

TENNESSEE STATE FUNDING BOARD
JUNE 25, 2020
AGENDA

1. Call meeting to order
2. Consideration for approval of State Funding Board minutes from the March 6, and May 27, 2020, meetings
3. Report from the Department of Economic and Community Development (ECD) for approval of funding for the following FastTrack projects:
 - **Hyosung HICO, Ltd d/b/a HICO America – Memphis (Shelby Co.)**
FastTrack Economic Development \$ 5,000,000
 - **LabConnect, INC – Johnson City (Washington Co.)**
FastTrack Economic Development \$ 1,500,000
 - **McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance – Collegedale (Hamilton Co.)**
FastTrack Economic Development \$ 1,250,000
 - **QTC Management, Inc. – Nashville (Davidson Co.)**
FastTrack Economic Development \$ 1,250,000
 - **TBA**
FastTrack Economic Development \$ 4,000,000
 - **PlastiExports TN, LLC – Erwin (Unicoi Co.)**
FastTrack Economic Development \$ 1,000,000
 - **TBA**
FastTrack Economic Development \$ 2,000,000
4. Consideration for approval of the Resolution certifying Special Revenues as required by Section 9-9-104(b), Tennessee Code Annotated
5. Consideration and acceptance of Tennessee Consolidated Retirement System (TCRS) affirmation of Standby Commercial Paper Agreement
6. Consideration and approval of a “Resolution Allocating Funds to Defray a Portion of the Cost of Highway Bridge Construction Projects and to Cancel Authorized Bonds”
7. Consideration and adoption of the Post Issuance Compliance Procedures
8. Report from the Comptroller’s Office on requests for approval of plans of balloon indebtedness

TENNESSEE STATE FUNDING BOARD
March 6, 2020

The Tennessee State Funding Board (the “Board”) met on Friday, March 6, 2020, at 11:15 a.m., in the Tennessee State Capital, Ground Floor, Executive Conference Room, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David Lillard, State Treasurer
Commissioner Stuart McWhorter, Department of Finance and Administration

The following member was absent:

The Honorable Bill Lee, Governor

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the January 21, 2020, meeting. Mr. Lillard made a motion to approve the minutes. Mr. McWhorter seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Ms. Jamie Stitt, Assistant Commissioner of Business and Workforce Development, Tennessee Department of Economic and Community Development (“ECD”), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, ECD, to present the “FastTrack Report to State Funding Board” (the “Report”). Mr. VanderMeer reported that, as of the date of the Board meeting on January 21, 2020, the FastTrack balance was \$267,170,815.61. Since that time, \$8,533,246.45 in funds were deobligated; \$9,249,000 in new grants had been approved and \$210,592.44 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$266,244,469.62 as of the date of the Report. Mr. VanderMeer reported that commitments had been made in the amount of \$198,781,047.66, resulting in an uncommitted FastTrack balance of \$67,463,421.96. Mr. VanderMeer reported that the projects to be considered at this meeting totaled \$6,000,000.00, and if these projects were approved, the uncommitted balance would be \$61,463,421.96, and the total commitments would be \$204,781,047.66, which represented 76.9% of the FastTrack balance. Mr. Wilson then asked if the funds available in the FastTrack balance would be sufficient through June 30, 2020. Mr. VanderMeer responded in the affirmative.

Ms. Stitt then presented the following FastTrack projects:

- **Amazon.com Services, Inc. – Memphis (Shelby County)**
FastTrack Economic Development Grant \$2,000,000.00
- **Genesco Inc. - Nashville (Davidson County)**
FastTrack Economic Development Grant \$1,000,000.00
- **Spirit Airlines, Inc – Brentwood or Franklin (Williamson County)**
FastTrack Economic Development Grant \$3,000,000.00

The Board received in their packets signed letters, FastTrack checklists, and incentive acceptance forms signed by Mr. Bob Rolfe, Commissioner of ECD. Mr. Wilson inquired if the information provided in the ECD packets was true and correct. Ms. Stitt responded affirmatively. Mr. Wilson also inquired if the

companies that had signed the incentive acceptance forms fully understood the agreements. Ms. Stitt responded affirmatively. Mr. Wilson then made a motion to approve the projects. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for consideration and approval a “Resolution to Amend the Resolution Allocating from the Debt Service Fund to the Capital Projects Fund \$694,477.65 and Canceling Authorized Bonds” to be effective March 6, 2020. Mr. Wilson explained that the amendment was to correct a transposition error on the original resolution. Mr. Wilson made a motion to approve the resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. William Wood, Budget Analyst, Tennessee Comptroller of the Treasury, who presented the staff analysis of the “Economic Report to the Governor of the State of Tennessee” (the “Economic Report”). Mr. Wood stated that pursuant to state law, Tennessee Code Annotated Section 9-4-5202, the Board’s staff is directed to comment on the reasonableness of the estimates concerning the rate of growth of Tennessee’s economy from the Tennessee econometric model published by University of Tennessee’s Boyd Center for Business and Economic Research (“CBER”) in its annual Economic Report. Mr. Wood stated that, based on review of the Economic Report and evaluation of current economic conditions and forecast of trends, the Economic Report’s estimates of nominal personal income growth of 4.90% in fiscal year 2020, 4.57% in calendar year 2020, and 4.67% in calendar year 2021, do not appear to be unreasonable. The Board accepted the staff analysis of the Economic Report.

Mr. Wilson then acknowledged that the Board received from the Attorney General the “List Identifying State Tax and Non-Tax Revenue Sources” (the “List”) and stated that the List appeared to be accurate. Mr. Wilson made a motion to acknowledge to the General Assembly the receipt of the List and the accuracy of the List. Mr. Hargett seconded the motion, and it was unanimously approved.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this ____ day of _____ 2020.

Respectfully submitted

Sandra Thompson
Assistant Secretary

TENNESSEE STATE FUNDING BOARD
May 27, 2020

The Tennessee State Funding Board (the “Board”) met on Wednesday, May 27, 2020, at 10:00 a.m., in the Cordell Hull Building, First Floor, Senate Hearing Room I, Nashville, Tennessee. Interested members of the public were only able to observe and listen to the meeting through electronic means.

The following members were present:

The Honorable Justin Wilson, Comptroller of the Treasury
The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable David Lillard, State Treasurer

The following members were present via electronic means:

The Honorable Bill Lee, Governor
Commissioner Butch Eley, Department of Finance and Administration

Recognizing a quorum present, Mr. Wilson called the meeting to order and stated that the meeting was called by Mr. Lee to better understand the economic impact that occurred as a result of COVID-19 (the “virus”), as well as the implications of those effects. Mr. Wilson stated that presentations and documents from the meeting would be made available on the Funding Board’s website (<https://comptroller.tn.gov/boards/tennessee-state-funding-board/state-funding-board-information/meeting-minutes-and-materials/2020.html>). Mr. Wilson further stated that although members could pose questions to the presenters, there would be no decisions or deliberations made toward decisions at this special called meeting, except determinations to have further meetings to take action.

Mr. Wilson then recognized Mr. Lee who stated that the state was in a strong financial position for the unprecedented financial challenge. Mr. Lee further stated that the state and country had faced economic downturns before but never one that was so sudden and deep. Mr. Lee then stated that the challenge extended into the coming years and required being addressed with a look to the future. Mr. Lee further stated that the process to look at reductions had already begun for the coming year. Mr. Lee then stated that the economic challenge should be addressed as aggressively as the public health challenge had been addressed, to mitigate the damages, to the economy in the years ahead. Mr. Lee then stated that the meeting was about gathering insights from economists and those that have perspectives beyond the members that would inform the members as they considered the decisions to be made in the days ahead.

Mr. Wilson then recognized Ms. Laurel Graefe, Regional Executive, Federal Reserve Bank of Atlanta, Nashville Branch. Ms. Graefe presented information on the economic impact of the COVID-19 pandemic including the below findings:

- Unprecedented economic slowdown due to the virus, resulted in a very sharp contraction in Gross Domestic Product (GDP).
- The real GDP declined 4.8% in the first quarter of 2020 and was expected to decline a projected 40% in the second quarter of 2020.
- This economic recession was not the result of excessive risk-taking or the deterioration of economic fundamentals like previous recessions.
- Since February of 2020, 16% of the national workforce was shed from the economy.
- Prior to the COVID-19 outbreak, consumer spending was the primary driver of economic growth and it would be the primary driver of the recovery.

- Key issues for the outlook: Response to CARES Act support for businesses expiring, evolution of the virus' response and tracking impacting the consumer/business psyche, and future steps taken in spending and monetary policy.

Mr. Hargett asked Ms. Graefe, based on her interactions, at what point would those on temporary unemployment begin to feel that their lay-off was permanent. Ms. Graefe responded that they did not have as much experience with this situation as traditionally recessions came on slower, so by the time of job loss the unemployed person has a clearer idea at the outset if the job loss was permanent. Ms. Graefe further responded that the current downturn seemed to be a different environment where employers initially had hoped and indicated to those laid-off that it was temporary. Ms. Graefe then responded that there was not a historical precedent for the situation, and they were not sure how things would look in the future.

Mr. Hargett then asked about the possible reasons that the metropolitan areas of Jackson and Chattanooga were outliers on the analysis of employment momentum that was presented. Ms. Graefe responded that one reason could be lessened sectoral effects as sectors such as logistics and transportation had not seen the same negative impact as other sectors. Ms. Graefe further responded that there could also be a timing issue as the data was delayed. Ms. Graefe then responded that it was difficult to determine the smaller shifts when drilling down into the data in smaller Metropolitan Statistical Areas (MSAs) where the data is much more volatile.

Mr. Hargett then asked for a further explanation of why small firms were having a greater percentage decline from normal in sales levels compared to the mid-size and large firms. Ms. Graefe responded that the small firms when surveyed usually give responses that are comparable to larger firms. Ms. Graefe further responded that the results validated the policy discussions of what types of organizations are most vulnerable in this situation.

Mr. Hargett then asked if there was any policy advice for the members, to avoid any further long-term economic damage resulting from policy decisions. Ms. Graefe responded that bold and decisive action early in an economic downturn has an amplified impact on the economy. Ms. Graefe further responded that stretching and making contributions to support the fundamentals of the economy allowed for a faster recovery to the point that policy accommodations could be removed.

Mr. Wilson then recognized Dr. William Fox, Professor of Economics, Boyd Center for Business and Economic Research, University of Tennessee. Dr. Fox presented information on the economic impact of the COVID-19 pandemic including the below findings:

- The GDP declined 5.0% in the first quarter of 2020 and was expected to decline a projected 35% in the second quarter of 2020 based on an annualized growth rate, leading to a projected total decline for the year of around 7%.
- The decline in tax revenue was smaller than that of the GDP but it was unknown if that trend would continue.
- Sales tax collections declined but not to the level that was expected.
- There were job losses in every sector in April resulting in an 11% unemployment rate with an expected unemployment rate of 20% by June.
- Sales tax collections are projected to decline with a significant decline in Franchise & Excise (F&E) tax collections for the next year.
- Revenue growth for the state is projected to be 0% in 2020 followed by a slight decline 2021.

Mr. Lee then asked for further explanation of why there was an increase in sales tax revenue in April for most counties during the economic decline. Dr. Fox responded that there was a volume of destination collections in sales tax revenue from online sales, based on the Wayfair court decision, that was collected

by the counties. Dr. Fox also responded that there was also the single article cap that impacted the local government less than the state as a whole.

Mr. Hargett then asked what the projected time frame would be for the leisure and hospitality sector to return to where it had been previously. Dr. Fox responded that restaurants and other firms were going to use this as a time to “right size”. Dr. Fox further responded that this “right sizing” in conjunction with some businesses never reopening would result in it being a long time to return to previous levels. Dr. Fox then responded that the geographic location of Tennessee would help in the recovery as the state is within driving distance of much of the U.S. Dr. Fox further responded that there should be significant improvement in the leisure and hospitality industry starting in June and July if there is a smooth transition into a growing economy, which was the scenario on which the forecast was built.

Mr. Hargett then asked if business travel would ever get back to what we are used to with the advent of electronic means of meeting. Dr. Fox responded that he thinks the use of these electronic means would enhance growth in the state as more people would teleworking while living in places with a better quality of life such as Tennessee.

Mr. Wilson then recognized Dr. Jon L. Smith, Director, Bureau of Business and Economic Research, East Tennessee State University. Dr. Smith presented information on the economic impact of the COVID-19 pandemic including the below findings:

- There was uncertainty in forecasting due to the lack of data that was available.
- Many retail sectors that the state relies on for sales tax generation had significant downturns.
- Most economists expected to see a U-shaped or Swoosh-shaped recovery curve for the economy marked by a sharp decline in economic activity followed by gradual return to the previous growth path.
- Total revenue collections are projected to decline 2.6% for fiscal year 2020 over fiscal year 2019 and a further decline of 5.46% in fiscal year 2021 for the state, based on a recovery similar to that of the Great Recession.
- The economy could see a further downturn due to changes in consumer behavior and the permanent loss of some businesses.

Mr. Lillard then pointed out that Dr. Smith’s projections for the collection of F&E taxes were less than those presented by Dr. Fox for the current fiscal year and fiscal year 2021. Mr. Lillard then asked if Dr. Smith had any observations of particular dynamics of the F&E tax that contributed to his projections. Dr. Fox replied that he was anticipating that the state would not come back online with as much manufacturing capacity as was possible. Dr. Fox further replied that during the 2008-2009 recession there was reduction in the amount of F&E tax collections. Dr. Fox then replied that he would rather take the conservative approach in his projections.

Mr. Wilson then asked what was the possibility that the economy does not return to the traditional growth rate but enters a new normal with an extended period of no growth. Dr. Smith replied that he thought that was a very negative outlook considering the state has a growing population and a robust economy. Dr. Smith further replied that returning to the prior growth path could take a long time, as much as three to five years if taking such a negative outlook.

Mr. Hargett then asked Dr. Smith, given his conservative approach, if he felt that the three to five projected recovery time was too negative. Dr. Smith replied in the negative. Dr. Smith further replied that there had been some projections that it would take ten years to return to the previous growth rate and that he felt that was too negative. Dr. Smith further replied that it was not out of the realm of possibility for the return to the former growth rate to take ten years as it took that long for the Kingsport and Johnson City MSAs to

fully recover from the Great Recession. Dr. Smith then stated that during the Great Recession total tax collections in the state bottomed out in 2009 and did not return to the pre-recession growth rate until 2018.

Mr. Wilson then recognized Mr. Jeff Bjarke, Director of Research, Department of Revenue. Mr. Bjarke presented information on the impact of COVID-19 on revenue collections including the below findings:

- The extension of filing and payment deadlines was a major factor in the uncertainty of F&E and business tax collections. The true effect of COVID-19 would not be known for some time.
- Based on Moody's baseline forecast it was projected that it would be late 2021/early 2022 before the Gross State Product (GSP) returned to its prior level.
- The cumulative revenue collections through March were \$606 million greater than budgeted for fiscal year 2020; April collections were \$694 million less than budgeted for the month and it is unknown how much was from delayed collections compared to lost revenue.
- Retail sales was the large driver of sales tax collections and it suffered a significant negative impact.
- Total revenue collections are projected to decline 2.09% in fiscal year 2020 followed by a 3.08% projected decline in fiscal year 2021.
- General fund collections are projected to decline 1.61% in fiscal year 2020 followed by a 2.90% projected decline in fiscal year 2021.

Mr. Eley then asked how long it would take to return to the previous growth curve the state was on prior to the pandemic. Mr. Bjarke responded that the Department of Revenue's forecast relied on the Moody's baseline forecast updated that month. Mr. Bjarke further responded that it would be late calendar year 2021 to early calendar year 2022 for the state to return to its peak GSP prior to the pandemic and that it would take an additional year or two before the state would return to the same growth path.

Mr. Wilson then recognized Mr. Bojan Savic, Assistant Director, Fiscal Review Committee, State of Tennessee. Mr. Savic presented information on the economic impact of the COVID-19 pandemic including the findings below:

- Consumer and small business optimism had declined drastically.
- The unemployment rate was high at 12% but was projected to return to a normal range as it was believed most jobs would return, except in the case of automation and businesses taking the opportunity to resize.
- Total revenue collections are projected to decline 0.67% in fiscal year 2020 followed by a 0.20% projected increase in fiscal year 2021.
- General fund collections are projected to decline 0.62% in fiscal year 2020 followed by a 0.30% projected decline in fiscal year 2021.
- Non-general fund collections are projected to decline 0.91% in fiscal year 2020 followed by a 2.72% projected increase in fiscal year 2021.
- The forecast risks included a second wave of the virus, long-term business and consumer behavioral changes, additional government stimulus, strong pent-up demand, and the development of effective virus treatment.

Mr. Wilson then recognized Mr. Lee who acknowledged and thanked the presenters. Mr. Lee stated that the more input that was received, the more informed decisions could be made moving forward.

Mr. Lillard then asked if staff was going to prepare a recap summary that compared the presenters' projections. Mr. Wilson responded in the affirmative.

After requesting other business and hearing none, Mr. Wilson adjourned the meeting.

Approved on this _____ day of _____ 2020.

Respectfully submitted

Sandra Thompson
Assistant Secretary

FastTrack Report to State Funding Board

6/23/2020

1. Previous FastTrack Balance, as of Last Report	266,244,469.62
2. + New Appropriations:	3,677,517.26
3. + Newly Deobligated Funds:	92,500.00
4. + Funds Transferred to FastTrack:	0.00
5. - Funds Transferred from FastTrack:	0.00
6. - FastTrack Grants or Loans Approved Greater Than \$750,000:	(24,870,030.00)
7. - FastTrack Grants or Loans Approved Less Than \$750,000:	(4,926,995.00)
8. - FastTrack Administration	(500,256.69)
9. Adjusted FastTrack Balance Available for Funding FastTrack Grants or Loans:	239,717,205.19
10. Total Amount of Commitments:	223,464,904.82
11. Uncommitted FastTrack:	16,252,300.37
12. Percentage Committed:	93.2%
13. Amount of Proposed Grants or Loans:	16,000,000.00
14. Uncommitted FastTrack Balance if Proposed Grants or Loans Approved:	252,300.37
15. Percentage Committed:	99.9%

See next page for explanations of the above questions.

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


 Commissioner of Economic and Community Development

Date: 6/23/20



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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. Hyosung HICO, Ltd d/b/a HICO America - Memphis (Shelby County)

Headquartered in Seoul, South Korea, HICO specializes in manufacturing electrical power equipment such as transformers, switchgear, flexible AC transmission systems and energy storage solutions. The company exports its products to customers around the globe and has established itself as one of the leading manufacturers in the power transformer business for the last 50 years.

HICO will update an existing Memphis facility to increase production capacity and keep up with growing demand. The company will produce technologically advanced state-of-the-art power transformers at its new manufacturing facility in Shelby County and plans to start production by the first half of 2020.

Hyosung HICO, Ltd d/b/a HICO America has committed to create 410 net new jobs representing a \$86,939,000 capital investment within 5 years. The company will have an average hourly wage of \$23.16 for the new positions.



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

FastTrack Economic Development Grant funds will help offset expenses incurred in building retrofit, building expansion, and building improvements. **(\$5,000,000)**

Total FastTrack funds for this project - \$5,000,000

2. LabConnect, INC – Johnson City (Washington County)

Leading the evolution in central laboratory services, LabConnect, INC provides you with world-class capabilities through our network of laboratories and industry-leading support services, including routine and specialized laboratory testing, sample tracking custom collection kits, sample management, data management, and biorepository and scientific support resources

LabConnect, INC, a provider of clinical services, plans to invest in continued infrastructure improvements, expanding LabConnect's clinical kit building capability, doubling its biorepository capacity, and other modifications to the Johnson City facility.

LabConnect, INC has committed to create 211 net new jobs representing a \$8,650,000 capital investment within 5 years. The company will have an average hourly wage of \$22.05 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in building retrofit. **(\$1,500,000)**

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

3. McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance - Collegedale (Hamilton County)

McKee Foods Corporation, the maker of Little Debbie Snacks, Drake's Cakes and other snack foods, will undergo a major expansion in Collegedale.

Over a 15-year period, McKee Foods plans to invest more than \$500 million in its Hamilton County production operations and create approximately 480 jobs. The expansion will accommodate new production lines.



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

As part of the first phase of the expansion, McKee Foods will invest \$225 million and create 125 jobs. Following this first phase, McKee Foods anticipates further hiring and investment to meet its 15-year targets.

Headquartered in Collegedale for more than 70 years, McKee Foods employs more than 3,000 people at its Tennessee production facilities and corporate offices. The privately held, family-owned company is the maker of Little Debbie Snacks, Sunbelt Bakery granola and cereal, Heartland Brands and Drake's Cakes.

McKee Foods has committed to create 125 net new jobs representing a \$225,000,000 capital investment within 5 years. The company will have an average hourly wage of \$18.90 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred building expansion, site improvements, and new construction. **(\$1,250,000)**

Total FastTrack funds for this project - \$1,250,000

4. QTC Management, Inc. – Nashville (Davidson County)

QTC, a subsidiary of Leidos, Inc., provides disability and occupational health examination services for veterans, federal employees, and commercial industry. QTC offers a full suite of employment-focused medical exams and diagnostic testing services. Its network is supported by more than 1,700 experienced clinical, corporate and operational associates, more than 90 clinic locations, and partnerships with more than 12,000 physicians and allied health professionals.

QTC Management, Inc. has committed to create 412 net new jobs representing a \$5,100,000 capital investment within 5 years. The company will have an average hourly wage of \$25.31 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in building retrofit, building improvements, fixture improvements, and new construction. **(\$1,250,000)**

Total FastTrack funds for this project - \$1,250,000



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

5. Royal Appliance Mfg. Co. d/b/a TTI Floor Care North America – Cookeville (Putnam County)

TTI Floor Care is the largest floor care business in North America, owning three of the biggest names in industry: Hoover, Dirt Devil and Oreck. Its parent company, Techtronic Industries Limited, is a fast-growing world leader in power tools, accessories, hand tools, outdoor equipment and floor care appliances. The TTI brands also include Milwaukee Tool and Ryobi.

TTI Floor Care's Cookeville expansion will allow the company to diversify its supply chain and product lineup. TTI Floor Care will add several new production lines, products and shifts at the facility. The company's capital investment will go towards building improvements, upgrades and installation of new equipment.

TTI Floor Care North America has committed to create 500 net new jobs representing a \$20,000,000 capital investment within 5 years. The company will have an average hourly wage of \$16.15 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred building retrofit and new construction. **(\$4,000,000)**

Total FastTrack funds for this project - \$4,000,000

6. PlastiExports TN, LLC – Erwin (Unicoi County)

Since 1997, PlastiExports has acquired new contracts to offer solutions to the booming industry in Monterrey that has opened the doors to large global corporations. Currently, they have a production plant of about 15 thousand square meters equipped with the latest in injection technology, robots and real-time monitoring systems. PlastiExports manufactures more than 150 million pieces a year, favoring industries such as household appliances, electronics, recreational vehicles, construction, amongst others. Whirlpool is a primary client.

PlastiExports TN, LLC has committed to create 118 net new jobs representing a \$6,195,000 capital investment within 5 years. The company will have an average hourly wage of \$16.93 for the new positions.



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

FastTrack Economic Development Grant funds will help offset expenses incurred in building improvements. **(\$1,000,000)**

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

7. The Lampo Group, LLC – Franklin (Williamson County)

The Lampo Group will build a second office building, totaling nearly 192,000 square feet and six stories, on its corporate campus in Williamson County. This is part of The Lampo Group's continued expansion, which started in 2015 when the company closed on 47 acres of land in the Berry Farms development.

In 2019, the Ramsey team moved into the first six-story office building, which includes podcast and radio studios, more than 200,000 square feet of workspace, a team member cafeteria, a bookstore and coffee shop for guests watching "The Dave Ramsey Show" live in the studio. This latest expansion will accommodate the company's continued growth. Construction on the second office building began in August 2019 and is expected to be completed in May 2021.

The Lampo Group, LLC has committed to create 599 net new jobs representing a \$52,423,000 capital investment within 5 years. The company will have an average hourly wage of \$44.08 for the new positions.

FastTrack Economic Development Grant funds will help offset expenses incurred in new construction. **(\$2,000,000)**

Total FastTrack funds for this project - \$2,000,000

Sincerely,

A handwritten signature in blue ink, reading "Bob Rolfe", is positioned below the word "Sincerely,".

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	Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee	\$5,000,000	
TOTAL		\$5,000,000	

(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): Hyosung HICO, Ltd d/b/a HICO America

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

- 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
- 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
- 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
- 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:

- Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)? ☒
 - 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)? ☐
 - 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)? ☐
 - 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.

- 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. ☒
 - 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 Lee
Governor

December 13, 2019

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Hyosung Heavy Industries Corporation intends, in good faith, to create 410 private sector jobs in Memphis, Shelby County and make a capital investment of \$86,939,000 in exchange for incentives that will be memorialized in a grant agreement between Hyosung Heavy Industries Corporation and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 5,000,000
Total ECD Commitment:	\$ 5,000,000

Please sign your name in the space below to signify Hyosung Heavy Industries Corporation's acceptance of ECD's offer set forth above and return it by March 7, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: 
(Authorized Representative of Company)

Date: Dec. 13, 2019



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 of the City of Memphis and County of Shelby, Tennessee for the benefit of Hyosung HICO, Ltd d/b/a HICO America in the amount of \$5,000,000 to offset the costs Hyosung HICO, Ltd d/b/a HICO America will incur in building retrofit, building expansion, and building improvements. 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. Hyosung HICO, Ltd d/b/a HICO America has committed to create 410 net new jobs and to make a \$86,939,000 capital investment within five years. The company will have an average wage of \$23.16 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert Rolfe". The signature is stylized with a large, flowing "R" and "R" at the end.

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	Washington County Economic Development Council	\$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):** LabConnect, 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

6/22/20
Date



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

January 23, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that LabConnect, INC intends, in good faith, to create 211 private sector jobs in Johnson City-Washington County and make a capital investment of \$8,650,000 in exchange for incentives that will be memorialized in a grant agreement between LabConnect, INC and the State of Tennessee. New jobs must be in addition to the company's baseline of 164 jobs at the project site in 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 LabConnect, INC's acceptance of ECD's offer set forth above and return it by April 21, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: [Signature]
(Authorized Representative of Company)

Date: 2 APRIL 2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Washington County Economic Development Council for the benefit of LabConnect, INC in the amount of \$1,500,000 to offset the costs LabConnect, INC will incur in building retrofit. 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. LabConnect, INC has committed to create 211 net new jobs and to make a \$8,650,000 capital investment within five years. The company will have an average wage of \$22.05 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert 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
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input type="checkbox"/>	ECONOMIC DEVELOPMENT	Hamilton County Government	\$1,250,000	
TOTAL			\$1,250,000	

(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):** McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance

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

- 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
- 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
- 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
- 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:

- Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)? ☒
 - 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)? ☐
 - 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)? ☐
 - 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.

- 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. ☒
 - 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

6/22/20
Date



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

March 4, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that McKee Foods Corporation, McKee Foods Transportation and McKee Foods Finance intends, in good faith, to create 125 private sector jobs in Collegedale, Hamilton County and make a capital investment of \$225,000,000 in exchange for incentives that will be memorialized in a grant agreement between McKee Foods Corporation, McKee Foods Transportation and McKee Foods Finance and the State of Tennessee. New jobs must be in addition to the company's baseline of 2,798 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 1,250,000
Total ECD Commitment:	\$ 1,250,000

Please sign your name in the space below to signify McKee Foods Corporation, McKee Foods Transportation and McKee Foods Finance's acceptance of ECD's offer set forth above and return it by June 1, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: McKee Foods Corp.
(Authorized Representative of Company)

Date: 5/4/20



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Hamilton County Government for the benefit of McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance in the amount of \$1,250,000 to offset the costs McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance will incur in building expansion, site improvements, and new 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. McKee Foods Corporation, McKee Foods Transportation, McKee Foods Finance has committed to create 125 net new jobs and to make a \$225,000,000 capital investment within five years. The company will have an average wage of \$18.90 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink, reading "Robert A. Rolfe", is positioned above the printed name.

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
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input checked="" type="checkbox"/>	ECONOMIC DEVELOPMENT	Industrial Development Board of the Metropolitan Government of Nashville and Davidson County	\$1,250,000	
TOTAL			\$1,250,000	

(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): QTC Management, 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

- 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
- 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
- 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
- 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:

- Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)? ☒
 - 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)? ☐
 - 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)? ☐
 - 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.

- 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. ☒
 - 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 Lee
Governor

April 28, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that QTC Management, Inc. intends, in good faith, to create 412 private sector jobs in Nashville, Davidson County and make a capital investment of \$5,100,000 in exchange for incentives that will be memorialized in a grant agreement between QTC Management, Inc. and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 1,250,000
Total ECD Commitment:	\$ 1,250,000

Please sign your name in the space below to signify QTC Management, Inc.'s acceptance of ECD's offer set forth above and return it by July 26, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Caleb Knight
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Caleb.knight@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: Randy Schaefer
(Authorized Representative of Company)

Date: April 30, 2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Industrial Development Board of the Metropolitan Government of Nashville and Davidson County for the benefit of QTC Management, Inc. in the amount of \$1,250,000 to offset the costs QTC Management, Inc. will incur in building retrofit, building improvements, fixture improvements, and new 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 high wage jobs. QTC Management, Inc. has committed to create 412 net new jobs and to make a \$5,100,000 capital investment within five years. The company will have an average wage of \$25.31 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert 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
<input type="checkbox"/>	INFRASTRUCTURE			
<input type="checkbox"/>	TRAINING*			
<input type="checkbox"/>	ECONOMIC DEVELOPMENT	The Industrial Development Board of the City of Cookeville, TN	\$4,000,000	
TOTAL			\$4,000,000	

(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):** Royal Appliance Mfg. Co. d/b/a TTI Floor Care North America

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 Lee
Governor

January 31, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that Royal Appliance Mfg. Co. d/b/a TTI Floor Care North America intends, in good faith, to create 500 private sector jobs in Cookeville-Putnam County and make a capital investment of \$20,000,000 in exchange for incentives that will be memorialized in a grant agreement between Royal Appliance Mfg. Co. d/b/a TTI Floor Care North America and the State of Tennessee. New jobs must be in addition to the company's baseline of 274 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 4,000,000
Total ECD Commitment:	\$ 4,000,000

Please sign your name in the space below to signify Royal Appliance Mfg. Co. d/b/a TTI Floor Care North America's acceptance of ECD's offer set forth above and return it by April 29, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Scottie McCormick
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Scottie.McCormick@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: J. Joshua Gussner
(Authorized Representative of Company)

Date: 2/19/20



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Industrial Development Board of the City of Cookeville, TN for the benefit of TTI Floor Care North America in the amount of \$4,000,000 to offset the costs TTI Floor Care North America will incur in building retrofit and new 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. TTI Floor Care North America has committed to create 500 net new jobs and to make a \$20,000,000 capital investment within five years. The company will have an average wage of \$16.15 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue 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	Joint Economic Development Board of Unicoi County, Tennessee, Inc.	\$1,000,000	
TOTAL		\$1,000,000	

(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):** PlastiExports TN, 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

- 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
- 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
- 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
- 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:

- Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)? ☒
- 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)? ☐
- 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)? ☐
- 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.

- 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. ☒
- 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 Lee
Governor

May 11, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that PlastiExports, Newco Inc intends, in good faith, to create 118 private sector jobs in Erwin, Unicoi County and make a capital investment of \$6,195,000 in exchange for incentives that will be memorialized in a grant agreement between PlastiExports, Newco Inc and the State of Tennessee. New jobs must be in addition to the company's baseline of 0 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

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

Please sign your name in the space below to signify PlastiExports, Newco Inc's acceptance of ECD's offer set forth above and return it by August 9, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Caleb Knight
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Caleb.Knight@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

Signature: _____
(Authorized Representative of Company)

Date: May 29, 2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Joint Economic Development Board of Unicoi County, Tennessee, Inc. for the benefit of PlastiExports TN, LLC in the amount of \$1,000,000 to offset the costs PlastiExports TN, LLC will incur in building improvements. The project activities would not be eligible for the FastTrack Infrastructure Development Program.

This project will yield a proportionately significant impact on this rural, At-Risk, Tier 4 community due to the number of high wage jobs and significant capital investment. PlastiExports TN, LLC has committed to create 118 net new jobs and to make a \$6,195,000 capital investment within five years. The company will have an average wage of \$16.93 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert Rolfe". The signature is stylized with a large, flowing "R" and "R" at the end.

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
<input type="checkbox"/> INFRASTRUCTURE			
<input type="checkbox"/> TRAINING*			
<input checked="" type="checkbox"/> ECONOMIC DEVELOPMENT	Industrial Development Board of Williamson County, Tennessee	\$2,000,000	
TOTAL		\$2,000,000	

(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): The Lampo Group, 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

- 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
- 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
- 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
- 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:

- Does the business export more than half of their products or services outside of Tennessee T.C.A. § 4-3-717(h)(1)(A)? ☒
 - 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)? ☐
 - 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)? ☐
 - 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.

- 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. ☒
 - 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
CommissionerBill Lee
Governor

May 21, 2020

INCENTIVE ACCEPTANCE FORM

This form serves as notice that The Lampo Group, LLC intends, in good faith, to create 599 private sector jobs in Franklin, Williamson County and make a capital investment of \$52,423,000 in exchange for incentives that will be memorialized in a grant agreement between The Lampo Group, LLC and the State of Tennessee. New jobs must be in addition to the company's baseline of 882 jobs at the project site in Tennessee.

ECD OFFER SUMMARY

FastTrack Economic Development Grant:	\$ 2,000,000
Total ECD Commitment:	\$ 2,000,000

Please sign your name in the space below to signify The Lampo Group, LLC's acceptance of ECD's offer set forth above and return it by August 16, 2020 to:

Tennessee Department of Economic and Community Development
Attn: Caleb Knight
312 Rosa Parks Avenue, 27th Floor
Nashville, TN 37243
Caleb.Knight@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. ECD reserves the right to recover funds for this project if grant contracts are not executed within one year of the date of signature below.

DocuSigned by:
Signature: Winston Cruze
(Authorized Representative of Company)

Date: 5/27/2020



Department of Economic and Community Development

Bob Rolfe
Commissioner

Bill Lee
Governor

June 25, 2020

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 Industrial Development Board of Williamson County, Tennessee for the benefit of The Lampo Group, LLC in the amount of \$2,000,000 to offset the costs The Lampo Group, LLC will incur in new 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 high wage jobs and significant capital investment. The Lampo Group, LLC has committed to create 599 net new jobs and to make a \$52,423,000 capital investment within five years. The company will have an average wage of \$44.08 per hour for the new positions. This project will have an exceptional impact.

Sincerely,

A handwritten signature in blue ink that reads "Robert Rolfe".

Bob Rolfe

BR/js

**RESOLUTION MAKING FINDINGS
FOR DECREASE IN SPECIAL REVENUES**

WHEREAS, Section 9-9-104(a), Tennessee Code Annotated (“Section 9-9-104(a)”), pledges, inter alia, for the payment of the principal of and interest on the bonds of the State of Tennessee (the “State”) issued under Title 9, Chapter 9, Tennessee Code Annotated, outstanding as of July 1, 2013, the entire annual proceeds (the “Franchise Tax Proceeds”) of franchise taxes imposed by the franchise tax law compiled in Title 67, Chapter 4, Part 21, Tennessee Code Annotated; and

WHEREAS, the State has covenanted with the holders of such bonds that it will not decrease by legislative action any of the fees or taxes pledged pursuant to Section 9-9-104(a), including, without limitation, the Franchise Tax Proceeds, or eliminate from the requirement to pay such fees or taxes any substance, motor vehicle or corporation on account of which the payment of such fees or taxes is required, unless the Funding Board of the State of Tennessee (the “State Funding Board”) shall certify as required by Section 9-9-104(b), Tennessee Code Annotated (“Section 9-9-104(b)”); and

WHEREAS, the method of apportionment of net worth contained in Section 67-4-2111(l), Tennessee Code Annotated (the “Subsection”), which method applies to tax years beginning on or after January 1, 2017, is expected by the Department of Finance and Administration to result in a decrease in the Franchise Tax Proceeds for the fiscal year 2020-2021; and

WHEREAS, part (5) of the Subsection provides that the Subsection shall be operative only for such fiscal years as to which the State Funding Board shall have made a certification pursuant to Section 9-9-104(b).

NOW, THEREFORE, BE IT RESOLVED by the State Funding Board, and the State Funding Board hereby certifies, pursuant to Section 9-9-104(b), as follows:

1. All payments due the State Funding Board under Title 9, Chapter 9, Tennessee Code Annotated, have been made in full;
2. The State is not in default in the payment of any outstanding debt or in the payment of interest thereon; and
3. The fees and taxes pledged pursuant to Section 9-9-104(a), including, without limitation, the Franchise Tax Proceeds, calculated as required by the Subsection, for the fiscal year 2020-2021 will be sufficient to provide funds adequate to meet all payments required to be made by the State Funding Board in such fiscal year, as well as to provide for the other obligations and expenses of the State for such fiscal year to be defrayed therefrom.

BE IT FURTHER RESOLVED by the State Funding Board that this Resolution shall take effect immediately upon its adoption.



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285**

**BUTCH ELEY
COMMISSIONER**

June 9, 2020

MEMORANDUM

TO: The Honorable Justin P. Wilson, Secretary
State Funding Board

FROM: Butch Eley, Commissioner *Butch Eley*

SUBJECT: Franchise Tax Reduction

This memorandum shall serve as confirmation of the following:

1. All payments due pursuant to Tennessee Code Annotated Title 9, Chapter 9 have been made in full;
2. The State is not in default in the payment of any outstanding debt or in the payment of interest thereon; and
3. Notwithstanding the lowering of the collections in the taxes imposed by the franchise tax law compiled in Title 67, Chapter 4, Part 21, Tennessee Code Annotated, such collections will be fully sufficient to provide funds adequate to meet all payments required to be made by the State Funding Board in the upcoming fiscal year and to provide for the other obligations of the State in Fiscal Year 2020-2021.

BE:DT:ars

cc: Office of State and Local Finance
F&A - Division of Budget

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
STATE OF TENNESSEE**



DAVID H. LILLARD, JR.
STATE TREASURER

TREASURY DEPARTMENT
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0225

MARY JO PRICE
CHIEF OPERATING OFFICER

MICHAEL BRAKEBILL
CHIEF INVESTMENT OFFICER

JAMIE WAYMAN
DIRECTOR OF TCRS

June 15, 2020

The Honorable Justin Wilson
Secretary of the Funding Board
Comptroller of the Treasury
State Capitol, 1st Floor
Nashville, TN 37243

Dear Comptroller Wilson:

The Tennessee Consolidated Retirement System ("TCRS") has entered into an amended and restated contract (the "Contract") with the State of Tennessee (the "State"), acting by and through the State Funding Board, whereby TCRS serves as a standby purchaser under the State's commercial paper program. The Contract was effective as of July 1, 2016 and expires on July 1, 2021.

Either party may terminate the Contract by giving notice to the other party at least the longer of (i) ninety (90) calendar days or (ii) the remaining number of calendar days to maturity of any then-outstanding commercial paper plus one (1) calendar day. TCRS does not presently plan to terminate the Contract at any time prior to July 1, 2021.

Tennessee Code Annotated, Section 8-37-104 (a)(8) authorizes TCRS to serve as a standby note purchaser. The Board of Trustees (the "Board") of TCRS has adopted a provision in the investment policy of TCRS (the "Policy") authorizing TCRS to enter into such contracts.

Pursuant to the powers accorded it in Tennessee Code Annotated, Section 8-3 7-110 and in the Policy, the Board has delegated implementation of the Policy to the Treasurer. The Policy further provides that the Treasurer has delegated certain responsibilities to the Chief Investment Officer of TCRS, including the power to invest and reinvest the assets of TCRS.

Accordingly, I have the authority to issue this letter on behalf of TCRS.

Sincerely,

Derrick Dagnan

Derrick Dagnan, CFA
Deputy Chief Investment Officer



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

June 25, 2020

Mr. Derrick Dagnan
Deputy Chief Investment Officer
Tennessee Consolidated Retirement System
Nashville, TN 37243

Dear Mr. Dagnan:

The Tennessee Consolidated Retirement System ("TCRS") has entered into an amended and restated contract (the "Contract") with the State of Tennessee (the "State"), acting by and through the State Funding Board, whereby TCRS serves as a standby purchaser under the State's commercial paper program. The Contract was effective as of July 1, 2016 and expires on July 1, 2021.

Either party may terminate the Contract by giving notice to the other party of at least the longer of (i) ninety (90) calendar days or (ii) the remaining number of calendar days to maturity of any then-outstanding commercial paper plus one (1) calendar day. You have informed me that TCRS does not presently plan to terminate the Contract at any time prior to July 1, 2021.

In consideration of, and in response to, your advance notification that TCRS will not cancel during the upcoming fiscal year, I am authorized to inform you that the State Funding Board also does not plan to terminate the Contract at any time prior to July 1, 2021.

Sincerely,

Justin P. Wilson
Secretary, State Funding Board

**RESOLUTION ALLOCATING FUNDS TO DEFRAY A PORTION OF THE
COST OF HIGHWAY BRIDGE CONSTRUCTION PROJECTS AND
CANCELING AUTHORIZED BONDS**

Recitals

(1) The State of Tennessee, acting by resolution of its Funding Board, is authorized pursuant to Chapter 470, Public Acts of Tennessee, 2011 (the “2011 Act”), to issue and sell its general obligation bonds in an amount not to exceed Two Hundred Seventy-Three Million Dollars and no cents (\$273,000,000.00) of which Eighty-Seven Million, Five Hundred Thousand Dollars and no cents (\$87,500,000.00) is allocated to the Department of Transportation pursuant to Section 4(7) of the 2011 Act for the purpose of providing funds to be spent for the implementation of Phase III of the Tennessee transportation infrastructure improvement bond program for the construction of bridges and highways (the “2011 Bridge Construction Bonds”).

The Funding Board has previously canceled Fifty-Seven Million, Eight Hundred Thousand Dollars and no cents (\$57,800,000.00) of the 2011 Bridge Construction Bonds; none of the remaining Twenty-Nine Million, Seven Hundred Thousand Dollars and no cents (\$29,700,000.00) of the 2011 Bridge Construction Bonds principal amount authorized has been issued.

Section 6, Item 1 (b) of Chapter 405, Public Acts of Tennessee, 2019 (the “2019 Appropriations Act”) directs the Funding Board to cancel highway bonds in an amount equal to the conversion of federal funding related to bridge construction bonds.

Based on notification from the Tennessee Department of Transportation (“TDOT”) that Twenty-Nine Million, One Hundred Thousand Dollars and no cents (\$29,100,000.00) of the 2011 Bridge Construction Bond authorization was converted to federal funding in the fiscal year ending June 30, 2020, the Commissioner of Finance and Administration by memorandum dated June 9, 2020, recommended that the Funding Board proceed with canceling Twenty-Nine Million, One Hundred Thousand Dollars and no cents (\$29,100,000.00) of the unissued 2011 Bridge Construction Bonds.

Be It Resolved By The Funding Board Of The State Of Tennessee:

1. The projects authorized to be financed by the 2011 Bridge Construction Bonds have been financed in whole or in part with current funds and/or converted to federal funding and a total of Twenty-Nine Million, One Hundred Thousand Dollars and no cents (\$29,100,000.00) is no longer needed to fund such authorized projects.
2. Twenty-Nine Million, One Hundred Thousand Dollars and no cents (\$29,100,000.00) of the unissued 2011 Bridge Construction Bonds are hereby cancelled.
3. This resolution shall be effective as of June 25, 2020, and all resolutions in conflict herewith are hereby repealed.

Adopted by the Funding Board at its meeting on June 25, 2020.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE FUNDING BOARD

State of Tennessee

Post-Issuance Compliance Procedures Manual



Adopted on _____

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State of Tennessee Post-Issuance Compliance Procedures Manual

Section I. Introduction

The State of Tennessee (the “State”) acting by resolution of the State Funding Board (the “SFB”), the Tennessee State School Bond Authority (the “TSSBA”) and the Tennessee Local Development Authority (the “TLDA”) issue public securities to provide funding for capital projects or to refinance debt previously issued for this purpose. The State, TSSBA and TLDA are referred to singly as an “Issuer” and collectively as “Issuers”. Public securities issued by the Issuers are typically tax-exempt obligations, but also may include certain tax subsidy or tax credit bonds (together with tax-exempt obligations, the “tax-advantaged obligations”).

In order for the Issuers to treat the interest on an obligation as exempt from federal income tax (or in the case of tax credit or tax subsidy bonds, for the taxpayer to receive the expected credit or the issuer to receive the subsidy payment), the Issuers are required to comply with federal tax laws and related federal regulations. The applicable federal tax laws are primarily set forth in Sections 141-150 of the Internal Revenue Code (the “Code”). The Internal Revenue Service (“IRS”) has promulgated related federal regulations, revenue rulings, and revenue procedures that address how such applicable federal tax laws are to be applied. The State Comptroller of the Treasury (“Comptroller”), as the Secretary for the Issuers, has established the Division of State Government Finance (“SGF”) to assist the Issuers with their debt programs, including their compliance efforts. The term SGF shall also mean any successor division or office within the Comptroller’s Office to which responsibility for the Issuers is delegated.

In conjunction with the issuance of a tax-advantaged obligation, bond counsel issues an opinion that is, in part, based on the reasonable expectation that an issuer shall comply with federal tax law requirements to preserve the tax-exempt/subsidy eligible status of the obligation. The Issuers agree to comply with these requirements through representations made in tax compliance certificates.

With each new issue of a tax-advantaged obligation, an issuer files the applicable version of the IRS Form 8038 with the IRS. The IRS requires the filing of a Form 8038, 8038-G, 8038-GC, 8038-B, or 8038-TC, as applicable, to identify any new debt issue that receives a federal income tax preference. IRS Form 8038 series requires an issuer to indicate if it has established written procedures to ensure remediation of any non-qualified bonds of the issue to which the Form relates (i.e., comply with the private business use rules). IRS Form 8038 also requires an issuer to indicate if it has established written procedures to monitor compliance with the requirements of Section 148 of the Code with respect to arbitrage rebate compliance.

Issuers and borrowers are also required to disclose, on a periodic basis, financial information and certain other information that may impact their ability to service their debt. This ongoing reporting requirement is known as continuing disclosure. The requirements of continuing disclosure are set forth in Securities and Exchange Commission (“SEC”) Rule 15c2-12. Issuers agree in their official statements and other bond documents to comply with the requirements of Rule 15c2-12.

The purpose of the procedures set forth in this document is to establish a Post-Issuance Compliance (“PIC”) management program which ensures ongoing compliance with applicable federal tax laws, Rule 15c2-12, bond covenants, and continuing disclosure agreements.

This document shall be reviewed and updated periodically to ensure that it reflects current compliance requirements and that the procedures are both practical and administrable.

Section II. Compliance Program Administration

In order to successfully implement the PIC management program, the Issuers incorporate the responsibility of implementing the procedures established herein into the positions identified below. In addition to implementing the procedures, such individuals shall also participate in continuing education on the topics described herein and shall be responsible for modifying the procedures document as necessary.

Designation of Responsibilities

By adopting this document, the Issuers are creating a PIC program management team (the “PIC Team”) that is responsible for monitoring compliance with post-issuance tax compliance and continuing disclosure requirements. The following responsibilities shall be added to the job descriptions of the positions identified below:

1. **Chief Compliance Officer** – The Director of SGF shall be designated as the Chief Compliance Officer and shall be responsible for the administration and supervision of the Issuers’ PIC management program. The Chief Compliance Officer shall also be responsible for overseeing the timely filing of information on the Municipal Securities Rulemaking Board (“MSRB”) Electronic Municipal Market Access (“EMMA”) System to comply with continuing disclosure requirements. The Chief Compliance Officer shall be responsible for the following:
 - a. Monitoring the Issuers’ Arbitrage Rebate and Yield Restriction Compliance program, including oversight of any third-party consultants engaged to perform arbitrage rebate and yield restriction compliance calculations.
 - b. Managing the Issuers’ record retention program related to debt issuance documents.
 - c. Reviewing the use of facilities and other assets financed by proceeds of tax-advantaged obligations.
 - d. Engaging with bond counsel to perform calculations, at least when a change in use occurs, with respect to the amount of private business use of each tax-advantaged financed asset and each tax-advantaged debt issue the proceeds of which were used to finance such assets.

- e. Identifying any changes in the use of a tax-advantaged financed asset that may require a Remedial Action to be taken.¹
 - f. Overseeing the timely filing of information on the MSRB's EMMA System to comply with continuing disclosure requirements.
2. Other members of the PIC Team shall include designated representatives from the Department of Finance and Administration ("F&A"), the Attorney General's Office, the State of Tennessee Real Estate Asset Management ("STREAM") division of the Department of General Services ("DGS"), the University of Tennessee ("UT"), the Tennessee Board of Regents ("TBR"), each of the six (6) Locally Governed Institutions ("LGIs"), and other staff members (including SGF staff) as assigned by the Chief Compliance Officer. As deemed appropriate, the Chief Compliance Officer shall delegate PIC duties to members of the PIC Team.

Training and Education

The Issuers shall undertake the following training and educational activities:

1. The PIC Team members shall participate in annual training on PIC. The Chief Compliance Officer shall be responsible for documenting participation by these individuals and any other staff that participate in PIC training.
2. In addition to the above training requirement, the PIC Team shall annually review the procedures set forth in this manual and shall review the role and responsibilities of each PIC Team member with respect to undertaking such procedures.

Post-Issuance Compliance Assessment

On an annual basis, the PIC Team shall complete the PIC assessment (Appendix E). The purpose of the assessment is to document compliance with PIC procedures and to identify any areas of concern. The Chief Compliance Officer shall file the completed assessment with the permanent bond records applicable to all issues.

Procedure Manual Review

The Chief Compliance Officer shall review this procedure document at least annually and is authorized to make non-material changes. Material changes to this document shall only be made after approval by the Issuers.

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¹ See the Private Business Use Section of this manual for additional information regarding circumstances that give rise to a remedial action.

Section III. Post-Issuance Tax Compliance

Post-Issuance Tax Compliance includes compliance with the arbitrage rebate and yield restriction requirements established under Section 148 of the Code and compliance with the private business use requirements established under Section 141 of the Code. This section establishes the procedures that the Issuers shall implement to monitor and manage the post-issuance tax compliance requirements of its tax-exempt obligations. Procedures categories include:

- A. Use of Tax-Advantaged Obligation Proceeds, Accounting for Tax-Advantaged Obligation Proceeds, Investment of Tax-Advantaged Obligation Proceeds
- B. Qualified Guarantees
- C. Qualified Hedges
- D. Arbitrage Rebate and Yield Restriction Compliance
- E. Private Business Use
- F. Record Retention
- G. Procedures related to the American Recovery and Reinvestment Act (“ARRA”)

Definitions for the terms that are identified in bold and underlined are provided in the Glossary in the Appendix.

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A. Use of Tax-Advantaged Obligation Proceeds, Accounting for Tax-Advantaged Obligation Proceeds, Investment of Tax-Advantaged Obligation Proceeds

This section establishes procedures to monitor the proper use of gross bond proceeds, including procedures to account for expenditures and investments allocable to gross bond proceeds and procedures related to the purchase and sale of investments.

Procedures Related to the Use of Tax-Advantaged Proceeds

The PIC Team shall monitor the proper use of tax-advantaged obligation proceeds as follows:

- Identify the projects approved to be financed by each outstanding tax-advantaged obligation proceeds.
- With the input of bond counsel, verify that tax-advantaged obligation proceeds are being allocated to authorized expenditures for the projects approved for such financing.
- Use the payment approval and processing system to concurrently verify that no proceeds of the tax-advantaged obligation proceeds are being allocated to **working capital expenditures**. (In addition to IRS restrictions, the Tennessee Constitution prohibits debt to be issued to finance an operating expense unless that debt is repaid within the fiscal year of issuance.) However, expenditures to pay for the following purposes may be allowed:²
 - Any **issuance costs** or any **qualified administrative costs** expected to be paid from the proceeds of the tax-advantaged obligation;
 - Fees for qualified guarantees of the tax-advantaged obligation or payments for a qualified hedge for the tax-advantaged obligation;
 - Interest on the tax-advantaged obligation (e.g., capitalized interest) for a period beginning on the issue date and ending on the date that is the later of three (3) years from the issue date or one (1) year after the date on which the project is **placed in service**;
 - Rebate payments, yield reduction payments, and penalty-in-lieu-of rebate payments for the tax-advantaged obligation;
 - Administrative or operating costs (see also Constitutional prohibition referred to above) that do not exceed 5% of the sale proceeds of the tax-advantaged obligation and that are directly related to the capital expenditures financed by the tax-advantaged obligation;
 - Principal or interest on a tax-advantaged obligation paid from unexpected sale or investment proceeds; and
 - Principal or interest on a tax-advantaged obligation paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund.
- If the Issuer intends to allocate tax-advantaged obligation proceeds to reimburse itself for project-related expenditures that were previously paid, the PIC Team shall verify

² See federal regulations Section 1.148-6(d)(3)(ii).

that the Issuer formally adopted a reimbursement resolution or “Declaration of Intent”. A reimbursement resolution must include the following as set forth in federal regulations Section 1.150-2:

- The reimbursement resolution must be adopted not later than 60 days after the payment of the original expenditure(s) (that is to be reimbursed).
 - The reimbursement resolution is in a form that represents an official intent (a declaration, typically in writing).
 - The reimbursement allocation (e.g., the allocation of tax-advantaged proceeds by the Issuer to reimburse for the original expenditures) must be made no later than 18 months after the later of:³
 - The date the original expenditure(s) is paid; or
 - The date the project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid⁴
 - The original expenditure(s) is a capital expenditure, a cost of issuance for a bond, an expenditure for an extraordinary, non-recurring item as described in federal regulations Section 1.148-6(d)(3)(ii)(B) or a grant as described in federal regulations Section 1.148-6(d)(4).
 - The official intent should identify the project(s) for which the original expenditure(s) is paid and state the maximum principal amount of obligations expected to be issued for the project(s).
- The Issuers are not required to adopt a reimbursement resolution or apply the rules described above if the reimbursement is for preliminary expenditures, and the total amount of reimbursed preliminary expenditures does not exceed 20% of the issue price of the tax-advantaged obligation issued to finance the project.⁵
 - The Issuers are not required to adopt a reimbursement resolution or apply the rules described above if the reimbursement is for costs of issuance of any bond or for an amount not in excess of the lesser of \$100,000 or 5% of the proceeds of the bond issue.⁶
 - If the Issuers intend to substitute a project, the PIC Team shall review the eligibility of the new project requested to be financed with the proceeds of the tax-advantaged obligation and confirm such eligibility with bond counsel.
 - The Issuers shall collect any available and additional documentation supporting the completion of the project, such as an occupancy certificate, a project completion

³ Pursuant to federal regulations Section 1.150-2(d)(2)(ii), 18 months is changed to three (3) years, and the 3-year limitation on the reimbursement allocation period is disregarded if the issue of tax-exempt obligations satisfies the small issue exception to arbitrage rebate.

⁴ Pursuant to federal regulations Section 1.150-2(d)(2)(iii), the 3-year maximum reimbursement period is changed to five (5) years if the issuer and a licensed architect or engineer certify that at least five (5) years is necessary to complete the construction of the project.

⁵ See federal regulations Section 1.150-2(f)(2).

⁶ See federal regulations Section 1.150-2(f)(1).

certificate, an internal memorandum that documents conversations on project completion or other similar document.

Procedures Related to Accounting for Proceeds

The State has formalized procedures for the review and approval of all pending expenditures, prior to disbursement. Those procedures, while instituted for other internal control purposes, assure that all payments are proper prior to disbursement. Depending on the type of expenditure (capital or other), procurement and expenditure approvals shall rest with F&A. For expenditures made by community colleges and LGIs under TBR, TBR exercises an independent review of the invoices and then submits them to SGF for payment to the vendor. For expenditures made by campuses under the UT system, UT exercises an independent review and payment and then submits a package of documentation with a request for reimbursement to SGF. A summary diagram of the flow of review/approval for the State, TSSBA and TLDA is included in Section V. A summary of form and report names (not intended to be a complete listing) and acronyms is included in Appendix D.

The Issuers shall institute the following procedures to account for the expenditure and investment earnings related to the proceeds of tax-advantaged obligations.

- While the Issuers commingle funds, SGF shall track earnings and expenditures in subaccounts that reflect separate funds for each series of tax-advantaged obligations. If monies are held by a trustee, separate funds shall be created. These funds or subaccounts include, but are not limited to, the following:
 - The Construction Fund or Project Fund
 - The Capitalized Interest Fund
 - The Sinking Fund
 - The Costs of Issuance Fund
 - The Debt Service Reserve Fund (if required)
 - The Rebate Fund (if required)
 - The Escrow Fund (for refunding bond issues)
- The Issuers shall apply a reasonable accounting method, as described in, and permitted by federal regulations Section 1.148-6(d)(1), to account for the allocation of proceeds to permitted expenditures. Permitted methods may include a specific tracing method, a gross proceeds spent first method, a first-in, first-out method, or a ratable allocation method.
- If the purpose of a tax-advantaged obligation is to finance **working capital expenditures** (the Tennessee Constitution prohibits debt to be issued to finance an operating expense unless that debt is repaid within the fiscal year of issuance), the Issuers shall allocate the proceeds of the obligation based on a proceeds-spent-last method. In particular, proceeds shall only be allocated to working capital expenditures to the extent such **working capital expenditures** exceed **available amounts**.⁷ The

⁷ See federal regulations Section 1.148-6(d)(3)(i).

payment approval and processing process assures that expenditures are capital in nature.

- In accordance with federal regulations Section 1.148-6(d)(1)(iii), the Issuers shall account for the allocation of proceeds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the project financed by a tax-advantaged obligation is **placed in service**. This “Final Allocation” should clearly reflect the portions of the project which were financed with tax-advantaged bond proceeds and which were not. To the extent expenditure allocations do not occur within this time frame, expenditure allocations shall be made no later than five (5) years after the issue date of the tax-advantaged obligation.
- The Issuers shall allocate interest earnings on at least a monthly basis to each fund based on a reasonable ratable allocation method (currently the SGF uses the average daily balance). It is further noted that TSSBA allocates interest on a monthly basis, but the credit for income is provided on the semiannual debt service billing. Pursuant to federal regulations Section 1.148-6(e)(2)(ii), reasonable ratable allocation methods include:
 - The average daily balances of the amounts in each fund in relation to the total average daily balances in all funds or,
 - The average of the beginning and ending balances for each fund in relation to the beginning and ending balances for all funds.

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Procedures Related to the Investment of Proceeds

Each Issuer shall ensure that all investments are compliant with its investment policy and are permitted investments for the State, TSSBA, or TLDA, pursuant to applicable State of Tennessee statutes and investment policy. To the extent that an Issuer is responsible for the procurement or disposition of investments allocable to tax-advantaged obligation proceeds, it shall acquire and sell all investments at fair market value (e.g., a bona fide, arm's-length transaction) as follows:⁸

- For investments that are traded on an established secondary market (e.g., U.S. Treasury securities, federal agency securities, etc.), an Issuer shall solicit multiple offers for the purchase or sale of such investments. To the extent multiple offers are not available, an Issuer shall record prices of comparable securities at the time of the trade.
- For the acquisition of an investment on its issue date (such as a new issue federal agency security), an Issuer shall document the purchase price, trade date, and the issue date of the investment.
- For certificates of deposit that do not trade on a secondary market, an Issuer shall confirm that the yield on the certificate of deposit is reasonably comparable to the yield offered by a U.S. Treasury security with a similar maturity date, and the yield on the certificate of deposit is the same or higher than the yield available to the public for the same or a similar certificate of deposit.
- An Issuer shall procure **guaranteed investment contracts** and yield restricted defeasance escrows in accordance with the safe harbor bidding procedures described in federal regulations Section 1.148-5(d)(6)(iii), including:
 - An Issuer shall make a bona fide bid solicitation that includes bid specifications in writing;
 - The bid specifications shall include all material terms of the bid;
 - The bid specifications shall indicate that submission of a bid by a provider is a representation by the provider that it did not consult with other potential providers, that the bid was determined without regard to any other formal or informal arrangement with a potential provider, and that the bid is a bona fide bid (e.g., not a “courtesy” bid);
 - The terms of the bid are commercially reasonable;
 - For guaranteed investment contracts, the bid takes into account the expected draw schedule;
 - All potential bidders have an equal opportunity to bid and no “last look” is provided to any potential bidder;
 - At least three (3) reasonably competitive bidders are requested to bid;
 - The bids received include at least three(3) bids from bidders that did not have a material financial interest in the issue (e.g., the lead underwriter within 15 days of the issue date, or the financial advisor). If an Issuer is unable to obtain three (3) competitive bids, then the Issuer shall document why three (3) bids

⁸ See federal regulations Section 1.148-5(d)(6).

- could not be obtained (e.g., three (3) bidders did not meet minimum credit rating requirements);
 - At least one (1) of the bids received is from a reasonably competitive provider;
 - If an agent (a broker) is used to conduct the bidding process, the agent did not bid; and
 - For guaranteed investment contracts, the winning bid is the highest yielding bona fide bid (net of broker's fees).
- The Issuers shall undertake the following additional procedures to determine the winning bid for investments in a yield restricted defeasance escrow:
 - The winning bid is the lowest cost bona fide bid (net of broker's fees). The lowest bona fide bid shall be determined based on the lowest cost of the entire portfolio, or if bids are compared on an investment-by-investment basis, the aggregate of the lowest cost of each investment.
 - The winning bid is not greater than the cost of the most efficient portfolio comprised exclusively of **State and Local Government Series** (U.S. Treasury "SLGS") securities program as determined at the time the bids are required to be submitted.
- The Issuers shall request that bond counsel review the bid specifications associated with the procurement of a guaranteed investment contract or a yield restricted defeasance escrow and request that bond counsel confirm that such bid specifications and bid award conform to the requirements set forth in federal regulations Section 1.148-5(d)(6)(iii).
- If an Issuer engages an Agent to assist with the bidding process, the Issuer shall require the Agent to provide a certification upon conclusion of the bidding process that the process conformed to the requirements set forth in federal regulations Section 1.148-5(6)(iii), including the award of the bid. If no Agent is engaged to assist with this process, the Issuer shall request that bond counsel draft such certification and an authorized representative of the Issuer shall execute the certification document.
- If an Issuer engages an Agent to assist with the bidding process, the Issuer shall ask bond counsel to determine if the Agent's fee, or portion of the Agent's fee, may be treated as a qualified administrative cost pursuant to federal regulations Section 1.148-5(e)(2)(iii).
- The Issuers shall maintain records of all investment purchases and sales, bid specifications, related term sheets, bids, bidders, investment contracts, administrative costs paid, and any other material information related to the purchase and sale of investments allocable to tax-advantaged obligation proceeds.⁹

⁹ See federal regulations Section 1.148-5(d)(6)(iii)(E).

B. Qualified Guarantees

Procedures Related to Qualified Guarantees

The Issuers shall undertake the following procedures with respect to qualified guarantees:

- Prior to entering into the guarantee agreement, confirm with the lead underwriter and/or the lead financial advisor that the present value of the fees for the guarantee are reasonably expected to be less than the present value of the expected interest savings on the issue as a result of the guarantee.
- Confirm with the lead underwriter and/or the lead financial advisor that the guarantee arrangement creates a guarantee in substance as described in federal regulations Section 1.148-4(f)(3) and that not more than 10% of the proceeds of the tax-advantaged obligation are used to pay for the guarantee.
- Confirm with the lead underwriter and/or the lead financial advisor that the guarantee was acquired at fair market value.
- Confirm with bond counsel that all of the above requirements have been satisfied and that the Issuers may treat the guarantee as a qualified guarantee in the calculation of the arbitrage yield for the tax-advantaged obligation.
- Maintain copies of all qualified guarantees and all fees paid in connection with the procurement and the continuance of all qualified guarantee arrangements.

C. Qualified Hedging Arrangements

Procedures Related to Qualified Hedges

To the extent that an Issuer intends to treat a hedging arrangement as a qualified hedge, it shall undertake the following procedures:

- Confirm with the lead underwriter and/or the lead financial advisor and bond counsel that the hedge satisfies the requirements set forth in federal regulations Section 1.148-4(h) and therefore, may be treated as a qualified hedge.
- Execute an identification certificate, to be drafted by bond counsel, no later than 15 days after the date that the Issuer and the provider enter into the hedging arrangement (the trade date). The identification certificate must comply with federal regulations Section 1.148-(h)(2)(viii).
- Maintain copies of all qualified hedging arrangements, record of any modification to such hedging arrangements (including changes in the terms of the arrangement and corresponding termination payments or receipts), and all payments and receipts related to such qualified hedging arrangements (e.g., interest rate swap cash flows).

D. Arbitrage Rebate & Yield Restriction Compliance

The Issuers shall undertake the following procedures to comply with the requirements set forth in Section 148 of the Code and the related federal regulations:

General Arbitrage Rebate Compliance Procedures

- Identify and maintain a list of all outstanding tax-exempt obligations. Review the tax certificate, IRS Form 8038-G, verification reports, official statement, and other appropriate bond documents to determine bond-year anniversary dates, 5-year calculation dates, and final maturity dates.
- Review, not less than annually, the list of all outstanding tax-advantaged obligations to determine the obligations in need of arbitrage rebate and yield restriction liability calculations.
- Identify any exceptions to arbitrage rebate that may apply to each tax-advantaged obligation. The tax certificate delivered by bond counsel shall identify the available exceptions. SGF and/or a contracted arbitrage rebate consultant shall determine the exceptions that were met based on the actual facts.
- Either designate staff to prepare or engage an arbitrage rebate compliance consultant to prepare arbitrage rebate, yield restriction liability, penalty-in-lieu of rebate and exception compliance reports for the tax-advantaged obligations in need of such analysis.
- Inform the arbitrage rebate consultant that a tax-advantaged obligation has been refunded and discharged no later than 15 days after the final redemption date of the obligation and instruct the arbitrage rebate consultant to prepare a final calculation with respect to the refunded obligation.
- Provide the arbitrage rebate compliance consultant with information (e.g., bond documents and financial data) needed to perform arbitrage rebate and yield restriction liability calculations, penalty-in-lieu of rebate and exception compliance analysis.
- If a tax-advantaged obligation has accrued an arbitrage rebate or yield restriction liability and an exception does not apply, fund the Rebate Fund with respect to the tax-exempt obligation in the amount of the liability.
- Monitor debt service payment accounts to ensure that the balances of such accounts are depleted at least annually to an amount that is less than one-twelfth ($1/12^{\text{th}}$) of the previous year's debt service payments with respect to the applicable tax-exempt obligations.

Procedures Related to Spending Exceptions to Rebate

The Issuers shall undertake the following procedures with respect to monitoring compliance of each tax-advantaged obligation with a spending exception to arbitrage rebate.

- Monitor the compliance of each “new money” tax-advantaged obligation with the requirements of the spending exceptions to arbitrage rebate by comparing the cumulative approved expenditures allocated to the proceeds of the obligation to the spending exception requirements.
 - Not less than on an annual basis, prepare an analysis for each tax-advantaged obligation that indicates compliance with the 6-month spending exception, the 18-month spending exception, or the 2-year spending exception.
- If an Issuer intends to use facts to determine compliance with the 2-year spending exception for a tax-advantaged obligation, it shall instruct bond counsel to include such election in the tax certificate for that tax-advantaged obligation.
- If an Issuer intends to bifurcate the new money proceeds of a tax-advantaged obligation for purposes of complying with the spending exceptions, it shall instruct bond counsel to include such election in the tax certificate for that tax-advantaged obligation.
- If an Issuer intends to treat unspent proceeds as of the end of the final spending period as reasonable retainage, it shall confirm with bond counsel that such unspent proceeds may be treated in this manner.
- Prior to the issue date of a tax-advantaged obligation with a reasonably required reserve or replacement fund and with proceeds that are eligible for the 2-year spending exception, an Issuer shall determine whether or not to elect to treat the earnings from such fund as “available construction proceeds”.

Procedures Related to Yield Restriction Compliance

- The Issuers shall consult with bond counsel to determine if yield restricted proceeds are eligible for yield reduction payments.
- If yield reduction payments are permitted, an Issuer shall fund the Rebate Fund in the amount of the yield restriction liability until a yield reduction payment is due.
- If yield reduction payments are not permitted, an Issuer shall monitor the yield of the investments allocable to the applicable yield restricted proceeds to comply with the yield restriction requirements. For yield restricted advance refunding escrows (including escrows funded with cash), an Issuer shall:
 - Engage a Verification Agent to verify that the blended yield of the investments allocable to the escrow is expected to be below the applicable restricted yield.
 - If the escrow portfolio includes the reinvestment of proceeds in SLGS, require the Escrow Agent to timely reinvest such amounts in SLGS. If the “SLGS window” (i.e., SLGS are not available) is closed, an Issuer shall require the

Escrow Agent to follow the alternative procedures set forth in Revenue Procedure 95-47 (or any superseding Revenue Procedure or other authoritative pronouncement) to achieve this objective.

Procedures Related to Making Payments

- If an arbitrage rebate and/or yield reduction payment is due, an Issuer shall file a completed and fully executed IRS Form 8038-T no later than 60 days after the applicable computation date.
- If a penalty-in-lieu of rebate payment is due with respect to a tax-advantaged obligation, an Issuer shall file a completed and fully executed IRS Form 8038-T no later than 90 days after the applicable computation date.
- If an arbitrage rebate payment, yield reduction payment, or penalty-in-lieu of rebate payment is not filed timely, an Issuer shall follow the procedures set forth in federal regulations Section 1.148-3(h) and Revenue Procedure 2005-40 with respect to making late payments. Such procedures include submitting an explanation with the payment that describes the nature of the late filing, paying any accrued interest on the liability, and paying any additional penalty amounts related to the late filing.

Procedures Related to Refund Requests

- An Issuer shall confirm with its arbitrage rebate consultant that a tax-advantaged obligation is eligible for a refund of a prior arbitrage rebate, yield reduction, or penalty-in-lieu of rebate payment.
- An Issuer shall follow the procedures set forth in federal regulations Section 1.148-3(i) and Revenue Procedure 2008-37 to request a refund with respect to a prior arbitrage rebate, yield reduction, or penalty-in-lieu of rebate payment. Such procedures include submitting an IRS Form 8038-R, a copy of the previously submitted IRS Form 8038-T, and a copy of any calculations that support the refund request and that relate to the prior payment.

Procedures Related to Tax-Advantaged Commercial Paper and Revolving Lines of Credit

Pursuant to federal regulations Section 1.150-1(c)(4)(ii), an Issuer may treat each tax-exempt “new money” commercial paper issue and any “roll” and subsequent roll of the amount equal to or less than the original tax-exempt new money issue as a single issue for federal tax law purposes. The applicable regulations afford issuers the option of treating all new draws made during the 18 month period commencing on the date of the first draw as a single issue. Issuers may treat draws made during a shorter period as a single issue. The State currently reports its new money General Obligation (“GO”) Commercial Paper (“CP”) issuances every calendar quarter to the IRS, with each draw or issuance reported as a single issue for tax purposes.

- If an Issuer utilizes an outside arbitrage rebate consultant, the Issuer shall provide the arbitrage rebate consultant with data on all new money commercial paper issues and revolving line of credit draws, the roll or carryforward of such issues, and the interest rates of such issues.

E. Private Business Use

Procedures to Monitor Compliance with Private Business Use

The Issuers shall undertake the following procedures to monitor compliance with the private business use requirements:

- As required by Tennessee statutes, UT, TBR (including the six (6) LGIs), and DGS (the “Project Managers”), shall immediately report any changes in use, including new or revised agreements or disposals, of a tax-advantaged financed asset to SGF. Annually, as of the end of each fiscal year, each Issuer shall obtain a copy of Physical Facility Inventory (PFI) and a certification, executed by the Project Managers, that documents any change in use to projects financed with tax-advantaged obligations for all bond programs. The Issuer shall consult with bond counsel to determine if any changes in use should be factored into the **Good Use/Bad Use (“GUBU”) Report** for each issue.
- Before entering into any lease arrangements, management or service agreements, research agreements, or any other legal arrangements with respect to the use of a tax-advantaged financed asset, an Issuer shall request a review by bond counsel of such agreement to determine how the agreement shall impact the private business use compliance of the debt issue that financed the applicable tax-advantaged financed asset.
- Before entering into any agreement to dispose of a tax-advantaged financed asset, an Issuer shall request a review by bond counsel of such agreement to determine how the agreement shall impact the private business use compliance of the debt issue that financed the applicable tax-advantaged financed asset and if a remedial action would be required if the sale occurs.
- On an annual basis, each Issuer shall estimate the amount of private business use for each debt issue, both for the 5% test and the 10% test. On an ongoing basis, the **Good Use/Bad Use Report** for each issue is updated for any changes. Each report shall be summarized annually, and if the estimated amount of private business use exceeds the limits for a debt issue, the Issuers shall work with bond counsel to determine if the obligations are not in compliance with the private business use limitations and if any remedial action is required.
- If an Issuer intends to sell, destroy, or demolish a tax-advantaged financed asset, the Issuer shall work with bond counsel to determine if a remedial action shall be required. If a remedial action is required, the Issuer shall work with bond counsel, and other appropriate professionals to undertake the remedial action within the required time frames set forth in the federal income tax regulations.
- If bond counsel determines that a remedial action shall not result in compliance with the private business use requirements, each Issuer shall work with bond counsel to pursue a voluntary closing agreement with the IRS to correct the infraction.

F. Records Retention

Procedures Related to Records Retention

When project records are created, the appropriate Record Disposition Authorization (“RDA”) is identified. The RDAs for like records are assigned specific retention periods and destruction methods. SGF retains hard copies of bond transcripts in the office and electronic copies of all related records for the life of the debt, plus the life of any subsequent refunding issue, plus three (3) years, and then forwards original transcripts to the State Library and Archives for historical value and consideration. For instance, historically SGF retains bond issue documents within its control for 36 years. F&A retains its records for 31 years. The applicable RDA (RDA number 11114) at the time this document was adopted included the following provisions:

- Retained in the form of both paper and electronic documents
- Bond transcripts
- Accounting records with supporting documentation
- Any other records related to the issuance of State debt and debt of other state programs.

For tax purposes, retention should include all material records for the life of the applicable tax-advantaged obligation plus three (3) additional years after such tax-exempt obligation matures. If a tax-advantaged obligation is refunded, the Issuers shall maintain all material records for the later of the life of the original issue or the refunding issue, plus three (3) additional years after the final maturity date. When the Issuers refund an issue, the debt may not be extended beyond the maturity of the original issuance. However, if a new money issue is included with the refunding, the maximum life of the new obligations may exceed the refunded bonds. Most State debt has a maximum maturity of 20 years, while TLDA and TSSBA can have a maximum maturity of 30 years. The RDAs have a long set date in order to attempt to capture the maximum required retention period.

The Issuers shall undertake the following procedures to comply with the records retention requirements set forth in the federal tax law.

- To the extent possible and practicable, maintain all records in electronic format. All paper records subject to these requirements shall be segregated from other Issuers records and shall be clearly marked to ensure compliance with the required retention period.

G. Procedures Related to the ARRA

The ARRA of 2009 authorized the issuance of Build America Bonds (“BABs”) and certain other qualified tax credit bonds including Qualified Zone Academy Bonds (“QZABs”) and Qualified School Construction Bonds (“QSCBs”) (collectively referred to as “TCBs”) to

finance governmental projects. The Issuers shall undertake the following PIC procedures with respect to BABs (which the State did not issue) and TCBs:

- File all IRS Form 8038-CPs within the time limits required to receive the federal subsidy payment with respect to the TCBs.
- Follow the procedures established herein to comply with the arbitrage rebate and yield restriction requirements set forth in Section 148 of the Code and the related federal regulations.
- Confirm that 100% of TCBs proceeds are allocated to capital expenditures for the governmental purpose of the Bonds.
- Follow the procedures established herein to comply with the private business use requirements.
- Follow all other applicable procedures herein to achieve compliance with applicable federal tax laws and disclosure requirements. This would include the proper funding of the sinking fund that is established in connection with QSCBs.

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Section IV. Continuing Disclosure

Procedures Related to Continuing Disclosure

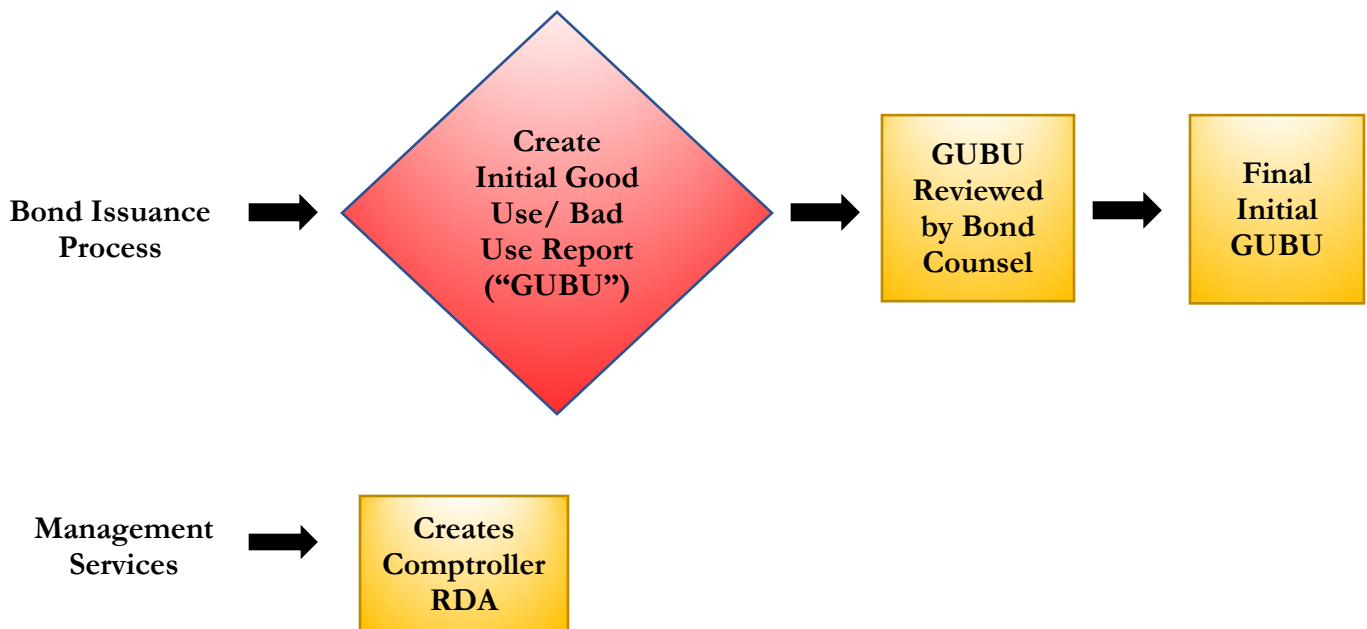
- Issuers shall maintain a tickler of issues subject to continuing disclosure and required filing dates for routine disclosures.
- When a new obligation is issued that has a continuing disclosure agreement, on or before closing confirm that the disclosures are consistent with the prior reporting, or if different that the common continuing disclosure report is expanded to meet the disclosure requirements of all covered issues.
- For new obligations, review that all CUSIPS are captured on EMMA.
- File all required financial-based disclosures on EMMA no later than the filing date set forth in the official statement and, if applicable, disclosure agreement with respect to the obligation. Required financial-based disclosures include audited financial statements and any additional information that was included in each obligation's offering document.
- File any additional financial-based disclosures identified in official statements and disclosure agreements by the filing due dates.
- File any mandatory event-based disclosures on EMMA no later than 10 business days after the occurrence of the event. Prior to filing, the Issuers shall consult with bond or disclosure counsel to determine if the event is considered a material event under Rule 15c2-12.
- File any non-mandatory financial-based disclosures and non-mandatory event-based disclosures on EMMA within a reasonable time period on the advice of bond or disclosure counsel and at the Issuers' discretion.
- If any required filings shall be late, on or before the due date shall post a disclosure on the failure to file timely.
- Issuers shall no later than the filing due date on EMMA, check the EMMA site for any outstanding issues and confirm all required filings posted. Issuers shall also confirm that there are no postings made in error by other organizations on their sites.

Document retention: all final versions of the annual disclosure and any EMMA filings shall be retained for a period not less than 10 years from the later of the filing due date or actual filing date.

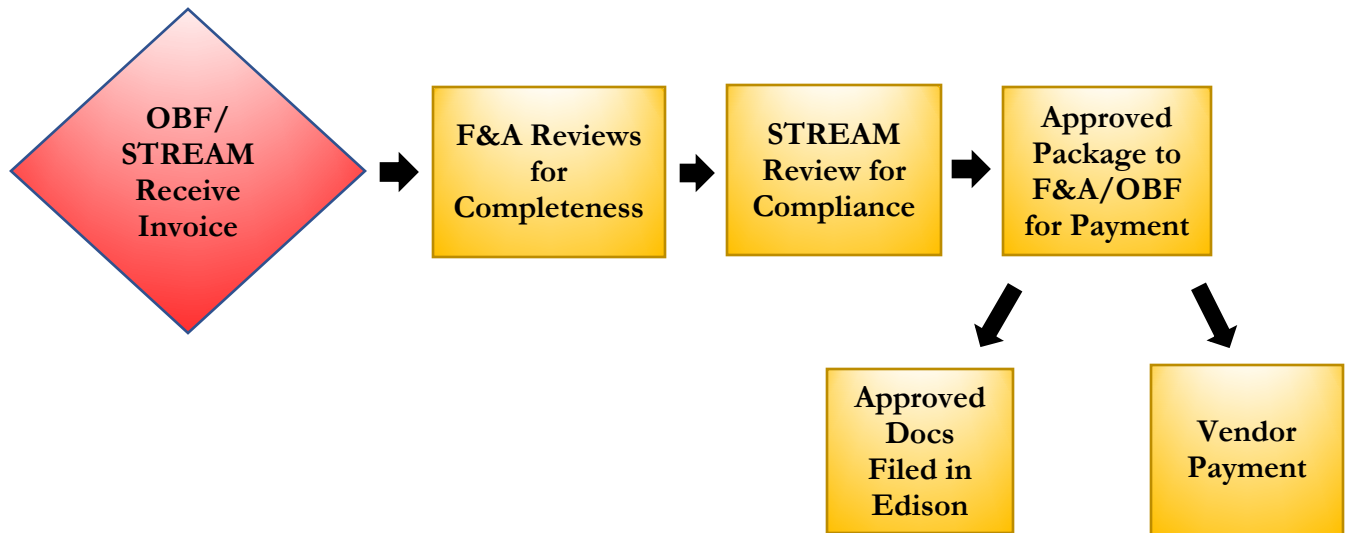
Section V. Summary of Processes that also Serve Post-Issuance Compliance

Many of the policies, procedures and internal controls employed by the State and its agencies to safeguard state funds and facilities also serve a purpose for post-issuance tax compliance. Expenditures must be appropriate, capitalizable, related to the project, and verified as to proper payment amounts before payment is made. Supporting materials are filed electronically within Edison. Additional controls that focus on the use of state property also are relevant for the change in use process. For this purpose, the following pages summarize, at a high level, the process flow that is integrated with the needed post-issuance controls.

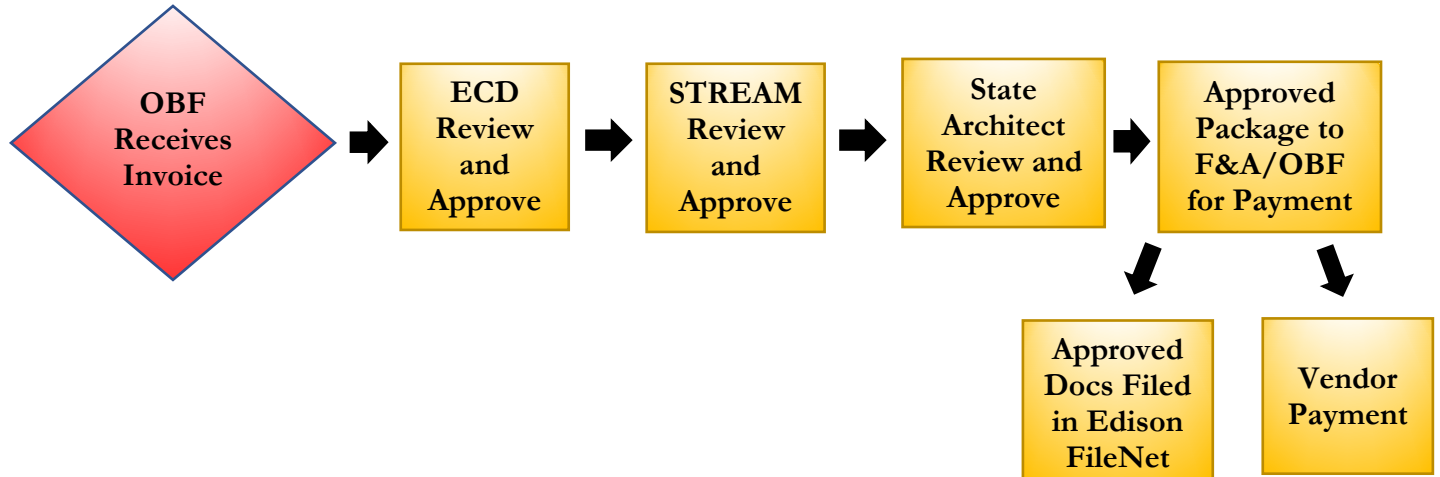
Post-Issuance Compliance Starts in the Issuance Process



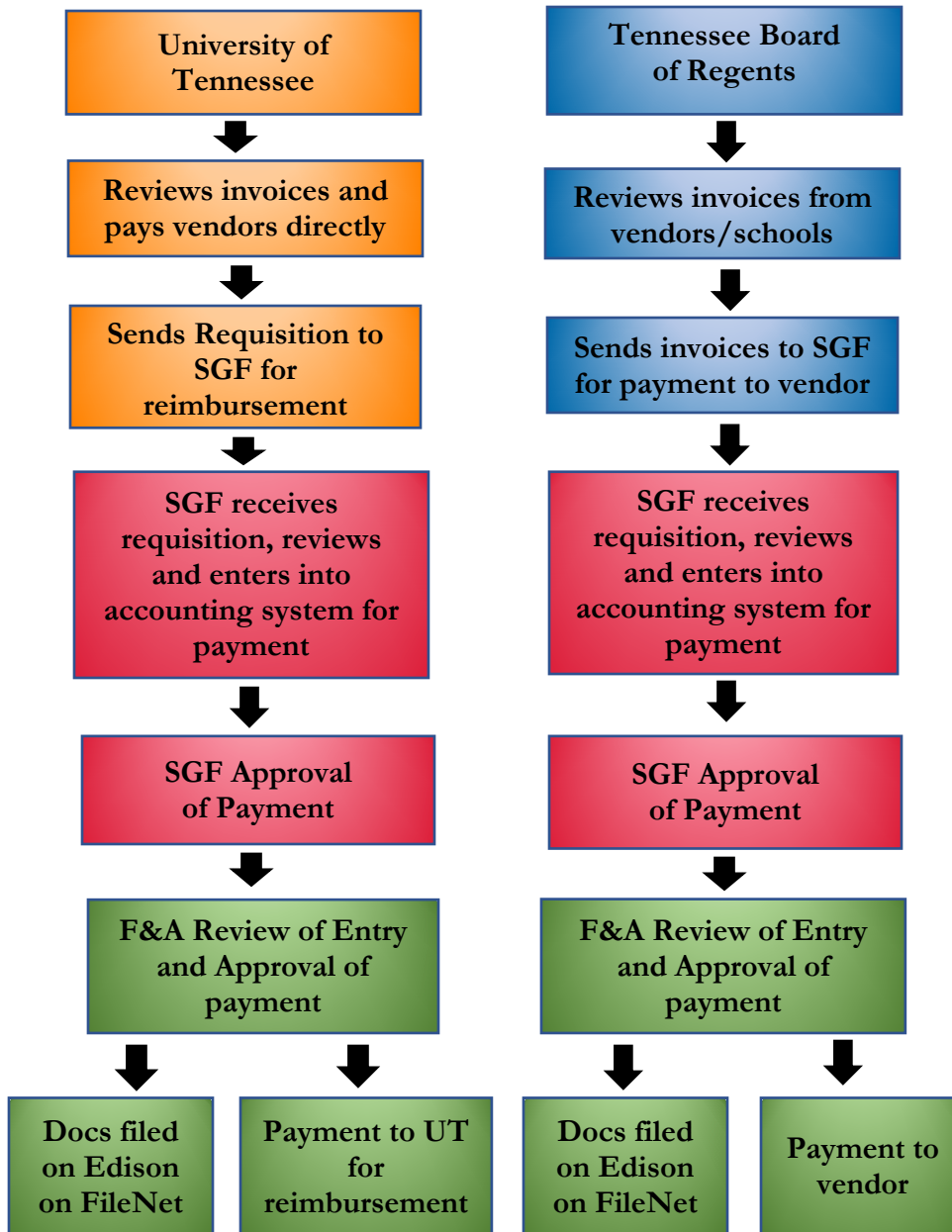
Payments for Project Expenditures: State (GO) Capital Projects



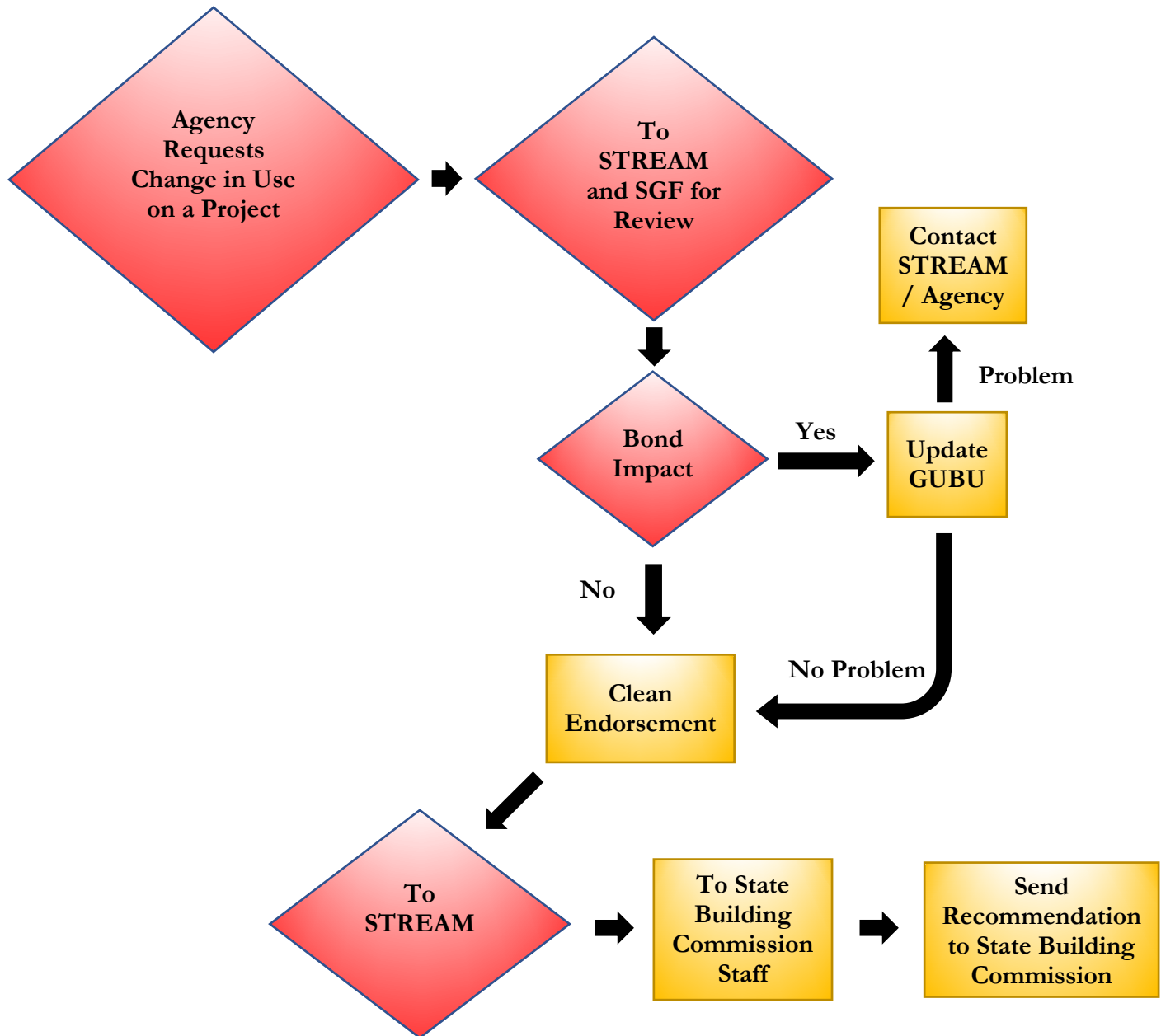
Payments for Capital Grants: State (GO) Capital Projects



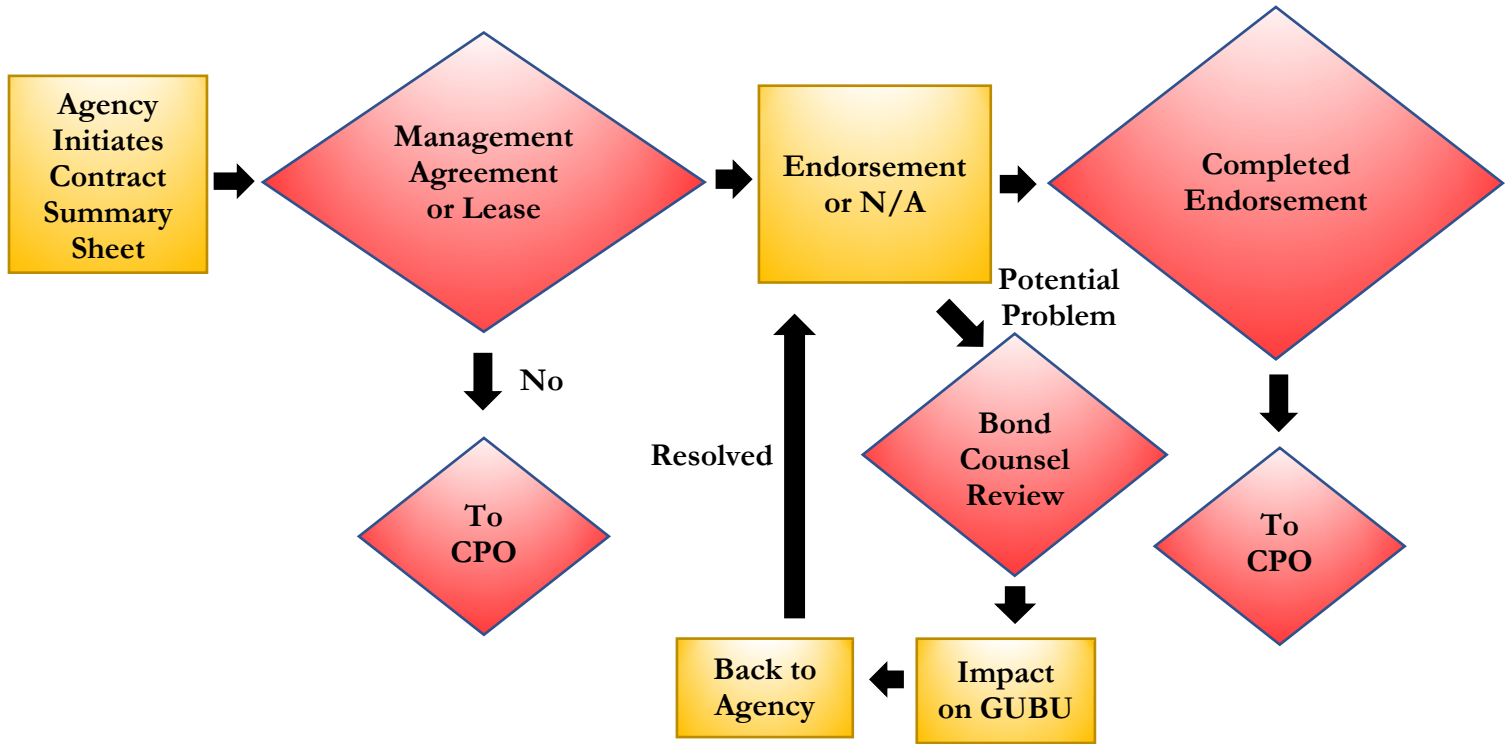
Payments for Project Expenditures: TSSBA



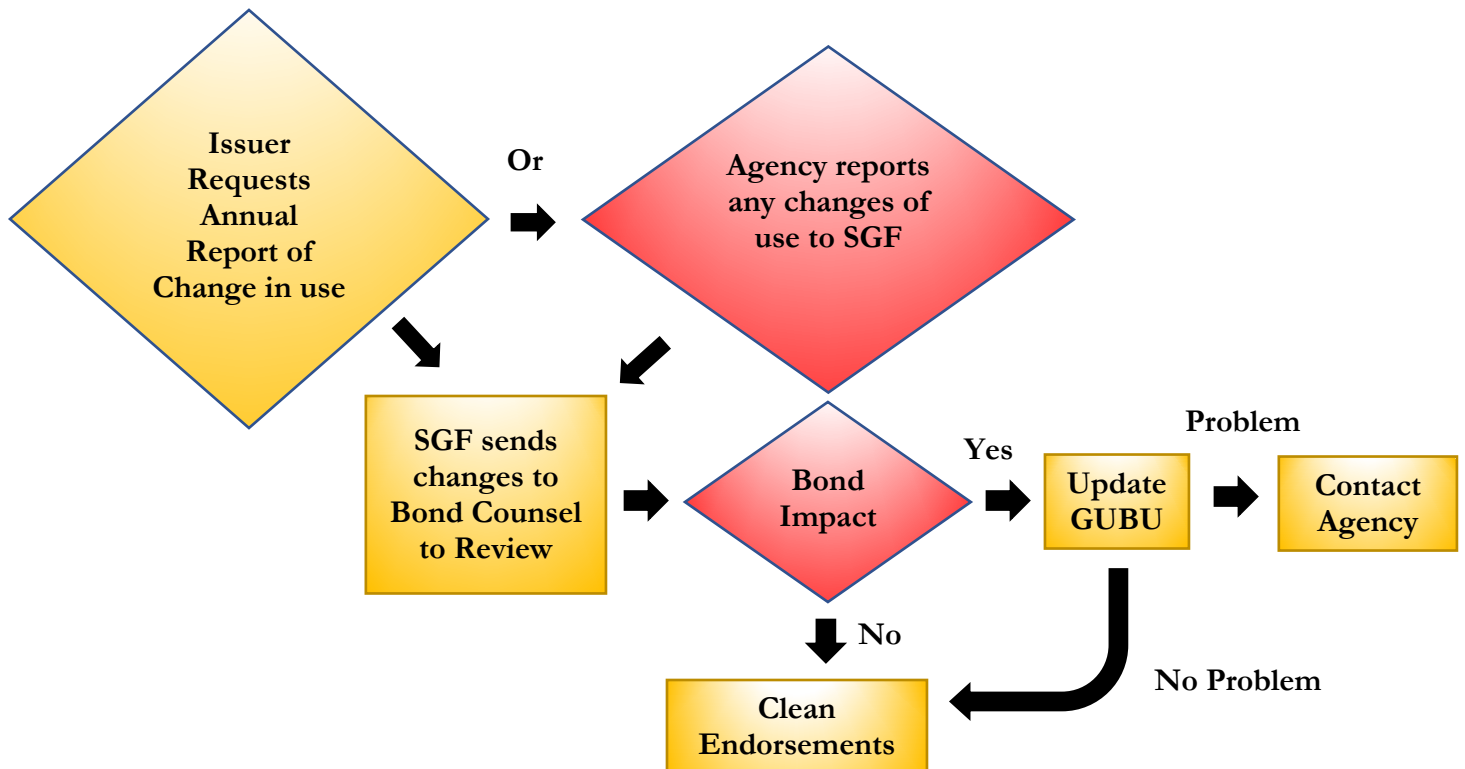
Changes in Use to a Facility Financed with Tax-Advantaged Bonds



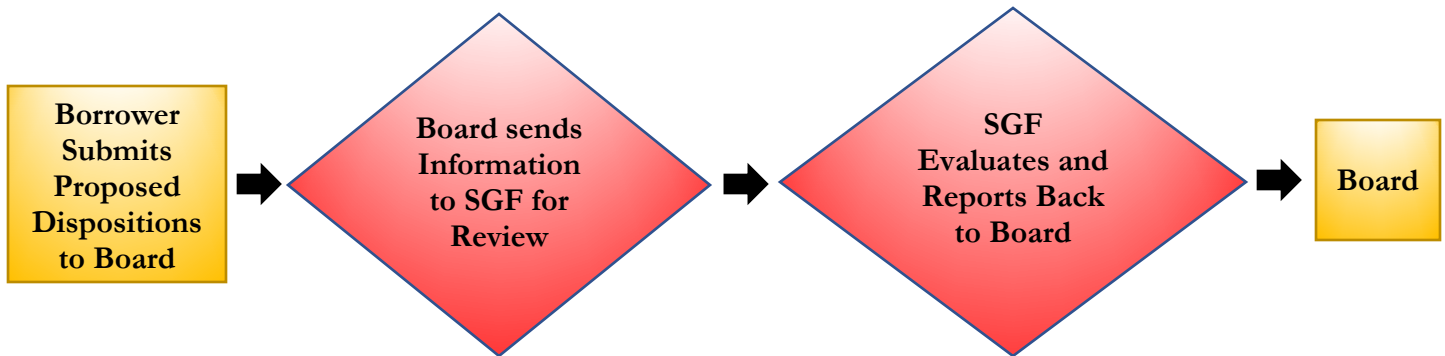
Contracts and Management Agreements



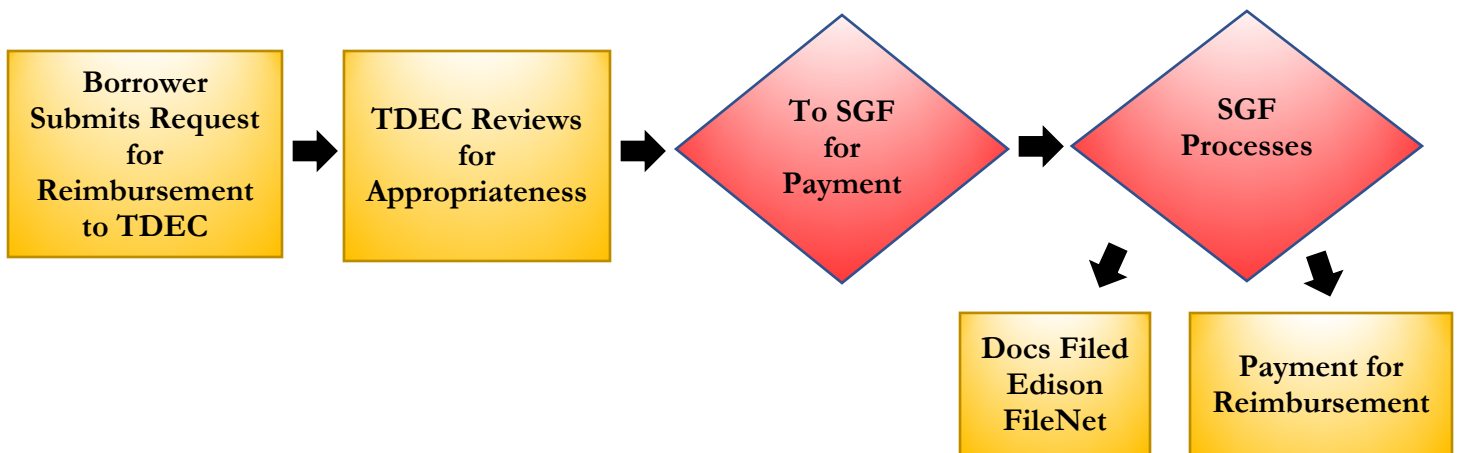
Evaluation of Changes in Use to a Facility Financed with Tax-Advantaged Bonds



TLDA



Payments: TLDA



Appendices

Appendix A: Background Information

Background - Use of Proceeds, Accounting for Proceeds, Investment of Proceeds

Gross Proceeds – Gross proceeds of a bond issue include proceeds and replacement proceeds.

Table 1: Components of Gross Proceeds	
Proceeds	Include sale proceeds, investment proceeds, and transferred proceeds
Sale proceeds	Amounts the issuer receives from the sale of the bond issue, including amounts used to pay underwriters' discount and certain accrued interest on the bonds.
Investment proceeds	Amounts received from investing proceeds of an issue. For example, if the issuer invests sale proceeds and earns interest, that interest is considered investment proceeds.
Transferred proceeds	May result when an issuer issues tax-exempt bonds (the refunding bonds) to refund an outstanding issue of tax-exempt bonds (the refunded bonds). Unspent proceeds of the refunded bonds may transfer to and become proceeds of the refunding bonds and are no longer considered proceeds of the refunded bonds.
Replacement proceeds	Monies that would have been used to finance the project if the bonds had not been issued. Replacement proceeds may also include amounts expected to pay debt service on the bonds, including sinking funds (such as a debt service fund, redemption fund, reserve fund or a replacement fund) and pledged funds (generally meaning any amount pledged to pay principal of or interest on the bonds).

Expenditure of Gross Proceeds – Within the limitations and permitted uses established by the Code and the related federal regulations, the gross proceeds of a tax-exempt obligation may be used to finance capital expenditures, working capital expenditures, or to refinance existing tax-exempt debt (i.e., refund debt). Gross proceeds are allocable to a tax-exempt obligation until such gross proceeds are allocated to expenditures for their intended purpose. Gross proceeds are typically invested until they are allocated to expenditures. The investments allocable to gross proceeds are referred to as non-purpose investments because the investment(s) is not the purpose of the financing. The receipts from such investments (e.g., investment earnings and return of principal) are referred to as non-purpose receipts.

Table 2: Expenditures of Gross Proceeds	
Expenditure	A current outlay of cash that is reasonably expected to occur not later than 5 banking days after the date of the expenditure allocation.
Capital Expenditure	Expenditures for costs incurred to acquire, construct, or improve land, buildings, and equipment.
Construction Expenditure	Capital expenditures allocable to costs incurred for construction or improvement (renovation) type projects, but not acquisition of land or other real property (such as equipment).

Preliminary Expenditure	Expenditures incurred prior to commencement of the project, including architectural, engineering, surveying, soil testing, and similar costs.
Working Capital Expenditure	Expenditures for operating or administrative expenses, such as non-capital accounts payable and payroll. Working capital expenditures include payments for debt service (excluding capitalized interest).

Background - Qualified Guarantees

Qualified guarantees are agreements between an issuer and/or a borrower and a provider under which the provider agrees to provide credit support or liquidity support in exchange for a fee. Examples of qualified guarantees include bond insurance, surety policies (which are often used to fund debt service reserve fund requirements), stand-by bond purchase agreements (also referred to as “liquidity facilities”), and letters of credit. The fees paid in connection with qualified guarantees typically may be included in the calculation of the arbitrage yield of a tax-exempt obligation.

Background - Qualified Hedges

A hedging arrangement is intended to enable an issuer to mitigate the interest rate risk that is associated with a current or future tax-exempt financing. Examples of hedging arrangements include interest rate swaps, forward rate locks, and interest rate caps. A qualified hedge is a hedging arrangement that is taken into account when calculating the arbitrage yield with respect to the tax-exempt obligation.

Background - Arbitrage Rebate & Yield Restriction Compliance

Section 148 of the Code and the related federal regulations require issuers of tax-exempt bonds to comply with the arbitrage rebate and yield restriction requirements. Primary objectives of the Code include:

- Limiting the use of tax-exempt bonds to authorized purposes,
- Limiting the duration of the financing to a term that is generally not longer than the expected life of the asset(s) or purpose(s) of the financing, and
- Preventing the issuance of tax-exempt bonds exclusively for the purpose of reinvesting the bond proceeds in higher yield investments (i.e., arbitrage).

Non-compliance may cause the bonds to be treated as “arbitrage bonds” and consequently, to lose their tax-exempt status.

In addition, the Code and the regulations create financial disincentives to prevent abuses; specifically arbitrage rebate and yield restriction. Arbitrage rebate and yield restriction are similar in their objective; they are both designed to limit the return an issuer may keep from the investment of tax-exempt bond proceeds. However, these dual, overlapping requirements are also different in several ways. A brief description of the arbitrage rebate and yield restriction requirements, as well as exceptions to arbitrage rebate and yield restriction, are provided below.

Arbitrage Rebate – The gross proceeds of a tax-exempt bond issue that are invested in taxable non-purpose investments (i.e., U.S. Treasury securities, money market mutual funds, corporate bonds, GICs, and certain tax-exempt AMT bonds, etc.) are subject to arbitrage rebate unless an exception to arbitrage rebate applies.

- Arbitrage rebate is the difference between the actual investment earnings and the earnings that the issuer would have received if the gross proceeds of the bonds were invested at the arbitrage yield.

(Arbitrage Rebate Liability equals Actual Investment Earnings less the Investment Earnings at the arbitrage yield)

Payment of Arbitrage Rebate – An issuer is required to determine no less than five (5) years after the issue date, every five (5) years thereafter, and as of the final maturity date (including the call date if the bonds are refunded and discharged) if an arbitrage rebate liability has accrued. If a liability has accrued, the issuer is required to pay at least 90% of the liability within 60 days of the computation date (100% if the computation date is the final maturity date). **If no liability has accrued, then no payment is due, and the issuer is not required to file any documentation with the Internal Revenue Service.**

Yield Restriction – Federal tax law generally does not allow an issuer to invest the gross proceeds of a bond issue at an average investment rate that is “materially higher”¹⁰ than the arbitrage yield. However, gross proceeds are permitted to be invested above a materially higher yield during a temporary period.

- A temporary period is an exemption from the yield restriction requirements, but it is **not an exception to the arbitrage rebate requirements**.¹¹

Temporary Periods and Yield Restriction – Temporary periods vary depending on the intended use of the proceeds (See Table 3 below). For example, the typical temporary period for new money proceeds is three (3) years, starting on the issue date. An issuer is permitted to invest the new money proceeds at an unrestricted rate during the first three (3) years after the issue date, without violating the yield restriction requirements.

Table 3: Temporary Periods for Certain Funds	
Bond Proceeds Fund	Temporary Period / Unrestricted Investment Period
Project Fund	3 years beginning on the issue date. 5 years beginning on the issue date with certification from architect or engineer
Interest and Sinking Fund	13 months if treated as a bona fide debt service fund. 30 days if not treated as a bona fide debt service fund
Costs of Issuance Fund	3 years for new money bonds. 13 months for refunding bonds.
Debt Service Reserve Fund	Reasonably required debt service reserve funds are unrestricted. If overfunded, the excess debt service reserve fund portion is subject to yield restriction
Escrow Fund	Advance refunding escrow – 30 days; current refunding escrow – 90 days

At the expiration of the temporary period, any unspent bond proceeds become subject to the yield restriction requirements. To comply with this requirement, an issuer is required to either restrict the investment yield so that it is no higher than a materially higher yield or make “yield reduction payments” as permitted. Yield reduction payments are essentially arbitrage rebate payments, only they are made to comply with yield restriction. These payments are made at the same time and in the same manner as arbitrage rebate payments.

Yield Restriction Requirement of Certain Gross Proceeds – In certain circumstances, the investments allocable to Gross Proceeds of a tax-exempt obligation are required to be yield

¹⁰ A “materially higher” yield is the yield to which the gross proceeds of a bond issue are subject to yield restriction. The definition of materially higher differs depending on the purpose and use of the proceeds. For example, for construction funds that qualify for a 3-year or 5-year temporary period, materially higher means the arbitrage yield + 0.125%. For refunding escrows and “replacement proceeds,” materially higher means the arbitrage yield + 0.001%.

¹¹ The one (1) exception is for tax credit bonds identified under the Code Section 54A, which include qualified forestry conservation bonds, new clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, and qualified school construction bonds. Section 54A(d)(4)(B) provides an exception to arbitrage rebate for “available project proceeds” during the first (3) years after the issue date of the bonds.

restricted. For example, the blended or weighted average investment yield of the investments allocable to proceeds used to advance refund prior obligations are required to be restricted (i.e., cannot be any higher than) to a yield that is not higher than a materially higher yield (the arbitrage yield plus 0.001%).

Refunding Escrows with SLGS Reinvestments – In the case of an advance refunding escrow, an issuer may include State and Local Government Series Treasury Securities (“SLGS”) in the escrow portfolio to achieve a blended investment yield that is below the applicable restricted yield. If the issuer allocates advance refunding proceeds to SLGS, the issuer shall need to ensure that the escrow agent reinvests such proceeds in SLGS in accordance with expectations, or if the SLGS Window is closed, the escrow agent follows permitted alternative procedures to achieve this same objective. For additional information, see the procedures related to the investment of bond proceeds.

Spending Exceptions to Arbitrage Rebate – The Code and the regulations establish spending exceptions to arbitrage rebate. If a spending exception to arbitrage rebate is met, the issuer may apply the exception to the applicable proceeds and treat such proceeds as exempt from the arbitrage rebate requirements. Application of the spending exceptions is optional. The spending exception does not need to be applied to the applicable proceeds if the issuer determines that doing so is not economically advantageous.

There are three (3) spending exceptions to arbitrage rebate, the 6-month spending exception, the 18-month spending exception, and the 2-year spending exception. The proceeds of a tax-exempt obligation may qualify for one (1) or all three (3) exceptions, depending on the intended use of the proceeds. The requirements of the spending exceptions are as follows:¹²

- 6-month spending exception – The 6-month spending exception is met if 100% of the Gross Proceeds of the tax-exempt obligation are allocated to expenditures for the governmental purposes of the issue within the 6-month period beginning on the issue date. The 6-month period is extended for an additional 6 months if the unspent gross proceeds as of the end of the initial 6-month period do not exceed 5% of the proceeds of the issue.¹³
- 18-month spending exception – The 18-month spending exception is met if the Gross Proceeds of the tax-exempt obligation are allocated to expenditures for the governmental purposes of the issue as follows: 15% within 6 months of the issue date, 60% within 12 months of the issue date, and 100% within 18 months of the issue date.
- **Gross Proceeds** - For purposes of determining compliance with the 6-month and 18-month spending exceptions, “Gross Proceeds” include the sale proceeds used to finance the project, pay costs of issuance, fund capitalized interest, and include investment earnings on such sale proceeds. However, for this purpose, gross proceeds do not include amounts in a bona fide debt service fund or in a reasonably required reserve or replacement fund.

¹² See federal regulations Section 1.148-7.

¹³ See Section 148(f)(4)(B)(ii)(I) of the Code.

- 2-year spending exception – The 2-year spending exception is met if the available Construction Proceeds of the tax-exempt obligation are allocated to expenditures for the governmental purposes of the issue as follows: 10% within 6 months of the issue date, 45% within 12 months of the issue date, 75% with 18 months of the issue date, and 100% within two (2) years of the issue date.
- **Available Construction Proceeds** - For purposes of determining compliance with the 2-year spending exception, available construction proceeds include sale proceeds used to finance the project and fund capitalized interest, earnings on such proceeds, earnings on proceeds used to pay costs of issuance (but not sale proceeds), and earnings on a reasonably required reserve or replacement fund until the earlier of the date construction is substantially complete or two (2) years from the issue date. However, an issuer may elect to exclude earnings on a reasonably required reserve or replacement fund from available construction proceeds.

Treatment of Investment Earnings – As noted above, Gross Proceeds and Available Construction Proceeds include the investment earnings on the proceeds included in the spending exceptions.¹⁴ For purposes of the 18-month or 2-year spending exception, issuers are required to estimate total investment earnings over the spending period. Estimated earnings should be determined as of the issue date and should be based on the issuer's expected disbursement and expected investment earnings rate. Estimated investment earnings are used as a substitute for actual investment earnings to determine compliance with the interim 6-month spending period requirements. Actual investment earnings are used to determine compliance with the final 6-month spending period requirement. The table below describes the periods that include estimated investment earnings and actual investment earnings:

Spending Period	18-Month Exception	2-Year Exception
First 6-Month Period	Estimated Earnings	Estimated Earnings
Second 6-Month Period	Estimated Earnings	Estimated Earnings
Third 6-Month Period	Actual Earnings	Estimated Earnings
Fourth 6-Month Period	N/A	Actual Earnings

Election to use Actual Facts – For purposes of measuring compliance with the 2-year spending exception, issuers have the option of determining compliance based on actual investment earnings during the entire spending period.¹⁵ This election must be made on or before the issue date and should be documented in the tax certificate.

¹⁴ See federal regulations Section 1.148-7(d)(3)(ii) and 1.148-7(i)(3).

¹⁵ See federal regulations Section 1.148-7(f)(2).

Bifurcation of Purposes / Use of Proceeds – In certain circumstances, a “new money” tax-exempt obligation may not be eligible for the 2-year spending exception because more than 25% of the new money proceeds are not expected to be used for qualified construction expenditures. In this scenario, an issuer may separate, or bifurcate, the proceeds for purposes of determining compliance with spending exceptions. The proceeds to be used to finance construction expenditures are treated as a separate issue and are eligible for the 2-year spending exception. The proceeds to be used to finance non-construction expenditures are only eligible for the 6-month spending exception (not the 18-month spending exception). To bifurcate an issue, the issuer is required to make an election on or before the issue date. The election should be documented in the tax certificate.¹⁶

Small Balance Exceptions at the end of the Spending Period – The federal tax regulations create two (2) “small balance” exceptions for the 18-month and 2-year spending exceptions. The two (2) small balance exceptions are intended to permit an issuer to still meet the 18-month or 2-year spending exceptions if unspent proceeds remain as of the end of the spending period.

- **Reasonable Retainage** – This small balance exception is for unspent proceeds that may be treated as “reasonable retainage.” Under the 18-month and 2-year spending exceptions, the final spending requirement is met if the remaining proceeds constitute reasonable retainage and the remaining proceeds do not exceed 5% of the total proceeds required to be spent during the entire spending period. Examples of reasonable retainage include retention of proceeds to ensure completion of a contract or if there is a contract dispute.¹⁷ If the remaining proceeds are treated as reasonable retainage, the issuer is required to spend the remaining proceeds not later than 12 months after end of the spending period to meet the 18-month (by month 30) or 2-year spending exception (by month 36).
- **De Minimis Exception** – This small balance exception is for remaining proceeds that are considered to be “de minimis” or relatively insignificant in amount. Under the 18-month and 2-year spending exceptions, the final spending requirement is met if the issuer exercises due diligence to complete the project financed and the amount of unspent proceeds does not exceed the lesser of 3% of the issue price of the tax-exempt obligation or \$250,000 (the De Minimis Exception).¹⁸

¹⁶ See federal regulations Section 1.148-7(j).

¹⁷ See federal regulations Section 1.148-7(h).

¹⁸ See federal regulations Section 1.148-7(b)(4).

Table 4: Spending Exception Requirements					
Exception	Expenditure Benchmark 1	Expenditure Benchmark 2	Expenditure Benchmark 3	Expenditure Benchmark 4	End of Period Exceptions
6-Month	100%				5% – must be spent by 12-month anniversary
18-Month	15%	60%	100%		Retainage – must be spent in 12 months, De Minimis balance – must be spent with “due diligence”
2-Year	10%	45%	75%	100%	

Small Issuer Exception to Rebate – The Code and Section 1.148-8 of the federal regulations establish an exception to arbitrage rebate for certain small issues. A bond issue may qualify for the small issuer exception to rebate if:

- During the calendar year, not more than \$5 million of tax-exempt obligations are issued by the issuer and any related entities. This \$5 million limit is increased to \$15 million for tax-exempt obligations issued to finance the construction and renovation of public school facilities,
- The issuer has general taxing powers,
- The tax-exempt obligations are governmental bonds (i.e., not private activity bonds), and
- At least 95% of the proceeds of the tax-exempt obligations are to be used for local governmental activities of the issuer.

In certain circumstances, refunding bonds may qualify for the small issuer exception. In addition, in certain circumstances, obligations related to pooled financings may qualify for the small issuer exception.

Exception to Rebate: Penalty-In-Lieu of Rebate – If the available construction proceeds of a tax-exempt obligation are eligible for the 2-year spending exception, an issuer may elect to pay a penalty-in-lieu of paying rebate on such proceeds. This election must occur on or prior to the issue date. The penalty amount is calculated for each semi-annual period, beginning on the issue date, until 100% of the available construction proceeds are allocated to expenditures.

During the first four (4) semiannual periods, the penalty amount is equal to 1.5% multiplied by the difference between the amount required to be spent to meet the 2-year spending exception and the amount that is actually spent (if it is less than the amount needed to be spent). After the fourth semiannual period, the penalty amount is equal to 1.5% multiplied by the amount of unspent available construction proceeds.

Penalty payments are required to be submitted to the IRS not later than 90 days after the end of the applicable spending period.

Bona Fide Debt Service Fund Exception – A debt service fund is exempt from arbitrage rebate and yield restriction if the gross proceeds allocable to the debt service fund are depleted at least once each **bond year** to a balance that is not greater than a “reasonable carryover amount.” Pursuant to Section 1.148-1(b) of the federal regulations, a reasonable carryover amount is an amount that is not in excess of the greater of:

- The earnings of the debt service fund for the preceding bond year, or
- One-twelfth (1/12th) of the principal and interest payments on the issue for the immediately preceding bond year.

If the bonds are variable rate bonds, private activity bonds, or if the bonds have an average maturity of less than five (5) years, then the debt service fund is subject to arbitrage rebate unless the earnings of debt service fund is less than \$100,000 during the bond year. However, the \$100,000 annual earnings limit does not apply if the average annual debt service of the bonds is not in excess of \$2,500,000.¹⁹

Exceptions to Yield Restriction

Minor Portion – The gross proceeds of a tax-exempt obligation are not subject to yield restriction during a temporary period that applies to such proceeds. In addition, the issuer may treat up to the **lesser of** 5% of the sale proceeds of a tax-exempt obligation or \$100,000 as a “minor portion.” A minor portion is exempt from yield restriction (but not arbitrage rebate).

Reasonably Required Reserve or Replacement Fund – Also, the gross proceeds of a tax-exempt obligation allocable to a “reasonably required reserve or replacement fund” are not subject to yield restriction. The reasonably required reserve or replacement fund exception to yield restriction applies to the gross proceeds of a tax-exempt obligation allocated to a debt service reserve fund that does not exceed the **least of**:

- 10% of the stated principal amount of the issue,
- The maximum annual debt service of the issue, or
- 125% of the average annual debt service of the issue.

No more than 10% of the stated principal amount of a tax-exempt obligation may be used to finance any reserve or replacement fund.²⁰

Gross proceeds allocable to a reasonably required reserve or replacement fund are subject to arbitrage rebate unless a rebate exception applies. Gross proceeds in excess of the reasonably required reserve or replacement fund exception are also subject to yield restriction.

¹⁹ See federal regulations Section 1.148-3(k).

²⁰ See federal regulations Section 1.148-2(f)(1).

Background – Private Business Use

Federal tax law strictly limits the extent to which tax-exempt bond proceeds and tax-exempt financed assets may be used for non-governmental purposes. Use in excess of these limits may cause the bonds to be treated as “private activity” bonds, and consequently, no longer be treated as federally tax-exempt. Bonds are considered private activity bonds if the bonds meet the **private business use test** and the **private security or payment test**, or if the bonds meet the **private loan financing test**.

Private Business Use – Private business use means the direct or indirect use of tax-exempt financed property in a trade or business by any person other than a governmental unit or the general public.²¹ This includes tax-exempt non-profit organizations and the Federal government. For purposes of applying the private business use test to qualified 501(c)(3) bonds, governmental units include the activities of 501(c)(3) organizations that are not treated as unrelated trade or business.²²

Activities that may result in private business use include:

- Leases of tax-exempt financed space for a bookstore, gift shop, coffee shop, restaurant, etc., or to a for-profit organization or for any other unrelated business purpose
- Certain management and service contracts related to the operation of the tax-exempt financed space, such as food service, maid service, or laundry service arrangements
- Use of space for sports and entertainment events and performances
- Licensing agreements
- Research agreements with corporations to test and support that corporation’s products
- Sharing of parking facilities with a for-profit organization
- Naming rights
- Sale of financed property
- Vending operations
- Any other arrangement that creates a special entitlement to use the space in an unrelated business use

²¹ See Code Section 141(b)(6).

²² See federal regulations Section 1.145-2(b).

Private Business Use Test – The private business use test is met if more than 10% of the proceeds of the issue are to be used for any private business use. If the private business use is unrelated or is disproportionate to the governmental use of the proceeds, then the 10% limitation is reduced to 5%. The 5% limitation also applies to qualified 501(c)(3) bonds (e.g., bonds issued to finance the facilities of institutions of higher education and non-profit hospitals).

Private Security or Payment Test – The private security or payment test is met if the payment of debt service on more than 10% of the proceeds of the issue is directly or indirectly: (1) secured by property used or to be used for a private business use, or payments in respect of such property, or (2) to be derived from payments in respect of property, or borrowed money, used or to be used for a private business use.²³

Output Facility Impact – In addition, bonds may be treated as meeting the private business use test and the private security or payment test if 5% or more of the proceeds of the tax-exempt bonds are to be used to finance projects related to an **output facility** and if certain expenditure thresholds with respect to output facilities are exceeded (generally \$15 million).²⁴

Private Loan Financing Test – The private loan financing test is met if the lesser of 5% of the proceeds of the bonds or \$5,000,000 are used to make loans to non-governmental units or persons. For this purpose, loans do not include proceeds used to enable the borrower to finance any governmental tax or assessment of general application for a specific essential governmental function, to acquire non-purpose investments, or for a qualified natural gas supply contract.²⁵

Exceptions to Private Business Use – Several exceptions to private business use are established in the federal regulations. In addition, the following IRS Revenue Procedures establish safe harbor exceptions from private business use:

- **Revenue Procedure 2017-13** establishes safe harbors under which management and certain other service agreements do not result in private business use; and
- **Revenue Procedure 2007-47** establishes safe harbors under which research agreements do not result in private business use.

Bond counsel should be consulted to determine if any exceptions to private business use apply. Bond counsel should also review all management and service contracts and research agreements to determine if they result in private business use.

Measuring Private Business Use – Measuring private business use is complicated and may require the involvement of bond counsel. As an initial step, an issuer needs to identify all property financed (or refinanced) with the proceeds of each tax-exempt bond issue and determine the use of that property during each fiscal year. If the issuer has entered into any

²³ See Code Section 141(b).

²⁴ See Code Section 141(b)(4) and 141(b)(5) for additional information regarding private business use limitations with respect to output facilities.

²⁵ See Code Section 141(c).

arrangements with non-governmental units with respect to the use of a tax-exempt financed facility, then that use should be considered private business use unless an exception (as described above) applies.

Measurement Period – Once the issuer has completed its review of the use of tax-exempt financed property, the next step is to measure private business use. Private business use is measured on an issue by issue basis. The measurement period for each tax-exempt financed asset begins on the later of the issue date or the date the asset is placed in service and it ends on the earlier of the last date of the reasonably expected economic life of the property or the latest maturity date of any bond of the issue financing the property.²⁶ If the bonds are refunded, then the end of the measurement period includes the latest maturity date of the refunding bonds.²⁷

As an example, assume a tax-exempt obligation financed the construction of a building as follows:

Table 5: Measurement Period Example	
Issue Date of Bonds	January 1, 2011
Reasonably Expected Economic Life of the Financed Building	40 Years
Placed in Service Date	January 1, 2013
Maturity Date of Bonds finance the Building	January 1, 2031
Measurement Period	28 Years – from 1/1/2013 – 1/1/2031

Under the scenario above, the measurement period with respect to the Bonds would begin on January 1, 2013 and end on January 1, 2031.

Private business use is measured over 1-year periods. To determine the private business use over the life of a bond issue, compute the average of the annual private business use for all years of all assets financed by the bonds. If multiple assets were financed, then private business use should be calculated on a weighted average basis with assets weighted by the amount of proceeds of the bonds used to finance each asset.

Treatment of Idle Time – If a facility is financed with tax-exempt bond proceeds, allocations of good use and bad use are generally determined based on the actual amount of time it was used by different users. In determining the amount of actual use, periods during which the facility is not in use (i.e., idle time) are disregarded.²⁸

Simultaneous Government Use and Private Business Use – In addition, if a facility is simultaneously used for both government use and private business use, then the entire facility is treated as being used for private business use. However, the regulations permit allocations

²⁶ See federal regulations Section 1.141-3(g)(2)(i).

²⁷ See federal regulations Section 1.141-13(b)(2)(iii).

²⁸ See federal regulations Section 1.141-3(g)(4)(ii).

between government and private use if the simultaneous use is on the same basis (e.g., a parking garage).²⁹

Allocation of Discrete Uses – The regulations also permit issuers to treat a discrete portion of a facility as a separate facility if bond proceeds were specifically allocated to finance that portion of the facility.³⁰

Private Business Use if Fair Market Value is Disproportionate – If the fair market value of the private business use is significantly higher than the governmental use, the regulations require private business use to be determined based on relative fair market values instead of usage based on time.³¹

Allocation of Neutral Costs – The regulations also require a reasonably ratable allocation of common areas within a financed facility, and “neutral costs.”³² Neutral costs include proceeds used to pay costs of issuance, amounts allocated to a reasonably required reserve or replacement fund, or amounts paid as fees for a qualified guarantee or a qualified hedge. However, with respect to qualified 501(c)(3) bonds, proceeds used to pay costs of issuance are treated as allocated to a private business use.³³

²⁹ See federal regulations Section 1.141-3(g)(4)(iii).

³⁰ See federal regulations Section 1.141-3(g)(4)(iv).

³¹ See federal regulations Section 1.141-3(g)(4)(v).

³² See federal regulations Section 1.141-3(g)(5) and 1.141-3(g)(6).

³³ See federal regulation Section 1.145-2(c)(2).

Remedial Action – If a bond issue meets the private business use test or the private loan financing test and no other options (such as a different allocation of proceeds to expenditures) are available to achieve compliance, the bonds become non-qualified, and the issuer may be required to undertake a remedial action. An example of a circumstance that requires a remedial action is the sale of a tax-exempt financed asset, lease of a tax-exempt financed asset, or a change in the use of tax-exempt financed asset (such as a change in the use of a facility).

Examples of a remedial action include, but are not limited to, the following:

- The redemption of the non-qualified bonds within 90 days of the ***circumstances giving rise to the remedial action*** (the “deliberate action”), or
- The establishment of a yield-restricted defeasance escrow within 90 days of the deliberate action to defease the non-qualified bonds.

An issuer should consult with bond counsel regarding circumstances that may require a remedial action and the appropriate action to comply with the federal tax law requirements. In certain circumstances, if the deliberate action is the sale of a tax-exempt financed asset, the issuer may be permitted to allocate the disposition proceeds (the proceeds received from the sale of the asset) to qualified expenditures, such as to obtain a replacement asset, in lieu of defeasing bonds or establishing an irrevocable defeasance escrow to defease bonds.³⁴

³⁴ See federal regulations Section 1.141-12(e) and 1.142-2(c)(4).

Background – Records Retention

Federal tax law requires issuers and conduit borrowers to maintain material records that support the basis upon which an obligation is treated as exempt from federal income tax. Federal tax law requires issuers and conduit borrowers to maintain such material records for the life of the bonds (i.e., to the final maturity date) plus three (3) additional years. If a tax-exempt obligation is refunded, then the issuer and conduit borrower are required to maintain such material records for the later of the life of the original bonds or the refunding bonds, plus three (3) additional years.

Examples of material records to be retained include:

- The Bond Transcript (e.g., the closing documents)
- Board minutes and/or resolutions that authorize the issuance of tax-exempt debt
- Appraisals related to projects financed with tax-exempt debt
- Newspaper advertisements and public notices related to tax-exempt debt
- Records that indicate the non-purpose investments that were allocated to the proceeds of the bonds (e.g., bank statements) and the investment cash flows associated with such investments
- Records related to the acquisition or sale of an investment agreement, hedging instrument (e.g., interest rate swap), qualified guarantee (e.g., letter of credit agreement), or a defeasance escrow
- Records that indicate the allocation of tax-exempt proceeds to authorized expenditures (e.g., journal entries)
- Any IRS Forms that were filed, such as IRS Forms 8038-T, 8038-R, or 8038-CP
- Arbitrage rebate, yield restriction, penalty-in-lieu of rebate, and exception compliance calculations and reports
- Records related to the use of tax-exempt financed facilities and other tax-exempt financed assets
- Copies of all management and service contracts, lease arrangements, and research agreements entered into and related to property financed with tax-exempt proceeds

Background – Continuing Disclosure

SEC Rule 15c2-12 requires the disclosure of financial information (“financial-based disclosures”) deemed to be material with respect to the issuer’s ability to repay the principal and interest of a publicly offered obligation. Financial-based disclosures include:³⁵

- Audited financial statements
- Budget information
- Changes in fiscal years/timing of disclosures
- Interim/additional financial information and operating data
- Investment, debt, and other financial policies
- Information provided to rating agencies, credit support providers, or other third parties
- Consultant reports
- Any other applicable financial data

Required financial-based disclosures include annual financial information concerning the obligor(s) of the debt, including the information included in the official statement or other public offering document. In addition, audited financial statements concerning the obligor(s) of the debt is typically required to be disclosed annually as is any notice of failure to provide such financial information by the disclosure due date.

SEC Rule 15c2-12 also requires issuers to file notices of events (“event-based disclosures”) that are deemed to be material with respect to the issuer’s ability to repay the principal and interest of a publicly offered obligation. **For any tax-exempt obligation issued prior to December 1, 2010** issuers are required to provide notice to the Municipal Securities Rulemaking Board (“MSRB”) of the following events, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserve funds reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity provider, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the security, or other material events affecting the tax status of the security;
- Modification to the rights of security holders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the security, if material;
- Rating changes;

³⁵ Source: MSRB

For any tax-exempt obligations issued on or after December 1, 2010, event-based disclosures are required to be filed with the MSRB not later than 10 business days after the occurrence of the event. Mandatory event-based disclosures include:³⁶

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserve funds reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity provider, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the security, or other material events affecting the tax status of the security;
- Modification to the rights of security holders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the security, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the obligor;
- The consummation of a merger, consolidation or acquisition involving the obligor or the sale of all or substantially all of the assets of the obligor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement, if material;
- Appointment of a successor or additional trustee, if material;
- Incurrence of a **Financial Obligation** of the Authority or of any Institution, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a **Financial Obligation** of the Authority or of such Institution, as the case may be, any of which affect holders of Offered Bonds, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a **Financial Obligation** of the Authority or of any Institution any of which reflect financial difficulties.

Issuers are encouraged by the MSRB to submit non-mandatory event-based disclosures. Examples of such voluntary event-based disclosures include:³⁷

- Amendment to continuing disclosure agreement
- Change in the obligor
- Notice to investor pursuant to bond documents
- Communication from the IRS
- Bid for auction rate or other securities
- Capital or other financing plan
- Litigation/enforcement action

³⁶ Source: MSRB

³⁷ Source: MSRB

- Change of tender agent, remarketing agent, or other on-going party
- Use of derivative or other similar transaction
- Any other event-based disclosure

Disclosures are required to be filed through use of the MSRB's Electronic Municipal Market Access ("EMMA") system. EMMA can be accessed on the MSRB's website at www.msrb.org.

Generally, publicly offered obligations are not exempt from the requirements of Rule 15c2-12. However, in certain circumstances, disclosure may not be required for an obligation. An issuer should seek guidance from bond or disclosure counsel regarding the disclosure requirements for each of its obligations. Additional information is available on the MSRB's website.

Appendix B: Glossary – General Use Terms

Available Amounts – Any amount that is available to an issuer for working capital expenditure purposes of the type financed by a tax-exempt obligation. Available amounts include cash, investments, and other amounts held in accounts or otherwise by the issuer or a related party if those amounts may be used for working capital expenditures of the type being financed by the tax-exempt obligation without legislative or judicial action and without a legislative, judicial, or contractual requirement that those amounts be reimbursed. However, available amounts do not include a reasonable working capital reserve (not more than 5% of the actual working capital expenditures of the issuer in the previous fiscal year) or qualified endowment funds.³⁸

Bond Year – With respect to a tax-exempt obligation, a bond year is each 1-year period that ends on the day selected by the issuer. The first and last bond years may be short periods (i.e., the issuer may select a first bond year anniversary date that is earlier than the first anniversary date of the issue). If no day is selected by the issuer before the earlier of the final maturity date of the issue or the date that is five (5) years after the issue date, bond years end on each anniversary of the issue date and on the final maturity date.³⁹

Capital Expenditure – Any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election with the application of the definition of placed in service under federal regulation Section 1.150-2(c)) under general Federal income tax principles. For example, costs incurred to acquire, construct, or improve land, buildings, and equipment generally are capital expenditures. Whether an expenditure is a capital expenditure is determined at the time the expenditure is paid with respect to the property. Future changes in law do not affect whether an expenditure is a capital expenditure.⁴⁰

Constructed Personal Property – Tangible Personal Property or specially developed software that meets the following requirements:⁴¹

- A substantial portion of the property or properties is completed more than 6 months after the earlier of the date construction or rehabilitation commenced and the date the issuer entered into an acquisition contract;
- Based on the reasonable expectations of the issuer, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that 6-month period; and
- If the issuer itself builds or rehabilitates the property, not more than 75% of the capitalizable cost is attributable to property acquired by the issuer (e.g., components, raw materials, and other supplies).

Construction Expenditure – Capital expenditures that are allocable to the cost of **Real Property** or constructed personal property. Except as permitted by federal tax law, construction expenditures do not include expenditures for acquisitions of interest in land or

³⁸ See federal regulations Section 1.148-6(d)(3)(iii).

³⁹ See federal regulations Section 1.148-1(b).

⁴⁰ See federal regulations Section 1.150-1.

⁴¹ See federal regulations Section 1.148-7(g)(3).

other real existing property.⁴² For example, expenditures for the acquisition of equipment are generally not considered construction expenditures. However, construction expenditures include expenditures for components, raw materials, supplies, and labor related to construction or renovation.

Expenditure – A current outlay of cash for a governmental purpose of the tax-exempt obligation. Pursuant to federal regulations Section 1.148-6(d)(ii), a current outlay of cash means an outlay reasonably expected to occur not later than five (5) banking days after the date of which the allocation of gross proceeds to the expenditure is made.

Extraordinary, Non-Recurring Item – Expenditures that are considered extraordinary, non-recurring items are payments that are not customarily payable from current revenues. Examples include casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage. However, if an issuer has set aside reserves for such payments, the set-side reserves must be applied toward the payment before the issuer can allocate gross proceeds of a bond issue to the payment.⁴³

Financial Obligation – A debt obligation, derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or guarantee of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term financial obligation excludes municipal securities for which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12.

Good Use/Bad Use Report – A report prepared during a tax-exempt bond sale that lists all the projects being funded in the bond sale along with the amount of private use each project has, as determined by bond counsel.

Guaranteed Investment Contract – Any investment contract that includes any non-purpose investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate. A guaranteed investment contract includes any agreement to supply investments on two (2) or more future dates. Examples include forward supply contracts, forward delivery agreements, certain repurchase agreements, and other investment agreements with negotiated terms as described herein.⁴⁴

Issuance Costs – Costs incurred in connection with, and allocable to, the issuance of an obligation. Examples of issuance costs include underwriters' spread, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification, and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees (other than for qualified guarantees), and other similar costs.⁴⁵

⁴² See federal regulations Section 1.148-7(g)(1).

⁴³ See federal regulations Section 1.148-6(d)(3)(ii)(B).

⁴⁴ See federal regulations Section 1.148-1(b).

⁴⁵ See federal regulations Section 1.150-1.

Output Facility – Means electric and gas generation, transmission, distribution, and related facilities, and water collection, storage, and distribution facilities.⁴⁶

Placed in Service – (i) The date on which a facility has reached a degree of completion, which would permit its operation at substantially its design level; and (ii) the facility is in operation at such level.⁴⁷

Preliminary Expenditures – Expenditures for architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to the commencement of acquisition, construction, or rehabilitation of a project. This does not include preliminary expenditures related to land acquisition, site preparation, and similar costs incident to commencement of construction.⁴⁸

Qualified Administrative Costs – Reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. Examples include reasonable brokerage fees related to the purchase and sale of securities, qualifying expenses related to the operation of regulated investment companies (e.g., registered mutual funds) and certain commingled investment pools, and qualifying expenses related to the procurement of guaranteed investment contracts and yield restricted defeasance escrows.⁴⁹

Real Property – Land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.⁵⁰

Reimbursement Resolution – A document declaring an issuer’s official intent to reimburse an original expenditure with proceeds of an obligation.

State and Local Government Series – SLGS securities are offered for sale to issuers of state and local government tax-exempt debt to assist with compliance of yield restriction or arbitrage rebate provisions of the Internal Revenue Code.

Substantially Completed – Construction may be treated as substantially completed when the issuer abandons construction or when at least 90% of the total costs of the construction reasonably expected, as of that date, to be financed with available construction proceeds have been allocated to expenditures.⁵¹

Tangible Personal Property – Any tangible property other than real property, including interest in tangible personal property. For example, tangible personal property includes

⁴⁶ See federal regulations Section 1.141(b).

⁴⁷ See federal regulations Section 1.150-2(c).

⁴⁸ See federal regulations Section 1.150-2(f)(2).

⁴⁹ See federal regulations Section 1.148-5(e).

⁵⁰ See federal regulations Section 1.148-7(e)(3)(i).

⁵¹ See federal regulations Section 1.148-7(e)(3)(iii).

machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.⁵²

Working Capital Expenditure – A current outlay of cash for non-capital expenditures. Examples of working capital expenditures include operating or administrative expenses, such as payroll, non-capital accounts payable, and debt service payments (excluding capitalized interest).

⁵² See federal regulations Section 1.148-7(e)(3)(ii).

Appendix C: Other Resources

Description	Location
IRS Compliance Check Questionnaire – Governmental Bonds (Form 14002)	http://www.irs.gov/pub/irs-tege/f14002.pdf
IRS Compliance Check Questionnaire – Advance Refunding Bonds (Form 14246)	http://www.irs.gov/pub/irs-tege/f14246.pdf
Frequently Asked Questions Regarding Record Retention	https://www.irs.gov/tax-exempt-bonds/tax-exempt-bond-faqs-regarding-record-retention-requirements
IRS Notice 2008-31 Regarding the Voluntary Closing Agreement Program (“VCAP”)	http://www.irs.gov/pub/irs-drop/n-08-31.pdf
IRS Revenue Procedure 1995-47: Alternative procedure when the sales of IRS SLGS are suspended	http://www.irs.gov/pub/irs-tege/rp95_47.pdf
IRS Revenue Procedure 2005-40: Procedures related to late payments	http://www.irs.gov/pub/irs-tege/rp-05-40.pdf
IRS Revenue Procedure 2008-37: Procedures related to overpayments (refunds)	http://www.irs.gov/pub/irs-drop/rp-08-37.pdf
IRS Revenue Procedure 1997-13: Safe harbor related to certain management and service agreements	http://www.irs.gov/pub/irs-irbs/irb97-05.pdf
IRS Form 8038G and instructions	http://www.irs.gov/pub/irs-pdf/f8038g.pdf http://www.irs.gov/pub/irs-pdf/i8038g.pdf
IRS Form 8038T and instructions	http://www.irs.gov/pub/irs-pdf/f8038t.pdf http://www.irs.gov/pub/irs-pdf/i8038t.pdf
Tax-Exempt Governmental Bonds Compliance Guide (Publication 4079)	http://www.irs.gov/pub/irs-pdf/p4079.pdf
ACT Report – After the Bonds are Issued: Then What?	http://www.irs.gov/pub/irs-tege/bonds_act_0607.pdf

Appendix D: State of Tennessee Forms, Reports and Acronyms

Forms and Reports

Contract Summary Sheet – Form created and used by Agency and sent to CPO for contracts and management agreements

PFI – Physical Facility Inventory. Annual report by Tennessee Board of Regents or University of Tennessee which reconciles how space is used

RDA – Record Disposition Authorization

Common Acronyms

CP – Commercial Paper

CPO – Central Procurement Office

DGS – Tennessee Department of General Services

ECD – Tennessee Department of Economic & Community Development

Edison – State's general accounting system

EMMA – Electronic Municipal Market Access, a system of the MSRB

F&A – Tennessee Department of Finance & Administration

GUBU – Good Use/Bad Use Report

LGI – Locally Governed Institution, administratively a part of the TBR system

MSRB – Municipal Securities Rulemaking Board

OBF – Office of Business and Finance

SBC – State Building Commission, administratively a part of the Office of the State Architect

SEC – U.S. Securities and Exchange Commission

SFB – State Funding Board

SGF – Division of State Government Finance

SLGS – State and Local Government Series securities, issued by the United States Department of the Treasury.

STREAM – State of Tennessee Real Estate Asset Management

TBR – Tennessee Board of Regents system (Higher Education institution)

TCA – Tennessee Code Annotated

TCB – Tax Credit Bonds

TDEC – Tennessee Department of Environment & Conservation

TLDA – Tennessee Local Development Authority

TSSBA – Tennessee State School Bond Authority

UT – The University of Tennessee system (Higher Education institution)

Appendix E: Post-Issuance Compliance Assessment Form

State of Tennessee Post-Issuance Compliance Assessment

This Assessment is to be completed annually by the State of Tennessee Post-Issuance Compliance Team (the “PIC Team”) and submitted to the Chief Compliance Officer no later than 90 days after the fiscal year end date.

Check all boxes that apply. Disregard procedures that did not apply during the reporting period and mark as “N/A.” In the Notes section, identify and describe the circumstances regarding applicable procedures that were not implemented during the reporting period. There is no need to address procedures that did not apply during the reporting period in the Notes section.

Part I. Training and Education

- ☐ The PIC Team participated in at least 1 hour of training on PIC.
- ☐ Additional staff members participated in training on PIC. The additional staff members that participated in training on PIC were (list names and titles of participating staff):

- ☐ The PIC Team reviewed the Issuer’s PIC Procedures and each PIC Team member’s role and responsibilities with respect to undertaking the procedures set forth therein.

Part II. Post-Issuance Tax Compliance

Use of Proceeds

- ☐ Reviewed financing agreements, loan agreements with borrowers, Commercial Paper vender activity reports from F&A, status reports, and disbursement records (i.e. Edison voucher and attachments FileNet support) in accordance with its Use of Proceeds procedures.
- ☐ Verified that a reimbursement resolution was adopted prior to the disbursement of proceeds for a reimbursement or verified that the disbursement does not require a reimbursement resolution.

- ☐ Prepared and reviewed with bond counsel a project substitution certificate or memorandum for any change in the list of approved projects to be financed with the proceeds of the applicable tax-exempt obligation.
- ☐ Prepared a project completion certificate or memorandum upon completion of the financed project.
- ☐ Followed all other Use of Proceeds procedures.

Accounting for Proceeds

- ☐ Applied a reasonable accounting method to account for the allocation of proceeds to permitted expenditures.
- ☐ Certified the final allocation of bond proceeds to expenditures in accordance with procedures.
- ☐ Allocated interest earnings in accordance with accounting procedures.
- ☐ Followed all other Accounting for Proceeds procedures.

Investment of Proceeds

- ☐ If any investments are held outside of the State Pool, reviewed all external investments and certified that all investments held were in compliance with the State's investment policy and bond document restrictions.
- ☐ Acquired and/or sold investments in accordance with procedures.
- ☐ Acquired any guaranteed investment contracts in accordance with procedures.
- ☐ Acquired investments for a yield restricted defeasance escrow in accordance with procedures.
- ☐ Followed all other Investment of Proceeds procedures.

Qualified Guarantees

- ☐ Obtained a qualified guarantee(s) for tax-advantaged obligations issued during the reporting period and followed all other Qualified Guarantee procedures.

Arbitrage Rebate & Yield Restriction Compliance

- ☐ Either internally prepared or directed the arbitrage rebate consultant to prepare arbitrage rebate, yield restriction, and spending exception compliance calculations for all tax-exempt obligations subject to the arbitrage rebate and yield restriction requirements.

- ☐ Timely provided the arbitrage rebate consultant with the bond documents and financial data needed to prepare arbitrage rebate, yield restriction, and spending exception compliance calculations.
- ☐ Informed the arbitrage rebate consultant of all final calculation dates no later than 15 days after the final discharge date of the tax-exempt obligation.
- ☐ Followed all other General Arbitrage Rebate Compliance procedures.
- ☐ Monitored, or directed the arbitrage rebate consultant to monitor, the spending exception compliance of applicable new money tax-exempt obligations.
- ☐ Followed all other Spending Exception Compliance procedures.
- ☐ Followed all Yield Restriction Compliance procedures.
- ☐ Timely filed all arbitrage rebate and yield reduction payments.

Private Business Use

- ☐ Before entering into any lease arrangements, management or service agreements, research agreements, or any other legal arrangements with respect to the use of a tax-exempt financed asset, the entity notified the Issuer who then notified bond counsel of intent to enter into such arrangement.
- ☐ Obtained any lease arrangements, management or service agreements, research agreements, or any other legal arrangements with respect to the use of a tax-exempt financed asset and bond counsel has reviewed such arrangements.
- ☐ Before entering into any agreement to dispose of a tax-exempt financed asset, notified the Issuer who then notified bond counsel of intent to enter into a sales agreement.
- ☐ Declared intent to sell, destroy, or demolish a tax-exempt financed asset. Obtained a draft of the sales agreement and bond counsel has reviewed such agreement.
- ☐ Reviewed the use of tax-exempt financed assets.
- ☐ Worked with bond counsel to determine if a remedial action is required with respect to non-qualified bonds and implemented such remedial action.
- ☐ Followed all other procedures related to private business use compliance.

Record Retention

- ☐ Maintained material records in accordance with record retention procedures.

Miscellaneous Procedures

- ☐ Received confirmation that all IRS Form 8038s have been submitted to the IRS.
- ☐ Collected all arbitrage rebate and yield restriction calculations prepared internally or by the arbitrage rebate consultant.

Part III. Continuing Disclosure Procedures

- ☐ Timely filed all required financial-based disclosures on EMMA.
- ☐ Timely filed any mandatory event-based disclosures on EMMA.
- ☐ Checked EMMA listing for all outstanding issues and confirmed timely postings of all required disclosures.

Notes:

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

Submitted by the Chief Compliance Officer:

Signature

Date



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

To: Members of the State Funding Board
From: Betsy Knotts, Director, Division of Local Government Finance
Date: June 16, 2020
Subject: Annual Report on Balloon Indebtedness for Fiscal Year 2020

A handwritten signature in blue ink, likely belonging to Betsy Knotts, is written over the "From:" line.

Pursuant to Tenn. Code Ann. § 9-21-134 (the “Act”), local governments must request approval from the Comptroller’s Office prior to issuing balloon indebtedness. The Act authorizes the State Funding Board to establish guidelines with respect to approval by the Comptroller of the Treasury and may exempt certain classes of indebtedness from such approval. Attached is a listing of all balloon indebtedness plans submitted to our Office in Fiscal Years 2015 - 2020.

Refunding Bonds

For Fiscal Year 2020, eighteen (18) plans of balloon indebtedness were submitted to our Office for review - twelve (12) of the plans were proposed issuances of refunding bonds to achieve debt service savings. Our Office determined the repayment structures of all twelve (12) proposed refundings were in the public’s interest because each one achieved a cost savings to the local government.

New Money Bonds

Our Office received only six (6) plans of balloon indebtedness for new money debt. Each plan was evaluated based on the plan’s particular circumstances and a determination was made as to whether the repayment structure was in the public’s interest. For example, the Metro Nashville Airport Authority’s plan as well as the Mallory Valley Utility District plan were approved because they established level aggregate debt service.

Division of Local Government Finance Balloon Indebtedness Request History

For the Period June 21, 2019 through June 15, 2020

Type of Balloon Indebtedness Plan	FY 2015 (Mar-Jun)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020*
New Money Bonds	3	4	4	1	6	6
Advance Refunding Bonds	5	21	8	7	0	3
Current Refunding Bonds	2	1	5	1	2	9
Total Plans Received	10	26	17	9	8	18

*One approval was both an advance and a current refunding

FY 2020

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon Debt

New Money Bonds

Jackson	Lease Agreement	\$ 11,927,878	Y	Pending	New Markets Tax Credit Program-School Construction
Madison County	Lease Agreement	19,579,215	Y	Pending	New Markets Tax Credit Program - School Construction
Mallory Valley UD	Revenue Bonds	20,066,049	Y	Pending	Improvements to Water System
Metro Nashville Airport Authority	Revenue Bonds	1,000,000,000	Y	Y	Improvements to Airport
Tennergy	Revenue Bonds	750,000,000	Y	Pending	Commodity Pre-purchase Bonds
Tennessee Energy Acquisition Corporation	Revenue Bonds (Series A&B)	1,022,963,000	Y	Pending	Commodity Pre-purchase Bonds

Current Refunding Bonds

Blountville UD	Revenue Bonds	\$ 216,000	Y	Y	Refunding for savings, USDA
Chuckey UD (Series A)	Revenue and Tax	1,960,000	Y	Y	Refunding for savings, USDA
Crossville (Series A&C)	General Obligation/Tax & Revenue	25,550,000	Y	Pending	Refunding for savings
Friendsville	Revenue and Tax	1,066,000	Y	Y	Refunding for savings, USDA
H.B.&T.S. UD	Revenue Bonds	4,975,000	Y	Pending	Refunding for savings, USDA
Henry County	General Obligation	2,085,000	Y	Y	Refunding for savings
Memphis	General Obligation	204,305,000	Y	Y	Refunding for savings
Metropolitan Lynchburg and Moore County	Revenue and Tax	3,340,233	Y	Y	Refunding for savings, USDA
Minor Hill UD	Revenue Bonds	1,500,000	Y	N	Refunding for savings, USDA

Advance Refunding Bonds

Chuckey UD (Series B)	Revenue and Tax	\$ 1,290,000	Y	Y	Refunding for savings, USDA
Elizabethton	General Obligation	19,260,000	Y	Y	Refunding for savings, BABs
Putnam County	General Obligation	49,160,000	Y	Pending	Refunding for savings

FY 2015 (March - June 2015)

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon DebtNew Money Bonds

Benton County	Revenue	\$ 2,975,000	N	N	
Lawrenceburg	General Obligation	5,000,000	Y	Y	Wrap-around debt
Maury County	General Obligation	47,000,000	Y	Y	School construction

Advance Refunding Bonds

Cocke County	General Obligation	\$ 10,000,000	Y	Y	
First Utility District of Hawkins County	Revenue	10,000,000	Y	Y	
Hawkins County	General Obligation	9,755,000	Y	Y	
Henderson County	General Obligation	9,500,000	Y	Y	
Hendersonville Utility District	Revenue	9,875,000	Y	Y	

Current Refunding Bonds

Maryville	General Obligation	\$ 10,000,000	Y	Y	
Sevierville	General Obligation	17,120,000	Y	Y	

FY 2016

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon DebtNew Money Bonds

Madison Suburban Utility District	Revenue	\$ 9,250,000	Y	Y	Water lines
Selmer	General Obligation	3,650,000	Y	Y	Street and road construction
Tennessee Energy Acquisition Corporation	Revenue	850,000,000	Y	N	Prepurchase of natural gas
Wilson County	General Obligation	55,000,000	Y	Y	School construction

Advance Refunding Bonds

Alcoa	General Obligation	\$ 9,900,000	Y	Y	
Anderson County Water Authority	Revenue	7,425,000	Y	Y	
Cocke County	General Obligation	10,000,000	Y	Y	
Columbia	General Obligation	7,850,000	Y	Y	
Dyer County	General Obligation	9,975,000	Y	Y	
Fayetteville	Revenue	10,000,000	Y	Y	
First Utility District of Hawkins County	Revenue	10,000,000	Y	Y	
Harpeth Valley Utility District	Revenue	32,000,000	Y	Y	
Hawkins County	General Obligation	10,000,000	Y	Y	
Hendersonville Utility District	Revenue	7,250,000	Y	Y	
Jefferson County	General Obligation	4,275,000	Y	Y	
Johnson County	General Obligation	4,950,000	Y	Y	
Kingsport	General Obligation	34,000,000	Y	Y	
Maryville	General Obligation	3,550,000	Y	Y	
Metro Nashville Davidson County	General Obligation	425,000,000	Y	Y	
Monroe County	General Obligation	8,500,000	Y	Y	
Ocoee Utility District	Revenue	11,125,000	Y	Y	
Robertson County	General Obligation	48,550,000	Y	Y	
South Blount Utility District	Revenue	13,000,000	Y	Y	
Washington County	General Obligation	113,735,000	Y	Y	
White House Utility District	Revenue	35,000,000	Y	Y	

Current Refunding Bonds

Hardeman County	General Obligation	\$ 9,050,000	Y	Y	
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FY 2017

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon DebtNew Money Bonds

Greeneville (Airport)	General Obligation	\$ 2,210,000	Y	Y	Airport improvements
Memphis Shelby County Airport	Revenue	110,000,000	Y	Y	Airport improvements
Tennessee Energy Acquisition Corp	Revenue	850,000,000	Y	Y	Prepurchase of natural gas
Wilson County	General Obligation	21,500,000	Y	Y	School construction

Advance Refunding Bonds

Anderson County	General Obligation	\$ 9,250,000	Y	Y	
Claiborne Utility District	Revenue	8,805,000	Y	Y	
Elizabethton	General Obligation	6,500,000	Y	Y	
Henry County	General Obligation	2,275,000	Y	N	
Johnson City	General Obligation	20,740,000	Y	Y	
Knox Chapman Utility District	Revenue	1,800,000	Y	Y	
Poplar Grove Utility District	Revenue	4,800,000	Y	Y	
Watauga River Utility District	Revenue	8,600,000	Y	Y	

Current Refunding Bonds

Hardeman County	General Obligation	\$ 9,100,000	Y	Y	
Lawrenceburg	General Obligation	4,500,000	Y	Y	
Monroe County	General Obligation	9,850,000	Y	Y	
Putman County	General Obligation	53,200,000	Y	Y	
West Wilson Utility District	Revenue	4,200,000	Y	Y	

FY 2018

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon DebtNew Money Bonds

Henry County	General Obligation	\$ 8,885,000	Y	Y	12-yr maturity; school construction
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Advance Refunding Bonds

Clarksville	Revenue	\$ 26,165,000	Y	Y	
Clarksville	Revenue	53,660,000	Y	Y	
Gibson County	General Obligation	4,325,000	Y	Y	
Manchester	General Obligation	9,300,000	Y	Y	
Maryville	Revenue	33,450,000	Y	Y	
Memphis & Shelby County Sports Authority	Revenue	80,135,000	Y	N	
North West Utility District	Revenue	10,000,000	Y	Y	

Current Refunding Bonds

Campbell County	General Obligation	\$ 8,310,000	Y	Y	
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FY 2019

Entity	Bonds	Amount	Approved (Y/N/Pending)	Issued (Y/N/Pending)	Comments
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Requests to Issue Balloon DebtNew Money Bonds

Jackson	Lease Agreement	\$ 9,718,970	Y	N	New Markets Tax Credit Program- School Construction
Madison County	Lease Agreement	17,000,000	Y	N	New Markets Tax Credit Program - School Construction
Metro Development and Housing Authority	Revenue	25,000,000	N	Y	Tax Increment Financing - Approval requested after adoption of resolution
Metro Nashville Sports Authority	Revenue	225,000,000	Y	Y	Major League Soccer Stadium Construction
Tennergy Corporation	Revenue	1,000,000,000	Y	Y	Prepurchase of natural gas
Tennessee Energy Acquisition Corporation	Revenue	900,000,000	Y	Y	Prepurchase of natural gas

Current Refunding Bonds

Hawkins County	General Obligation	\$ 22,700,000	Y	Y	Refunding for savings
South Blount UD	Revenue Bonds	18,000,000	Y	Y	Refunding USDA for savings