

TENNESSEE STATE FUNDING BOARD
December 14, 2023

The Tennessee State Funding Board (the "Board") met on Thursday, December 14, 2023, at 2:04 p.m., in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. The Honorable David H. Lillard, Jr., State Treasurer, was present and presided over the meeting.

The following members were also physically present:

The Honorable Tre Hargett, Secretary of State
Commissioner Jim Bryson, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor
The Honorable Jason E. Mumpower, Comptroller of the Treasury

Having established a quorum, Treasurer Lillard called the meeting to order and presented the minutes from the meeting held on November 6, 2023, and reconvened on November 29, 2023, for consideration and approval. Commissioner Bryson made a motion to approve the minutes. Secretary Hargett seconded the motion, and it was unanimously approved.

Treasurer Lillard then recognized Commissioner Stuart McWhorter, Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration, and Mr. Allen Borden, Deputy Commissioner of Business, Community and Rural Development, ECD, and Ms. Jessica Johnson, Assistant Commissioner of Administration and Operations, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Ms. Johnson reported that, as of the date of the November 6, 2023, Board meeting, the FastTrack balance was \$679,794,198.97. Since that time, \$1,486,856.14 in funds had been deobligated; \$6,000,000.00 in new grants or loans greater than \$750,000.00 had been approved; \$593,928.00 in new grants or loans less than \$750,000.00 had been approved; and \$316,786.75 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of \$674,370,340.36 as of the date of the Report. Ms. Johnson reported that total commitments had been made in the amount of \$529,916,619.55, resulting in an uncommitted FastTrack balance of \$144,453,720.81. Ms. Johnson reported that the amount of proposed grants for projects to be considered at this meeting totaled \$10,650,000.00, and if these projects were approved, the uncommitted balance would be \$133,803,720.81, for a total committed balance of \$540,566,619.55, which represented 80.2% of the FastTrack balance.

Commissioner McWhorter then presented the following FastTrack projects:

- **Custom Foods of America Inc. – Knoxville (Knox County)**
FastTrack Economic Development Grant \$ 1,500,000.00

- **Axle Logistics, LLC and Blue Print Property Group II, LLC – Knoxville (Knox County)**
FastTrack Economic Development Grant \$5,000,000.00

- **Florim USA, Inc. – Clarksville (Montgomery County)**
FastTrack Economic Development Grant \$1,000,000.00

- **Vonore Fiber Products, LLC – Vonore (Monroe County)**
FastTrack Economic Development Grant \$2,250,000.00
- **NewBasis, LLC – Lebanon (Wilson County)**
FastTrack Economic Development Grant \$ 900,000.00

The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, and incentive acceptance forms signed by company representatives. Treasurer Lillard made a motion to approve the projects. Secretary Hargett seconded the motion, and the motion was unanimously approved.

Mr. Borden noted that ECD was particularly proud of the agenda of projects that were approved as each of the five projects were for five distinct companies, each one in a different industrial sector. Mr. Borden further stated that ECD was working very hard to diversify the state’s portfolio of companies and industrial sectors.

For the record, Treasurer Lillard then inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Commissioner McWhorter responded affirmatively. Treasurer Lillard then inquired if checklists had been completed for each project, and Commissioner McWhorter responded affirmatively. Treasurer Lillard then inquired if all the projects included accountability agreements which would provide protections for the state in the event the entity could not fulfill the agreement, and Commissioner McWhorter responded affirmatively.

Treasurer Lillard, in accordance with Public Chapter 300 and Board guidelines, then asked Ms. Sandra Thompson, Director of the Division of State Government Finance (“SGF”) and Assistant Secretary to the Board, if any requests for public comment had been received. Ms. Thompson responded that no requests had been received.

Treasurer Lillard then recognized Ms. Thompson to detail a scrivener’s error on the “Resolution Certifying and Authorizing the Allocation of Funds to the Sinking Fund for the 2023-2024 Fiscal Year” approved at the June 27, 2023, meeting, for acknowledgment by the Board. Ms. Thompson noted that a small scrivener’s error was recognized on the resolution, and that staff needed the Board to recognize and acknowledge that revision to the resolution. The Board acknowledged the revision.

Treasurer Lillard then recognized Mr. James McLaren, Counsel, Adams and Reese LLC, to present a report from the Economic Development Growth Engine Industrial Development Board of Memphis and Shelby County (“EDGE”) on the Graceland Project (the “Project”). Mr. McLaren detailed the history and the campus redevelopment of the Project. Mr. McLaren stated that the Project initially began with the approval of a Tourism Development Zone (“TDZ”) for the Graceland Campus in 2014. Mr. McLaren further stated that as a part of that Project a hotel was built and completed on the campus grounds in 2017. Mr. McLaren then stated that, at the time of the hotel’s completion, the original private equity debt of the Project was refinanced with long-term publicly traded bonds.

Mr. McLaren then presented on the financial situation of the Project. Mr. McLaren stated that there were five series of bonds issued in 2017. Mr. McLaren further stated that \$40,490,000 was issued as tax-exempt debt under the 2017 Series A Graceland Project Senior Tax Increment Revenue Bonds (the “2017A Bonds”) and secured by the TDZ revenues and Tax Increment Financing (“TIF”) put in place by the city and county. Mr. McLaren then stated that the Project was additionally funded by the 2017 Series B Graceland Project Senior Tax Increment Revenue Bonds (the “2017B Bonds) secured by a 5% self-imposed additional sales tax surcharge on the Graceland Campus; the 2017 Series C Graceland Project Subordinate Tax Increment Revenue Bonds (the “2017C Bonds) that is subordinate to the 2017A and 2017B Bonds; the 2017 Series D Graceland Project Subordinate Tax Increment Revenue Bonds (the “2017D Bonds) that were privately placed; and the 2017 Series E Graceland Project Subordinate Tax Increment Revenue Bonds (the “2017E Bonds) that were held by Graceland related entities. Mr. McLaren then spoke on the payment defaults that had occurred on those bond issues, noting the following monetary defaults:

- 2017A Bonds - \$720,000 default on 7/1/2023.
- 2017C Bonds - \$853,125 default on 7/1/2021; \$853,125 default on 1/1/2022; \$853,125 default on 7/1/2022; and a \$853,125 default on 1/1/2023
- 2017D Bonds - \$205,219 default on 7/1/2021; \$205,219 default on 1/1/2022; \$390,219 default on 7/1/2022; \$193,669 default on 1/1/2023; and a \$463,669 default on 7/1/2023

Mr. McLaren reported on the nature of TDZ revenues receipt. Mr. McLaren noted that revenue collections may lag up to fifteen months and the pandemic-reduced visitation to Graceland did not affect the project financially until a few years later. Mr. McLaren further reported on current and expected revenues, providing more detail on the current situation of each series of bonds.

Mr. McLaren then discussed the existing DSRF deficiencies for each bond series, the visitation and revenue numbers for Graceland, and the estimated dates for when defaults would be paid in full for each series of Graceland bonds. Mr. McLaren noted that based on the prior year’s TDZ and TIF revenues, the excess revenues were estimated to be capable of paying the defaults in full and replenishing the DSRF for the 2017A Bonds by July 1, 2026, the 2017C Bonds by January 1, 2027, and the 2017D Bonds by July 1, 2029. Mr. McLaren then stated that the defaults could be cured sooner if the TDZ and TIF revenue growth continued into future years.

Treasurer Lillard then asked if the 2017A Bonds were widely distributed. Mr. McLaren replied in the affirmative and then stated that the 2017A Bonds had been publicly sold. Treasurer Lillard then inquired about the 2017C and 2017D Bonds. Mr. McLaren replied that the 2017C Bonds had been sold through a limited offering and the 2017D Bonds had been privately placed. Treasurer Lillard then asked if the 2017C and 2017D Bonds had been placed with institutional investors. Mr. McLaren replied that the 2017D Bonds had been placed with institutional investors and although he had not seen the list of bond purchasers for the 2017C Bonds, he anticipated that those bonds were also placed with institutional investors. No further action was necessary.

Treasurer Lillard observed no further business to come before the Board and made a motion to adjourn. Secretary Hargett seconded the motion, and the motion was unanimously approved. The meeting was adjourned.

Approved on this 25th day of March 2024.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is written in a cursive style with a large initial 'S'.

Sandra Thompson,
Assistant Secretary