Inspection Tax	68,241,000	68,600,000	0.53%	68,900,000	0.97%	70,000,000	2.58%	68,800,000	0.82%	68,976,100	1.08%		
Motor Vehicle Registration Tax	275,166,400	311,300,000	13.13%	319,600,000	16.15%	318,000,000	15.57%	311,900,000	13.35%	311,445,100	13.18%		
Income Tax	250,126,200	217,500,000	-13.04%	210,100,000	-16.00%	210,000,000	-16.04%	205,400,000	-17.88%	228,815,000	-8.52%		
Privilege Tax - Less Earmarked Portion <sup>1</sup>	342,031,200	336,900,000	-1.50%	358,900,000	4.93%	363,000,000	6.13%	358,400,000	4.79%	364,263,200	6.50%		
Gross Receipts Tax - TVA	341,555,000	345,000,000	1.01%	341,000,000	-0.16%	343,300,000	0.51%	343,300,000	0.51%	342,500,000	0.28%		
Gross Receipts Tax - Other	31,907,500	29,000,000	-9.11%	31,900,000	-0.02%	27,000,000	-15.38%	33,000,000	3.42%	26,231,900	-17.79%		
Beer Tax	17,246,100	17,600,000	2.05%	17,600,000	2.05%	18,050,000	4.66%	17,300,000	0.31%	18,072,600	4.79%		
Alcoholic Beverage Tax	64,245,800	70,700,000	10.05%	67,400,000	4.91%	67,800,000	5.53%	66,700,000	3.82%	67,627,500	5.26%		
Franchise & Excise Tax	2,620,205,200	2,377,100,000	-9.28%	2,436,200,000	-7.02%	2,630,000,000	0.37%	2,456,100,000	-6.26%	2,450,272,400	-6.49%		
Inheritance and Estate Tax	9,241,200	3,000,000	-67.54%	8,000,000	-13.43%	-	-100.00%	1,900,000	-79.44%	2,500,000	-72.95%		
Tobacco Tax	255,722,300	258,400,000	1.05%	255,700,000	-0.01%	255,000,000	-0.28%	252,100,000	-1.42%	256,209,500	0.19%		
Motor Vehicle Title Fees	23,892,500	23,900,000	0.03%	24,100,000	0.87%	24,400,000	2.12%	24,900,000	4.22%	26,259,000	9.90%		
Mixed Drink Tax	105,583,100	111,500,000	5.60%	114,000,000	7.97%	116,000,000	9.87%	114,500,000	8.45%	116,026,600	9.89%		
Business Tax	173,097,700	164,800,000	-4.79%	181,800,000	5.03%	179,000,000	3.41%	185,700,000	7.28%	174,690,800	0.92%		
Severance Tax	1,214,300	1,300,000	7.06%	1,200,000	-1.18%	1,100,000	-9.41%	900,000	-25.88%	1,154,400	-4.93%		
Coin-operated Amusement Tax	233,300	300,000	28.59%	200,000	-14.27%	250,000	7.16%	200,000	-14.27%	285,400	22.33%		
Unauthorized Substance Tax	900	-	N/A	-	N/A	-	N/A	-	N/A	500	-44.44%		
<b>TOTAL DEPARTMENT OF REVENUE</b>	<b>\$ 13,983,658,400</b>	<b>\$ 14,110,400,000</b>	<b>0.91%</b>	<b>\$ 14,178,600,000</b>	<b>1.39%</b>	<b>\$ 14,425,250,000</b>	<b>3.16%</b>	<b>\$ 14,215,100,000</b>	<b>1.66%</b>	<b>14,188,232,100</b>	<b>1.46%</b>		
<b>TOTAL - RECURRING</b>	<b>\$ 13,795,445,400</b>	<b>\$ 14,114,100,000</b>	<b>2.31%</b>	<b>\$ 14,177,300,000</b>	<b>2.77%</b>	<b>\$ 14,431,950,000</b>	<b>4.61%</b>	<b>\$ 14,219,900,000</b>	<b>3.08%</b>	<b>14,192,432,100</b>	<b>2.88%</b>		
<b>GENERAL FUND ONLY<sup>2</sup></b>	<b>\$ 11,764,921,900</b>	<b>\$ 11,707,300,000</b>	<b>-0.49%</b>	<b>\$ 11,747,500,000</b>	<b>-0.15%</b>	<b>\$ 11,957,450,000</b>	<b>1.64%</b>	<b>\$ 11,786,700,000</b>	<b>0.19%</b>	<b>11,782,232,100</b>	<b>0.15%</b>		
<b>GENERAL FUND - RECURRING<sup>3</sup></b>	<b>\$ 11,576,708,900</b>	<b>\$ 11,711,000,000</b>	<b>1.16%</b>	<b>\$ 11,746,200,000</b>	<b>1.46%</b>	<b>\$ 11,964,150,000</b>	<b>3.35%</b>	<b>\$ 11,791,500,000</b>	<b>1.86%</b>	<b>11,786,432,100</b>	<b>1.81%</b>		

SELECTED TAXES	Actual Year	Budgeted	%	Dr. Fox	%	Fiscal Review	%	Revenue Dept.	%	Dr. Smith	%
SALES AND USE TAX	\$ 8,556,773,600	\$ 8,746,100,000	2.21%	\$ 8,710,100,000	1.79%	\$ 8,735,000,000	2.08%	\$ 8,739,200,000	2.13%	\$ 8,727,909,100	2.00%
FRANCHISE AND EXCISE TAXES	2,620,205,200	2,377,100,000	-9.28%	2,436,200,000	-7.02%	2,630,000,000	0.37%	2,456,100,000	-6.26%	2,450,272,400	-6.49%
INCOME TAX	250,126,200	217,500,000	-13.04%	210,100,000	-16.00%	210,000,000	-16.04%	205,400,000	-17.88%	228,815,000	-8.52%
ROAD USER TAXES	1,214,475,000	1,431,200,000	17.85%	1,444,500,000	18.94%	1,479,750,000	21.84%	1,440,400,000	18.60%	1,411,673,200	16.24%
ALL OTHER TAXES	1,342,078,400	1,338,500,000	-0.27%	1,377,700,000	2.65%	1,370,500,000	2.12%	1,374,000,000	2.38%	1,369,562,400	2.05%

<sup>1</sup> Sales and Use Taxes are reduced by \$112.0 million and Privilege Tax estimates are reduced by \$52.0 million for the earmarked portions of the tax.

<sup>2</sup> F&A calculated the General Fund distribution for all presenters.

<sup>3</sup> FY 2016 -2017 actual collections include \$9.2 M in non-recurring inheritance tax collections, \$186.5 M in one-time F&E collections, and a one-time reduction of \$7.5 M for tax legislation.

The July 1, 2016 Budget Estimates include \$3.0 M in non-recurring inheritance tax collections and a one-time reduction of \$6.7 M in non-recurring tax legislation adjustments.

**COMPARISON OF ESTIMATED STATE TAX REVENUE FOR  
FISCAL YEAR 2018 - 2019**

(Accrual - Basis Estimates)

2018-2019								
DEPARTMENT OF REVENUE TAXES	Dr. Fox	% Change Over	Fiscal Review	% Change Over	Dept. of Revenue	% Change Over	Dr. Smith	% Change Over
SOURCE OF REVENUE	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate <sup>4</sup>	Estimate
Sales and Use Tax	\$ 9,036,500,000	3.75%	\$ 9,063,000,000	3.76%	\$ 9,045,200,000	3.50%	\$ 8,946,106,800	2.50%
Gasoline Tax	845,400,000	4.16%	894,000,000	5.88%	850,000,000	4.83%	821,771,200	4.00%
Motor Fuel Tax	254,200,000	15.39%	261,000,000	17.04%	259,800,000	15.98%	240,607,800	12.00%
Gasoline Inspection Tax	69,600,000	1.02%	71,300,000	1.86%	69,200,000	0.58%	69,847,700	1.26%
Motor Vehicle Registration Tax	326,000,000	2.00%	326,500,000	2.67%	315,100,000	1.03%	316,116,800	1.50%
Income Tax	163,900,000	-21.99%	175,000,000	-16.67%	157,900,000	-23.13%	160,170,500	-30.00%
Privilege Tax <sup>1</sup>	375,300,000	4.57%	386,000,000	6.34%	372,200,000	3.85%	375,191,100	3.00%
Gross Receipts Tax - TVA	341,000,000	0.00%	342,000,000	-0.38%	349,500,000	1.81%	342,500,000	0.00%
Gross Receipts Tax - Other	32,500,000	1.88%	29,000,000	7.41%	34,200,000	3.64%	26,625,400	1.50%
Beer Tax	18,100,000	2.84%	18,250,000	1.11%	17,400,000	0.58%	18,434,000	2.00%
Alcoholic Beverage Tax	71,500,000	6.08%	70,300,000	3.69%	69,800,000	4.65%	70,475,800	4.21%
Franchise & Excise Tax	2,523,900,000	3.60%	2,710,000,000	3.04%	2,569,800,000	4.63%	2,511,529,200	2.50%
Inheritance and Estate Tax	5,000,000	-37.50%	-	N/A	-	-100.00%	500,000	-80.00%
Tobacco Tax	253,100,000	-1.02%	250,500,000	-1.76%	248,100,000	-1.59%	251,085,300	-2.00%
Motor Vehicle Title Fees	24,400,000	1.24%	25,350,000	3.89%	25,800,000	3.61%	28,407,500	8.18%
Mixed Drink Tax	122,000,000	7.02%	125,750,000	8.41%	124,800,000	9.00%	128,055,600	10.37%
Business Tax	192,700,000	6.00%	189,000,000	5.59%	194,100,000	4.52%	179,058,000	2.50%
Severance Tax	1,400,000	16.67%	1,050,000	-4.55%	1,000,000	11.11%	1,131,300	-2.00%
Coin-operated Amusement Tax	200,000	N/A	250,000	0.00%	200,000	0.00%	292,500	2.49%
Unauthorized Substance Tax	-	N/A	-	N/A	-	N/A	500	0.00%
<b>TOTAL DEPARTMENT OF REVENUE</b>	<b>\$ 14,656,700,000</b>	<b>3.37%</b>	<b>\$ 14,938,250,000</b>	<b>3.56%</b>	<b>\$ 14,704,100,000</b>	<b>3.44%</b>	<b>14,487,907,000</b>	<b>2.11%</b>
<b>TOTAL - RECURRING</b>	<b>\$ 14,655,100,000</b>	<b>3.37%</b>	<b>\$ 14,941,650,000</b>	<b>3.53%</b>	<b>\$ 14,707,500,000</b>	<b>3.43%</b>	<b>\$ 14,490,807,000</b>	<b>2.10%</b>
<b>GENERAL FUND ONLY<sup>2</sup></b>	<b>\$ 12,149,800,000</b>	<b>3.42%</b>	<b>\$ 12,368,750,000</b>	<b>3.44%</b>	<b>\$ 12,193,100,000</b>	<b>3.45%</b>	<b>12,028,507,000</b>	<b>2.09%</b>
<b>GENERAL FUND - RECURRING<sup>3</sup></b>	<b>\$ 12,148,200,000</b>	<b>3.42%</b>	<b>\$ 12,372,150,000</b>	<b>3.41%</b>	<b>\$ 12,196,500,000</b>	<b>3.43%</b>	<b>\$ 12,031,407,000</b>	<b>2.08%</b>

SELECTED TAXES	Dr. Fox	%	Fiscal Review	%	Revenue Dept.	%	Dr. Smith	%
SALES AND USE TAX	\$ 9,036,500,000	3.75%	\$ 9,063,000,000	3.76%	\$ 9,045,200,000	3.50%	\$ 8,946,106,800	2.50%
FRANCHISE AND EXCISE TAXES	2,523,900,000	3.60%	2,710,000,000	3.04%	2,569,800,000	4.63%	2,511,529,200	2.50%
INCOME TAX	163,900,000	-21.99%	175,000,000	-16.67%	157,900,000	-23.13%	160,170,500	-30.00%
ROAD USER TAXES	1,519,600,000	5.20%	1,578,150,000	6.65%	1,519,900,000	5.52%	1,476,751,000	4.61%
ALL OTHER TAXES	1,412,800,000	2.55%	1,412,100,000	3.04%	1,411,300,000	2.71%	1,393,349,500	1.74%

<sup>1</sup> Privilege Tax estimates are reduced by \$43.0 M for the earmarked portion of the tax.

<sup>2</sup> F&A calculated the General Fund distribution for all presenters.

<sup>3</sup> FY 2016 -2017 actual collections include \$9.2 M in non-recurring inheritance tax collections, \$186.5 M in one-time F&E collections, and a one-time reduction of \$7.5 M for tax legislation. The July 1, 2016 Budget Estimates include \$3.0 M in non-recurring inheritance tax collections and a one-time reduction of \$6.7 M in non-recurring tax legislation adjustments.



November 20, 2017

Honorable Bill Haslam, Governor of the State of Tennessee  
Justin P. Wilson, Comptroller  
Tre Hargett, Secretary of State  
David H. Lillard, Jr., Treasurer  
Larry Martin, Commissioner of Finance & Administration

Re: Net Lottery Proceeds for Fiscal Year 2018

Dear State Funding Board Members:

The Tennessee Education Lottery Corporation (“TEL”) has as its statutory mission the responsibility to maximize the dollars available for the education programs funded by the corporation. The Tennessee Education Lottery Implementation Law at TCA §4-51-111(a)(3) provides the corporation with the ability to make a determination that returning a specific percentage of sales as net proceeds (35%) would not result in the maximum dollars of net proceeds being achieved.

The TEL is hereby providing notification of its determination that an amount that maximizes net lottery proceeds to the State of Tennessee Lottery for Education Account is less than thirty-five percent (35%) of lottery proceeds for fiscal year 2018. The amount currently projected for the fiscal year ranges from \$381 million to \$389 million.

The reasons for this determination are as follows:

1. The TEL offers two types of lottery products—instant tickets (games in which players can instantly view the symbols printed and determine if they won a prize) and terminal based drawing-style games (games in which a player must wait until a drawing is held to determine if the ticket is a winner). Instant tickets are more popular with Tennessee players and as of September 30, 2017 represents 78.1% of the TEL’s product mix in fiscal year 2018. In fact, throughout the lottery industry, instant ticket sales have steadily grown over the most recent fiscal years, while drawing-style games have remained stagnant.

One of the reasons for the growth in instant ticket sales is that the product offers players more price point options, from \$1 to \$30 in Tennessee (and as much as \$75 in other jurisdictions), compared to drawing-style games which offer price points of generally \$.50 to \$2 per play. With the variable instant game price points, players are able to choose the entertainment value based on the price

point of the ticket. A higher price point game generally offers higher entertainment value through the increased amount, and dollar value, of the prizes within a game. In Tennessee, the players are choosing to purchase higher price point games, as evidenced by the growth in the \$5, \$20, and \$30 game sales experienced over the last fiscal years. Sales at these price points increased from \$501 million in fiscal year 2016 to \$589 million in fiscal year 2017. Overall, instant ticket sales in Tennessee grew from \$1.304 billion in fiscal year 2016 to \$1.331 billion in fiscal year 2017, a 2% growth year over year. We are projecting continued growth in this product category in fiscal year 2018.

As players have migrated to the higher price point instant games, the overall prize payout has increased from 62.1% in fiscal year 2005 to 67.4% in fiscal year 2017. TEL management is projecting it will remain around 67.5% for fiscal year 2018. As a result of the current instant games payout percentage, the percentage of net lottery proceeds compared to total lottery proceeds for all games is projected to be 24.5% for fiscal year 2018.

Actual gross profits from instant games have increased year over year, increasing from \$153.8 million in fiscal year 2005 to \$282.8 million in fiscal year 2017. Since fiscal year 2005, instant game gross sales have increased an average of 6.9% annually, with a corresponding increase in actual gross profits of an average of 5.5% annually. Gross profits is based on net ticket sales, less direct costs of cash prizes, retailer commissions and major gaming vendor fees.

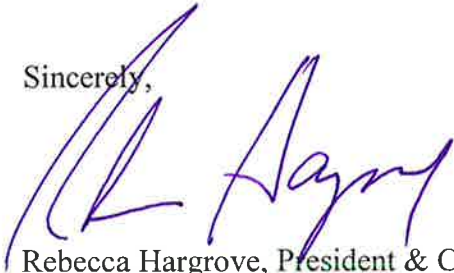
2. In reviewing the industry wide instant games prize payouts as part of our budgetary process, all empirical evidence indicates that a reduction in payout will result in a reduction in sales and a corresponding reduction in net proceeds. To the contrary, the experience of other states, as well as Tennessee, indicates that increasing the percentage of the prize payout has resulted in increased sales and more importantly, increased net proceeds.
3. To continue to increase net profits, the TEL must remain in a competitive position among the top performing lotteries nationally and along its borders. In the most recent fiscal year, TEL maintained the lowest aggregate instant games' prize payout percentage of the top 10 performing states, while generating the 4<sup>th</sup> highest per capita instant gross gaming revenues (sales less prize expense). Also, TEL ranked 8<sup>th</sup> in the country in weekly per capita instant games sales.
4. As we have previously stated, in reviewing the practices of other jurisdictions, the results of a recent survey conducted by the North America Association of State and Provincial Lotteries reveals that of the 46 U.S. jurisdictional lotteries, Tennessee is among the few that has not eliminated the outdated statutory annual minimum percentage of sales return requirement. During this past year's legislative session in Oklahoma, their statutory return percentage was removed to allow them more flexibility in price points and prize payments. Overtime, this is expected to generate more net profit for Oklahoma. This further underscores

the fact that in most jurisdictions it has been realized that the amount of net return far outweighs the need for an arbitrary percentage return.

If after reviewing our analysis you have any questions, please do not hesitate to contact us for further discussion.

We continue to take very seriously our statutory charge to maximize the net proceeds of the Tennessee Education Lottery Corporation. We believe this determination is consistent with that charge.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Hargrove". The signature is fluid and cursive, with a large initial "R" and "H".

Rebecca Hargrove, President & CEO  
Tennessee Education Lottery Corporation

cc: Susan Leigh Lanigan, Chairman of the Board of the Tennessee Education Lottery Corporation

# THE POWER OF FIVE



**TENNESSEE CENTRAL**  
ECONOMIC AUTHORITY

**2016** ANNUAL  
**2017** REPORT



## YEAR OF ENTERPRISE

The Tennessee Central Economic Authority has completed a "year of enterprise" under a new banner and we have established ourselves as an evolving regional partner with the State of Tennessee's Department of ECD, TVA, and MTIDA as a team striving to improve. This is the results of positive involvement from our elected officials, the Board, the staff, and communities in building a firm foundation to support new jobs and a willingness to fine tune the process for new development.



As you review the 2016/2017 Annual Report, you continually see partnerships working to strengthen Tennessee Central and encouraging us as we seek higher expectations. Our development districts, UCDD & GNRC, are always seeking ways to enhance their ability to serve our region, along with TCAT; SBDC; USDA; TDOT and others.

Our vision as a regional organization is to increase industrial product, enhance our workforce, and strengthen our partnerships. We will keep our focus on these goals with a sense of urgency and a desire for excellence as we work to provide economic development to all five counties.

It is an honor to represent the Tennessee Central Economic Authority and we truly appreciate your trust, leadership, and your resolve to enhance our citizens today and enrich their children for the future.

May God Bless and with my sincere appreciation.

Charly Lyons

## THOUGHTS FROM THE STAFF

Tennessee Central had a changing of the guard in administration with Teresa Carman retiring after twenty-six years of excellent service. Kelsey Dansby came on board to learn all the numerous tasks and has become essential to our success moving forward. In the past five years, every position on the staff has evolved. The Board has been prominent as mentors and very supportive as we venture into being a stronger regional entity and undertaking new possibilities for the PowerCom Industrial Center.

The staff understands that our roles are dependent on the numerous partnerships. We know it's not just the actions of support, but the spirit and genuine attention to help Tennessee Central be successful. Thank you for your attentiveness and passion for the people living in the five counties that make up Tennessee Central.



Kelsey, Charly, Jessica

## BOARD OF DIRECTORS



**Chairman**  
Michael Nesbitt  
Smith County Mayor



**Vice-Chairman**  
Carroll Carman  
Trousdale County Mayor



**Secretary/Treasurer**  
Steve Jones  
Macon County Mayor



**Sumner County Representative**  
Anthony Holt  
Sumner County Executive



**Wilson County Representative**  
Randall Hutto  
Wilson County Mayor



**Senate Appointee**  
Mae Perry  
President, TCAT-Hartsville



**House Appointee**  
Philip Holder  
Trousdale County



**TCEA Attorney**  
Bob Rochelle



## KEY EVENTS

- MTIDA Annual Meeting
- Annual SEDC Conference
- ECD & Legislative Lunch with Board & Staff
- Industry Appreciation Lunch
- GNRC Annual Meeting
- TEDC Spring & Fall Conferences
- Macon, Smith, Trousdale, Wilson, & Sumner Counties' JECDBs
- Forward Sumner Annual meeting
- Gallatin State of the City Address
- TEDC Day on the Hill
- GEAR Breakfast by Gallatin EDA
- Annual Governor's Conference
- SEDC YP Meet the Consultants Conference
- REDI Conference
- TVA Forum
- TCAT OSY Middle Tennessee (panel)
- ATVG Quarterly Meetings
- Coverings'17 (Global Tile & Stone Show)
- TEP Board Meetings
- TCAT Advisory Board
- Workforce 360
- Regional Planning Organization (TDOT)
- TSBDC Rising Star
- CEDS Advisory Council
- TCAT Reception (Audit Team)
- Trousdale County Chamber Board
- UT Institute (Knoxville)
- TEP Key Market Visit - Chicago
- TCHS Career Day
- Watertown Tour
- Select USA Conference
- TVA Workshops
- Macon, Smith, Trousdale, Wilson, & Sumner Counties' Chambers
- Governor Haslam's IMPROVE Act Meetings
- UCDD Annual Meeting
- Smith County Schools CTE Advisory Board



TCHS Career Day



Charly at ATVG Event



Christmas Luncheon



TCAT Reception



Governor's Conference



ECD Appreciation Lunch



Teresa Carman's Retirement Party



Teresa Carman and Kelsey Dansby



Trousdale County Industry Appreciation Lunch



2016 Annual Meeting: Board and Staff

# OVERVIEW OF THE TENNESSEE CENTRAL ECONOMIC AUTHORITY



**Population Growth**  
 2022 Projected: 391,775  
 2017 Estimate: 365,573

**Population Growth**  
 2017-2022 Projected: 7.17%  
 2012-2017 Growth: 12.86%  
 2000-2010 Growth: 22.42%

		Macon	Smith	Sumner	Trousdale	Wilson	TN Central
POPULATION	2000	14,074	17,712	130,438	7,259	88,806	264,601
	2010	14,740	19,166	160,645	7,870	113,993	323,922
	2017	13,328	19,445	180,741	8,148	133,756	365,573
	2022	12,865	19,983	193,500	8,466	145,315	391,775
PERCENTAGE GROWTH	2000-2010	4.73%	8.21%	23.16%	8.42%	28.36%	22.42%
	2010-2017	-9.58%	1.46%	12.51%	3.53%	17.34%	12.86%
	2017-2022	-3.47%	2.77%	7.06%	3.90%	8.64%	7.17%

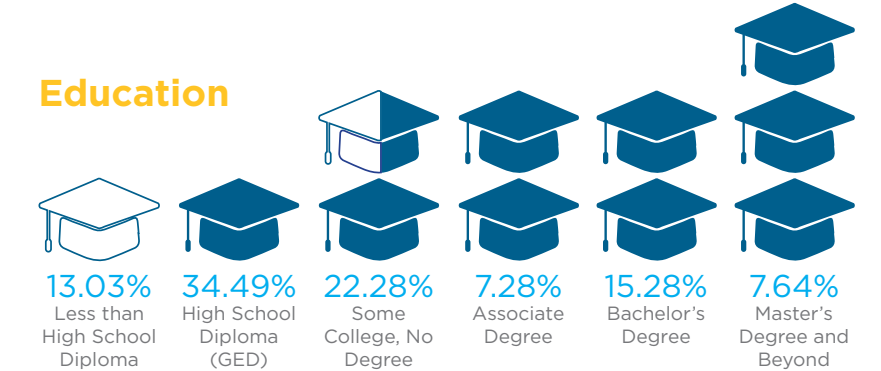
		Davidson	Rutherford	Williamson	Tennessee	United States
POPULATION	2000	569,913	182,019	126,638	5,689,277	281,421,942
	2010	626,681	262,604	183,182	6,346,105	308,745,538
	2017	694,010	310,750	220,759	6,676,841	325,139,271
	2022	737,847	338,756	241,432	6,937,103	337,393,057
PERCENTAGE GROWTH	2000-2010	9.96%	44.27%	44.65%	11.54%	9.71%
	2010-2017	10.74%	18.33%	20.51%	5.21%	5.31%
	2017-2022	6.32%	9.01%	9.37%	3.90%	3.77%

Source: Nielsen 2017

# EDUCATION OVERVIEW

Area/School	2016 ACT Average
Macon County	19.7
Smith County	19.7
Sumner County	21.3
Trousdale County	20.6
Wilson County	20.8
TN Central Region	20.42
Davidson County	18.7
Rutherford County	20.8
Williamson County	24.6
United States	20.8
State of Tennessee	19.9

Area/School	2016 Graduation Rate
Macon County	82.5%
Smith County	93.8%
Sumner County	92.2%
Trousdale County	95.3%
Wilson County	95.1%
TN Central Region	91.78%
Davidson County	81.0%
Rutherford County	92.5%
Williamson County	95.5%
State of Tennessee	88.5%



## Universities and Colleges

- Belmont University
- Cumberland University
- Fisk University
- Lipscomb University
- Meharry Medical College
- Middle Tennessee State University
- Tennessee State University
- Tennessee Technological University
- TN College of Applied Technology in Gallatin
- TN College of Applied Technology in Hartsville
- TN College of Applied Technology in Lebanon
- TN College of Applied Technology in Portland
- TN College of Applied Technology in Red Boiling Springs
- Trevecca Nazarene University
- Vanderbilt University
- Volunteer State Community College
- Welch College
- Union University

## 2016 - 2017 PERFORMANCE INDEX

ECD Grant \$122,500.00 Sewer Improvement  
 ECD Grant Award \$50,000.00  
 Three InvestPrep Grant Apps: Macon, Smith, and Trousdale Counties  
 Three InvestPrep Site Visits: Macon, Trousdale, and Smith Counties  
 TVA Grants \$5,000.00  
 TVA Mock Site Visit: Smith County  
 TCEA Grants Awarded \$67,623.00 Trousdale and Smith Counties  
 13 RFP & RFI Responses to ECD & TVA  
 TDOT SIA Road \$2,040,275.79  
 ARC Automotive Adds Eight Building  
 V&C Christy Expansion 12,000SF  
 State Funding Board  
 Commissioner Boyd Tours Macon, Trousdale, and Smith Counties



- Northeast of Nashville
- Future Port on Cumberland
- I-65 & I-40 Corridors
- Access to Six Airports
- Foreign Trade Zone
- 5 TCAT Locations



**Senators:**  
 Mae Beavers & Ferrell Haile

**Representatives:**  
 Kelly Keisling, William Lamberth, Susan Lynn,  
 Mark Pody, Courtney Rogers, & Terri Lynn Weaver

**Thank You to Legislators** past and present, for your service to the State of Tennessee and for your continual support of the **Tennessee Central Economic Authority**. Over thirty years ago, you created this organization with a remarkable vision for your communities' economic future. You have since played a vital role in our growth and passion to serve the citizens of Macon, Smith, Sumner, Trousdale, and Wilson Counties. We sincerely appreciate your leadership, involvement, and assistance in helping our region and organization become stronger. Please plan to visit us soon and continue to help us with business development and new jobs in your districts.

## 2016/2017 FISCAL OVERVIEWS

### General Fund (Staff & Office Operations)

#### REVENUES

\$217,950.24	\$157,282.86
Rent	Other

**TOTAL REVENUES: \$375,233.10**

#### EXPENDITURES

\$191,289.33	\$24,560.04
Salaries & Benefits	Contract Services
\$30,200.03	\$17,148.96
Office Expenses	Advertising/Marketing
\$8,596.55	\$17,949.88
Meeting/Event Expenses	Travel
\$1,636.45	\$4,487.18
Miscellaneous	Dues and Fees

**TOTAL EXPENDITURES: \$298,310.40**

### Capital Improvements Fund (PowerCom Industrial Center & Off-Site Development)

#### REVENUES

\$862,812.99	\$30,099.22	\$26,167.08
TVA In-Lieu-of-Tax Funding	Property Sales & Loan Receipts	Other (Grants & Interest)

**TOTAL REVENUES: \$919,079.29**

#### EXPENDITURES

\$188,466.83	\$149,916.00
Engineering/Admin/Insurance Fees	Rural Development Loan Payment
\$44,454.64	\$233,405.08
Roads & Fencing	Projects (Infrastructure & Site Development)
\$67,623.00	\$563.00
Grant Programs	Misc. Expenses
	\$35,593.97
	Repairs & Maintenance

**TOTAL EXPENDITURES: \$720,022.52**

# POWERCOM INDUSTRIAL CENTER IMPROVEMENTS



Village 1 Drainage Improvements



Village 1 Development through May 2017



Hulk Site (Potential Select TN Site)



ARC hires Plant Manager  
Tim Frazier



ECD Grant for Village 1 Sewer Improvements

SIA Road Construction



Goldilocks Site Development



## BUSINESS & WORKFORCE DEVELOPMENT

The Tennessee College of Applied Technology Hartsville fully supports the ongoing efforts of the TN



Central Economic Authority and serves as the premier supplier of workforce development for Trousdale, Sumner, Wilson, Smith and Macon Counties. We are working closely with Beretta Industries, ABC Fuel Group, NHC, CIP (Sumner), Destaco, Tacle Seating, Teknia Group (Wilson) and many others to develop training programs and provide qualified employees. The College fulfills its mission by:

- Providing competency-based training through superior quality, traditional and distance learning instruction methods that qualify completers for employment and job advancement.
- Contributing to the economic and community development of the communities served by training and retraining employed workers.
- Ensuring that programs and services are economical and accessible to all residents of Tennessee.
- Building relationships of trust with community, business, and industry leaders to supply highly skilled workers in areas of need.

At TCAT Hartsville, the focus is on your success in today's ever-changing, state-of-the-market economy. Our faculty and staff believe in providing the highest quality services and instruction to ensure an exciting learning experience. Our Instructors are qualified and dedicated to the responsive changes needed by business and industry, students, and the community. We are proud to train citizens for the skilled careers of today's workforce. Education is about creating new possibilities for career and personal growth. As the economy becomes increasingly global and competitive, the facilities and curriculum at TCAT Hartsville will provide the education and training that are required to compete in the global market.

-Mae Perry, President,  
TCAT-Hartsville



Charles Alexander, SBDC Director



The TN Central office assists and houses a satellite location of the Volunteer State Community College TN Small Business Development Center (TSBDC). The Center provides group sessions and one-on-one counseling & training for small business owners and entrepreneurs needing assistance in the TN Central region. Charles Alexander, the Center's Director, as well as Dave Jose, Counselor, provide private counseling at the following locations in the TN Central region during the third full week of each month:

Tuesday 9-12 pm	<b>Mt. Juliet Chamber</b> (615-758-3478 for appointment)
Wednesday 8-10am	<b>TN Central Office</b> (615-374-4607 for appointment)
Wednesday 11-1 pm	<b>Macon County Chamber</b> (615-666-5885 for appointment)
Wednesday 2-4 pm	<b>Westmoreland Chamber</b> (615-644-5156 for appointment)
Thurs. 9-11am, & 1-3pm	<b>Lebanon Chamber</b> (615-444-5503 for appointment)
Friday 9-12noon	<b>Portland Chamber</b> (615-325-9032 for appointment)
Friday 9-12noon & 1-4pm	<b>White House Chamber</b> (615-672-3937 for appointment)

## 2017/2018 WORK STRATEGIES

### Economic Development Program

- Increase industrial product in the five-county region by assisting communities in projects and property opportunities.
- Respond to Request for Information for the region or individual communities.
- Market & promote the Tennessee Central as a five county region.
- Utilize the master plan for PCIC to develop building sites and all required infrastructure.
- Maintain and promote partnership with elected officials, EDOs, and Chambers of Commerce in the region.
- Management of the Authority's industrial property in PowerCom Industrial Center and the Hartsville Industrial Park.
- Port development & developing partnerships for a Cumberland River dock/ barge access.
- Continued involvement with RPO and TDOT for regional highway infrastructure.

### Business & Workforce Development Assistance

- Support our partnership with the SBA's TN Small Business Development Centers.
- Provide technical assistance to incubator clients as required (financing, marketing, etc.).
- Support small business development seminars and referrals throughout the five-county region.
- Communicate with existing businesses.
- Serve as a member of Tennessee College of Applied Technology (TCAT)/ Hartsville's Advisory Board.
- Market the training services of TCAT and Volunteer State CC to businesses and industries in the region.
- Support career and job fairs in the region & assist with workforce development programs.

### Program Administration

- Comply with reporting requirements of the State of TN (Sunset Review & State Funding Board), the Board, agencies, and others agencies.
- Maintain financial reporting, audits, and budget management.
- Provide an informative website and news updates.
- Manage the daily operations of the office and admin processes.
- Search for pursue grants and funding applications.
- Oversee and manage PowerCom Industrial Center and tenant relationships.

- Maintain professional affiliations with government entities, funding agencies, TN Dept. of ECD, Chambers, UT/CTAS, ATVG, GNRC, MTIDA, UCDD, TEDC, TVA, TEP, local power companies and other providers.

### Other

- Support the updating, printing, and distribution of Community Data Sheets for the twelve targeted communities in Tennessee Central.
- Increase public awareness of the Tennessee Central Economic Authority and provide a vision for the region.
- Promote Tennessee Central internally for our five-county region as a viable partner for economic development.
- Pursue other regional development opportunities as requested by the Board of Directors.
- Aggressively pursue new projects and tenants.

### TN Central's Partners for Success



# ACROSS THE REGION



Commissioner Bob Rolfe visits Gallatin



Coverings 2017 TEP Reception



Forward Sumner Annual Meeting with Congressman Diane Black



TCAT receives LEAP Grant (Mae Perry)



NCTC Broadband Groundbreaking



Tennessee Central welcomes Cody Huddleston and Stephanie Hamby



Select USA



Gallatin EDA receives ECD Grant



Jessica Farlow and Mayor Jones



Macon County InvestPrep Site Visit



Thank you, TCEMC, for providing bucket truck and operator.



NCTC Broadband Groundbreaking



Senate Majority Leader Mark Norris visits Trousdale



Zwirner Equipment



Mayor Nesbitt and County Executive Holt working with Governor Haslam



Mayor Jones and Mayor Driver



Smith County InvestPrep Site Visit





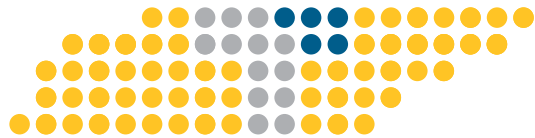
Serving The Middle Tennessee Counties of  
Macon, Smith, Sumner, Trousdale, Wilson

**Charly Lyons, *President/CEO***

☎ 615-374-4607 📱 615-426-2520 🖨 615-374-4608

702 McMurry Blvd E · Hartsville TN 37074

[clyons@tennesseecentral.org](mailto:clyons@tennesseecentral.org)



**TENNESSEE CENTRAL**  
ECONOMIC AUTHORITY

This institution is an equal  
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**FOUR LAKE AUTHORITY  
CAPITAL IMPROVEMENTS FUND  
2017/2018 Fiscal Year-End Budget**

**10/31/17**

REVENUES	BUDGETED	RECEIVED	BALANCE
43300-In Lieu of Tax Funds	\$825,000.00		\$825,000.00
44520-Grants/ECD (2016 & 2017)	\$172,500.00	\$33,096.19	\$139,403.81
46410-Other Income/Property Sales	\$0.00		\$0.00
46420-Other Income/V&C Sprinkler Prmts	\$30,682.56	\$10,227.32	\$20,455.24
46430-Interest	\$6,500.00	\$2,251.18	\$4,248.82
46440- Other Income/Reimb & Misc	\$0.00		\$0.00
<b>TOTALS:</b>	<b>\$1,034,682.56</b>	<b>\$45,574.69</b>	<b>\$989,107.87</b>

EXPENSE ITEMS	BUDGETED	EXPENDED	BALANCE
60300-Regional Development:			
60305-Zwirner Property (Inc roof)	\$0.00		\$0.00
60310-Select TN Grant Program:			
60311-Macon County	\$0.00		\$0.00
60312-Smith County	\$11,130.00		\$11,130.00
60313-Sumner County	\$0.00		\$0.00
60314-Trousdale County	\$7,749.55		\$7,749.55
60315-Wilson County	\$20,000.00		\$20,000.00
60320-4L ED Grant Program:			
60321-Macon County	\$108,322.43		\$108,322.43
60322-Smith County	\$101,992.47		\$101,992.47
60323-Sumner County	\$120,000.00		\$120,000.00
60324-Trousdale County	\$55,777.00		\$55,777.00
60325-Wilson County	\$77,501.72		\$77,501.72
62100-Contract Services:			
62140-Legal Fees	\$7,000.00		\$7,000.00
62150-Prof & Eng Services	\$65,000.00	\$14,978.03	\$50,021.97
62300-PowerCom Expenses:			
62810-Property Insurance	\$6,500.00		\$6,500.00
62820-Existing Bldg Upgrades/R&M	\$200,000.00	\$243.00	\$199,757.00
62822 Site Development/Hulk	\$245,000.00	\$1,067.15	\$243,932.85
62823-Site Development/Goldlocks	\$300,000.00		\$300,000.00
62824-Infrastructure/ARC	\$85,566.72	\$1,095.00	\$84,471.72
61825-2017 ECD Grant Pjts	\$172,500.00	\$3,100.00	\$169,400.00
62831-Waterline Ext/Inst/R&M	\$150,000.00		\$150,000.00
62835-Sewerline Ext/Inst/R&M	\$250,000.00		\$250,000.00
62840-Road Upgrades & Maint.	\$125,000.00		\$125,000.00
62841-TDOT/CCA Road Pjt	\$30,000.00		\$30,000.00
62850-Dock/Port Development	\$150,000.00		\$150,000.00
62851-Dredgng	\$250,000.00		\$250,000.00
62860-Signs/Gate/Fence Adds/R&M	\$35,000.00		\$35,000.00
62870-Utility Expenses	\$8,000.00	\$786.11	\$7,213.89
62880-Contract Labor:			
62881-Site R&M/Security (D. Nollner)	\$18,500.00	\$2,058.87	\$16,441.13
62882-Dozer & Bush Hogging	\$40,000.00		\$40,000.00
62890-Supplies & Equip R&M	\$44,000.00	\$171.93	\$43,828.07
65100-Other Expenses	\$5,000.00	\$2,928.22	\$2,071.78
70000-Other/RD Loan Payment	\$149,916.00	\$149,916.00	\$0.00
75000-Other/Admin Services Fee	\$150,000.00		\$150,000.00
<b>TOTALS:</b>	<b>\$2,989,455.89</b>	<b>\$176,344.31</b>	<b>\$2,813,111.58</b>

# Capital Improvements Fund Profit and Loss Budget vs. Actual

July through October 2017

	Budget	Jul - Oct '17	\$ Over Bud...	% of ...
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
43300 — In-Lieu-of-Tax Funds	825,000.00	0.00	-825,000.00	0.0%
<b>44500 — Grants</b>				
44510 — TVA	0.00	0.00	0.00	0.0%
44520 — ECD	172,500.00	33,096.19	-139,403.81	19.2%
44530 — FastTrack	0.00	0.00	0.00	0.0%
<b>Total 44500 — Grants</b>	<b>172,500.00</b>	<b>33,096.19</b>	<b>-139,403.81</b>	<b>19.2%</b>
<b>46400 — Other Types of Income</b>				
46410 — Property Sales	0.00	0.00	0.00	0.0%
46420 — V&C Sprinkler Sys Pmts	30,682.56	10,227.32	-20,455.24	33.3%
46430 — Interest	6,500.00	2,251.18	-4,248.82	34.6%
46440 — Reimbursements & Misc	0.00	0.00	0.00	0.0%
<b>Total 46400 — Other Types of Inco...</b>	<b>37,182.56</b>	<b>12,478.50</b>	<b>-24,704.06</b>	<b>33.6%</b>
<b>Total Income</b>	<b>1,034,682.56</b>	<b>45,574.69</b>	<b>-989,107.87</b>	<b>4.4%</b>
<b>Gross Profit</b>	<b>1,034,682.56</b>	<b>45,574.69</b>	<b>-989,107.87</b>	<b>4.4%</b>
<b>Expense</b>				
<b>60300 — Regional Development</b>				
60301 — Property Purchases	0.00	0.00	0.00	0.0%
60302 — Property R&M Expenses	0.00	0.00	0.00	0.0%
60305 — Zwierner Property	0.00	0.00	0.00	0.0%
<b>60310 — Select TN Grant Program</b>				
60311 — Macon County	0.00	0.00	0.00	0.0%
60312 — Smith County	11,130.00	0.00	-11,130.00	0.0%
60313 — Sumner County	0.00	0.00	0.00	0.0%
60314 — Trousdale County	7,749.55	0.00	-7,749.55	0.0%
60315 — Wilson County	20,000.00	0.00	-20,000.00	0.0%
<b>Total 60310 — Select TN Grant Pro...</b>	<b>38,879.55</b>	<b>0.00</b>	<b>-38,879.55</b>	<b>0.0%</b>
<b>60320 — 4L ED Grant Program</b>				
60321 — Macon County	108,322.43	0.00	-108,322.43	0.0%
60322 — Smith County	101,992.47	0.00	-101,992.47	0.0%
60323 — Sumner County	120,000.00	0.00	-120,000.00	0.0%
60324 — Trousdale County	55,777.00	0.00	-55,777.00	0.0%
60325 — Wilson County	77,501.72	0.00	-77,501.72	0.0%
<b>Total 60320 — 4L ED Grant Program</b>	<b>463,593.62</b>	<b>0.00</b>	<b>-463,593.62</b>	<b>0.0%</b>
<b>Total 60300 — Regional Development</b>	<b>502,473.17</b>	<b>0.00</b>	<b>-502,473.17</b>	<b>0.0%</b>
<b>62100 — Contract Services</b>				
62140 — Legal Fees	7,000.00	0.00	-7,000.00	0.0%
62150 — Prof. & Eng. Services	65,000.00	14,978.03	-50,021.97	23.0%
<b>Total 62100 — Contract Services</b>	<b>72,000.00</b>	<b>14,978.03</b>	<b>-57,021.97</b>	<b>20.8%</b>
<b>62800 — PowerCom Expenses</b>				
62810 — Property Insurance	6,500.00	0.00	-6,500.00	0.0%
62820 — Existing Bldg Upgrades/R...	200,000.00	243.00	-199,757.00	0.1%
62822 — Site Development/Hulk	245,000.00	1,067.15	-243,932.85	0.4%
62823 — Site Development/Goldilo...	300,000.00	0.00	-300,000.00	0.0%

**Capital Improvements Fund**  
**Profit and Loss Budget vs. Actual**  
 July through October 2017

	Budget	Jul - Oct '17	\$ Over Bud...	% of ...
62824 — Infrastructure/ARC	85,566.72	1,095.00	-84,471.72	1.3%
62825 — 2017 ECD Grant Projects	172,500.00	3,100.00	-169,400.00	1.8%
62826 — 2016 ECD Grant/MasterPl...	0.00	0.00	0.00	0.0%
62831 — Waterline Exts/Inst/R&M	150,000.00	0.00	-150,000.00	0.0%
62835 — Sewerline Exts/Inst/R&M	250,000.00	0.00	-250,000.00	0.0%
62840 — Road Upgrades & Maint.	125,000.00	0.00	-125,000.00	0.0%
62841 — TDOT/CCA Road Pjt	30,000.00	0.00	-30,000.00	0.0%
62850 — Dock/Port Development	150,000.00	0.00	-150,000.00	0.0%
62851 — Dredging	250,000.00	0.00	-250,000.00	0.0%
62860 — Signs/Gate/Fence Adds/R...	35,000.00	0.00	-35,000.00	0.0%
62870 — Utility Expenses (w/s/g/e)	8,000.00	786.11	-7,213.89	9.8%
62880 — Contract Labor				
62881 — Site R&M, Security	18,500.00	2,058.87	-16,441.13	11.1%
62882 — Dozer & Bush Hogging	40,000.00	0.00	-40,000.00	0.0%
<b>Total 62880 — Contract Labor</b>	<b>58,500.00</b>	<b>2,058.87</b>	<b>-56,441.13</b>	<b>3.5%</b>
62890 — Supplies/Equip R&M	44,000.00	171.93	-43,828.07	0.4%
<b>Total 62800 — PowerCom Expenses</b>	<b>2,110,066.72</b>	<b>8,522.06</b>	<b>-2,101,544.66</b>	<b>0.4%</b>
65100 — Other Expenses				
65160 — Other Costs	5,000.00	2,928.22	-2,071.78	58.6%
70000 — RD Loan Payment	149,916.00	149,916.00	0.00	100.0%
75000 — Admin. Services Fee	150,000.00	0.00	-150,000.00	0.0%
<b>Total 65100 — Other Expenses</b>	<b>304,916.00</b>	<b>152,844.22</b>	<b>-152,071.78</b>	<b>50.1%</b>
<b>Total Expense</b>	<b>2,989,455.89</b>	<b>176,344.31</b>	<b>-2,813,111.58</b>	<b>5.9%</b>
<b>Net Ordinary Income</b>	<b>-1,954,773.33</b>	<b>-130,769.62</b>	<b>1,824,003.71</b>	<b>6.7%</b>
<b>Net Income</b>	<b>-1,954,773.33</b>	<b>-130,769.62</b>	<b>1,824,003.71</b>	<b>6.7%</b>

# Capital Improvements Fund Balance Sheet Standard

As of October 31, 2017

	<u>Oct 31, '17</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Money Market Acct	4,416,672.21
NOW Checking Acct	<u>35,222.22</u>
Total Checking/Savings	<u>4,451,894.43</u>
Total Current Assets	<u>4,451,894.43</u>
<b>TOTAL ASSETS</b>	<u><u>4,451,894.43</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Credit Cards	
24100 — VISA	<u>25.98</u>
Total Credit Cards	<u>25.98</u>
Total Current Liabilities	<u>25.98</u>
Total Liabilities	25.98
Equity	
30000 — Opening Balance E...	2,745,473.18
32000 — Retained Earnings	1,837,164.89
Net Income	<u>-130,769.62</u>
Total Equity	<u>4,451,868.45</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>4,451,894.43</u></u>

**FOUR LAKE AUTHORITY  
GENERAL FUND  
2017/2018 Fiscal Year-End Budget**

**10/31/17**

<b>REVENUES</b>	<b>BUDGETED</b>	<b>RECEIVED</b>	<b>BALANCE</b>
44500-Government Grants (TVA-cr #60930)	\$2,000.00		\$2,000.00
46410-Interest	\$700.00	\$252.72	\$447.28
46420-Admin. Services Fee	\$150,000.00		\$150,000.00
46430-Misc/Other	\$0.00		\$0.00
46431-Misc/Mtg Lunch Fees (cr #60910)	\$700.00	\$480.00	\$220.00
46432-Misc/Event Sponsors (cr #60930)	\$900.00	\$1,500.00	-\$600.00
47500-Rent	\$184,500.00	\$67,800.08	\$116,699.92
<b>TOTALS:</b>	<b>\$338,800.00</b>	<b>\$70,032.80</b>	<b>\$268,767.20</b>

<b>EXPENSE ITEMS</b>	<b>BUDGETED</b>	<b>EXPENDED</b>	<b>BALANCE</b>
<b>60900-Business Expenses:</b>			
60910-Meeting Related Expenses	\$9,500.00	\$2,999.28	\$6,500.72
60920-Dues/Fees/Renewals	\$5,500.00	\$1,427.15	\$4,072.85
60930- Events	\$2,500.00	\$1,385.00	\$1,115.00
<b>62100-Contract Services:</b>			
62110-Accounting Fees	\$3,000.00		\$3,000.00
62140-Legal Fees	\$19,845.00	\$6,615.00	\$13,230.00
62150-Other Contract Services	\$4,500.00		\$4,500.00
<b>65000-Office Operations:</b>			
65010-Rent	\$9,000.00	\$3,000.00	\$6,000.00
65020-Postage/Printing	\$700.00	\$6.59	\$693.41
65030-Utillities	\$4,500.00	\$1,029.16	\$3,470.84
65040-Supplies & Equipment	\$5,000.00	\$915.54	\$4,084.46
65050-Communications	\$5,000.00	\$1,483.30	\$3,516.70
65120-Insurance (Ofc, D&O, WC)	\$6,000.00	\$900.00	\$5,100.00
65100-Misc.	\$3,000.00	\$363.70	\$2,636.30
65110-Marketing	\$23,000.00	\$568.00	\$22,432.00
<b>66000-Payroll Expenses:</b>			
66010-President/CEO	\$78,750.00	\$26,250.00	\$52,500.00
66020-Vice President	\$53,550.00	\$17,850.00	\$35,700.00
66030-Executive Administrative Assistant	\$33,600.00	\$11,385.00	\$22,215.00
66050-Benefits	\$46,500.00	\$15,460.42	\$31,039.58
68300-Travel	\$18,500.00	\$3,780.86	\$14,719.14
<b>TOTALS:</b>	<b>\$331,945.00</b>	<b>\$95,419.00</b>	<b>\$236,526.00</b>

11/01/17

# General Fund Budget vs. Actual

## July through October 2017

	<u>Budget</u>	<u>Jul - Oct ...</u>	<u>\$ Over Bu...</u>	<u>% of B...</u>
Ordinary Income/Expense				
Income				
44500 — Government Grants				
44510 — TVA Grants (CR to #60930)	2,000.00	0.00	-2,000.00	0.0%
Total 44500 — Government Grants	2,000.00	0.00	-2,000.00	0.0%
46400 — Other Types of Income				
46410 — Interest	700.00	252.72	-447.28	36.1%
46420 — Administrative Services Fee	150,000.00	0.00	-150,000.00	0.0%
46430 — Miscellaneous				
46431 — Mtg Lunch Fees (CR to #6...	700.00	480.00	-220.00	68.6%
46432 — Event Sponsors (CR to #60...	900.00	1,500.00	600.00	166.7%
46430 — Miscellaneous - Other		0.00		
Total 46430 — Miscellaneous	1,600.00	1,980.00	380.00	123.8%
Total 46400 — Other Types of Income	152,300.00	2,232.72	-150,067.28	1.5%
47500 — Rentals	184,500.00	67,800.08	-116,699.92	36.7%
Total Income	338,800.00	70,032.80	-268,767.20	20.7%
Gross Profit	338,800.00	70,032.80	-268,767.20	20.7%
Expense				
60900 — Business Expenses				
60910 — Meeting Related Expenses	9,500.00	2,999.28	-6,500.72	31.6%
60920 — Dues/Fees/Renewals	5,500.00	1,427.15	-4,072.85	25.9%
60930 — Events	2,500.00	1,385.00	-1,115.00	55.4%
Total 60900 — Business Expenses	17,500.00	5,811.43	-11,688.57	33.2%
62100 — Contract Services				
62110 — Accounting Fees	3,000.00	0.00	-3,000.00	0.0%
62140 — Legal Fees	19,845.00	6,615.00	-13,230.00	33.3%
62150 — Other Contract Services	4,500.00	0.00	-4,500.00	0.0%
Total 62100 — Contract Services	27,345.00	6,615.00	-20,730.00	24.2%
65000 — Office Operations				
65010 — Rent	9,000.00	3,000.00	-6,000.00	33.3%
65020 — Postage/Printing	700.00	6.59	-693.41	0.9%
65030 — Utilities	4,500.00	1,029.16	-3,470.84	22.9%
65040 — Supplies & Equip.	5,000.00	915.54	-4,084.46	18.3%
65050 — Communications	5,000.00	1,483.30	-3,516.70	29.7%
65120 — Insurance - Office, D&O, WC	6,000.00	900.00	-5,100.00	15.0%

	<u>Budget</u>	<u>Jul - Oct ...</u>	<u>\$ Over Bu...</u>	<u>% of B...</u>
Total 65000 — Office Operations	30,200.00	7,334.59	-22,865.41	24.3%
65100 — Misc.	3,000.00	363.70	-2,636.30	12.1%
65110 — Marketing	23,000.00	568.00	-22,432.00	2.5%
66000 — Payroll Expenses				
66010 — President/CEO	78,750.00	26,250.00	-52,500.00	33.3%
66020 — Vice President	53,550.00	17,850.00	-35,700.00	33.3%
66030 — Executive Admin Assistant	33,600.00	11,385.00	-22,215.00	33.9%
66050 — Benefits	46,500.00	15,460.42	-31,039.58	33.2%
Total 66000 — Payroll Expenses	212,400.00	70,945.42	-141,454.58	33.4%
68300 — Travel	18,500.00	3,780.86	-14,719.14	20.4%
Total Expense	<u>331,945.00</u>	<u>95,419.00</u>	<u>-236,526.00</u>	<u>28.7%</u>
Net Ordinary Income	<u>6,855.00</u>	<u>-25,386.20</u>	<u>-32,241.20</u>	<u>-370.3%</u>
Net Income	<u>6,855.00</u>	<u>-25,386.20</u>	<u>-32,241.20</u>	<u>-370.3%</u>

11/01/17

# General Fund Balance Sheet

As of October 31, 2017

	<u>Oct 31, '17</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Checking	10,514.49
Savings	<u>973,216.97</u>
Total Checking/Savings	983,731.46
Accounts Receivable	
11001 — allowance for doubtful acc...	-8,027.22
11000 — Accounts Receivable	<u>11,977.24</u>
Total Accounts Receivable	<u>3,950.02</u>
 Total Current Assets	 <u>987,681.48</u>
 <b>TOTAL ASSETS</b>	 <b><u>987,681.48</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Credit Cards	
24110 — MASTERCARD	<u>1,506.82</u>
Total Credit Cards	1,506.82
Other Current Liabilities	
24000 — Payroll Liabilities	<u>469.84</u>
Total Other Current Liabilities	<u>469.84</u>
Total Current Liabilities	<u>1,976.66</u>
 Total Liabilities	 1,976.66
<b>Equity</b>	
30000 — Opening Balance Equity	554,517.95
32000 — Retained Earnings	456,573.07
Net Income	<u>-25,386.20</u>
Total Equity	<u>985,704.82</u>
 <b>TOTAL LIABILITIES &amp; EQUITY</b>	 <b><u>987,681.48</u></b>



**Tennessee State Veterans Homes Board  
Presentation to State Funding Board  
November 27, 2017**

Financial Summary July 2017 through October 2017

**Year to Date Summary of Financial Operations**

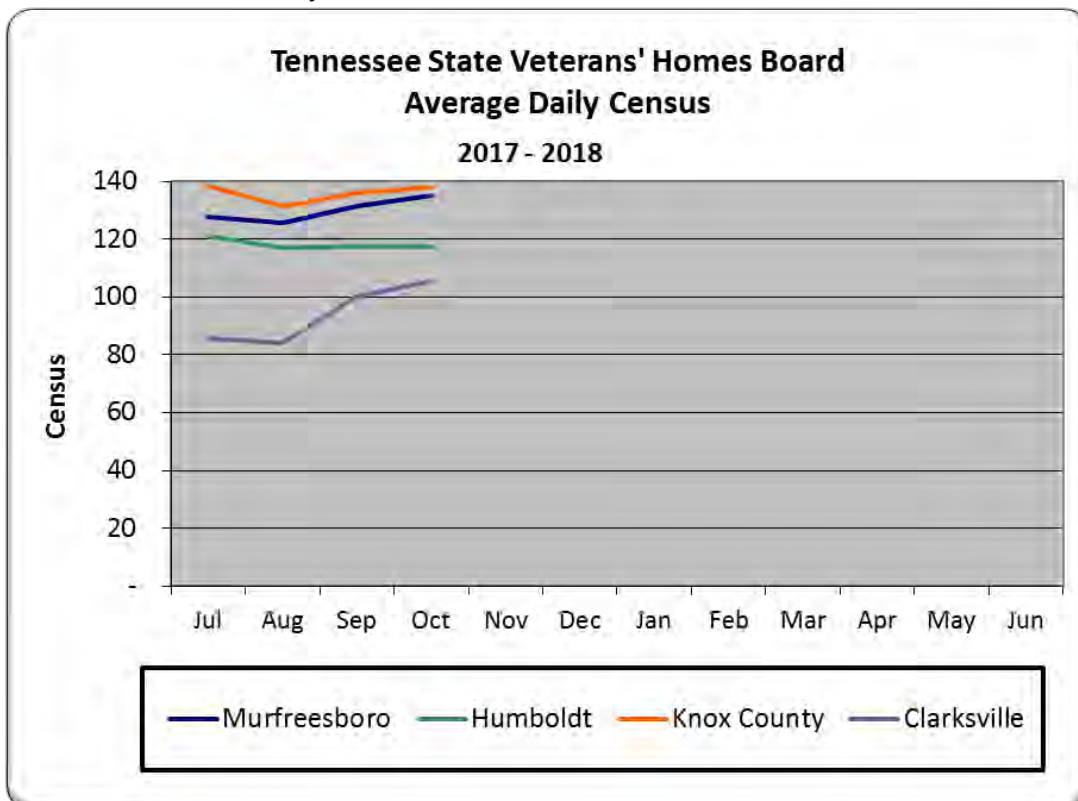
The financial summary covers year-to-date operations through October 2017 for home office and facilities.

<u>Year-to-Date</u>	<u>Home Office</u>	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Clarksville</u>	<u>Total</u>
<b>Actual</b>	\$ (2,040)	\$ 705,587	\$ (327,086)	\$ 272,380	\$ (172,668)	\$ 476,173
<b>Budget</b>	\$ (1,938)	\$ 200,177	\$ 24,474	\$ 38,540	\$ (102,822)	\$ 158,431
<b>Difference</b>	\$ (102)	\$ 505,410	\$ (351,560)	\$ 233,840	\$ (69,846)	\$ 317,742

Net income reported for Murfreesboro and Knox County is more than budget and is the result of patient mix and census. Management anticipates the actual profit will exceed budgeted for fiscal year ended June 30, 2017. The Clarksville loss represents staggering the opening of houses. Staff for each house is hired two (2) to three (3) week prior to residents being admitted for training. All nine (9) houses are at capacity.

Net income reported for Humboldt is less than budget and is driven by a number of factors. Actual revenues were less than budgeted revenues due to actual average daily census being less than budgeted. Additionally, unbudgeted expenses associated with ancillary services (pharmacy and therapy), which is due to the acuity level of current residents, were incurred. The increase in ancillary expenses is being monitored by management.

The following chart shows the average daily census for the four homes. Murfreesboro, Humboldt and Knox County each has 140 beds dually certified for Medicaid and Medicare. Clarksville has 108 dually certified for Medicaid and Medicare



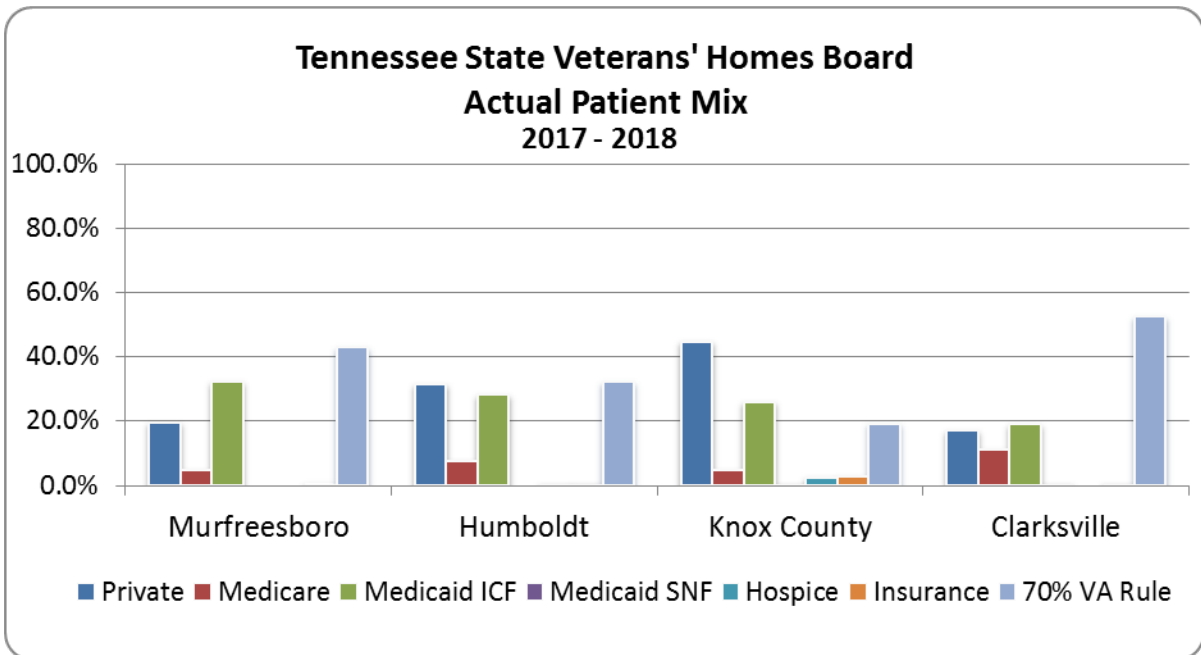
**Tennessee State Veterans Homes Board  
Presentation to State Funding Board  
November 27, 2017**

For the month of October 2017, each facility is reporting the following average daily census (ADC) and occupancy information:

<u>Facility</u>	<u>ADC</u>	<u>Occupancy</u>
Murfreesboro	135	96.6%
Humboldt	117	83.8%
Knox County	138	98.6%
Clarksville	106	97.9%

The occupancy rate at the three established facilities exceeds the state occupancy rate of 75.3%.

Patient mix is a key factor and drives revenues for the homes. Patient mix year to date at October 31, 2017 is shown below.



**Tennessee State Veterans Homes Board  
Presentation to State Funding Board  
November 27, 2017**

**LGIP Funds**

Per State law, all funds of the Board are to be held at the Local Government Investment Pool (LGIP). As of October 31, 2017, cash balances at LGIP for the facilities and home office are as follows:

<u>LGIP Funds</u>	<u>Home Office</u>	<u>Murfreesboro</u>	<u>Humboldt</u>	<u>Knox County</u>	<u>Clarksville</u>	<u>Total</u>
Revenue Fund	\$ 6,493,136					6,493,136
Repair & Replacement		760,524	765,960	763,478	\$50,072.79	2,340,035
Debt Service Fund		134,337	151,023		\$33,749.31	319,110
Operating Reserve	4,421,991					4,421,991
Technology	399,942					399,942
Special Funds	-					-
Contributions	41,331					41,331
<b>Total</b>	<b>\$ 11,356,399</b>	<b>\$ 894,862</b>	<b>\$ 916,983</b>	<b>\$ 763,478</b>		<b>\$14,015,544</b>

**Future Development**

State Veterans' Homes are constructed with a combination of State and Federal money. The Federal portion of the cost of construction, 65%, is provided through the U.S. Department of Veterans Affairs pursuant to U.S. Code Title 38, Chapter 81, Part 59.

- An application for federal funding has been submitted for a 108 bed intermediate and skilled care nursing facility in Cleveland-Bradley County.
- An application for federal funding has been submitted for a 144 bed skilled nursing facility. The state-shared portion of construction cost is currently being raised. Purchase of property for this project has been completed. The property is part of the State of Tennessee Department of Intellectual and Developmental Disabilities located in Arlington-Shelby County.

**State Audit**

TSVHB received zero audit findings for fiscal year ended June 30, 2016. The report was released on October 23, 2017.

Management remains committed to continued improvements in financial reporting, internal controls, and fiscal responsibility. The Board's Audit Committee takes proactive measures in dealing with issues identified by management's review of internal controls as well as those identified from other sources.

**Tennessee State Veterans Homes Board  
Presentation to State Funding Board  
November 27, 2017**

Performance Audit

On December 3, 2014, Performance Audit issued its report on the operational efficiency and effectiveness of the Board. Although improvement was noted the report includes findings in three areas as follows:

- Disaster plans
- Turnover
- Title VI.

Procedures have been implemented to eliminate the turnover finding. Turnover data will be generated by HR Directors and presented at TSVH Board meetings. Turnover patterns and/or clusters are identified to allow for mitigation.

The Disaster Plan has been revised into a Comprehensive Emergency Management Plan. This allows for a more robust response to disaster situations. The CEMP, which has been implemented in all three homes, has been reviewed and approved by the local emergency planning authorities in each of the homes' communities. The recommendations noted by Performance Audit were incorporated in the CEMP by June 30, 2015.

A written policy providing guidelines on the Title VI contract monitoring process was reviewed and approved by the board at the January 2015 board meeting. The policy includes procedures and a deadline for receiving Title VI self-surveys.

Management remains committed to continued improvements in financial reporting, internal controls, and fiscal responsibility. The Board's Audit Committee takes proactive measures in dealing with issues identified by management's review of internal controls as well as those identified from other sources.

Regulatory Compliance

The Clarksville home has a five star overall quality rating by CMS which is the highest rating. Clarksville has a five star rating in each of the four CMS Star rating categories and is one of only three facilities in Tennessee that achieve this. The Murfreesboro, Humboldt and Knoxville homes are rated at four stars.

The Five-Star Quality Rating System was created to help consumers, their families, and caregivers compare nursing homes more easily. This rating system is based on continued efforts as a result of the Omnibus Reconciliation Act of 1987 (OBRA '87), a nursing home reform act, and more recent quality improvement campaigns such as the Advancing Excellence in America's Nursing Homes, a coalition of consumers, health care providers, and nursing home professionals.

Nursing home ratings are calculated from the following four sources of data:

- Health Inspections
- Staffing
- RN Staffing

**Tennessee State Veterans Homes Board  
Presentation to State Funding Board  
November 27, 2017**

- Quality Measures

CMS provides a star rating for each of these sources. These ratings are combined to calculate an overall rating.

The Tennessee Department of Health has conducted its annual survey of each facility.

The TSVH home in Humboldt had their survey in January 2017. This survey had three minor deficiencies, which did not compromise patient care. One deficiency involved use of hair nets in the kitchen. This also generated a quality assurance citation. The facility was also cited for staff referencing assisted dining residents improperly.

The Knoxville survey was completed in March 2017. This survey had one minor deficiency, which did not involve patient care. It involved debris found behind the trash dumpster.

The Murfreesboro survey was completed in July 2017. This survey had three minor citations. These involved handwashing technique & safe food handling, proper glove usage and an expired medication.

The Clarksville survey was completed in July 2017. There was one minor citation involving refunding resident funds.

The average number of health deficiencies cited in Tennessee's long term care facilities standard survey process is 5.2 and nationally at 7.2.

The Department of Veterans Affairs conducted annual operational and clinical reviews in January 2017 (Humboldt), March 2017 (Knoxville), June 2016 (Murfreesboro) All of these homes received a perfect score. In October 2017, the Clarksville home had its VA survey. There were two provisionally met citations involving resident grievance education and resident family use of a resident's funds.

#### Executive Committee

The clinical and financial operation of the Tennessee State Veterans' Homes is closely monitored by the TSVHB Executive Committee. Current financial information shows that implemented cost control efforts, efficiency progress, as well as revenue and census improvements have had their expected and desired results.

The Board, management and staff remain committed to continued improvements in the financial and clinical operations of the Tennessee State Veterans' Homes.

**REPORT ON THE  
STATE POOLED INVESTMENT FUND**  
For The Fiscal Year Ended June 30, 2017



PREPARED FOR THE  
**STATE FUNDING BOARD**

November 27, 2017

PREPARED BY  
TREASURY DEPARTMENT  
CASH MANAGEMENT DIVISION

Tim McClure, CTP

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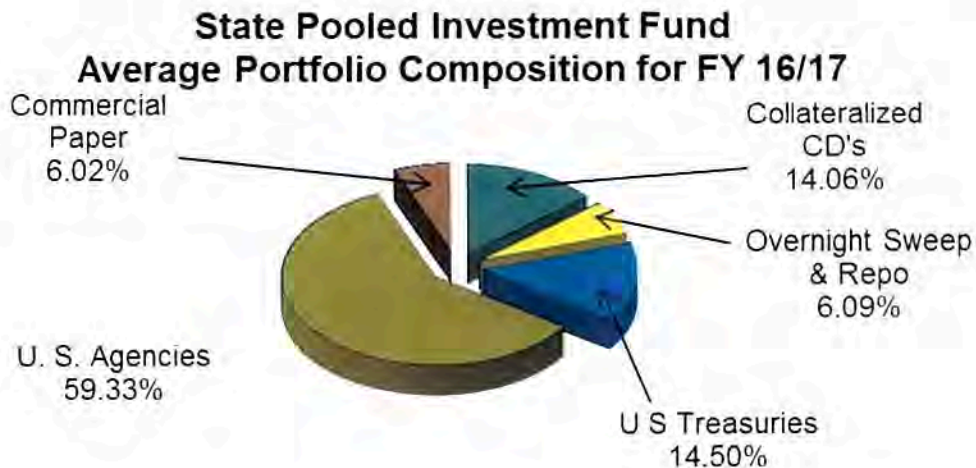
**TENNESSEE TREASURY DEPARTMENT**  
**State Pooled Investment Fund Report**  
For the fiscal year ended June 30, 2017

**I. INVESTMENT POLICY**

The investment policy for the State Pooled Investment Fund is set by the State Funding Board. The board is composed of the Governor, Commissioner of Finance and Administration, Comptroller, Secretary of State, and Treasurer. The investment objective for the state pooled investment fund is to obtain the highest available return on investments consistent with the preservation of principal, while maintaining sufficient liquidity for state expenditures and other withdrawals from the state pooled investment fund. On April 7, 2016, the State Funding Board voted to adopt an Investment Policy that is in compliance with GASB Statement 79 in order to maintain a fund that could operate at a stable dollar.

**II. Portfolio Composition**

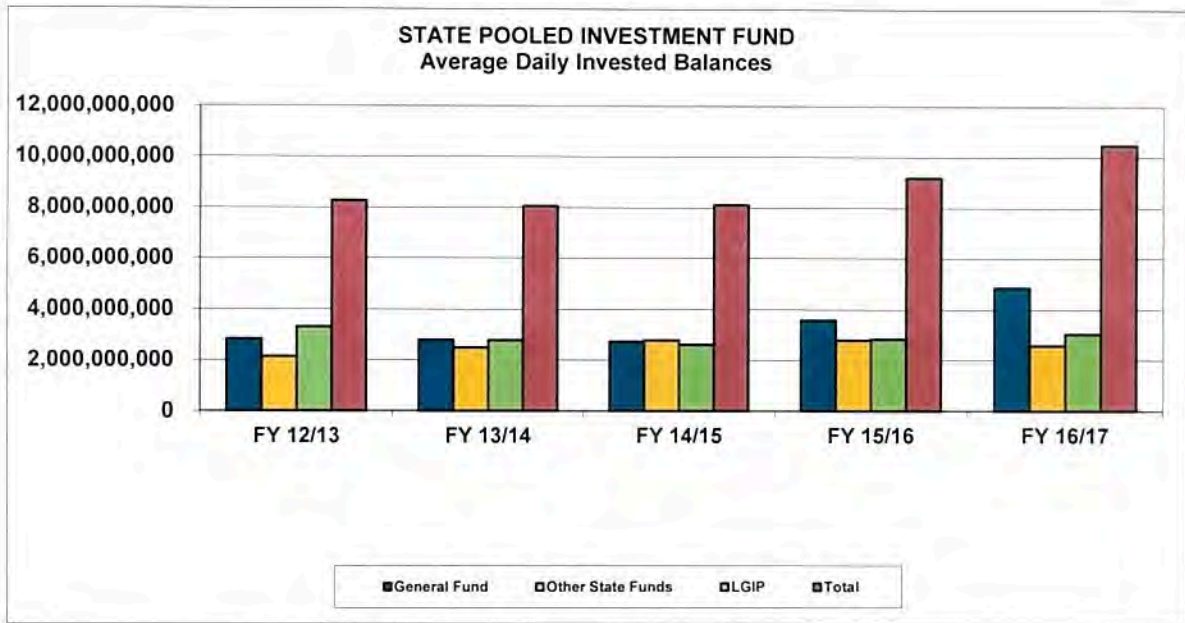
The State Pooled Investment Fund had a monthly average of \$10.46 billion invested for the fiscal year ended June 30, 2017. The following chart shows the composition of the average portfolio.



The reduced availability of commercial paper that meets the strict credit quality requirements of the SPIF is evidenced by the 6.02% average investment during the fiscal year. Bank demand for State funds has increased slightly, but is still down from levels before the financial crisis in 2008. Repurchase agreements have been added back to the portfolio this year and has increased overnight liquidity. Agency exposure has increased to improve daily and weekly liquidity and to assist the portfolio in meeting the WAM and WAL requirements imposed by GASB 79.

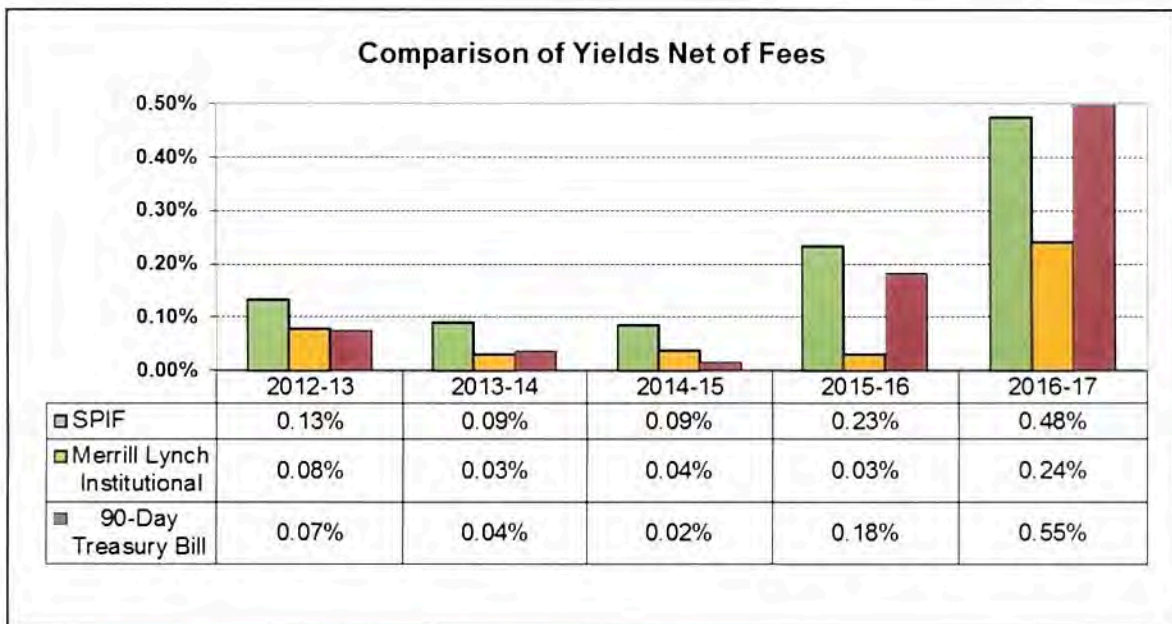


### III. Average Daily Balances



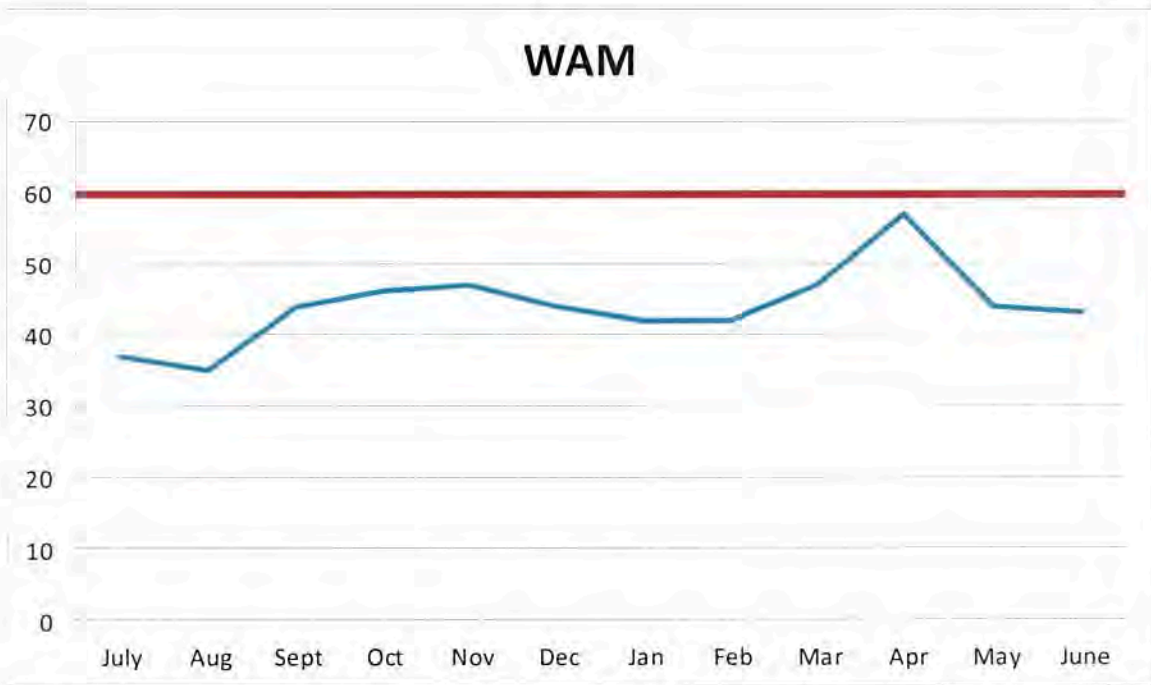
### IV. Performance

The chart below shows how the SPIF has performed over the last 5 years when compared to the 90-day US Treasury Bill and the Blackrock Institutional Investment Fund (ticker symbol MLIXX).



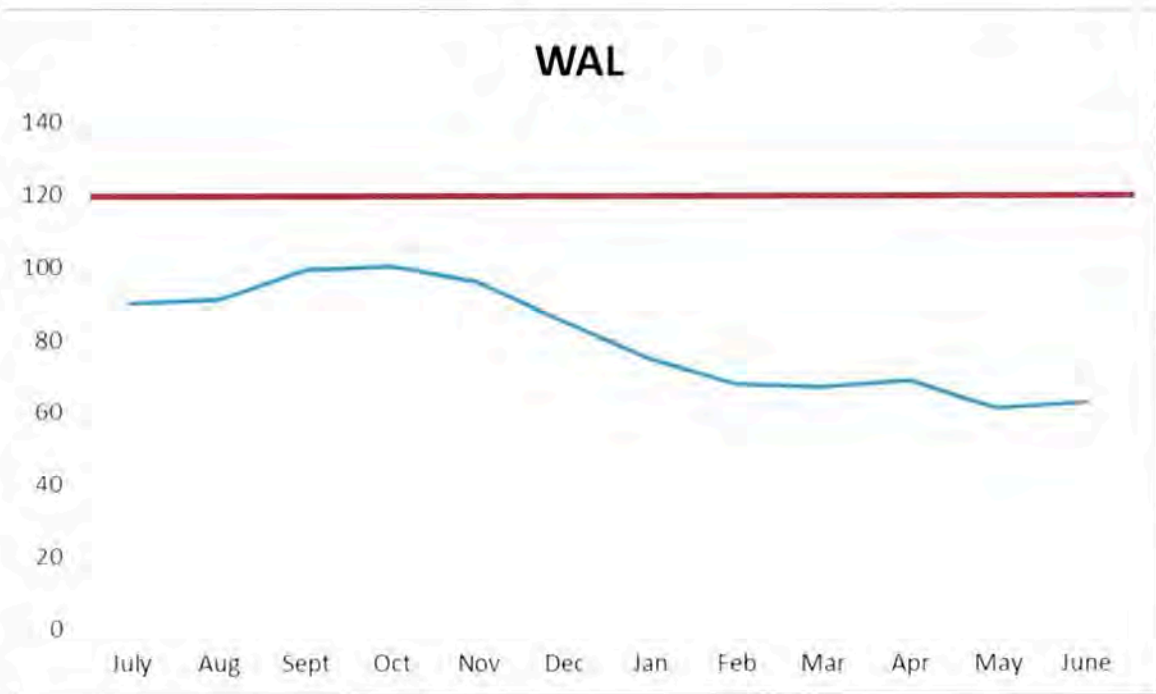
## V. Weighted Average Maturity (WAM)

The weighted average maturity (WAM) measure expresses investment time horizons – the time when investments become due and payable – in the case of the SPIF, days weighted to reflect the dollar size of individual investments. GASB Statement 79 allows the use of certain maturity shortening features to be utilized when measuring the WAM such as interest rate resets. The SPIF holds floating-rate securities issued by various US government agencies that typically have maturities of less than 397 days but have indexed interest rates that reset each month. The use of those securities provides a level of protection against changes in interest rates as well as reduces the WAM of the SPIF portfolio. In order to maintain compliance with GASB Statement 79 requirements, the WAM of a portfolio cannot exceed 60 days. The chart below shows the WAM of the SPIF portfolio during the year. At no point in time did the WAM exceed the 60 day limit.



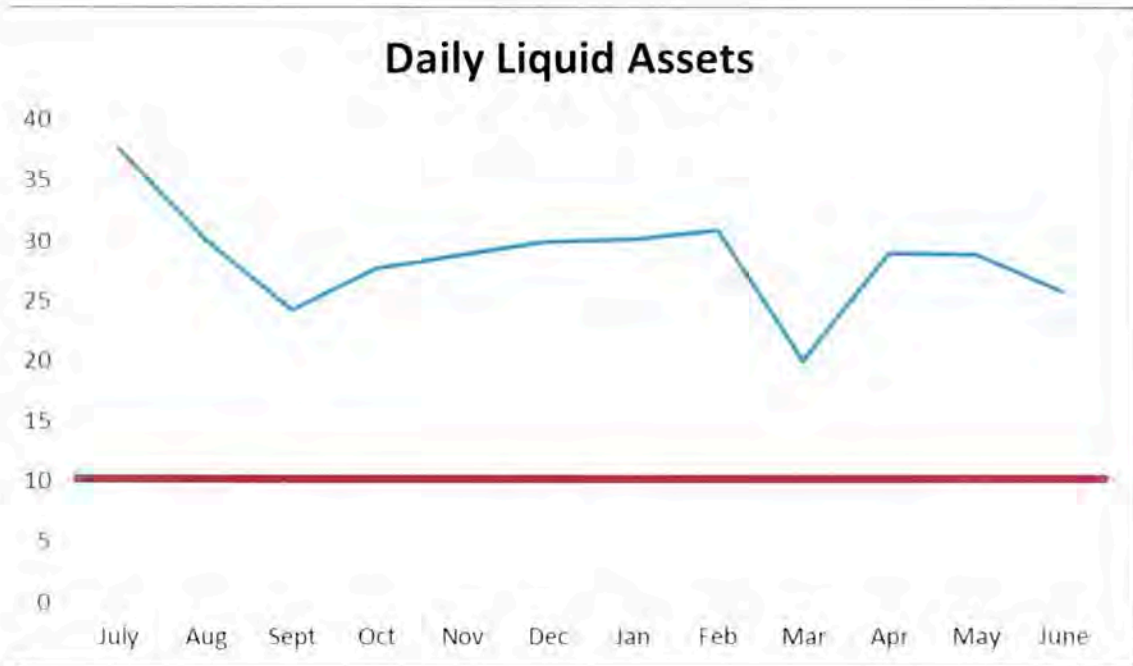
## VI. Weighted Average Life (WAL)

The weighted average life (WAL) measure expresses the average length of time that each dollar of principal remains unpaid without taking into account the maturity shortening features used in calculating the weighted average maturity. In other words, the WAL is the stated maturity of each security within the portfolio. In order to maintain compliance with GASB Statement 79 requirements, the WAL of a portfolio cannot exceed 120 days. The chart below shows the WAL of the SPIF portfolio during the year. At no point in time did the WAL exceed the 120 day limit.



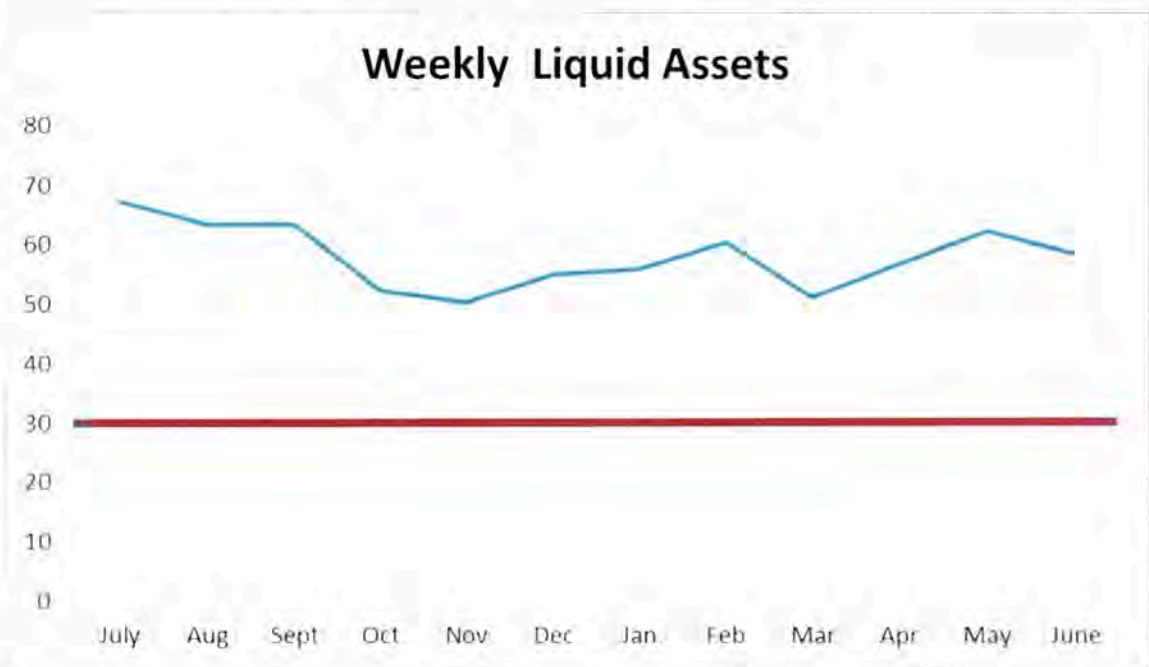
## VII. Daily Liquid Assets

In order to provide for reasonably foreseeable redemptions, or withdrawals, GASB Statement 79 requires that all funds hold no more than 5% of the portfolio in illiquid investments. The SPIF does not hold any illiquid securities. GASB Statement 79 also requires that a portfolio maintain at least 10% of the portfolio in securities that are defined as daily liquid securities. Examples of daily liquid securities that are held in the SPIF include cash, demand deposits at banks, certificates of deposit that are scheduled to mature the next business day, direct obligations of the US government, and any other security that has a stated maturity date of the next business day. Below is a chart showing the daily liquidity of the SPIF during the year.



### VIII. Weekly Liquid Assets

The SPIF must also maintain a portfolio that has at least 30% invested in weekly liquid assets. Examples of weekly liquid assets that might be held in the SPIF are cash, demand deposits or certificates of deposit that mature within 5 business days, direct obligations of the US government, all securities that mature within 5 business days, and securities that are US government securities but not direct obligations of the US government that are issued at a discount and mature within 60 days. Below is a chart that shows the level of weekly liquid assets held during the year by the SPIF.



## IX. Credit Quality and Diversification

During FY 16/17, the SPIF held direct and indirect obligations of the US government that were all rated AAA/Aa+. All of the commercial paper held by the SPIF was rated no less than A1/P1. Further, holdings of commercial paper was limited to less than 5% of the total value of the SPIF portfolio or less than 5% of the issuer's total approved limit.

## X. Shadow Pricing

The shadow price is the net asset value per share of the fund calculated using total investments measured at fair value as of the calculation date. GASB Statement 79 requires that a fund calculate the shadow price at least one time each month, no sooner than 5 days before the last day of the month and no later than the last working day of each month. The SPIF calculates the shadow price daily. In order for a fund to be considered a stable dollar fund, the shadow price must be between \$.995 to \$1.005 at all times. If a fund ever has a shadow price outside those parameters, the fund is considered to have "broken the buck".

The chart below shows the daily shadow price of the SPIF throughout the year.



The chart reflects the very close range of the SPIF valuation during FY17. The red lines at the top and bottom of the chart shows the upper and lower limits permitted in the valuation. The lowest valuation for the SPIF during the year was \$.999889 per share on December 16, 2016. The highest valuation for the SPIF was \$1.000245 per share on March 1, 2017. During FY17, the SPIF was valued above \$1 per share 236 days during the year.

## **XI. Stress Testing**

At month's end, the SPIF is stress tested utilizing a model developed by S&P. The model considers the balance of the fund, weighted average maturity, weighted average life, shadow price, credit spread, and % of total credit excluding US government and agencies. Based upon the information entered, the fund then considers the effect on the fund if the 10 largest shareholders were to redeem their shares in one day, considers the impact of a redemption in one day of the largest 5 day historical redemption, and the impact of both events occurring on the same day. The model then measures the impact if on the same day there was a movement in interest rates to determine how much stress the fund can handle before the fund has a variance in value greater than one half of 1%, or "breaking the buck".

During each month of FY17, the SPIF was capable of handling the impact of the above-described events without breaking the buck. In fact, in most cases the SPIF could handle the combined redemption events and a change in interest rates of 150 basis points or greater without breaking the buck. This is due to the conservative credit position and enhanced liquidity of the portfolio. (The actual stress test as of June 30, 2017, is attached to the end of this document.)

## **XII. Investment Policy Review**

Implementation of GASB Statement 79 required an extensive re-write of the Investment Policy for the State Pooled Investment Fund. The Board voted on April 7 to adapt the necessary changes to ensure that the SPIF was in full compliance with GASB. While the content and the appearance of the SPIF Investment Policy changed, the actual day-to-day operation of the SPIF did not need to make a lot of changes. The changes improve transparency and liquidity without having a negative impact on performance. One of the more significant changes is the recognition of the reset date as the maturity date for floating-rate securities. GASB also requires more frequent reporting that includes the shadow price, daily and weekly liquidity, and weighted average maturity and weighted average life of the portfolio. Staff is making no request to modify the investment policy at this time.

## **XIII. Investment Strategy**

Nine years ago, the FOMC lowered the Fed Funds rate to a range of zero to 0.25%. On December 15, 2015, the FOMC raised the rate to a range of 0.25% to 0.50%. Since that time, the FOMC has raised rates three more times to the current rate of 1.00% to 1.25%. There is a high probability that the FOMC will raise the rate again in December, possibly to a range of 1.25% to 1.50%. While earnings from the SPIF will be below historical levels, the amount of total earnings will be at the highest in nearly a decade. Staff will continue to seek ways to generate as much revenue as possible and remain in compliance with the Investment Policy. Staff will continue to maintain a diversified portfolio of CDs, bank deposits, US Government obligations, and commercial paper. The yield curve, actions taken by the Federal Reserve Bank, regulatory changes, and other market conditions will be considered when managing the asset mix and average maturity of the portfolio. The SPIF remains a safe investment for state funds and monies invested by local government officials. There has been no loss of funds due to credit exposure and no liquidity concerns.

#### **XIV. Cost of Administration**

The SPIF charges 4 basis points to all participants to administer the program. The fee covers the total cost of program management, including:

- Investment of portfolio
- Maintenance of collateral
- Collateral pool administration
- Cash concentration
- Bank reconciliations and resolution of reconciling items
- LGIP program
- Warrant reconciliation
- Accounting and recordkeeping
- Support cost such as internal audit, payroll, personnel, etc.



# Principal Stability Fund Rating Sensitivity Matrix

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WAM (R)	43
WAM (F)	63
Shares Outstanding:	11,295,038,665.00
Total Fund Assets:	11,295,038,665.00
Market Value (NAV):	1,000140
Credit Spread Movement (bps)	20
% Total Credit (Non Gov't) Securities (of portfolio)	27%
% Corporate Floaters (of portfolio)	0%

FILL IN/ADJUST AREAS SHADED GREEN TO RUN SCENARIOS

June 30, 2017

Total \$ Loss: \$0  
Total \$ Gain: \$1,581,305

Basis Point Shift	Selected Shareholders	Largest Redemption over 5 consecutive business days							Gain (Loss)
325	0.995519	0.995895	0.994997	0.995831	0.996050	0.996248	0.996427	0.996873	(42,380,390)
250	0.996574	0.996862	0.996175	0.996813	0.996980	0.997131	0.997268	0.997610	(32,400,527)
200	0.997278	0.997506	0.996961	0.997467	0.997601	0.997720	0.997829	0.998100	(25,747,285)
175	0.997629	0.997828	0.997353	0.997794	0.997911	0.998015	0.998110	0.998346	(22,420,664)
150	0.997981	0.998150	0.997746	0.998122	0.998221	0.998310	0.998390	0.998591	(19,094,043)
125	0.998333	0.998473	0.998139	0.998449	0.998531	0.998604	0.998671	0.998837	(15,767,422)
100	0.998685	0.998795	0.998531	0.998776	0.998841	0.998899	0.998951	0.999082	(12,440,801)
75	0.999036	0.999117	0.998924	0.999103	0.999151	0.999193	0.999232	0.999328	(9,114,180)
50	0.999388	0.999439	0.999317	0.999431	0.999461	0.999488	0.999512	0.999573	(5,787,559)
25	0.999740	0.999762	0.999709	0.999758	0.999771	0.999782	0.999792	0.999818	(2,460,938)
0	1.000092	1.000084	1.000102	1.000085	1.000081	1.000077	1.000073	1.000064	865,683
-25	1.000443	1.000406	1.000495	1.000412	1.000391	1.000371	1.000353	1.000309	4,192,304
-50	1.000795	1.000728	1.000888	1.000740	1.000701	1.000666	1.000634	1.000555	7,518,925
-75	1.001147	1.001051	1.001280	1.001067	1.001011	1.000960	1.000914	1.000800	10,845,546
-100	1.001499	1.001373	1.001673	1.001394	1.001321	1.001255	1.001195	1.001046	14,172,167
-125	1.001850	1.001695	1.002066	1.001721	1.001631	1.001549	1.001475	1.001291	17,498,788
-150	1.002202	1.002017	1.002458	1.002049	1.001941	1.001844	1.001756	1.001536	20,825,409
-175	1.002554	1.002339	1.002851	1.002376	1.002251	1.002138	1.002036	1.001782	24,152,030
-200	1.002906	1.002662	1.003244	1.002703	1.002561	1.002433	1.002317	1.002027	27,478,651
-250	1.003609	1.003306	1.004029	1.003358	1.003181	1.003022	1.002878	1.002518	34,131,892
-300	1.004313	1.003951	1.004815	1.004012	1.003801	1.003611	1.003439	1.003009	40,785,134
Redemptions/Subscriptions	-16%	-9%	-25%	-10%	-5%	0%	5%	20%	
Shares Outstanding	9,457,299,404	10,323,665,340	8,471,278,999	10,165,534,799	10,730,286,732	11,295,038,665	11,859,790,598	13,554,046,398	

Shift Upon NAV = NAV - (WAM/365) \* (Bp/10,000)  
Dilution Upon NAV = (NAV + Change) / (1+ Change)

Top 10 Shareholders		% of Fund	Stress Redemption
METRO NASHVILLE	710,140,364.92	6.29%	Yes
CITY OF KNOXVILLE	288,294,458.08	2.55%	Yes
SHELBY COUNTY TRUSTEE	136,122,027.12	1.21%	Yes
TN EDUCATION LOTTERY CORPORATION	118,725,870.00	1.05%	Yes
TOWN OF COLLIERVILLE	116,175,512.76	1.03%	Yes
TENNESSEE TECH UNIVERSITY	104,725,063.23	0.93%	Yes
UNIVERSITY OF MEMPHIS	100,058,164.62	0.89%	Yes
EAST TENNESSEE STATE UNIVERSITY	93,235,954.90	0.83%	Yes
MIDDLE TENNESSEE STATE UNIVERSITY	90,477,640.64	0.80%	Yes
WILSON COUNTY TRUSTEE	79,784,204.66	0.71%	Yes
Stress Top 10	\$ 1,837,739,260.93	16.27%	Yes
Total Fund Assets	\$ 11,295,038,665.00	100%	1,837,739,260.93

Largest Five Day Redemption (%)	8.60%
9/28-10/03/16	

# REPORT ON THE Intermediate Term INVESTMENT FUND

For The Fiscal Year Ended June 30, 2017



PREPARED FOR THE  
STATE FUNDING BOARD

November 27, 2017

PREPARED BY  
TREASURY DEPARTMENT  
CASH MANAGEMENT DIVISION

Tim McClure, CTP

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**TENNESSEE TREASURY DEPARTMENT**  
**Intermediate Term Investment Fund Report**  
For the fiscal year ended June 30, 2017

**I. COMPLIANCE WITH INVESTMENT POLICY**

The investment policy for the Intermediate Term Investment Fund (ITIF) is set by the State Funding Board. The board is composed of the Governor, Commissioner of Finance and Administration, Comptroller, Secretary of State, and Treasurer. The investment objective for the ITIF is to offer a longer term investment option for the State and any entity that is eligible to invest in the LGIP. Returns of a fund with a longer term investment horizon are expected to outperform liquidity funds such as the SPIF, but there are risks associated with longer term investments. If interest rates increase, the value of investments will decline. Investors should consider the risks involved, including the lack of liquidity provided from a fund such as the ITIF, before making a decision to participate.

Portfolio Composition

The ITIF was launched on July 22, 2013, when the first participant invested \$200 million. As of June 30, 2017, there were no additional investments, and the participant has made withdrawals of \$140 million since inception. Investment policy permits investments in US Government and Agency securities, repurchase agreements, prime commercial paper, prime banker's acceptances, and the State Pooled Investment Fund (as a source of liquidity or uninvested idle cash, if necessary). During the fiscal year, investments were only made in government agency securities with idle cash invested in the SPIF only until investments in longer term maturities could be purchased. The average composition during the year ended June 30, 2017, was 85.2% US agencies and 14.8% idle cash in the SPIF. The cash component was higher this fiscal year than previous years due to securities being called before maturity and the cash remaining in the SPIF until more opportune times to re-invest.

Maturity

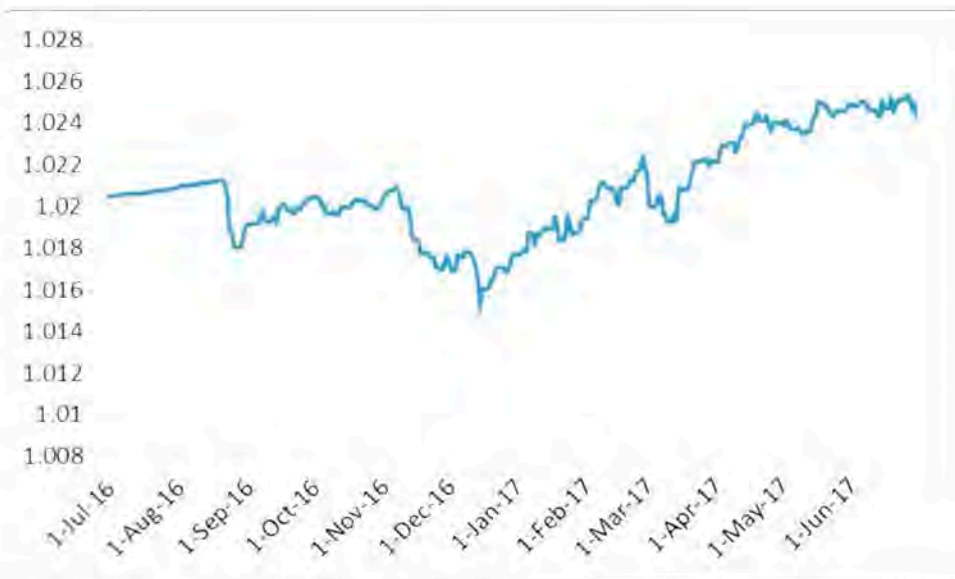
The objective of the ITIF is to take advantage of the expected additional return from investing farther out on the yield curve. The Investment Policy permits investments up to five years with an average maturity of three years. The weighted average maturity (WAM) of the ITIF began the year at 2.10 years and ended the year at 2.61 years. During the year, the WAM ranged from 1.43 years to 2.71 years (within policy limits). There was an expectation that the Fed might raise rates as many as 4 times during calendar year 2017. Rates have been adjusted 3 times to the current level of 1.00% to 1.25% during calendar year 2017.

Liquidity

This fund is not designed to provide liquidity. As a result, the fund will not maintain a significant position in cash equivalent securities for the sole purpose of providing liquidity. Investors are encouraged to only invest funds that are not going to be needed for short term liquidity purposes. Withdrawals are limited to the first working day of each quarter, as long as notice is provided at least 30 days prior to the withdrawal date.

## II. PORTFOLIO PERFORMANCE

For the period July 22, 2013 thru June 30, 2017, the Intermediate Term Investment Fund has had a market value increase of 2.47%. During fiscal year 2017, the fund increased in value .33% net of expenses, or 33 basis points. During the same period, the SPIF returned 52 basis points, the Vanguard Short Term Federal Fund (VSGBX) had a net loss of 20 basis points, and the Barclays US Treasury Bond Fund Index had a loss of 386 basis points. The net asset value (NAV) ranged from a low of 1.0150275 on December 15, 2016, to 1.0253193 on June 27, 2017. The graph below demonstrates the daily change in net asset value during the year.



## III. INVESTMENT POLICY REVIEW

No Investment Policy changes are anticipated during the current fiscal year. The fund has operated as planned and there have been no concerns that have arisen. Also, there are no market regulations that impact funds of this nature being discussed at this time.

## IV. INVESTMENT PLAN

On December 18, 2015, the Federal Reserve raised the Fed Funds rate for the first time since since December, 2008. The rate was raised from a range of zero to 25 basis points to a range of 25 to 50 basis points, with a target of 37 basis points. Since that time, the Fed Funds rate has been raised 3 more times to the current level of a range of 1.00% to 1.25%. While the safety and liquidity offered from money market funds outweighs the risks of investing in funds with longer maturities for many investors, those that have funds not needed for short term liquidity can benefit from a fund similar to the Intermediate Term Investment Fund (ITIF). There are risks associated with investing in the ITIF. The investment policy of the fund attempts to minimize the risks by limiting investments to securities that possess little credit risk and by limiting deposits and withdrawals to the first business

day of each quarter and requiring a 30 day notice before a withdrawal can be made. Rising interest rates can have a negative impact on performance, as was the case this year when the ITIF had the lowest performance since inception. However, the rising rates have resulted in an increase in the total portfolio yield. Staff will continue to monitor the movement in interest rates as well as other market conditions that could impact the fund and make changes as needed to maintain a competitive investment option for public entities across the State.

**V. COST OF ADMINISTRATION**

The cost to operate the ITIF are minimal due to the efficiencies gained by utilizing many of the same resources as are used to manage other funds within Treasury. The costs of operations are funded from a 5 basis point charge for assets invested. Most commercial funds charge substantially more than 5 basis points. Also, the costs of operations include more than investment management. The 5 basis points finances:

- Investment of portfolio
- Software and hardware support and maintenance
- Accounting and recordkeeping
- Support cost such as internal audit, payroll, personnel, etc.

**VI. PORTFOLIO AT JUNE 30, 2017**

DESCRIPTION	ACCRUED INCOME	MARKET VALUE	MATURITY	MKT PRICE	PAR	INC PURCHASED	RATE	CUSIP
FHLMC	21,466.67	15,946,106.67	6/8/2022	99.529	16,000,000.00		2.100	3134GBRM6
FEDERAL HOME LOAN BANKS	7,292.08	6,449,229.58	11/24/2017	99.875	6,450,000.00	-	1.100	3130A3GA
FNMA	10,400.00	7,905,360.00	11/22/2019	98.687	8,000,000.00	-	1.200	3136G3Z40
FEDERAL HOME LOAN BANKS	49,875.00	14,999,625.00	9/7/2018	99.665	15,000,000.00		1.050	3130A7DW
FHLMC *			1/11/2021		17,000,000.00		1.800	3134GBXE7

\* Trade settles 7/11/17

	45,300,321.25
Cash	17,336,892.64
	62,637,213.89
SHARES	61,148,983.98
NAV	1.024338

**AMENDMENT ONE**  
**to**  
**CONTRACT BETWEEN**  
**THE STATE OF TENNESSEE,**  
**OFFICE OF THE COMPTROLLER OF THE TREASURY, AND**  
**PUBLIC FINANCIAL MANAGEMENT, INC.**

The contract dated December 30, 2014, by and between the State of Tennessee, Office of the Comptroller of the Treasury (“Comptroller” or “State”) and Public Financial Management, Inc. (“Contractor”), for the purpose of retaining Contractor as Financial Advisor to the Comptroller on financial issues of the State of Tennessee (“State”) and the Tennessee State Funding Board, Tennessee Local Development Authority, and Tennessee State School Bond Authority (collectively, the “Issuers”) to assist the Comptroller in the capacity as Secretary to the Issuers (the “Contract”), is hereby amended as follows:

1. Section A.1. is amended by deleting the current section A.1. in its entirety and inserting the following in its place:

The Contractor agrees to serve the State as financial advisor to the State and to the Issuers. The Contractor will assign the following individuals to provide the services described in this Contract:

Lisa Daniel, Managing Director  
Lauren Lowe, Director  
David Eichenthal, Managing Director  
Joshua McCoy, Senior Managing Consultant  
Kyle Wright, Senior Analyst  
Ricardo Callender, Analyst  
Maria Figueroa, Analyst  
Nick Yatsula, Senior Analyst  
Daniel Kozloff, Managing Director  
Daniel Berger, Senior Managing Consultant  
Todd Fraizer, Managing Director  
Jeff Pinciak, Analyst  
John Cochran, Analyst  
Mike Harris, Managing Director  
Matthew Eisel, Director  
Chris Harris, Senior Managing Consultant  
Jeff Pearsall, Managing Director  
June Matte, Managing Director  
Joan DiMarco, Managing Director  
Alfred Mukunya, Director  
Virginia Rutledge, Director  
George Hu, Senior Managing Consultant  
Cyrus Yuan, Senior Analyst  
Jim Link, Managing Director  
Michael Nadol, Managing Director  
David Miller, Managing Director

In applying the appropriate hourly rate stated in Section B.3 of this Contract, the title of “Director” will be equal to “Senior Managing Consultant” and the titles of “Senior Analyst” and “Analyst” will be equal to “Consultant.”

These individuals will be assisted from time to time by other members of the Contractor’s staff. The State has the right to approve or disapprove any proposed changes in the staff of the Contractor providing services under this Contract from the above listed individuals.

2. Section B.1. is amended by deleting the current section B.1. in its entirety and inserting the following in its place:

For the three-year contract term commencing on January 1, 2015 and ending on December 31, 2017, and for the one-year extension contract term commencing on January 1, 2018 and ending on December 31, 2018, the maximum contract amount shall not exceed \$2,150,000.

The total contract term budget as referenced above is derived from a set of assumptions provided by the State in the Outline for Proposal for Financial Advisor for State of Tennessee Funding Board, Tennessee State School Bond Authority and Tennessee Local Development Authority, dated October 23, 2014 (the “RFP”). The assumptions and expected related costs are attached to this Contract as Exhibit A. As the RFP stated, the assumptions are subject to change and/or negotiation. However, the total maximum contract amount as noted above is fixed in aggregate as adopted by the State and related parties.

3. Section B.2. is amended by deleting the current section B.2. in its entirety and inserting the following in its place:

It is expected that the Maximum Contact Amount will be allocated as follows:

Transactional advisory fees (including special project)	\$1,896,667.00
Retainer fee	\$180,000.00
Reimbursement of expenses	<u>\$73,333.00</u>
TOTAL	\$2,150,000.00-

The other terms and conditions of this Contract not amended hereby shall remain in full force and effect.



IN WITNESS WHEREOF, the parties have signed this Amendment One to the Contract by their duly authorized representatives on the dates indicated below.

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: \_\_\_\_\_  
Lisa Daniel, Managing Director

Date: \_\_\_\_\_

**STATE OF TENNESSEE, OFFICE OF THE COMPTROLLER OF THE TREASURY**

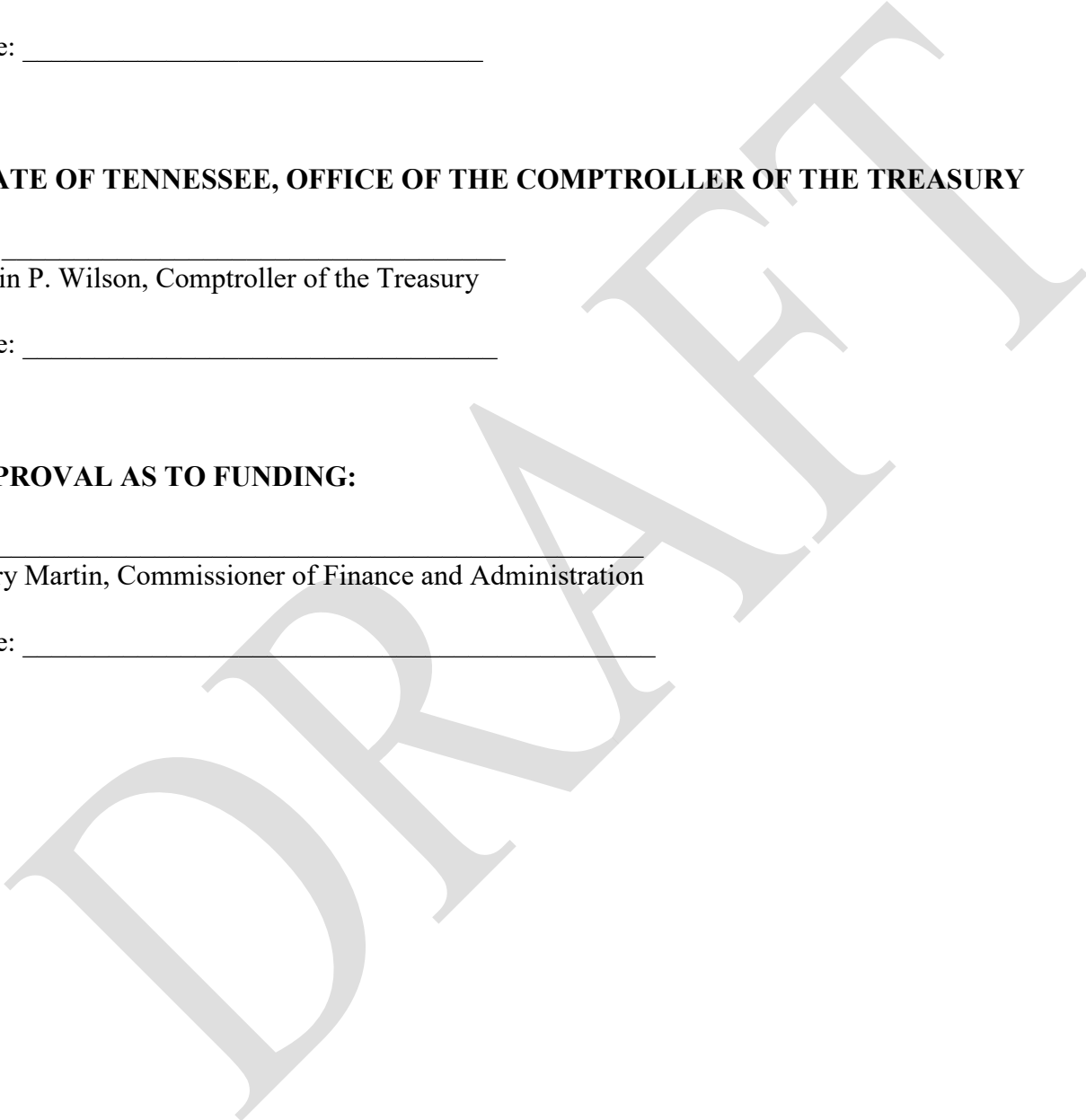
By: \_\_\_\_\_  
Justin P. Wilson, Comptroller of the Treasury

Date: \_\_\_\_\_

**APPROVAL AS TO FUNDING:**

\_\_\_\_\_  
Larry Martin, Commissioner of Finance and Administration

Date: \_\_\_\_\_



**CONTRACT BETWEEN  
THE STATE OF TENNESSEE,  
OFFICE OF THE COMPTROLLER OF THE TREASURY, AND  
PUBLIC FINANCIAL MANAGEMENT, INC.**

This Contract, by and between the State of Tennessee, Office of the Comptroller of the Treasury (“Comptroller” or “State”) and Public Financial Management, Inc. (“Contractor”), for the purpose of retaining Contractor as Financial Advisor to the Comptroller on financial issues of the State of Tennessee (“State”) and the Tennessee State Funding Board, Tennessee Local Development Authority, and Tennessee State School Bond Authority (“Issuers”) to assist the Comptroller in the capacity as Secretary to the Issuers.

WITNESSETH: In consideration of the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the following provisions:

A. The Contractor agrees to perform the following services:

**GENERAL**

1. The Contractor agrees to serve the State as financial advisor to the State and to the Issuers. The Contractor will assign the following individuals to provide the services described in this Contract:

Lisa Daniel, Managing Director  
Lauren Lowe, Director  
David Eichenthal, Managing Director  
Joshua McCoy, Senior Managing Consultant  
Kyle Wright, Senior Analyst  
Ricardo Callender, Analyst  
Maria Figueroa, Analyst  
Nick Yatsula, Senior Analyst  
Daniel Kozloff, Managing Director  
Daniel Berger, Senior Managing Consultant  
Todd Fraizer, Managing Director  
Jeff Pinciak, Analyst  
John Cochran, Analyst  
Mike Harris, Managing Director  
Matthew Eisel, Director  
Chris Harris, Senior Managing Consultant  
Jeff Pearsall, Managing Director  
June Matte, Managing Director  
Joan DiMarco, Managing Director  
Alfred Mukunya, Director  
Virginia Rutledge, Director  
George Hu, Senior Managing Consultant  
Cyrus Yuan, Senior Analyst  
Jim Link, Managing Director  
Michael Nadol, Managing Director  
David Miller, Managing Director

These individuals will be assisted from time to time by other members of the Contractor’s staff. The State has the right to approve or disapprove any proposed changes in the staff of the Contractor providing services under this Contract from the above listed individuals.

2. The Contractor agrees that during the term of this Contract that it will not underwrite, or assist in the underwriting, of the debt of the State or the Issuers.
3. All computer applications, not subject to licensing agreements, developed by the Contractor for the provision of services under this Contract shall be made available for reimbursement by the State, and the State shall have the option of reimbursement.
4. No reports, information, or data given to or prepared by the Contractor under this Contract shall be made available by the Contractor to any individual or organization other than the State or the Issuers or their members without the prior written approval of the Comptroller, except pursuant to legal process, regulatory requirement, or State open records laws.

#### **PLANNING SERVICES**

5. In connection with general debt management and planning, unless otherwise requested, the Contractor agrees to perform the following services:
  - (a) Review outstanding debt of the Issuers and advise as to restructuring and refunding opportunities and evaluate future debt options.
  - (b) Assist with the capital budget process relative to timing and source of funds for capital improvements purposes.
  - (c) Identify financing alternatives/debt structures available to the Issuers and monitor market activity and debt transactions as related to financing needs of the Issuers.
  - (d) Advise and assist in rating maintenance and/or upgrade and assist in communications with rating agencies.
  - (e) Provide general data and analysis of data concerning municipal debt.
  - (f) Advise as to the method of sale (utilization of competitive, negotiated, or private placement) for particular debt transactions.
  - (g) Prepare regular cash flow analyses, credit analyses, market analyses, secondary market information, and modifications to the marketing program for bond issues.
  - (h) Subject to licensing requirements, provide the State, upon request, access to the Contractor's computer software (1) used to prepare cash flow analyses for bonds and (2) used to perform other financial analyses. Assist in establishing electronic document transfer capability between the Contractor and the State. The Contractor will be reimbursed for any time sharing costs incurred by the State's use of these programs outside normal debt issuance.
  - (i) Assist with the development of strategies for the investor program.
  - (j) Assist in establishing accounting systems and procedures to comply with applicable state and federal laws or regulations as they apply to the State's or the Issuers' debt or with the requirements of the State's or the Issuers' bond resolutions or program documents and assist in the training of the Issuers' staff in the implementation of such systems and procedures.

- (k) Participate in the Office of State and Local Finance's strategic planning process and commit to the Office's strategic plan.
- (l) Provide such other reasonably related services as may be requested by the State as it relates to the existing debt programs.

#### **NEGOTIATED SALES**

- 6. In connection with the negotiated sales of debt of the State or the Issuers, unless otherwise requested, the Contractor agrees to perform the following services:
  - (a) Review the current status of resolutions, cash flow projections, balance sheet, and contingent obligations.
  - (b) Discuss future program goals and specific requirements of the State or the Issuer relative to administrative costs and program size.
  - (c) Recommend long-term plans for investment strategy, financial exposure, cost projections, prepayment trends and use of unencumbered reserves of the Issuer.
  - (d) Assist in developing a specific financing plan and structure for the State's or the Issuers' programs.
  - (e) Assist in the development of a financing timetable which takes into account market trends, supply of competing issues, and investor purchasing patterns.
  - (f) Assist in preparation of bond resolutions, modifications to existing resolutions, and other financing documents related to the financing.
  - (g) Assist in developing rating agency presentations and follow-up, including agendas and required cash flow analyses.
  - (h) Assist in the preparation of the preliminary and final official statements.
  - (i) Upon request, develop an investment strategy for the various bond funds including, if appropriate, contracting, negotiating with, and taking bids from investment agreement providers.
  - (j) Prepare final cash flows and assist in analyses and preparing yield memorandum for arbitrage certification.
  - (k) Advise on the need for and selection of national and local underwriters.
  - (l) Prepare or assist in the preparation of a final report on the results of each negotiated bond sale including, but not limited to, the performance of each member of the underwriting syndicate (requests and allocations), distribution of bonds by geographical region and type of investor, pricing and expense characteristics of comparable sales by other issuers, etc.
  - (m) Prepare amortization schedules by project and balance the individual schedules to the final amount of the bond sale.
  - (n) Perform any other services, which, in the judgment of the State and the Contractor, are necessary for successful financings on behalf of the Issuer.

**COMPETITIVE SALES**

- 7. As financial advisor on bond issues sold through competitive offerings, the Contractor agrees to perform all the services set forth in Paragraph A.6.(a) through (n) inclusive, except the services set forth in item (k). The Contractor also agrees to assist in the preparation of all documents, including but not limited to the notice of sale and bid form, necessary for a successful competitive bond issue, verify all bids submitted, and advise the State of the results of bidding.

**SPECIAL PROJECTS**

- 8. During the term of this Contract, the State and Contractor may agree to the performance by the Contractor of certain special studies and analyses not associated with the State’s existing programs or not contemplated by Paragraphs A.5 through A.7 above. Charges for such special projects and analyses will be billed at the hourly rates specified in Paragraph B.1 with mutually agreed upon maximum charges and expenses prior to the commencement of work on the project.

B. The State agrees to compensate the Contractor as follows:

**MAXIMUM CONTRACT AMOUNT**

- 1. For the three-year contract term commencing on January 1, 2015 and ending on December 31, 2017 the maximum contract amount shall not exceed \$1,290,000.

The total contract term budget as referenced above is derived from a set of assumptions provided by the State in the Outline for Proposal for Financial Advisor for State of Tennessee Funding Board, Tennessee State School Bond Authority and Tennessee Local Development Authority, dated October 23, 2014 (the “RFP”). The assumptions and expected related costs are attached to this Contract as Exhibit A. As the RFP stated, the assumptions are subject to change and/or negotiation. However, the total maximum contract amount as noted above is fixed in aggregate as adopted by the State and related parties.

- 2. It is expected that the Maximum Contract Amount will be allocated as follows:

Transactional advisory fees (including special project)	\$1,138,000
Retainer fee	\$ 108,000
Reimbursement of expenses	\$ 44,000
TOTAL	<u>\$1,290,000</u>

**PROFESSIONAL SERVICES RELATING TO DEBT**

- 3. For planning and transactional professional services rendered pursuant to debt issuance under this Contract, the State shall pay the Contractor at the following hourly rates:

Managing Director & Director \$300  
Senior Managing Consultant \$250  
Senior Analyst & Analyst \$190

**PROFESSIONAL SERVICES RELATED TO STRUCTURED PRODUCTS AND INVESTMENT MANAGEMENT**

- 4. Professional services related to transactions involving investment advisory services, including structured products and investment management, will be provided for under a separate Engagement Letter between PFM Asset Management LLC (“PFMAM”) and the State pursuant to

terms agreed to by the respective parties. PFMAM, like Public Financial Management, Inc., is a subsidiary of PFM I, LLC, and is a registered investment advisor under the Investment Advisers Act of 1940.

### **RETAINER FEES**

5. In addition, the State will pay a retainer of \$3,000 per month for consultation and special projects. Monthly, the contractor will provide the contract administrator an advice notice of the number of hours expended by project under the retainer. Assuming 60 hours to assist in establishing a new debt issuance program, the State will pay a maximum of \$18,000. The assumptions and expected related costs are attached to this Contract as Exhibit A.

### **EXPENSES**

6. The State shall reimburse the Contractor for the reasonably required, direct out-of-pocket expenses incurred in connection with providing services pursuant to this Contract and for which proper documentation is received. Such expenses shall include Contractor's counsel (except that the Comptroller retains the right to review and approve in advance the compensation of such counsel), travel, and communications. Maximum out-of-pocket expenses for the three-year contract term commencing January 1, 2015 and ending December 31, 2017 shall not exceed \$44,000.

### **BILLINGS**

7. Prior to beginning work on a debt transaction or a specific planning service, the Contractor and the Comptroller will mutually agree upon a maximum amount for fees (and for out-of-pocket expenses if anticipated to be significant) for that particular transaction or planning service. The Contractor agrees that it will not be compensated for services or reimbursed for any expenses above the maximum amount agreed upon for the particular project without the prior approval of the Comptroller.
  8. Amounts for reimbursements for computer applications included in Paragraph A.3 have not been included in the total compensation amount. This Contract will have to be amended to authorize payment of a specific amount in compensation for such computer programs.
  9. Billings will be submitted **at least quarterly**. The Contractor agrees, when requesting payment pursuant to Paragraph B.1 above, to submit to the Comptroller invoices or other documentation clearly indicating the number of hours worked, the individual providing the service, the Issuer and project for which the service was rendered, and a brief description of the service provided. The Contractor further agrees, when requesting reimbursement for expenses pursuant to Paragraph B.2 above, to submit to the Comptroller invoices or other documentation clearly indicating the type of expenses, and, where appropriate, the individual incurring the expense.
  10. Reimbursement for travel expenses (including but not limited to transportation, meals, and lodging) shall be in the amount of actual cost to the Contractor, subject to maximum amounts and limitations specified in the State Comprehensive Travel Regulations, as they may be from time to time amended, except as specifically approved in writing by the Comptroller.
- C. The parties further agree that the following shall be essential terms and conditions of this Contract.

### **ESSENTIAL TERMS AND CONDITIONS**

1. The Contractor warrants that no part of the compensation provided herein shall be paid directly or indirectly to any officer or employee of the State of Tennessee as wages, compensation, or gifts in

exchange for acting as officer, agent, employee, sub-contractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

2. No person on the ground of handicap, disability, race, color, religion, sex, age, or national origin, will be excluded from participation in, or be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract, or in the employment practices of the Contractor. The Contractor shall upon request show proof of such non-discrimination, and shall post in conspicuous places, available to all employees and applicants, notices of non-discrimination.
3. The Contractor, being an independent contractor and not an employee of the State of Tennessee, agrees to carry adequate public liability and other appropriate forms of insurance and to pay all taxes incident hereunto. The State shall have no liability except as specifically provided in this Contract.
4. The requirements of Tenn. Code Ann. § 12-3-309 addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
  - a. The Contractor agrees that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment Reference, semi-annually during the Term. If the Contractor is a party to more than one contract with the State, the Contractor may submit one attestation that applies to all contracts with the State. All Contractor attestations shall be maintained by the Contractor and made available to State officials upon request.
  - b. The Contractor shall maintain records for all personnel used in the performance of this Contract. Contractor's records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
  - c. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Tenn. Code Ann. § 12-3-309 for acts or omissions occurring after its effective date.
  - d. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not: (i) a United States citizen; (ii) a Lawful Permanent Resident; (iii) a person whose physical presence in the United States is authorized; (iv) allowed by the federal Department of Homeland Security and who, under federal immigration laws or regulations, is authorized to be employed in the U.S.; or (v) is otherwise authorized to provide services under the Contract.
5. The Contract is subject in part to the appropriation and availability of State funds. In the event that such funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate this Contract, in whole or in part, upon written notice to the Contractor. The State's exercise of its right to terminate this Contract, in whole or in part, shall not constitute a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the portion of the Contract that has been terminated (if the Contract has been partially terminated) or of the whole Contract (if the whole Contract has been terminated). If the State terminates this Contract, in whole or in part, due to lack of funds availability, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Should the State exercise its right to terminate this Contract, in whole or in part, due to unavailability of funds, the Contractor shall have no right to recover from the State any

- actual, general, special, incidental, consequential, or any other damages of any description or amount.
6. The term of this Contract shall be from January 1, 2015 to December 31, 2017. To the extent permitted by applicable law and policies then in effect, this contract may be extended in writing by both parties upon such terms and conditions upon which mutual agreement is reached. The termination date of any such contract extension shall be no later than December 31, 2019.
  7. This Contract may be terminated by the State by giving written notice to the Contractor, at least thirty (30) days before the effective date of termination. In the event of early termination, the Contractor shall be entitled to receive just and equitable compensation for any satisfactory authorized work completed as of the termination date. In no event shall the State's exercise of its right to terminate this Contract for convenience relieve the Contractor of any liability to the State for any damages or claims arising under this Contract. The Contractor may terminate the Contract by giving written notice to the State at least ninety (90) days before the effective date of termination.
  8. If the Contractor fails to fulfill in a timely and proper manner its obligations under this Contract, or if the Contractor shall violate any of their terms of this Contract, the State shall have the right to immediately terminate this Contract and withhold payments in excess of fair compensation for work completed. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor and the State may seek other remedies allowed at law or in equity for breach of this Contract.
  9. Failure by any Party to this Contract to require, in any one or more cases, the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the Parties.
  10. The Contractor agrees that it will be responsible for compliance with the Patient Protection and Affordable Care Act ("PPACA") with respect to itself and its employees, including any obligation to report health insurance coverage, provide health insurance coverage, or pay any financial assessment, tax, or penalty for not providing health insurance. The Contractor shall indemnify the State and hold it harmless for any costs to the State arising from Contractor's failure to fulfill its PPACA responsibilities for itself or its employees.
  11. The State shall have no liability except as specifically provided in this Contract. In no event will the State be liable to the Contractor or any other party for any lost revenues, lost profits, loss of business, decrease in the value of any securities or cash position, time, money, goodwill, or any indirect, special, incidental, punitive, exemplary or consequential damages of any nature, whether based on warranty, contract, statute, regulation, tort (including but not limited to negligence), or any other legal theory that may arise under this Contract or otherwise. The State's total liability under this Contract (including any exhibits, schedules, amendments or other attachments to the Contract) or otherwise shall under no circumstances exceed the Maximum Liability. This limitation of liability is cumulative and not per incident.
  12. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of negligent or intentionally wrongful acts or omissions on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State to enforce the terms of this Contract.



13. In the event of any suit or claim, the Parties shall give each other immediate notice and provide all necessary assistance to respond. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.
14. The Contractor certifies, to the best of its knowledge and belief, that it and its current and future principals:
  - a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;
  - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
  - c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
  - d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.
15. The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances its principals are excluded or disqualified.
16. "Force Majeure Event" means fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism or any other similar cause beyond the reasonable control of the Party except to the extent that the non-performing Party is at fault in failing to prevent or causing the default or delay, and provided that the default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workaroud plans or other means. A strike, lockout or labor dispute shall not excuse either Party from its obligations under this Contract. Except as set forth in this Section, any failure or delay by a Party in the performance of its obligations under this Contract arising from a Force Majeure Event is not a default under this Contract or grounds for termination. The non-performing Party will be excused from performing those obligations directly affected by the Force Majeure Event, and only for as long as the Force Majeure Event continues, provided that the Party continues to use diligent, good faith efforts to resume performance without delay. The occurrence of a Force Majeure Event affecting Contractor's representatives, suppliers, subcontractors, customers or business apart from this Contract is not a Force Majeure Event under this Contract. Contractor will promptly notify the State of any delay caused by a Force Majeure Event (to be confirmed in a written notice to the State within one (1) day of the inception of the delay) that a Force Majeure Event has occurred, and will describe in reasonable detail the nature of the Force Majeure Event. If any Force Majeure Event results in a delay in Contractor's performance longer than forty-eight (48) hours, the State may, upon notice to Contractor: (a) cease payment of the fees until Contractor resumes performance of the affected obligations; or (b) immediately terminate this Contract or any purchase order, in whole or in part, without further payment except for fees then due and payable. Contractor will not increase its charges under this Contract or charge the State any fees other than those provided for in this Contract as the result of a Force Majeure Event.

17. This Contract may be modified only by written amendment executed by all parties hereto.
18. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from date of the final payment, and shall be subject to audit, at any reasonable time and upon reasonable notice, by the Comptroller or its duly appointed representative. The records shall be maintained in accordance with generally accepted accounting principles and at no less than those recommended in the Accounting Manual for Recipients of Grant Funds in Tennessee, published by the Comptroller of the Treasury, State of Tennessee.
19. The Contractor shall not assign this Contract or enter into subcontracts for any of the work described herein.
20. The Contractor shall comply with all applicable federal and State laws and regulations in the performance of its duties under this Contract.
21. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Tennessee Claims Commission or the state or federal courts in Tennessee shall be the venue for all claims, disputes, or disagreements arising under this Contract. The Contractor acknowledges and agrees that any rights, claims, or remedies against the State of Tennessee or its employees arising under this Contract shall be subject to and limited to those rights and remedies available under Tenn. Code Ann. §§ 9-8-101 - 407.
22. This Contract is complete and contains the entire understanding between the Parties relating to its subject matter, including all the terms and conditions of the Parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the Parties, whether written or oral.
23. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions of this Contract shall not be affected and shall remain in full force and effect. The terms and conditions of this Contract are severable.
24. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below:
  - a. any amendment to this Contract, with the latter in time controlling over any earlier amendments;
  - b. this Contract with any attachments or exhibits (excluding the items listed at subsections c. through f., below);
  - c. any clarifications of or addenda to the Contractor's proposal seeking this Contract;
  - d. the State solicitation, as may be amended, requesting responses in competition for this Contract;
  - e. any technical specifications provided to proposers during the procurement process to award this Contract; and,
  - f. the Contractor's response seeking this Contract.

25. While the Contractor may provide advice and recommendations to the State regarding investment and long term financial planning issues, it is acknowledged that the State makes all investment and long term financial planning decisions at its own discretion.

**NOTICE AND AUTHORIZED REPRESENTATIVES**

26. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by email or facsimile transmission with recipient confirmation. All communications, regardless of method of transmission, shall be addressed to the respective Party at the appropriate mailing address, facsimile number, or email address as stated below or any other address provided in writing by a Party.

For the State:

Justin P. Wilson, Comptroller of the Treasury  
State of Tennessee  
600 Charlotte Avenue, First Floor, Capitol  
Nashville, Tennessee 37243  
615-741-2501  
FAX: 615-741-741-7328

Sandra Thompson, Director of the Office of State and Local Finance  
Comptroller of the Treasury,  
State of Tennessee  
505 Deaderick Street, James K. Polk Building  
Suite 1600  
Nashville, Tennessee 37243-1402  
615-747-5380  
FAX: 615-741-5986

For the Contractor:

Lauren Lowe, Director

Lisa Daniel, Managing Director

Public Financial Management, Inc.  
530 Oak Court Drive, Suite 160  
Memphis, Tennessee 38117  
901-682-8356  
FAX: 901-682-8386

All instructions, notices, consents, demands, or other communications shall be considered effective upon receipt or recipient confirmation as may be required.

IN WITNESS WHEREOF, the parties have signed this Contract by their duly authorized representatives on the dates indicated below.

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: \_\_\_\_\_  
Lisa Daniel  
Managing Director

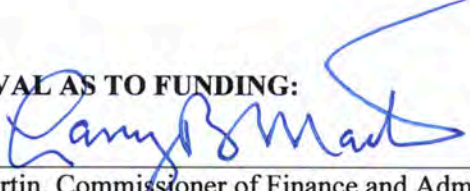
Date: \_\_\_\_\_

**STATE OF TENNESSEE, OFFICE OF THE  
COMPTROLLER OF THE TREASURY**

By: \_\_\_\_\_  
Justin P. Wilson  
Comptroller of the Treasury

Date: 12/30/2014

**APPROVAL AS TO FUNDING:**

  
\_\_\_\_\_  
Larry Martin, Commissioner of Finance and Administration

Date: 12/30/2014

IN WITNESS WHEREOF, the parties have signed this Contract by their duly authorized representatives on the dates indicated below.

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: Lisa L. Daniel  
Lisa Daniel  
Managing Director

Date: 12/30/2014

**STATE OF TENNESSEE, OFFICE OF THE  
COMPTROLLER OF THE TREASURY**

By: \_\_\_\_\_  
Justin P. Wilson  
Comptroller of the Treasury

Date: \_\_\_\_\_

**APPROVAL AS TO FUNDING:**

\_\_\_\_\_  
Larry Martin, Commissioner of Finance and Administration

Date: \_\_\_\_\_

EXHIBIT A  
ASSUMPTIONS FOR CALCULATING ADVISORY FEE

	FY 2015 6 mos	FY 2015-2016	FY 2016-2017	FY 2018 6 mos	Total
<b>I. Advisory Fees</b>					
<b>Issuance of Debt</b>					
General Obligation Bond Issue - Competitive	0	0	1 57,000	1 57,000	114,000
General Obligation Bond Issue - Negotiated	1 55,000	1 55,000	1 55,000	0	165,000
General Obligation Refunding Bond Issue - Negotiated	1 59,500	1 59,500	1 59,500	0	178,500
TSSBA Bond Issue	1 80,000	1 80,000	1 80,000	1 80,000	320,000
TSSBA Refunding Bond Issue	0	1 120,000	1 120,000	0	240,000
Qualified Zone Academy Bond Issue	0	0	0	0	
TLDA Bond Issue - Competitive	0	0	0	1 57,500	57,500
TLDA New Issue (1 Year Note) - Competitive	0	1 45,000	0	0	45,000
<b>Total for Issuance of Debt</b>	<b>194,500</b>	<b>359,500</b>	<b>371,500</b>	<b>194,500</b>	<b>1,120,000</b>
<b>Special Project (Hourly Rate \$300 * 60 hours)</b>		<b>18,000</b>			<b>18,000</b>
<b>Total Advisory Fee</b>	<b>194,500</b>	<b>377,500</b>	<b>371,500</b>	<b>194,500</b>	<b>1,138,000</b>
<b>II. Retainer Fee (\$3,000 per month)</b>	<b>18,000</b>	<b>36,000</b>	<b>36,000</b>	<b>18,000</b>	<b>108,000</b>
<b>III. Expenses</b>	<b>9,000</b>	<b>13,000</b>	<b>13,000</b>	<b>9,000</b>	<b>44,000</b>
<b>I - III. Total Contract Amount</b>					<b>1,290,000</b>

**State of Tennessee**  
**General Obligation Commercial Paper Program**

**Analysis for the period July 1, 2016 to June 30, 2017**

	<u><b>Tax -Exempt</b></u>	<u><b>Taxable</b></u>
Average Daily Balance	\$152,000,000	\$26,000,000
Interest Rate	0.45 - 0.97%	0.45-1.20%
Weighted Average Yield	0.76%	0.73%

**Expenses for FY17**

Commercial Paper Interest	\$1,164,320
Standby Purchase Agreement Fee	\$1,050,000
Dealer Services Fee	\$ 95,751
Issuing & Paying Agent Fee	\$ 5,679

**State of Tennessee**  
**General Obligation Commercial Paper Program**

**Analysis for the period July 1, 2017 to October 31, 2017**

	<u><b>Taxable</b></u>	<u><b>Tax-Exempt</b></u>	<u><b>Total</b></u>
Average Daily Balance	\$27,516,659	\$163,966,171	\$191,482,830
Outstanding Balance at 10/31/17	\$26,663,000	\$193,513,000	\$220,176,000
Interest Rate	1.20 – 1.24%	0.86 – 1.00%	
Wtd. Average Yield	1.20%	0.96%	



**RESOLUTION ALLOCATING FROM THE INTERNAL SERVICE  
FUND TO THE CAPITAL PROJECTS FUND \$4,380,000 AND  
CANCELING AUTHORIZED BONDS**

**Recitals**

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 962, Public Acts of Tennessee, 2006 (the "2006 Act"), to issue and sell its general obligation bonds in an amount not to exceed Five Hundred Eighty-Six Million, Nine Hundred Thousand Dollars and no cents (\$586,900,000.00), of which Eighty-One Million, Three Hundred Thousand Dollars and no cents (\$81,300,000.00) is allocated pursuant to Section 4(3) of the 2006 Act to the Department of Finance and Administration, to provide funds for the acquisition and implementation of enterprise resource planning software (the "2006 Act ERP Bonds").

The Funding Board has previously canceled Seventy-Two Million, Five Hundred Forty Thousand, Sixty-Nine Dollars and Thirty-Three Cents (\$72,540,069.33) of the 2006 Act ERP Bonds; none of the remaining Eight Million, Seven Hundred Fifty-Nine Thousand, Nine Hundred Thirty Dollars and Sixty-Seven Cents (\$8,759,930.67) principal amount has been issued as 2006 Act ERP Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated September 13, 2017, the Commissioner of Finance and Administration notified the Funding Board that Four Million, Three Hundred Eighty Thousand Dollars and no Cents (\$4,380,000.00) is available for the 2006 Act ERP Bonds from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired without the issuance of bonds and (2) a like amount of authorization be canceled.

**Be It Resolved by the Funding Board of the State of Tennessee:**

1. The project authorized to be financed by the 2006 Act ERP Bonds has been financed in part with commercial paper and the commercial paper has been retired in whole or in part without the issuance of bonds and Four Million, Three Hundred Eighty Thousand Dollars and no Cents (\$4,380,000.00) is no longer needed to fund such authorized project.
2. Four Million Three Hundred Eighty Thousand Dollars and no Cents (\$4,380,000.00) in accordance with the authority provided by Tennessee Code Annotated Section 9-9-208 is allocated from the Internal Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2006 Act ERP Bonds.
3. In accordance with the authority provided by Tennessee Code Annotated Section 9-9-208 and the memorandum from the Commissioner of Finance and Administration dated September 13, 2017, the Funding Board cancels Four Million, Three Hundred Eighty Thousand Dollars and no Cents (\$4,380,000.00) of the principal amount authorized by the 2006 Act for the 2006 Act ERP Bonds.
4. This resolution shall be effective as of November 27, 2017, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on November 27, 2017.

  
\_\_\_\_\_  
JUSTIN P. WILSON, SECRETARY  
TENNESSEE STATE FUNDING BOARD

**RESOLUTION ALLOCATING FROM THE DEBT SERVICE FUND TO  
THE CAPITAL PROJECTS FUND \$1,400,000 AND CANCELING  
AUTHORIZED BONDS**

**RECITALS**

The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 552, Public Acts of Tennessee, 2009 (the "2009 Act"), to issue and sell its general obligation bonds in an amount not to exceed Seven Hundred One Million, One Hundred Thousand Dollars and no Cents (\$701,100,000.00) of which Two Hundred Ten Million, Nine Hundred Thousand Dollars and no Cents (\$210,900,000.00) is allocated pursuant to Section 4(1) of the 2009 Act (the "2009 Act Bonds") to the Department of Finance and Administration. Twenty-Seven Million, Three Hundred Thousand Dollars and no Cents (\$27,300,000.00) of the 2009 Act Bonds authorized is to provide funds for the West Tennessee Megasite Land and Right of Way (the "West TN Megasite") project.

The Funding Board has previously canceled Eleven Million, Two Hundred Thousand Dollars and no Cents (\$11,200,000.00) of the 2009 Act Bonds allocated to the West TN Megasite; none of the remaining Sixteen Million, One Hundred Thousand Dollars and no Cents (\$16,100,000.00) principal amount has been issued as 2009 Act Bonds but bond anticipation notes in the form of commercial paper have been issued.

By memorandum dated September 13, 2017, the Commissioner of Finance and Administration notified the Funding Board that One Million, Four Hundred Thousand Dollars and no Cents (\$1,400,000.00) is available for the West TN Megasite from funds not required for debt service and recommended that: (1) a like amount of commercial paper should be retired without the issuance of bonds and (2) a like amount of authorization be canceled.

**Be It Resolved By the Funding Board of the State of Tennessee:**

1. The project authorized to be financed by the 2009 Act Bonds has been financed in part with commercial paper and the commercial paper has been retired in whole or in part without the issuance of bonds and One Million, Four Hundred Thousand Dollars and no Cents (\$1,400,000.00) is no longer needed to fund such authorized project.
2. One Million, Four Hundred Thousand Dollars and no Cents (\$1,400,000.00) in accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, is allocated from the Debt Service Fund to the Capital Projects Fund to defray the cost of a portion of the 2009 Act Bonds.
3. In accordance with the authority provided by Tennessee Code Annotated Sections 9-9-205 and 9-9-208, and the memorandum from the Commissioner of Finance and Administration dated September 13, 2017, the Funding Board hereby cancels One Million, Four Hundred Thousand Dollars and no Cents (\$1,400,000.00) of the principal amount authorized by the 2009 Act for the 2009 Act Bonds.
4. This resolution shall be effective as of November 27, 2017 and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on November 27, 2017.



JUSTIN P. WILSON, SECRETARY  
TENNESSEE STATE FUNDING BOARD

**CONTRACT BETWEEN  
THE STATE OF TENNESSEE,  
OFFICE OF THE COMPTROLLER OF THE TREASURY, AND  
PUBLIC FINANCIAL MANAGEMENT, INC.**

This Contract, by and between the State of Tennessee, Office of the Comptroller of the Treasury (“Comptroller” or “State”) and Public Financial Management, Inc. (“Contractor”), for the purpose of retaining Contractor as Financial Advisor to the Comptroller on financial issues of the State of Tennessee (“State”) and the Tennessee State Funding Board, Tennessee Local Development Authority, and Tennessee State School Bond Authority (“Issuers”) to assist the Comptroller in the capacity as Secretary to the Issuers.

WITNESSETH: In consideration of the mutual promises herein contained, the parties have agreed and do hereby enter into this Contract according to the following provisions:

A. The Contractor agrees to perform the following services:

**GENERAL**

1. The Contractor agrees to serve the State as financial advisor to the State and to the Issuers. The Contractor will assign the following individuals to provide the services described in this Contract:

Lisa Daniel, Managing Director  
Lauren Lowe, Director  
David Eichenthal, Managing Director  
Joshua McCoy, Senior Managing Consultant  
Kyle Wright, Senior Analyst  
Ricardo Callender, Analyst  
Maria Figueroa, Analyst  
Nick Yatsula, Senior Analyst  
Daniel Kozloff, Managing Director  
Daniel Berger, Senior Managing Consultant  
Todd Fraizer, Managing Director  
Jeff Pinciak, Analyst  
John Cochran, Analyst  
Mike Harris, Managing Director  
Matthew Eisel, Director  
Chris Harris, Senior Managing Consultant  
Jeff Pearsall, Managing Director  
June Matte, Managing Director  
Joan DiMarco, Managing Director  
Alfred Mukunya, Director  
Virginia Rutledge, Director  
George Hu, Senior Managing Consultant  
Cyrus Yuan, Senior Analyst  
Jim Link, Managing Director  
Michael Nadol, Managing Director  
David Miller, Managing Director

These individuals will be assisted from time to time by other members of the Contractor’s staff. The State has the right to approve or disapprove any proposed changes in the staff of the Contractor providing services under this Contract from the above listed individuals.

2. The Contractor agrees that during the term of this Contract that it will not underwrite, or assist in the underwriting, of the debt of the State or the Issuers.
3. All computer applications, not subject to licensing agreements, developed by the Contractor for the provision of services under this Contract shall be made available for reimbursement by the State, and the State shall have the option of reimbursement.
4. No reports, information, or data given to or prepared by the Contractor under this Contract shall be made available by the Contractor to any individual or organization other than the State or the Issuers or their members without the prior written approval of the Comptroller, except pursuant to legal process, regulatory requirement, or State open records laws.

#### **PLANNING SERVICES**

5. In connection with general debt management and planning, unless otherwise requested, the Contractor agrees to perform the following services:
  - (a) Review outstanding debt of the Issuers and advise as to restructuring and refunding opportunities and evaluate future debt options.
  - (b) Assist with the capital budget process relative to timing and source of funds for capital improvements purposes.
  - (c) Identify financing alternatives/debt structures available to the Issuers and monitor market activity and debt transactions as related to financing needs of the Issuers.
  - (d) Advise and assist in rating maintenance and/or upgrade and assist in communications with rating agencies.
  - (e) Provide general data and analysis of data concerning municipal debt.
  - (f) Advise as to the method of sale (utilization of competitive, negotiated, or private placement) for particular debt transactions.
  - (g) Prepare regular cash flow analyses, credit analyses, market analyses, secondary market information, and modifications to the marketing program for bond issues.
  - (h) Subject to licensing requirements, provide the State, upon request, access to the Contractor's computer software (1) used to prepare cash flow analyses for bonds and (2) used to perform other financial analyses. Assist in establishing electronic document transfer capability between the Contractor and the State. The Contractor will be reimbursed for any time sharing costs incurred by the State's use of these programs outside normal debt issuance.
  - (i) Assist with the development of strategies for the investor program.
  - (j) Assist in establishing accounting systems and procedures to comply with applicable state and federal laws or regulations as they apply to the State's or the Issuers' debt or with the requirements of the State's or the Issuers' bond resolutions or program documents and assist in the training of the Issuers' staff in the implementation of such systems and procedures.

- (k) Participate in the Office of State and Local Finance's strategic planning process and commit to the Office's strategic plan.
- (l) Provide such other reasonably related services as may be requested by the State as it relates to the existing debt programs.

#### **NEGOTIATED SALES**

- 6. In connection with the negotiated sales of debt of the State or the Issuers, unless otherwise requested, the Contractor agrees to perform the following services:
  - (a) Review the current status of resolutions, cash flow projections, balance sheet, and contingent obligations.
  - (b) Discuss future program goals and specific requirements of the State or the Issuer relative to administrative costs and program size.
  - (c) Recommend long-term plans for investment strategy, financial exposure, cost projections, prepayment trends and use of unencumbered reserves of the Issuer.
  - (d) Assist in developing a specific financing plan and structure for the State's or the Issuers' programs.
  - (e) Assist in the development of a financing timetable which takes into account market trends, supply of competing issues, and investor purchasing patterns.
  - (f) Assist in preparation of bond resolutions, modifications to existing resolutions, and other financing documents related to the financing.
  - (g) Assist in developing rating agency presentations and follow-up, including agendas and required cash flow analyses.
  - (h) Assist in the preparation of the preliminary and final official statements.
  - (i) Upon request, develop an investment strategy for the various bond funds including, if appropriate, contracting, negotiating with, and taking bids from investment agreement providers.
  - (j) Prepare final cash flows and assist in analyses and preparing yield memorandum for arbitrage certification.
  - (k) Advise on the need for and selection of national and local underwriters.
  - (l) Prepare or assist in the preparation of a final report on the results of each negotiated bond sale including, but not limited to, the performance of each member of the underwriting syndicate (requests and allocations), distribution of bonds by geographical region and type of investor, pricing and expense characteristics of comparable sales by other issuers, etc.
  - (m) Prepare amortization schedules by project and balance the individual schedules to the final amount of the bond sale.
  - (n) Perform any other services, which, in the judgment of the State and the Contractor, are necessary for successful financings on behalf of the Issuer.

**COMPETITIVE SALES**

- 7. As financial advisor on bond issues sold through competitive offerings, the Contractor agrees to perform all the services set forth in Paragraph A.6.(a) through (n) inclusive, except the services set forth in item (k). The Contractor also agrees to assist in the preparation of all documents, including but not limited to the notice of sale and bid form, necessary for a successful competitive bond issue, verify all bids submitted, and advise the State of the results of bidding.

**SPECIAL PROJECTS**

- 8. During the term of this Contract, the State and Contractor may agree to the performance by the Contractor of certain special studies and analyses not associated with the State’s existing programs or not contemplated by Paragraphs A.5 through A.7 above. Charges for such special projects and analyses will be billed at the hourly rates specified in Paragraph B.1 with mutually agreed upon maximum charges and expenses prior to the commencement of work on the project.

B. The State agrees to compensate the Contractor as follows:

**MAXIMUM CONTRACT AMOUNT**

- 1. For the three-year contract term commencing on January 1, 2015 and ending on December 31, 2017 the maximum contract amount shall not exceed \$1,290,000.

The total contract term budget as referenced above is derived from a set of assumptions provided by the State in the Outline for Proposal for Financial Advisor for State of Tennessee Funding Board, Tennessee State School Bond Authority and Tennessee Local Development Authority, dated October 23, 2014 (the “RFP”). The assumptions and expected related costs are attached to this Contract as Exhibit A. As the RFP stated, the assumptions are subject to change and/or negotiation. However, the total maximum contract amount as noted above is fixed in aggregate as adopted by the State and related parties.

- 2. It is expected that the Maximum Contract Amount will be allocated as follows:

Transactional advisory fees (including special project)	\$1,138,000
Retainer fee	\$ 108,000
Reimbursement of expenses	\$ 44,000
TOTAL	<u>\$1,290,000</u>

**PROFESSIONAL SERVICES RELATING TO DEBT**

- 3. For planning and transactional professional services rendered pursuant to debt issuance under this Contract, the State shall pay the Contractor at the following hourly rates:

Managing Director & Director \$300  
Senior Managing Consultant \$250  
Senior Analyst & Analyst \$190

**PROFESSIONAL SERVICES RELATED TO STRUCTURED PRODUCTS AND INVESTMENT MANAGEMENT**

- 4. Professional services related to transactions involving investment advisory services, including structured products and investment management, will be provided for under a separate Engagement Letter between PFM Asset Management LLC (“PFMAM”) and the State pursuant to

terms agreed to by the respective parties. PFMAM, like Public Financial Management, Inc., is a subsidiary of PFM I, LLC, and is a registered investment advisor under the Investment Advisers Act of 1940.

### **RETAINER FEES**

5. In addition, the State will pay a retainer of \$3,000 per month for consultation and special projects. Monthly, the contractor will provide the contract administrator an advice notice of the number of hours expended by project under the retainer. Assuming 60 hours to assist in establishing a new debt issuance program, the State will pay a maximum of \$18,000. The assumptions and expected related costs are attached to this Contract as Exhibit A.

### **EXPENSES**

6. The State shall reimburse the Contractor for the reasonably required, direct out-of-pocket expenses incurred in connection with providing services pursuant to this Contract and for which proper documentation is received. Such expenses shall include Contractor's counsel (except that the Comptroller retains the right to review and approve in advance the compensation of such counsel), travel, and communications. Maximum out-of-pocket expenses for the three-year contract term commencing January 1, 2015 and ending December 31, 2017 shall not exceed \$44,000.

### **BILLINGS**

7. Prior to beginning work on a debt transaction or a specific planning service, the Contractor and the Comptroller will mutually agree upon a maximum amount for fees (and for out-of-pocket expenses if anticipated to be significant) for that particular transaction or planning service. The Contractor agrees that it will not be compensated for services or reimbursed for any expenses above the maximum amount agreed upon for the particular project without the prior approval of the Comptroller.
  8. Amounts for reimbursements for computer applications included in Paragraph A.3 have not been included in the total compensation amount. This Contract will have to be amended to authorize payment of a specific amount in compensation for such computer programs.
  9. Billings will be submitted **at least quarterly**. The Contractor agrees, when requesting payment pursuant to Paragraph B.1 above, to submit to the Comptroller invoices or other documentation clearly indicating the number of hours worked, the individual providing the service, the Issuer and project for which the service was rendered, and a brief description of the service provided. The Contractor further agrees, when requesting reimbursement for expenses pursuant to Paragraph B.2 above, to submit to the Comptroller invoices or other documentation clearly indicating the type of expenses, and, where appropriate, the individual incurring the expense.
  10. Reimbursement for travel expenses (including but not limited to transportation, meals, and lodging) shall be in the amount of actual cost to the Contractor, subject to maximum amounts and limitations specified in the State Comprehensive Travel Regulations, as they may be from time to time amended, except as specifically approved in writing by the Comptroller.
- C. The parties further agree that the following shall be essential terms and conditions of this Contract.

### **ESSENTIAL TERMS AND CONDITIONS**

1. The Contractor warrants that no part of the compensation provided herein shall be paid directly or indirectly to any officer or employee of the State of Tennessee as wages, compensation, or gifts in

exchange for acting as officer, agent, employee, sub-contractor, or consultant to the Contractor in connection with any work contemplated or performed relative to this Contract.

2. No person on the ground of handicap, disability, race, color, religion, sex, age, or national origin, will be excluded from participation in, or be denied benefits of, or be otherwise subjected to discrimination in the performance of this Contract, or in the employment practices of the Contractor. The Contractor shall upon request show proof of such non-discrimination, and shall post in conspicuous places, available to all employees and applicants, notices of non-discrimination.
3. The Contractor, being an independent contractor and not an employee of the State of Tennessee, agrees to carry adequate public liability and other appropriate forms of insurance and to pay all taxes incident hereunto. The State shall have no liability except as specifically provided in this Contract.
4. The requirements of Tenn. Code Ann. § 12-3-309 addressing the use of illegal immigrants in the performance of any contract to supply goods or services to the state of Tennessee, shall be a material provision of this Contract, a breach of which shall be grounds for monetary and other penalties, up to and including termination of this Contract.
  - a. The Contractor agrees that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract. The Contractor shall reaffirm this attestation, in writing, by submitting to the State a completed and signed copy of the document at Attachment Reference, semi-annually during the Term. If the Contractor is a party to more than one contract with the State, the Contractor may submit one attestation that applies to all contracts with the State. All Contractor attestations shall be maintained by the Contractor and made available to State officials upon request.
  - b. The Contractor shall maintain records for all personnel used in the performance of this Contract. Contractor's records shall be subject to review and random inspection at any reasonable time upon reasonable notice by the State.
  - c. The Contractor understands and agrees that failure to comply with this section will be subject to the sanctions of Tenn. Code Ann. § 12-3-309 for acts or omissions occurring after its effective date.
  - d. For purposes of this Contract, "illegal immigrant" shall be defined as any person who is not: (i) a United States citizen; (ii) a Lawful Permanent Resident; (iii) a person whose physical presence in the United States is authorized; (iv) allowed by the federal Department of Homeland Security and who, under federal immigration laws or regulations, is authorized to be employed in the U.S.; or (v) is otherwise authorized to provide services under the Contract.
5. The Contract is subject in part to the appropriation and availability of State funds. In the event that such funds are not appropriated or are otherwise unavailable, the State reserves the right to terminate this Contract, in whole or in part, upon written notice to the Contractor. The State's exercise of its right to terminate this Contract, in whole or in part, shall not constitute a breach of Contract by the State. Upon receipt of the written notice, the Contractor shall cease all work associated with the portion of the Contract that has been terminated (if the Contract has been partially terminated) or of the whole Contract (if the whole Contract has been terminated). If the State terminates this Contract, in whole or in part, due to lack of funds availability, the Contractor shall be entitled to compensation for all satisfactory and authorized services completed as of the termination date. Should the State exercise its right to terminate this Contract, in whole or in part, due to unavailability of funds, the Contractor shall have no right to recover from the State any



- actual, general, special, incidental, consequential, or any other damages of any description or amount.
6. The term of this Contract shall be from January 1, 2015 to December 31, 2017. To the extent permitted by applicable law and policies then in effect, this contract may be extended in writing by both parties upon such terms and conditions upon which mutual agreement is reached. The termination date of any such contract extension shall be no later than December 31, 2019.
  7. This Contract may be terminated by the State by giving written notice to the Contractor, at least thirty (30) days before the effective date of termination. In the event of early termination, the Contractor shall be entitled to receive just and equitable compensation for any satisfactory authorized work completed as of the termination date. In no event shall the State's exercise of its right to terminate this Contract for convenience relieve the Contractor of any liability to the State for any damages or claims arising under this Contract. The Contractor may terminate the Contract by giving written notice to the State at least ninety (90) days before the effective date of termination.
  8. If the Contractor fails to fulfill in a timely and proper manner its obligations under this Contract, or if the Contractor shall violate any of their terms of this Contract, the State shall have the right to immediately terminate this Contract and withhold payments in excess of fair compensation for work completed. Notwithstanding the above, the Contractor shall not be relieved of liability to the State for damages sustained by virtue of any breach of this Contract by the Contractor and the State may seek other remedies allowed at law or in equity for breach of this Contract.
  9. Failure by any Party to this Contract to require, in any one or more cases, the strict performance of any of the terms, covenants, conditions, or provisions of this Contract shall not be construed as a waiver or relinquishment of any term, covenant, condition, or provision. No term or condition of this Contract shall be held to be waived, modified, or deleted except by a written amendment signed by the Parties.
  10. The Contractor agrees that it will be responsible for compliance with the Patient Protection and Affordable Care Act ("PPACA") with respect to itself and its employees, including any obligation to report health insurance coverage, provide health insurance coverage, or pay any financial assessment, tax, or penalty for not providing health insurance. The Contractor shall indemnify the State and hold it harmless for any costs to the State arising from Contractor's failure to fulfill its PPACA responsibilities for itself or its employees.
  11. The State shall have no liability except as specifically provided in this Contract. In no event will the State be liable to the Contractor or any other party for any lost revenues, lost profits, loss of business, decrease in the value of any securities or cash position, time, money, goodwill, or any indirect, special, incidental, punitive, exemplary or consequential damages of any nature, whether based on warranty, contract, statute, regulation, tort (including but not limited to negligence), or any other legal theory that may arise under this Contract or otherwise. The State's total liability under this Contract (including any exhibits, schedules, amendments or other attachments to the Contract) or otherwise shall under no circumstances exceed the Maximum Liability. This limitation of liability is cumulative and not per incident.
  12. The Contractor agrees to indemnify and hold harmless the State of Tennessee as well as its officers, agents, and employees from and against any and all claims, liabilities, losses, and causes of action which may arise, accrue, or result to any person, firm, corporation, or other entity which may be injured or damaged as a result of negligent or intentionally wrongful acts or omissions on the part of the Contractor, its employees, or any person acting for or on its or their behalf relating to this Contract. The Contractor further agrees it shall be liable for the reasonable cost of attorneys for the State to enforce the terms of this Contract.

13. In the event of any suit or claim, the Parties shall give each other immediate notice and provide all necessary assistance to respond. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.
14. The Contractor certifies, to the best of its knowledge and belief, that it and its current and future principals:
  - a. are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal or state department or agency;
  - b. have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them from commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or grant under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;
  - c. are not presently indicted or otherwise criminally or civilly charged by a government entity (federal, state, or local) with commission of any of the offenses detailed in section b. of this certification; and
  - d. have not within a three (3) year period preceding this Contract had one or more public transactions (federal, state, or local) terminated for cause or default.
15. The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances its principals are excluded or disqualified.
16. "Force Majeure Event" means fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism or any other similar cause beyond the reasonable control of the Party except to the extent that the non-performing Party is at fault in failing to prevent or causing the default or delay, and provided that the default or delay cannot reasonably be circumvented by the non-performing Party through the use of alternate sources, workarounds plans or other means. A strike, lockout or labor dispute shall not excuse either Party from its obligations under this Contract. Except as set forth in this Section, any failure or delay by a Party in the performance of its obligations under this Contract arising from a Force Majeure Event is not a default under this Contract or grounds for termination. The non-performing Party will be excused from performing those obligations directly affected by the Force Majeure Event, and only for as long as the Force Majeure Event continues, provided that the Party continues to use diligent, good faith efforts to resume performance without delay. The occurrence of a Force Majeure Event affecting Contractor's representatives, suppliers, subcontractors, customers or business apart from this Contract is not a Force Majeure Event under this Contract. Contractor will promptly notify the State of any delay caused by a Force Majeure Event (to be confirmed in a written notice to the State within one (1) day of the inception of the delay) that a Force Majeure Event has occurred, and will describe in reasonable detail the nature of the Force Majeure Event. If any Force Majeure Event results in a delay in Contractor's performance longer than forty-eight (48) hours, the State may, upon notice to Contractor: (a) cease payment of the fees until Contractor resumes performance of the affected obligations; or (b) immediately terminate this Contract or any purchase order, in whole or in part, without further payment except for fees then due and payable. Contractor will not increase its charges under this Contract or charge the State any fees other than those provided for in this Contract as the result of a Force Majeure Event.

17. This Contract may be modified only by written amendment executed by all parties hereto.
18. The Contractor shall maintain documentation for all charges against the State under this Contract. The books, records, and documents of the Contractor insofar as they relate to work performed or money received under this Contract, shall be maintained for a period of three (3) full years from date of the final payment, and shall be subject to audit, at any reasonable time and upon reasonable notice, by the Comptroller or its duly appointed representative. The records shall be maintained in accordance with generally accepted accounting principles and at no less than those recommended in the Accounting Manual for Recipients of Grant Funds in Tennessee, published by the Comptroller of the Treasury, State of Tennessee.
19. The Contractor shall not assign this Contract or enter into subcontracts for any of the work described herein.
20. The Contractor shall comply with all applicable federal and State laws and regulations in the performance of its duties under this Contract.
21. This Contract shall be governed by and construed in accordance with the laws of the State of Tennessee. The Tennessee Claims Commission or the state or federal courts in Tennessee shall be the venue for all claims, disputes, or disagreements arising under this Contract. The Contractor acknowledges and agrees that any rights, claims, or remedies against the State of Tennessee or its employees arising under this Contract shall be subject to and limited to those rights and remedies available under Tenn. Code Ann. §§ 9-8-101 - 407.
22. This Contract is complete and contains the entire understanding between the Parties relating to its subject matter, including all the terms and conditions of the Parties' agreement. This Contract supersedes any and all prior understandings, representations, negotiations, and agreements between the Parties, whether written or oral.
23. If any terms and conditions of this Contract are held to be invalid or unenforceable as a matter of law, the other terms and conditions of this Contract shall not be affected and shall remain in full force and effect. The terms and conditions of this Contract are severable.
24. Each of the following documents is included as a part of this Contract by reference. In the event of a discrepancy or ambiguity regarding the Contractor's duties, responsibilities, and performance under this Contract, these items shall govern in order of precedence below:
  - a. any amendment to this Contract, with the latter in time controlling over any earlier amendments;
  - b. this Contract with any attachments or exhibits (excluding the items listed at subsections c. through f., below);
  - c. any clarifications of or addenda to the Contractor's proposal seeking this Contract;
  - d. the State solicitation, as may be amended, requesting responses in competition for this Contract;
  - e. any technical specifications provided to proposers during the procurement process to award this Contract; and,
  - f. the Contractor's response seeking this Contract.

25. While the Contractor may provide advice and recommendations to the State regarding investment and long term financial planning issues, it is acknowledged that the State makes all investment and long term financial planning decisions at its own discretion.

**NOTICE AND AUTHORIZED REPRESENTATIVES**

26. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by email or facsimile transmission with recipient confirmation. All communications, regardless of method of transmission, shall be addressed to the respective Party at the appropriate mailing address, facsimile number, or email address as stated below or any other address provided in writing by a Party.

For the State:

Justin P. Wilson, Comptroller of the Treasury  
State of Tennessee  
600 Charlotte Avenue, First Floor, Capitol  
Nashville, Tennessee 37243  
615-741-2501  
FAX: 615-741-741-7328

Sandra Thompson, Director of the Office of State and Local Finance  
Comptroller of the Treasury,  
State of Tennessee  
505 Deaderick Street, James K. Polk Building  
Suite 1600  
Nashville, Tennessee 37243-1402  
615-747-5380  
FAX: 615-741-5986

For the Contractor:

Lauren Lowe, Director

Lisa Daniel, Managing Director

Public Financial Management, Inc.  
530 Oak Court Drive, Suite 160  
Memphis, Tennessee 38117  
901-682-8356  
FAX: 901-682-8386

All instructions, notices, consents, demands, or other communications shall be considered effective upon receipt or recipient confirmation as may be required.

IN WITNESS WHEREOF, the parties have signed this Contract by their duly authorized representatives on the dates indicated below.

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: \_\_\_\_\_  
Lisa Daniel  
Managing Director

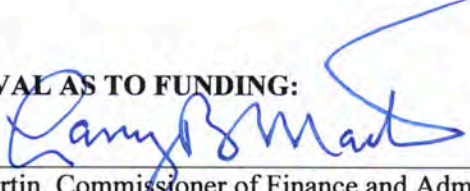
Date: \_\_\_\_\_

**STATE OF TENNESSEE, OFFICE OF THE  
COMPTROLLER OF THE TREASURY**

By: \_\_\_\_\_  
Justin P. Wilson  
Comptroller of the Treasury

Date: 12/30/2014

**APPROVAL AS TO FUNDING:**

  
\_\_\_\_\_  
Larry Martin, Commissioner of Finance and Administration

Date: 12/30/2014

IN WITNESS WHEREOF, the parties have signed this Contract by their duly authorized representatives on the dates indicated below.

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: Lisa L. Daniel  
Lisa Daniel  
Managing Director

Date: 12/30/2014

**STATE OF TENNESSEE, OFFICE OF THE  
COMPTROLLER OF THE TREASURY**

By: \_\_\_\_\_  
Justin P. Wilson  
Comptroller of the Treasury

Date: \_\_\_\_\_

**APPROVAL AS TO FUNDING:**

\_\_\_\_\_  
Larry Martin, Commissioner of Finance and Administration

Date: \_\_\_\_\_

EXHIBIT A  
ASSUMPTIONS FOR CALCULATING ADVISORY FEE

	FY 2015 6 mos	FY 2015-2016	FY 2016-2017	FY 2018 6 mos	Total
<b>I. Advisory Fees</b>					
<b>Issuance of Debt</b>					
General Obligation Bond Issue - Competitive	0	0	1 57,000	1 57,000	114,000
General Obligation Bond Issue - Negotiated	1 55,000	1 55,000	1 55,000	0	165,000
General Obligation Refunding Bond Issue - Negotiated	1 59,500	1 59,500	1 59,500	0	178,500
TSSBA Bond Issue	1 80,000	1 80,000	1 80,000	1 80,000	320,000
TSSBA Refunding Bond Issue	0	1 120,000	1 120,000	0	240,000
Qualified Zone Academy Bond Issue	0	0	0	0	
TLDA Bond Issue - Competitive	0	0	0	1 57,500	57,500
TLDA New Issue (1 Year Note) - Competitive	0	1 45,000	0	0	45,000
<b>Total for Issuance of Debt</b>	<b>194,500</b>	<b>359,500</b>	<b>371,500</b>	<b>194,500</b>	<b>1,120,000</b>
<b>Special Project (Hourly Rate \$300 * 60 hours)</b>		<b>18,000</b>			<b>18,000</b>
<b>Total Advisory Fee</b>	<b>194,500</b>	<b>377,500</b>	<b>371,500</b>	<b>194,500</b>	<b>1,138,000</b>
<b>II. Retainer Fee (\$3,000 per month)</b>	<b>18,000</b>	<b>36,000</b>	<b>36,000</b>	<b>18,000</b>	<b>108,000</b>
<b>III. Expenses</b>	<b>9,000</b>	<b>13,000</b>	<b>13,000</b>	<b>9,000</b>	<b>44,000</b>
<b>I - III. Total Contract Amount</b>					<b>1,290,000</b>