



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

TENNESSEE STATE SCHOOL BOND AUTHORITY
July 20, 2020
AGENDA

1. Call meeting to order
2. Approval of minutes from the TSSBA meeting held on June 25, 2020.
3. Approval of the Resolution to Approve the Borrowing of Money by Another Method by the University of Tennessee (303 Flats)
4. Review of debt report for TSSBA higher education program
5. Review of debt outstanding for the QZAB program
6. Review of debt outstanding for the QSCB program
7. Review of the Tennessee State School Bond Authority Debt Management Policy
8. Adjourn

TENNESSEE STATE SCHOOL BOND AUTHORITY

June 25, 2020

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Thursday, June 25, 2020, at 3:56 p.m. via WebEx Events. The Honorable Justin Wilson, Comptroller of the Treasury, was present and presided over the meeting.

The following members were physically present:

Commissioner Butch Eley, Department of Finance and Administration
Mr. Dick Tracy, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following members participated electronically via WebEx Events:

The Honorable Tre Hargett, Secretary of State
The Honorable David Lillard, State Treasurer (joined at approximately 4:00 p.m.)
Mr. Mark Paganelli, proxy for Mr. Randy Boyd, President, University of Tennessee

The following member was absent:

The Honorable Bill Lee, Governor

Mr. Wilson called the meeting to order and asked Ms. Sandi Thompson, Director of the Office of State and Local Finance (OSLF) and Assistant Secretary of the TSSBA, to verify that she had distributed to the members copies of the documents to be discussed at the meeting in substantially the same form as to be considered. Ms. Thompson confirmed that her office had distributed the documents to the members. Mr. Wilson then asked for Ms. Thompson to call the roll and for members to identify themselves and announce if any persons were present with them. Ms. Thompson called the roll:

Mr. Tracy – Present
Mr. Eley – Present
Mr. Wilson – Present
Mr. Hargett – Present
Mr. Paganelli – Present

Recognizing a quorum present, Mr. Wilson called the meeting to order and stated that Mr. Lee, a member of the Authority, had previously declared a state of emergency to facilitate Tennessee’s response to the coronavirus disease. He stated that Mr. Lee’s Executive Order No. 16, as amended by Executive Order No. 34, allows governing bodies to meet electronically regarding essential business in light of COVID-19, so long as they provided electronic access to the public and meet certain safeguards established in that Order to ensure the openness and transparency of the proceedings. Mr. Wilson stated that the Notice for this meeting indicated the meeting would be conducted through WebEx Events and provided information for the public to participate electronically. Mr. Wilson stated that the Authority needed a motion pursuant to the provisions of Executive Order 16, as amended, that meeting electronically without a physical location was necessary to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak, that the matters listed on the agenda of the meeting related to the essential business of the Authority, and that the necessary safeguards had been taken. Hearing no discussion, Mr. Wilson made such a motion, Mr. Tracy seconded the motion, and Ms. Thompson called the roll:

Mr. Tracy – Aye
Mr. Eley – Aye
Mr. Wilson – Aye
Mr. Hargett – Aye
Mr. Paganelli – Aye
Mr. Lillard – Aye

The motion was approved unanimously.

Mr. Wilson then stated that all the actions taken during the meeting would require a roll call vote, that the use of the video function was optional, and asked members to mute their microphone until they wished to speak. Mr. Wilson asked members and presenters who wished to speak to use the raised hand icon in the WebEx Events platform. Mr. Wilson stated that members of the public were in observation mode only. Mr. Wilson stated that anyone who had difficulty during the meeting could contact the Office of State and Local Finance by email at SGF@cot.tn.gov.

Mr. Wilson stated that the first item on the agenda was the approval of the minutes of the meeting held on May 21, 2020. Mr. Wilson stated that he had read the minutes, and everything appeared to be in order. Mr. Wilson asked if there were any comments or corrections to the minutes. Hearing none, Mr. Wilson moved approval of the minutes and Mr. Eley seconded the motion. Ms. Thompson called the roll:

Mr. Tracy – Present
Mr. Eley – Present
Mr. Wilson – Present
Mr. Hargett – Present
Mr. Paganelli – Present
Mr. Lillard – Present

The motion was approved unanimously.

Mr. Wilson then stated that the next item on the agenda was consideration of a resolution to approve the borrowing of money by another method by Austin Peay State University (“APSU”). Mr. Wilson stated the request to borrow money was for an execution of a lease between APSU and Montgomery County (the “County”). Mr. Wilson explained the reason for consideration of this request was that auditors and rating agencies view leases as debt. Mr. Wilson stated that the Authority would approve the lease as to financing, but the State Building Commission would approve the lease as to whether or not it was a good business decision.

Mr. Wilson recognized Mr. Marc Brunner, Director of University Design & Construction at Austin Peay State University, to present the request. Mr. Brunner stated that APSU desired to enter into a thirty (30) lease with the County for the use of a multipurpose arena to be constructed by the County. Mr. Brunner explained that the University’s existing Dunn center arena had insufficient space to accommodate the University’s athletic and academic needs. Mr. Brunner explained that leasing the new facility would enable the University to use the Dunn Center for other academic purposes. Mr. Brunner stated that APSU had determined leasing the facility from the County was in the state’s best interest rather than building a new facility. Mr. Brunner stated that the revenues that would be used to cover the lease payments would be existing student athletic fees, increased game revenues from ticket sales and concessions, and naming rights at the new arena.

Mr. Wilson asked if staff had reviewed the project and if the moneys generated by the project would be sufficient to pay the annual lease obligations. Ms. Thompson stated that her office had reviewed the project, and based on conversations held with APSU, the revenues appeared sufficient to pay the annual lease obligations. Mr. David Burn, Senior Assistant Attorney General, stated that the revenues allocated from the existing student athletic fees would be sufficient if properly placed in a separate account. Mr. Wilson asked Mr. Burn if the lease would impair the credit of the Authority’s debt. Mr. Burn stated it would not. Mr. Wilson then asked if there were any questions or discussion of the lease. Hearing none, Mr. Wilson made a motion to approve the resolution and Mr. Tracy seconded the motion. Ms. Thompson called the roll:

Mr. Tracy – Aye
Mr. Eley – Aye
Mr. Wilson – Aye
Mr. Hargett – Aye
Mr. Paganelli – Aye
Mr. Lillard – Aye

The motion was approved unanimously.

Mr. Wilson then stated that the next items on the agenda to be considered were five resolutions to approve the borrowing of money by another method by the University of Tennessee (“UT”). Mr. Wilson stated that the five requests from UT were leases. Mr. Wilson stated that if there was no objection, they would take up all five resolutions as one item. Hearing no objection, Mr. Wilson recognized Mr. Austin Oakes, Executive Director of Capital Projects at the University of Tennessee to present the projects.

Mr. Oakes stated that the first lease was a request to extend the current sublease from the University of Tennessee Health Science Center (UTHSC) College of Pharmacy to lease additional space on the University Health Systems campus. Mr. Oakes explained that the additional space was constructed for UTHSC due to the need for additional academic space. Mr. Oakes stated that the lease would be funded through state appropriations to the College of Pharmacy.

Mr. Oakes stated that the second lease was a request from the University of Tennessee at Knoxville (UTK) for the VolShop on campus. Mr. Oakes explained that the proposed lease would decrease the base rental rate which had been increased in August of 2019, extend the agreement for five years, and add the right to terminate for convenience for a \$60,000 fee. Mr. Oakes stated that the lease amendment would be funded through auxiliary services plant funds, and not through state appropriations.

Mr. Oakes stated that the third lease was a request from the University of Tennessee system to lease floors in the “UT Tower” from Knox County located at 400 W. Summit Hill Drive, Knoxville, Tennessee. Mr. Oakes stated that Knox County would be granted an easement for the facility from the Tennessee Valley Authority. Mr. Oakes explained that Knox County would then grant a sub-easement to UT. Mr. Oakes explained that the purpose for this request was to consolidate all University of Tennessee System staff into one location. Mr. Oakes stated that this lease would also open up space at UTK that UT system staff were currently using. Mr. Oakes stated that UT would fund the sub-easement through plant funds.

Mr. Oakes stated that the fourth lease was a request from UTHSC to lease housing in Knoxville, Tennessee for college of medicine students. Mr. Oakes stated that UTHSC desired to lease six (6) four (4) bedroom apartments. Mr. Oakes explained that due to UTHSC students were not able to utilize UTK student housing as had traditionally been provided due to COVID-19. Mr. Oakes stated that the lease payments would be funded through UTHSC plant funds.

Mr. Oakes stated that the fifth lease was a request from the University of Tennessee at Chattanooga (UTC) to lease additional housing. Mr. Oakes explained that UTC’s fall semester housing applications had exceeded capacity and additional beds were needed. Mr. Oakes explained that UTC was proposing to lease a single apartment building consisting of thirty-five (35) two (2) bedroom apartments and one (1) one (1) bedroom apartment. Mr. Oakes stated that UTC would fund the lease through plant funds.

Mr. Wilson then asked if there were any questions or discussion of the five University of Tennessee leases. Hearing none, Mr. Wilson made a motion to approve the resolution and Mr. Eley seconded the motion. Ms. Thompson called the roll:

Mr. Tracy – Aye
Mr. Eley – Aye
Mr. Wilson – Aye
Mr. Hargett – Aye
Mr. Paganelli – Aye
Mr. Lillard – Aye

The motion was approved unanimously.

Mr. Wilson stated the next item on the agenda was the consideration and adoption of the Post Issuance Compliance (PIC) Procedures. Mr. Wilson asked Ms. Thompson to present the PIC Procedures. Ms. Thompson explained that the TSSBA is an issuer of public securities and in order to comply with certain requirements associated with being such an issuer, the TSSBA has established post-issuance compliance procedures. Ms. Thompson stated the procedures would be revised and updated periodically. Ms. Thompson explained that such procedures ensure the TSSBA's ongoing compliance with, among other things, federal tax laws, continuing disclosure obligations and bond covenants. Ms. Thompson stated the procedures have been updated by the Comptroller's office and reviewed by bond counsel, Attorney General's office, and the state's financial advisor.

Mr. Wilson asked if there were any questions or discussion on the PIC Procedures. Hearing none, Mr. Wilson made a motion to adopt the Post-Issuance Compliance Procedures. Mr. Eley seconded the motion. Ms. Thompson called the roll:

Mr. Tracy – Aye
Mr. Eley – Aye
Mr. Wilson – Aye
Mr. Hargett – Aye
Mr. Paganelli – Aye
Mr. Lillard – Aye

Mr. Wilson asked if there were any other matters to come before the Authority. Hearing none, Mr. Wilson made a motion to adjourn. Mr. Eley seconded the motion. Ms. Thompson called the roll:

Mr. Tracy – Aye
Mr. Eley – Aye
Mr. Wilson – Aye
Mr. Hargett – Aye
Mr. Paganelli – Aye
Mr. Lillard – Aye

The motion was adjourned.

Approved on this ____ day of _____, 2020.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

**RESOLUTION TO APPROVE THE BORROWING OF
MONEY BY ANOTHER METHOD BY THE UNIVERSITY
OF TENNESSEE**

Recitals

Whereas the University of Tennessee-Knoxville (“UT-K”) desires to enter into three (3) one (1) year master leases (the “Leases”) for the rental of up to two hundred (200) beds in three separate apartment complexes (the “Complexes”) in Knoxville, Tennessee; and

Whereas such apartments will be for use by students who cannot be accommodated on campus because of public health considerations; and

Whereas the Complexes were chosen because of their proximity to UT-K’s campus and the facts that the apartment units are fully furnished, and the rental rates are competitive in the marketplace; and

Whereas the terms of the Leases are:

a one (1) year lease term beginning August 15, 2020 and ending August 14, 2021 with a unit rate of three thousand four hundred dollars (\$3,400) per month with an average bed rate of eight hundred and fifty dollars (\$850) per month up to a maximum of two million and forty thousand dollars (\$2,040,000) per year, which includes utilities and parking, but does not include an additional two hundred and fifty dollar (\$250) cleaning fee each time a student transitions from a bed; and

Whereas the payments for the Leases will be funded by UT-K through plant funds.

BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:

1. In accordance with the authority provided by Tennessee Code Annotated Section 49-3-1205(11), the Authority gives its approval to the University of Tennessee to enter into the Leases.

BE IF FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 20, 2020.

Adopted by the Authority at its meeting on July 20, 2020.

JUSTIN P. WILSON, SECRETARY
TENNESSEE STATE SCHOOL BOND AUTHORITY

EXECUTIVE SUMMARY

BACKGROUND:

The University of Tennessee, on behalf of its Knoxville campus (UTK), proposes to enter into master lease agreements for student housing in Knoxville, TN. These master leases are required to provide up to 200 beds for students that are quarantined or have a confirmed case of Covid-19. The apartment will clean the unit each time a student moves out and charge a cleaning fee of \$250.

It is anticipated that additional master leases may be required to fully accommodate these needs.

These complexes were selected because of the location, the units are fully furnished, and the rate is competitive. 303 Flats has agreed to allow the units to be used for isolation and quarantine purposes. Advertising is not required since the term of this lease is only one year and an unforeseen situation has arisen making it impractical to advertise. Due to the short-term of the lease, there is no termination for convenience.

A one year lease is requested to meet immediate needs for the coming academic year.

TERMS:

The University proposes a one (1) year lease term beginning August 15, 2020 and ending August 14, 2021. The unit rate is \$3,400 per month or up to a maximum of \$2,040,000 per year which includes utilities and parking. The units come furnished.

FUNDING:

Funding for the lease payments will be funded by UTHSC through Plant Funds (Aux-Housing) (A) and Plant Funds (Non-Aux) (R).

REQUEST:

Request for approval to enter into master lease agreements.

UNIVERSITY OF TENNESSEE

Acquisition – Lease (Space)

Requested Action: Approval of a lease

Transaction Description: Transaction No. 2020-07-01

• **Proposed Lease**

- **Location:** University of Tennessee – Knoxville, Knox County, Tennessee
 - 303 Flats, 303 W Blount Avenue, Knoxville, TN - 303 West, LLC
 - The Heights, 1319 Knotty Pine Way, Knoxville, TN – Scion Knoxville Apartments LLC
 - Quarry Trails, 3999 Highland Crest Way, Knoxville, TN – Quarry Trail (Knoxville) Propco LLC
- **Landlord:** See above
- **Term:** 1 year (August 15, 2020 – August 14, 2021)
- **Area / Costs:** Up to 200 beds

	\$/bed	Estimated Total Cost
Average cost per bed (incl utilities)	\$850/mo.	\$2,040,000/year
• Source of Funding: Plant Funds (Non-Aux) (R)		
• Procurement Method: Negotiated		
• FRF Rate: \$18.00/sf (for reference only)		

Comment:

These master leases are needed as a precautionary measure due to the pandemic which is necessitating increased social distancing on the campus. The leases will be required to provide up to 200 beds for students that cannot be accommodated on campus. Students will be anticipated to transition in and out of these units on an as needed basis and a \$250 cleaning fee will be assessed by the landlords with each transition. Additional master leases may be required to satisfy the University’s need for additional student housing this year.

These complexes were selected because of the location, the units are fully furnished, and the rate is competitive. Advertising is not required since the term of this lease is only one year and an unforeseen situation has arisen making it impractical to advertise. Due to the short-term of the lease, there is no termination for convenience.

SSC Report: 07/13/2020 Austin Oakes summarized the transaction. Staff referred to Executive Subcommittee with recommendation.

[Add statement to comment regarding how COVID pandemic has necessitated this leasing need.](#)

Jacqueline Felland

From: Brown, Sybil <sybil@tennessee.edu>
Sent: Tuesday, July 14, 2020 11:59 AM
To: State Architect; Sandi Thompson; Jacqueline Felland
Cc: Oakes, Austin; Hopson, Tony (Tony); Crowder, Michelle Leigh
Subject: UT July ESC Agenda Updates
Attachments: UT JulyESC20_AgendaUpdate.docx

Categories: UT Issues

Please find attached our lead sheet updates from yesterday's ESC Staff meeting. Below is our response to the questions raised during the TSSBA meeting and the ESC Staff meeting. Please let us know if you have any questions or need more information.

- Will UTK make room assignments such that we are not placing students with a positive Covid test, in the same unit as a student who needs to self-isolate but does not have a positive test?
University Housing will make all room assignments for students placed in off-campus isolation/quarantine space. There will be a clear delineation between students who are placed in spaces to isolate (positive for COVID-19 or symptomatic) versus those who need to quarantine (asymptomatic close contacts). No student who has tested positive for COVID-19 will be assigned to a space with a student who has not tested positive for COVID-19. Should there be a limited amount of space available, it is possible that more than one student who has tested positive for COVID-19 and has the same isolation date as another student may be placed in the same space. All off-campus isolation/quarantine space include a single bedroom/bathroom option, so there will never be a point for which COVID-19 positive students would be sharing bedrooms and/or bathrooms.
- How do we plan to address food needs to students in these spaces?
University Housing will work with Aramark to coordinate food delivery for students assigned to off-campus isolation/quarantine space.
- If a student is in an on campus single room, would off campus housing be used if there was a need for isolation/quarantine?
If a student has a single room AND a private bathroom, University Housing will consult with medical professionals to determine if the student may isolate/quarantine in their assigned space. If it is determined that a student may not remain in their assigned space due to potential exposure to others, the student will be offered an isolation/quarantine space provided by the University.
- If several students are moved into a unit for isolation purposes at different times, would we not allow anyone to leave isolation until the longest quarantine period requirement was met?
Students will be placed in isolation/quarantine space based on the date of their isolation/quarantine period. Every effort will be made to avoid placing students into shared units if they have different isolation/quarantine start dates. If it becomes necessary to house students together with different isolation/quarantine dates, all students' start date will revert back to the most recent start date.
- Will we encourage students who are able to quarantine at home or with family to do so?
All residential students will be offered University-provided isolation/quarantine space. If a residential student chooses to isolate/quarantine at home or with family they may do so.
- How will UT be doing wellness checks on students in isolation housing?

All students placed in isolation/quarantine housing will be required to complete daily health checks with the Student Health Center.

- If we learn of students not following isolation requirements while in off campus housing, how do we plan to address?
The University will take an educational approach to address compliance issues with students. If there are continued issues with compliance for students who are in off-campus isolation/quarantine, there will be a University-initiated process to address further issues.
- How much student housing is available at UTK?
There are approximately 8,000 beds available in residence halls. There approximately 1,000 beds available in sorority/fraternity houses.
- How did we determine the number of beds needed?
The University is unaware of a standard calculation method to determine total number of isolation/quarantine beds needed. The current isolation/quarantine bed projection is based on 2.5% of all residential students (residence halls and sorority /fraternity houses) potentially needing isolation/quarantine housing.
- What is our plan B if we do not get this housing?
We would utilize any available space on campus and then require students to isolate/quarantine at home if no additional on-campus space is available. We currently have 39 on-campus spaces that will be used for isolation/quarantine purposes. If we have additional vacant spaces through student attrition, we will assess and potentially identify additional on-campus spaces, but this will likely not be the case prior to move-in scheduled to start on Sunday, August 9th.
- Do housing contracts provide UT with the flexibility to move students into alternative housing if needed?
Our General Counsel and Housing teams added a Covid addendum to our housing contracts, which provides us with the flexibility needed to move students into alternative housing if needed.
- Are there any other planning considerations?
We continue to plan for various Covid-19 scenarios, as the situation continues to evolve. We have a team dedicated to addressing the needs generated by Covid-19. It is possible that conditions will change in the future in a way that necessitates that additional beds are quickly secured. UT will keep you informed if we start to see such conditions develop.

Thanks,
Sybil Brown

CERTIFICATION OF FUNDS

Please be advised that The University of Tennessee Knoxville has adequate resources that are not encumbered or otherwise obligated from which to make related payments in accordance with the real property lease with **303 West, LLC, The Heights and Quarry Trail** in the amount of **Two million forty thousand and 00/100 (\$2,040,000.00) per year.**

DocuSigned by:

David Miller

Date: 7/1/2020 | 12:50:30 PDT

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David L. Miller

Senior Vice President & Chief Financial Officer

To: David Miller, Senior Vice President & Chief Financial Officer

From: Tony Hopson, Director of Real Property and Space Administration

Date: July 1, 2020

Re: Justification for Not Advertising – UT Knoxville (UTK) Apartment Leases – Covid-19 and Overflow

UTK proposes to lease up to 200 beds for students that are quarantined or have a confirmed case of Covid-19. In addition, the leases will provide capacity for overflow housing, as needed. For those used for quarantine and isolation due to Covid-19, the apartment will clean the unit each time a student moves out and charge a one-time cleaning fee of \$250.

The apartment complexes include 303 Flats, The Heights and Quarry Trail. It is anticipated that additional master leases may be required to fully accommodate these needs.

These complexes were selected because of the location, the units are fully furnished, and the rate is competitive. 303 Flats has agreed to allow the units to be used for isolation and quarantine purposes. Advertising is not required since the term of this lease is only one year and an unforeseen situation has arisen making it impractical to advertise. Due to the short-term of the lease, there is no termination for convenience.

Approved:

DocuSigned by:

David Miller

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David L. Miller, Senior Vice President & Chief Financial Officer

Cc: Austin Oakes

Part I

Date Needed: (Mo./Yr.)	SPACE ACTION REQUEST TRANSMITTAL	F&A Date Logged In: (Mo./Day/Yr.)
SAR Transmittal Instructions: Prepare in duplicate, include attachments and submit to F&A	Tennessee Department of Finance & Administration Real Property Administration William R. Snodgrass Tennessee Tower 312 Rosa L. Parks Avenue, 22 nd Floor Nashville, Tennessee 37243	F&A Transaction No.:
		F&A Transaction Code:

REQUESTING AGENCY: <u>UNIVERSITY OF TENNESSEE</u> Allotment Code: <u>332.10</u> Agency Cost Center: _____ Address (including County, City & Zip Code): <u>5723 Middlebrook Pike Suite 207</u> <u>Knox County, Knoxville, TN 37996-0045</u> Agency Contact (Name & Phone No.): <u>865-974-2441</u> <u>Tony Hopson</u> <u>ahopson4@tennessee.edu</u>	SUBJECT LOCATION Complete only if different from information shown at left. ADDRESS (INCLUDING COUNTY, CITY & ZIP CODE): <u>303 West LLC, The Heights, Quarry Trail</u> ON-SITE CONTACT (NAME & PHONE NO.): <u>Tony Hopson 865-974-2441</u>
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* Reason for REQUEST * Check item(s) that best describe current situation and need	* ACTION REQUESTED * Check item(s) that will best meet need
* Must attach either letter of justification/explanation or Office Space Needs Worksheet to address both the reason and the action requested *	
Current Space: <input type="checkbox"/> State Owned <input type="checkbox"/> Leased <input type="checkbox"/> Other Reflects Space: <input checked="" type="checkbox"/> Increase <input type="checkbox"/> Decrease <input type="checkbox"/> No Change <input type="checkbox"/> Lease Expiration <input type="checkbox"/> New Unit Activated <input type="checkbox"/> Staff Reorganization: <input type="checkbox"/> Reconfigure Existing Staff Only (OR) <input type="checkbox"/> Staff Increase <input type="checkbox"/> Decrease From: _____ To: _____ <input type="checkbox"/> File / Storage / Equipment Space Need <input type="checkbox"/> Unresolved Tenant-Landlord Issue <input checked="" type="checkbox"/> Other Reason: <u>Apartments to meet housing needs for UTK due to Covid-19 and overflow</u>	<input type="checkbox"/> Terminate Existing Lease <input type="checkbox"/> Amend (OR) <input type="checkbox"/> Hold-Over Existing Lease <input checked="" type="checkbox"/> Initiate Action for New Lease <input type="checkbox"/> Unique and Special Requirement (TCA 12-2-114) <input type="checkbox"/> Desire Space Assignment in State Owned Building <input type="checkbox"/> Make Alteration to Current Space for Accommodating Need <input type="checkbox"/> Contact Landlord and/or DGS on Behalf of Tenant <input type="checkbox"/> Other Action: (Cost estimate, planning consultation, etc.)

Current Data
Current SF = NA Current Lease Number: NA FRF Cost Center: NA Current Lease Expiration Date: NA

TYPE OF SPACE NEEDED (Check all that apply)
 Office Land Airport Facilities
 Warehouse House (Living Quarters) Educational Facilities Other: Apartments

NEW LOCATION CONSIDERATIONS
Location (County/City) and Boundaries if Required*: See Executive Summary

*** Must attach justification letter for special boundaries ***

Cost Estm: NA SF x NA (FRF Rate) = NA // _____ SF x _____ (A-87 Rate)= _____

Lease Term: 1 Years Commencing August 15 2020 ; Ending August 14 2021

Cancellation upon Lack of funding (OR) No Cancellation Convenience with fee

Parking Included (OR) Parking spaces desired to accommodate _____ staff (approximat _____) clients (approx. no.: _____) no.:

Other Considerations: See Executive Summary

ATTACHMENTS (Check all that apply)
 Office Space Needs Worksheet* Lead Sheet Photo Other: Executive Summary
 Justification / Explanation Letter* Other: Map Other: Lease

REQUESTING AGENCY AUTHORIZATION

Austin Bates Executive Director, Capital Project 07/01/2020
Signature Title Date

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Fiscal Office Review Funding Source: Plant Funds (Auxiliary)(A) Planned Budget Item Unplanned Budget Item

Master Lease Agreement

This master lease agreement is dated _____, 20__ and is between 303 West, LLC, a Tennessee limited liability company (“Lessor”), and The University of Tennessee, an instrumentality of the state of Tennessee (“University”).

Background:

- The University has a need for apartment for medical students in Knoxville, Tennessee.
- Lessor has space available in its apartment complex located at 303 W. Blount Ave., Knoxville, TN 37920, commonly known as “303 Flats” (“complex”) and has agreed to lease to the University.
- The nature of the transaction between the University and Lessor is that the University will be responsible for paying rent to Lessor. University’s students (“students”) will occupy the space described in Schedule A.
- Lessor will require the students to sign agreements that bind the Lessor and students with respect to the use and occupancy of the spaces in the complex. Those agreements will relate to Lessor’s rules and regulations. The University will not be a party to those agreements.

Agreement: Lessor and University agree as follows:

1. **Term:** The term of this agreement begins at 12:01 AM Eastern Time on August 15, 2020 and ends at 11:59 PM Eastern Time on August 14, 2021.
2. **Termination:**
 - a. **When Allowed:**
 - i. **By Lessor:** Except as permitted under the Uniform Residential Landlord Tenant act, Lessor may only terminate this agreement for any specific unit if the student materially violates Lessor’s rules and regulations and after providing not less than 5 days written notice to the University.
 - ii. **By University:** University may terminate this agreement for any specific unit immediately if a student occupying a unit dies
 - b. **Notice Requirement:** Either party must provide termination notice to the other in accordance with the Notice section of this agreement.
 - c. **Effect:** In the event that either party terminates this agreement for any particular unit, the University’s obligation to pay for the unit will end on the effective date of the notice.

3. **Lease and Deliverables:** Lessor hereby leases to University and University hereby leases from Lessor the property (“units”) described in Schedule A, together with rights to utilize all common areas associated with the apartment complex in which the units are located. Lessor will provide the deliverables stated in Schedule A for as long as a unit is subject to this agreement. Lessor shall not charge the students for anything stated in Schedule A.
4. **Payment:** University shall pay the amounts listed in Schedule A. University shall pay Lessor the first installment by _____, 20___, and each monthly installment thereafter by the 1st day of each month via ACH transfer. In the event that the University fails to pay by the 6th of each month, Lessor may charge a 1.5% late payment fee. Payment in full of the amounts set forth in Schedule A will constitute payment by University for the units and all services provided by Lessor under this agreement; neither University nor the students will be responsible for any charges for taxes, insurance, utilities, maintenance or any other items, except for costs associated with repairs to damages caused by students which will be the obligation of the student(s) causing such damage.
5. **Condition of Premises:** Lessor shall deliver possession of the units beginning at 10:00 AM Eastern Time on August 15, 2020. Lessor states that the units are in good order and repair.
6. **Damages:**
 - a. **Generally:** ***The University is not responsible for the acts or omissions of its students.*** The University’s sole obligation under this agreement is to pay the rent amounts listed in Schedule A. Accordingly, Lessor acknowledges that the individual residents are responsible for any costs associated with damages. Any liability of the University to Lessor and third parties for any claims, damages, losses, or costs arising out of or related to acts performed by the university under this agreement will be governed by the Tennessee Claims Commission Act, Tenn. Code Ann. §§ 9-8-301, et. seq.
 - b. **Ordinary Wear and Tear:** Students will not be liable for ordinary wear and tear.
7. **Rules and Regulations:** The University is not responsible for the students’ compliance with Lessor’s rules and regulations. Lessor is responsible for ensuring that students are aware of Lessor’s rules and regulations.
8. **Maintenance and Repairs:** Lessor shall maintain the units and the complex in good working order and in the same condition or better as exists on the date of this agreement. Lessor will ensure that the students are aware of how to request maintenance, including repairs.
9. **Fire and Other Casualties:** In the case of damage by fire or other casualty to the building in which the units are located, if the damage is so extensive as to render the units untenable, this agreement will terminate immediately for the affected units, and the rental costs will be apportioned to the time of the fire or casualty.

10. Records; Audit:

- a. Records: Lessor will maintain records for all expenses for which Lessor invoices the University under this agreement. Lessor will maintain its records for at least 5 years, and will maintain its records in accordance with generally accepted accounting principles.
- b. Audit: During the term of this agreement and for 5 years after the last payment from the University to Lessor under this agreement, the State of Tennessee Comptroller or the University's internal audit, or both, may audit Lessor's records that relate to this agreement.

11. Debarment: Lessor hereby states that the following are true statements:

- a. Lessor is not currently debarred by the U.S. federal government.
- b. Lessor is not currently suspended by the U.S. federal government.
- c. Lessor is not currently named as an "excluded" Lessor by the U.S. federal government.

12. Background Checks:

- a. General Obligation: Lessor will not knowingly assign any individual to provide services to University if the individual has a history of criminal conduct. For purposes of this agreement, "criminal conduct" means charges filed by any government agency, excluding non-moving violations and speeding violations or any other non-felonious charge.
- b. Tennessee Abuse Registry; Tennessee Sex Offender: Lessor must inform the University's Office of Procurement Services immediately if any of Lessor's employees or sub-contractors are listed in:
 - i. The Tennessee Abuse Registry.
 - ii. The Tennessee Sex Offender Registry.
- c. Prompt Background Checks: If the University requests, Lessor must perform a comprehensive criminal background check on any Lessor employee or sub-contractor.

13. Reporting: If Lessor has actual knowledge of the items below, Lessor shall notify the University immediately if any of the following items occur in one of the units or elsewhere on Lessor's premises, provided Lessor is permitted to do so by applicable law:

- a. Crimes, including attempted crimes
- b. Emergencies involving personal injury to a student
- c. Alcohol consumption by minor students (provided Lessor has no obligation to monitor for same)

- d. Use of illegal drugs by students (provided Lessor has no obligation to monitor for same)

14. **Insurance:** Lessor shall comply with the insurance requirements stated in Schedule B.
15. **Illegal Immigrants:** In compliance with the requirements of Tenn. Code Ann. § 12-3-309, Lessor hereby attests that it shall not knowingly utilize the services of an illegal immigrant in the United States in the performance of this agreement and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the United States in the performance of this agreement.
16. **Force Majeure:** Neither party's delay or failure to perform any provision of this agreement, as result of circumstances beyond its control (including, without limitation, war, strikes, floods, governmental restrictions, power, telecommunications or Internet failures, or damage to or destruction of any network facilities) will be deemed a breach of this agreement.
17. **Dispute Resolution:** The parties shall make reasonable efforts to resolve any dispute before filing any formal legal action.
18. **Governing Law:** The internal laws of the State of Tennessee, without giving effect to its principles of conflicts of law, govern this agreement. The University's liability is governed by the Tennessee Claims Commission Act.
19. **Notice:**
 - a. For a notice or other communication under this agreement to be valid, it must be in writing and delivered (1) by hand, (2) by a national transportation company, with all fees prepaid, or (3) by registered or certified mail, return receipt requested and postage prepaid;
 - b. Subject to sub-section (d) below, a valid notice or other communication under this agreement will be effective when received by the party to which it is addressed. It will be deemed to have been received as follows:
 - i. if it is delivered by hand, delivered by a national transportation company, with all fees prepaid, or delivered by registered or certified mail, return receipt requested and postage prepaid, upon receipt as indicated by the date on the signed receipt; and
 - ii. if the party to which it is addressed rejects or otherwise refuses to accept it, or if it cannot be delivered because of a change in address for which no notice was given, then upon that rejection, refusal, or inability to deliver.

- c. For a notice or other communication to a party under this agreement to be valid, it must be addressed using the information specified below for that party or any other information specified by that party in a notice in accordance with this section.

Lessor:

303 West, LLC
303 W Blount Ave _____
Knoxville, TN 37920 _____
Attn: _____
Email: _____

With copy to: 303 West, LLC
2770 Electric Road, Suite C
Roanoke, VA 24018
Attn: Wes Bradley
Email: wes@studenthome.com

University:

Legal notices only; do not send invoices to this address:

The University of Tennessee
5723 Middlebrook Pike
Knoxville, TN 37921-5946
ATTN: Real Property & Space Administration

Fax: 865-974-4231

- d. If a notice or other communication addressed to a party is received after 5:00 p.m. on a business day at the location specified in the address for that party, or on a day that is not a business day, then the notice will be deemed received at 9:00 a.m. on the next business day.

20. **Registration with Tennessee Department of Revenue:** The Lessor hereby attests that it is not registered with the State of Tennessee's Department of Revenue for the collection of Tennessee sales and use tax because the Lessor does not engage in the business of selling, renting, or charging for any rooms, lodgings, or accommodations for a period less than ninety (90) days, and the University acknowledges that, pursuant to Tenn. Code Ann. § 12-3-306, the Lessor is not required to so register in order to enter into this agreement with the University.

21. **Iran Divestment Act:** The Lessor certifies, under penalty of perjury, that to the best of its knowledge and belief the Lessor is not on the list created pursuant to Tenn. Code Ann. § 12-12-106. The Lessor further certifies that it shall not utilize any subcontractor that is on the list created pursuant to Tenn. Code Ann. § 12-12-106.

22. **Use of University Intellectual Property**: Except as allowed in this section, Lessor shall not use the University's name, logo, or any other University-owned intellectual property for any reason, without the written consent of an authorized official of the University. During the term of this agreement, Lessor may list the University's name in Lessor's list of clients.
23. **Third-Party Beneficiaries**: There are no third-party beneficiaries to this agreement. The University is not party to, and is not responsible for, any agreements between the Lessor and students directly.
24. **Severability**: The parties intend as follows:
- a. that if any provision of this agreement is held to be unenforceable, then that provision will be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded;
 - b. that if an unenforceable provision is modified or disregarded in accordance with this section, then the rest of the agreement will remain in effect as written; and
 - c. that any unenforceable provision will remain as written in any circumstances other than those in which the provision is held to be unenforceable.
25. **Modification; Waiver**:
- a. **Modification**:
 - i. No amendment of this agreement will be effective unless: (1) it is in writing; (2) it is signed by authorized officials of both parties; and (3) it specifically references this agreement.
 - ii. Only the University's authorized officials have the authority to bind the University. A list of the University's authorized officials is located here: <http://treasurer.tennessee.edu/contracts/contractsignature.html>. Approval of the State Building Commission and the State Attorney General will also be required for any amendment of this agreement.
 - b. **Waiver**: No waiver of satisfaction of a condition or failure to comply with an obligation under this agreement will be effective unless it is in writing and signed by the party granting the waiver, and no such waiver will constitute a waiver of satisfaction of any other condition or failure to comply with any other obligation.
26. **Counterparts**: If the parties sign this agreement in several counterparts, each will be deemed an original but all counterparts together will constitute one instrument.
27. **Compliance with law**: Lessor shall comply with all applicable laws, including the Tennessee Uniform Residential Landlord and Tenant Act and the Americans with Disabilities Act.

28. **Entire agreement:** This agreement constitutes the entire understanding between the parties with respect to the subject matter of this agreement and supersedes all other agreements, whether written or oral, between the parties. In the event Lessor's invoices, order forms, or other Lessor-provided items contain terms, Lessor acknowledges that Lessor's terms do not apply to the University. Further, in the event Lessor's website, mobile applications, or other platforms contain click-wrap, browse-wrap, or shrink-wrap terms and conditions, Lessor states that such terms and conditions do not apply to University.

29. **End of Term:** Upon termination or expiration of this agreement, the University will peaceably surrender to the Lessor the units in as good order and condition as when received, reasonable use and wear thereof and damage by earthquake, fire, public calamity, the elements, acts of God, or circumstances over which the University has no control or for which Lessor is responsible pursuant to this lease, excepted. The University will have no duty to remove any improvements or fixtures placed by it in the units or to restore any portion of the units altered by it, save and except in the event the University elects to remove any such improvement or fixture and such removal causes damages or injury to the units and then only to the extent of any such damages or injury.

The parties are signing this agreement on the date stated in the introductory clause. This agreement is not binding until signed by all parties below.

The University of Tennessee

303 West, LLC

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Approved as to form and legality:

Tennessee Attorney General

Herbert H. Slatery III, Attorney general and Reporter

LESSOR NOTARY

STATE OF TENNESSEE
COUNTY OF KNOX

Before me, the undersigned notary of the State and County aforesaid, personally appeared _____, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself to be _____ of UC Retail, LLC, the within-named bargainer, a limited liability company, and that he as such officer, executed the foregoing instrument for the purpose therein contained, by signing the name of the company by himself as such officer.

WITNESS my hand and seal at office in _____, this ___ day of _____, 2020.

Notary Public

My Commission Expires: _____

UNIVERSITY NOTARY

STATE OF TENNESSEE
COUNTY OF KNOX

Personally appeared before me, the undersigned Notary Public for Knox County, _____, with whom I am personally acquainted or proved to me on the basis of satisfactory evidence, and who, upon oath, acknowledged that he/she is the _____ of the University of Tennessee and that he/she as officer, being authorized so to do, executed the foregoing instrument for the purpose therein contained by signing the name of the University of Tennessee by himself as officer.

Witness my hand and seal, at office in, this _ day of _____, 2020.

Notary Public.

My Commission Expires:

Schedule A

Deliverables:

1. **Electricity, HVAC, Sewer and Water:** The rental amounts listed below include the costs of all utilities which will be provided in sufficient capacities for use of the units as residential apartments.

2. **Wireless Internet:** The rental amount also include wireless internet for the living room of each apartment unit.

3. **Furniture:** The rental amount also include use of the following furniture items:
 - a. Common area which is the living room and kitchen area: Couch, Club Chair, TV Stand, 50" TV, Coffee Table, End Table and Barstools

 - b. Bedroom: Full Size Bed, Desk, Chair, Nightstand and under-bed dresser.

4. **Parking:** Lessor will provide each unit (bed) with access to four parking spaces. Lessor will waive any costs for parking and agrees to maintain its current parking to unit ratio.

Residential Apartment Space:

Summary:

Total number of apartment units leased: To be determined

Total, aggregate cost per month: To be determined based on the number of units leased

Unit # and bedroom (list each unit specifically below)

Specific Units to be determined

Move-In Date

August 15, 2020

Monthly Rental Payments:

Month	Payment	Month	Payment	Month	Payment
August 2020	TBD	December 2020	TBD	April 2021	TBD
September 2020	TBD	January 2021	TBD	May 2021	TBD
October 2020	TBD	February 2021	TBD	June 2021	TBD
November 2020	TBD	March 2021	TBD	July 2021	TBD
				August 2021	TBD

Schedule B

Insurance requirements: Lessor shall provide coverage with limits of liability not less than those stated below. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements provided that the coverage is written on a “following form” basis. Coverage must be maintained for the full term of the agreement.

Commercial General Liability – Occurrence Form: Policy must include bodily injury, property damage, and, and liability assumed under an insured agreement, including defense costs. The policy must be endorsed to include the following additional insured language: “The University of Tennessee, its affiliated organizations, successors, or assignees, its officials, trustees, employees, agents, and volunteers shall be named as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Lessor.”

Minimum Limits:

- General Aggregate \$ 2,000,000
- Products/Completed Operations Aggregate \$ 2,000,000
- Each Occurrence Limit \$ 1,000,000
- Personal/Advertising Injury \$ 1,000,000

Automobile Liability: Bodily injury and property damage for any owned, hired, and non-owned vehicles used in the performance of this agreement.

Minimum Limits:

- Bodily Injury/Property Damage (Each Accident) \$ 1,000,000

Umbrella/Excess Liability: designed to provide liability protection above and beyond that provided by standard liability contracts. The Umbrella or Excess Liability policy must be Follow Form.

Minimum Limits:

Each Occurrence Limit	\$ 3,000,000
Aggregate Limit	\$ 3,000,000

Workers’ Compensation and Employers’ Liability

Minimum Limits:

- Each Accident \$ 100,000
- Disease, each employee \$ 100,000
- Disease, policy limit \$ 500,000

Additional Insurance Requirements: The policies shall include, or be endorsed to include, the following provisions:

1. On insurance policies where The University of Tennessee is named as an additional insured, The University of Tennessee must be an additional insured to the full limits of liability purchased by the Lessor, even if those limits of liability are in excess of those required by this agreement.
2. The Lessor's insurance coverage shall be primary insurance and non-contributory with respect to all other available sources.

Notice of Cancellation: Each insurance policy required by the insurance provisions of this agreement must provide the required coverage and shall not be suspended, voided, or canceled except after 30 days' prior written notice has been given to The University of Tennessee, except when cancellation is for non-payment of premium; then 10 days' prior notice may be given. Lessor must provide notice to:

The University of Tennessee Office of Risk Management
5723 Middlebrook Pike, Ste. 218
Knoxville, TN 37996

If any insurance company refuses to provide the required notices, the Lessor or its insurance broker shall notify The University of Tennessee of any cancellation, suspension or non-renewal of any insurance within 7 days of receipt of insurers' notification to that effect.

Acceptability of Insurers: Insurance is to be placed with insurers duly licensed or authorized to do business in the state of Tennessee and with an "A.M. Best" rating of not less than A- VII.

Verification of Coverage: Lessor shall furnish The University of Tennessee with certificates of insurance (ACORD form or equivalent) as required by this agreement. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

All certificates and any required endorsements are to be received and approved by The University of Tennessee before work commences. Each insurance policy required by this agreement must be in effect at or prior to commencement of work under this agreement and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this agreement or to provide evidence of renewal is a material breach of agreement.

All certificates required by this agreement must be sent directly to The University of Tennessee at the address shown. The project/agreement number and project description must be noted on the certificate of insurance. The University of Tennessee reserves the right to require complete, certified copies of all insurance policies required by this contract at any time.

Subcontractors: Lessor's certificate(s) must include all subcontractors as additional insureds under its policies, or contractor shall furnish to The University of Tennessee separate certificates and endorsements for each subcontractor. All coverages for subcontractors are subject to the minimum requirements identified above.

Approval: Any modification or variation from the insurance requirements in this agreement must be made by the University's risk management department, whose decision will be final. Such action will not require a formal amendment to this agreement.

Tennessee State School Bond Authority

Higher Education Facilities Program

Debt Report

As of June 30, 2020

(Unaudited)

Revolving Credit Facility (RCF)

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
RCF Outstanding	\$ 23,113,425	\$ 51,367,265	\$ 74,480,690
<u>Expenses for FY20</u>			
RCF Interest			\$ 1,574,740
Quarterly Commitment Fee			\$ 512,427
Draw Fees			\$ 3,600

Analysis for the Period of July 1, 2019 to June 30, 2020

	<u>Taxable</u>	<u>Tax -Exempt</u>
Average Daily Balance	\$24,340,701	\$78,640,218
Interest Rate	0.70 – 2.93%	0.56 – 2.34%
Weighted Average Yield	2.22%	1.77%

Bonds

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Bonds Outstanding	\$ 292,655,000	\$ 1,338,780,000	\$ 1,631,435,000
<u>Expenses for FY20</u>			
Trustee Fees			\$ 82,958

Tennessee State School Bond Authority

Qualified Zone Academy Bond Program

Debt Outstanding

As of June 30, 2020

(Unaudited)

<u>Bond Issue</u>	<u>Par Amount Outstanding</u>	<u>Maturity Date</u>
QZAB Series 2004	\$12,600,000	November 24, 2020
QZAB Series 2005	\$17,545,000	December 28, 2020

Tennessee State School Bond Authority
Qualified School Construction Bond Program

Debt Outstanding

As of June 30, 2020
(Unaudited)

	<u>Par Amount Outstanding</u>	<u>Maturity Date</u>
QSCB Series 2009	\$177,000,000	September 15, 2026
QSCB Series 2010	\$212,440,000	September 15, 2027
	 <u>Book Value</u>	
QSCB Series 2009 Sinking Fund	\$113,141,168	
QSCB Series 2010 Sinking Fund	\$121,523,025	

TENNESSEE STATE SCHOOL BOND AUTHORITY



DEBT MANAGEMENT POLICY

Prepared by:
Division of State Government Finance

Table of Contents

Introduction	1
Purpose	1
Goals and Objectives.....	2
A. The goals of this Policy.....	2
B. The objectives of this Policy.....	2
Debt Management.....	2
A. Purpose and Use of Debt Issuance	2
B. Debt Capacity Assessment.....	3
C. Federal Tax Status.....	3
D. Legal Limitations on the Use of Debt.....	3
Types of Debt	3
A. Bonds.....	3
B. Short-Term Debt	4
Debt Management Structure.....	4
A. Term.....	4
B. Capitalized Interest	5
C. Debt Service	5
D. Call Provisions	5
E. Original Issuance Discount/Premium.....	5
Refunding Outstanding Debt	5
A. Refunding Proposals	5
B. Term of Refunding Issues.....	6
C. Bond Structuring	6
D. Escrow Structuring.....	6
E. Arbitrage	6
Methods of Sale	6
A. Competitive.....	6
B. Negotiated	6
C. Private Placement	6
Selection of Underwriting Team (Negotiated Transaction).....	7
D. Senior Manager.....	7

E. Co-Manager.....	7
F. Selling Groups	7
G. Underwriter’s Counsel	7
H. Underwriter’s Discount.....	7
I. Evaluation of Underwriter Performance.....	8
Credit Quality	8
A. Security of Bonds	8
1. Debt Service Reserve Fund	8
2. Liquidity Facility	9
3. Interest Rate Reserve Fund.....	9
B. Intercept of State Appropriations.....	9
Credit Enhancements.....	9
A. Bond Insurance	9
B. Letters of Credit	9
C. Liquidity.....	10
D. Use of Structured Products.....	10
Risk Assessment	10
A. Change in Public/Private Use.....	10
B. Default Risk	10
C. Liquidity Risk	10
D. Interest Rate Risk	10
E. Rollover Risk.....	10
F. Market Risk	11
Transparency.....	11
Professional Services.....	11
A. Issuer’s Counsel.....	11
B. Bond Counsel	11
C. Financial Advisor	11
D. Trustee/Refunding Trustee.....	11
E. Dealer	12
F. Issuing and Paying Agent	12
G. Credit/Liquidity Provider.....	12

Potential Conflicts of Interest 12

Debt Administration..... 12

 A. Planning for Sale 12

 B. Post-Sale..... 13

 C. Continuing Administration 13

Federal Regulatory Compliance and Continuing Disclosure 13

 A. Arbitrage 13

 B. Investment of Proceeds 14

 C. Disclosure 14

 D. Generally Accepted Accounting Principles (GAAP)..... 15

Review of the Policy 15

Adoption of the Policy..... 16

Debt Management Policy

Introduction

The Tennessee State School Bond Authority (the “Authority”), created in 1965 under the Tennessee State School Bond Authority Act, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated (“TCA”), is a corporate governmental agency and instrumentality of the State of Tennessee whose purpose is to finance revenue generating capital projects for public institutions of higher education located in Tennessee (“Higher Education Institutions”) by issuing bonds and notes of the Authority and to finance projects approved pursuant to the Qualified Zone Academy Bond Program (“QZAB”) and Qualified School Construction Bond Program (“QSCB”)(both federal government programs for local education agencies).

The Authority has financed a variety of revenue generating higher education projects including dormitories, athletic facilities, parking facilities and major equipment purchases. These projects stand in contrast to non-revenue generating capital projects for basic academic needs such as classrooms and libraries that are funded from the proceeds of the State’s general obligation bonds.

QZAB and QSCB projects include construction of new schools, renovation, and rehabilitation of existing schools, as well as purchase of land and equipment for use in qualified projects. Federal guidelines allow for QZAB proceeds to be used to fund teacher training. However, under Tennessee Constitution Article II, Section 24, no debt will be issued to fund current operating expenses (including internal employee labor) unless such debt is retired or repaid within the fiscal year of issuance. Thus, the Authority does not use QZAB proceeds to fund teacher training.

The Division of State Government Finance (the “SGF”) serves as staff to the Authority. Both the Director of the SGF and the Assistant to the Comptroller for Public Finance serve as the Assistant Secretary to the Authority.

Purpose

Debt management policies provide written guidance about the amount and type of debt issued by governments, the issuance process for such debt, and the management of the debt portfolio. A debt management policy tailored to the needs of the Authority: (1) identifies policy goals and demonstrates a commitment to long-term financial planning (2) improves the quality of decisions concerning debt issuance; and (3) provides justification for the structure of debt issuance. Adherence to its debt management policy signals to rating agencies and the capital markets that the Authority is well managed and able to meet its obligations in a timely manner.

Debt levels and their related annual costs are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt programs in line with those resources.

The QZAB and QSCB programs are limited to the amounts allocated by the federal government. The Authority adopted the Qualified Zone Academy Bonds General Bond Resolution on September 9, 1999 and the Qualified School Construction Bonds General Bond Resolution on November 5, 2009 authorizing the issuance of QZABs or QSCBs thereunder from time to time pursuant to Supplemental Resolutions. At this time the Authority does not anticipate further issuance of debt for these programs due to economic and financial conditions and constraints.

This policy applies to the QZAB and QSCB programs for purposes of Debt Maintenance and Federal Regulatory Compliance and Continuing Disclosure.

Goals and Objectives

The Authority is establishing this debt policy as a tool to ensure that financial resources are adequate to meet the Authority's long-term debt program and financial planning. In addition, this Debt Management Policy (the "Policy") helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority's financial resources and to meet its long-term capital needs.

A. The goals of this Policy

- To document responsibility for the oversight and management of debt related transactions;
- To define the criteria for the issuance of debt;
- To define the types of debt approved for use within the constraints established by the General Assembly;
- To define the appropriate uses of debt;
- To define the criteria for evaluating refunding candidates or alternative debt structures; and
- To minimize the cost of issuing and servicing debt

B. The objectives of this Policy

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations;
- To identify legal and administrative limitations on the issuance of debt;
- To ensure the legal use of the Authority's debt issuance authority;
- To maintain appropriate resources and funding capacity for present and future capital needs;
- To protect and enhance the Authority's credit rating;
- To evaluate debt issuance options;
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services;
- To manage interest rate exposure and other risks; and
- To comply with Federal Regulations and generally accepted accounting principles ("GAAP")

Debt Management

A. Purpose and Use of Debt Issuance

Debt is to be issued pursuant to the Act, as amended, and the Higher Educational Facilities Second Program General Bond Resolution (adopted by the Authority on April 27, 1998 authorizing the issuance of Higher Educational Facilities Second Program Bonds from time to time by Supplemental Resolutions).

- Debt may be used to finance capital projects identified in the Financing Agreements between the Authority and (i) the Tennessee Board of Regents of the State University and Community College System ("TBR") and (ii) the Board of Trustees of the University of Tennessee ("UT").
- Debt may be used to finance project costs which include all direct capital costs and indirect capital costs of projects, including but not limited to costs of construction and acquisition,

costs of issuance of debt, funded interest on debt, and amounts to fund or replenish reserves, if and to the extent approved by the Authority. In compliance with Article II, Section 24 of the Tennessee Constitution, no budgeted current operational expenditures (including internal employee labor) shall be reimbursed with debt proceeds unless such debt is retired/repaid within the fiscal year of issuance.

- Prior to the issuance of bonds, bond anticipation notes may be issued for the payment of costs as authorized by the Authority.
- Bonds may be issued to refinance outstanding debt.

B. Debt Capacity Assessment

- The debt capacity of the Authority is partially reliant on the debt capacity of the Higher Education Institutions. Due to this reliance, this Policy requires the assessment of the debt capacity the Higher Education Institutions on a project-by-project basis as each project is presented for approval. Debt capacity of each project is based on debt service coverage, which measures the actual margin of protection for annual debt service payments from the annual pledged revenue. Pledged revenue plus the pledge of legislative appropriations must meet a two times coverage test for a project to be approved for debt funding.
- Bond anticipation notes are limited to the amount stated in the related Resolution and/or Credit Agreement.

C. Federal Tax Status

- **Tax-Exempt Debt** – The Authority will use its best efforts to maximize the amount of debt sold as tax-exempt based on the assumptions that tax-exempt interest rates are lower than taxable rates and that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and investment constraints.
- **Taxable Debt** – The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt.

D. Legal Limitations on the Use of Debt

- Pursuant to Section 47-3-1207(d)(4) of the TCA, limitations on the purpose to which the proceeds of sale of bonds or notes may be applied are contained in the resolution or resolutions authorizing the bonds or notes.
- No debt may be issued for a period longer than the useful life of the capital project it is funding.

Types of Debt

Pursuant to Section 49-3-1207 of the TCA, the Authority is authorized from time to time to issue its negotiable bonds and notes. These include:

A. Bonds

The Authority may issue bonds, where repayment of the debt service obligations of the bonds will be made through revenues generated from specifically designated sources. The bonds will be special obligations of the Authority. These bonds may include but not limited to:

- **Fixed Interest Rate Bonds.** Bonds that have an interest rate that remains constant throughout the life of the bond.
 - Serial Bonds
 - Term Bonds

- **Variable Interest Rate Bonds.** Bonds which bear a variable interest rate but do not include any bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. Provision as to the calculation or change of variable interest rates shall be included the corresponding Supplemental Resolution.
- **Capital Appreciation Bonds.** Bonds as to which interest is payable only at maturity or prior redemption of such Bonds or which bear a stated interest rate of zero. The corresponding Supplemental Resolution for the bonds will define the manner in which the period during which principal and interest shall be deemed to accrue, and the valuation dates for the bonds and the accreted value on the valuation date.

B. Short-Term Debt

The Authority may issue short-term debt, from time to time as needed to fund projects for the Higher Educational Institutions during their construction phase. Such debt shall be authorized by resolution of the Authority. Short-term debt may be used for the following reasons:

- To fund projects with an average useful life of ten years or less; and
- To fund projects during their construction phase

The short-term debt may be structured as Bond Anticipation Notes (“BANs”) or short-term obligations that will be repaid by proceeds of a subsequent long-term bond issue or fees and charges from the borrowers. Typically, short-term debt is issued during the construction period to take advantage of the lower short-term interest rates. Short-term debt may include:

- **Commercial Paper (“CP”)** – CP is a form of BANs that has a maturity up to 270 days may be rolled to a subsequent maturity date and is commonly used to finance a capital project during construction. It can be issued incrementally as funds are needed.
- **Fixed Rate Notes** – Notes issued for a period of one year or less at a fixed interest rate.
- **Variable Rate Notes** – Notes issued for a period of one year or less, which bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing resolution.
- **Revolving Credit Facility** – A form of BANs involving the extension of a line of credit from a bank. The bank agrees that the revolving credit facility can be drawn upon incrementally as funds are needed. The draws upon the line of credit may bear variable interest rates until redeemed. Provision as to the calculation or change of variable interest rates shall be included in the authorizing credit agreement.

Debt Management Structure

The Authority shall establish all terms and conditions relating to the issuance of bonds and will invest all bond proceeds pursuant to the terms of the Authority’s Second General Bond Resolution and the State’s investment policy. Unless otherwise authorized by the Authority, the following shall serve as the Policy for determining structure:

A. Term

All capital projects financed through the issuance of debt will be financed for a period not to exceed the useful life of the projects, and in consideration of the ability of the borrower to absorb the additional debt service expense within the debt affordability guidelines, but in no event will the term of any bonds exceed thirty (30) years.

B. Capitalized Interest

From time to time, certain financings may require the use of capitalized interest from the issuance date until the borrower has beneficial use or occupancy of the financed project. Interest may be financed (capitalized) through a period permitted by federal law and the Authority's Second Program General Bond Resolution if it is determined that doing so is beneficial to the financing by the Authority.

C. Debt Service

Debt issuance shall be planned to achieve relatively net level debt service. The Authority shall avoid the use of bullet or balloon maturities, absent sinking fund requirements, except in those instances where these maturities serve to make existing overall debt service level or to match a specific income stream.

No debt shall be structured with deferred repayment of principal unless such structure is specifically approved by unanimous vote of the members of the Authority.

D. Call Provisions

In general, the Authority's securities will include a call feature no later than ten (10) years from the date of delivery of the bonds. Call Features should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the Authority with respect to the value of the call option.

E. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium will be permitted with the approval of the Authority.

Refunding Outstanding Debt

The Authority may refinance outstanding bonds by issuing new bonds. Authority staff with assistance from the Authority's financial advisor ("Financial Advisor") shall have the responsibility to analyze outstanding bond issues for refunding opportunities, whether for economic, tax-status, or project reasons. Consideration shall be given to anticipated costs and administrative implementation and management.

A. Refunding Proposals

Refunding opportunities shall be reported to the Authority when:

- The sale of refunding bonds produces an aggregate present value savings of at least 4% of the par value of the bonds to be refunded; or
- The refunding of bonds creates additional debt capacity and produces an aggregate present value savings of at least 3% of the par value of the bonds to be refunded; or
- The refunding of the bonds is necessary due to a change in the use of a project that would require a change to the tax status of the Bonds; or
- The project is sold or no longer in service while still in its amortization period; or
- Restrictive Covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.

If a decision to refund is based on savings, then the Authority will issue the refunding debt only after receipt of a certified analysis from the Financial Advisor that the market conditions at the time of the sale will still produce the necessary savings.

B. Term of Refunding Issues

The Authority will refund bonds within the term of the originally issued debt allowing for an extension within the fiscal year of the original term. No backloading of debt will be permitted.

C. Bond Structuring

The bonds will be structured to create proportional or level debt service savings.

D. Escrow Structuring

The Authority shall structure refunding escrows using permitted securities deemed to be legally permitted under the circumstances. The Authority shall take all actions as may be necessary or appropriate to effectuate the transactions contemplated by the Refunding Trust Agreements, including but not limited to the purchase of State and Local Government Obligations (SLGS). Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

E. Arbitrage

The Authority shall take all reasonable steps to optimize escrows and to avoid negative arbitrage in its refunding subject to section 49-3-1205(6) of the TCA. Any positive arbitrage will be rebated as necessary according to Federal guidelines (see also “Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage”).

Methods of Sale

A. Competitive

In a competitive sale, the Authority’s bonds shall be awarded to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official notice of sale. The competitive sale is the Authority’s preferred method of sale.

B. Negotiated

While the Authority prefers the use of a competitive process, the Authority recognizes some securities are best sold through negotiation. In a negotiated sale, an underwriting team will be chosen and the underwriter’s fees negotiated prior to the sale (see “Selection of Underwriting Team (Negotiated Transaction)”). In its consideration of a negotiated sale, the Authority shall assess the following circumstances:

- A structure which may require a stronger pre-marketing effort,
- Size of the issue which may limit the number of potential bidders,
- Market volatility is such that the Authority would be better served by flexibility in timing a sale,
- Credit strength,
- If legal or disclosure issues make it advisable in marketing the bonds, and
- Tax status of bond.

C. Private Placement

From time to time, the Authority may have a need to consider privately placing its debt where the size is too small or the structure is too complicated for public debt issuance, or the number of market purchasers is limited, and/or will result in a cost savings to the Authority relative to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

If there is an underwriter, the Authority shall require the underwriter to clearly identify itself in writing, whether in a response to a request for proposals or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to that issue. The underwriter must clarify its primary role as a purchaser of securities in an arm's-length commercial transaction and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per maturity to the Authority or its designated official in advance of the pricing of the debt.

D. Senior Manager

The Authority with assistance from its financial advisor shall select the senior manager for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee Debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority's engagement;
- Financing and marketing ideas presented; and
- Underwriting fees.

E. Co-Manager

Co-managers will be selected on the same basis as the senior manager. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of the Authority's bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

F. Selling Groups

The Authority may use selling groups in certain transactions to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group, should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are used, the Secretary or Assistant Secretary of the Authority at his or her discretion may make appointments to selling groups as the transaction dictates.

G. Underwriter's Counsel

In any negotiated sale of Authority debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager.

H. Underwriter's Discount

The Authority will evaluate the proposed underwriter's discount against comparable issues in the market. If there are multiple underwriters in the transaction, the Authority will determine the allocation of fees with respect to the management fee, if any. The determination will be based upon participation in the structuring phase of the transaction. All fees and allocation of the management fee will be determined prior to the sale date. A cap on management fee, expenses and underwriter's counsel fee will be established and communicated to all parties by the Authority. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

I. Evaluation of Underwriter Performance

Authority staff with assistance of the Financial Advisor will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credits.

Following each sale, Authority staff shall provide a report (including the information contained in the paragraph above) to the Authority on the results of the sale.

Credit Quality

The Authority's debt management activities will be conducted to receive the highest credit ratings possible, consistent with the Authority's financing objectives. The Office of the Comptroller of the Treasury through the "SGF" will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Authority's debt. The SGF will schedule rating agency calls and/or visits prior to the issuance of Tennessee State School Bond Authority debt.

The SGF will provide the rating agencies with periodic updates of the general financial condition of the Authority. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Authority, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority through the SGF will engage the relevant rating agencies in advance, in the event that the Authority decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Authority shall apply for ratings from at least two of the three Statistical Rating Organizations (the "SRO"). The Authority shall fully review the contract with the SRO and receive an engagement letter prior to submitting documentation for the rating.

A. Security of Bonds

1. Debt Service Reserve Fund

The Authority's Second Program General Bond Resolution provides that a Debt Service Reserve Fund shall be established for each bond that is issued

- **Cash Funded Debt Service Reserve** - a fund in which moneys are placed in reserve to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund is funded with bond proceeds at the time of issuances. The balance in the debt service reserve fund will be used to pay the final maturity of that bond. It is the Authority's current practice to establish this fund with no current funding (funded at zero dollars).
- **Reserve Fund Credit Facility** - In lieu of a cash funded Debt Service Reserve, the Authority has the option to use one of the following reserve fund credit facilities; provided, however, that at the time of acceptance by the Authority, the provider's long-term obligations of any nature or claims paying ability are rated, by each Rating Agency then rating any Outstanding Bonds, no lower than the same Rating Category (for this purpose, taking into account refinements and gradations) as the Bonds are then rated by such Rating Agency:
 - Letter of Credit;
 - Debt service reserve insurance policy; or

- any other similar financial arrangement as determined by Supplemental Resolution, and which is used to fund all or a portion of the Debt Service Reserve Requirement

2. Liquidity Facility

In the event the Authority shall utilize CP, the Authority may set up a liquidity facility to provide liquidity to securities that have been tendered. The liquidity facility may be in the form of a letter of credit, advance agreement or other arrangement that may provide liquidity.

3. Interest Rate Reserve Fund

The Authority may establish an interest reserve fund for bond anticipation notes issued for each project. The interest reserve fund shall provide security for interest due on bond anticipation notes as such interest matures between billings. The borrowers shall be charged on a monthly basis based on the amount borrowed. When the short-term debt for a project is either repaid or converted into bonds or other long-term debt, the amount invested in the reserve fund shall be credited back to the borrower.

B. Intercept of State Appropriations

Section 4.05 of the Authority's Second Program Financing Agreements provides the Authority the ability, in the event the Board of Trustees of the University of Tennessee or the Tennessee Board of Regents has failed to pay the annual financing charges or administrative fees due, to intercept amounts appropriated by the General Assembly of the State of Tennessee for the operation and maintenance of the Institution to cover the amount due and payable.

Credit Enhancements

The Authority will consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus cost for each case. Only when clearly demonstrable savings can be shown shall an enhancement be considered. The Authority will consider each of the following enhancements as alternatives by evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when such purchase by the Authority is deemed prudent and advantageous. The primary consideration shall be based on whether the insurance would be less costly. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used. If the Authority decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, the Authority will select a provider whose bid is most cost effective and will consider the credit quality of the insurer, and that the terms and conditions governing the guarantee are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit (LOC) agreement when such an agreement is deemed prudent and advantageous. The Authority will prepare and distribute a request for proposals to qualified banks or other qualified financial institutions which institutions, which includes terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the lowest cost bid with the highest credit quality that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt requiring liquidity facilities to protect against remarketing risk, the Authority will evaluate:

- Alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and line of credit, in order to balance the protection offered against the economic costs associated with each alternative;
- Diversification among liquidity providers, thereby limiting exposure to any individual liquidity provider;
- All cost components attendant to the liquidity facility, including commitment fees, standby fees, draw fees, and interest rates charged against liquidity draws; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the requirements for self-liquidity.

The winning bid will be awarded to the bank or financial institution providing the lowest cost with the highest credit quality that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

The SGF will evaluate each transaction to assess the types and amounts of risk associated with that transaction, considering all available means to mitigate those risks. The SGF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Change in Public/Private Use

The change in the public/private use of a project that is funded by tax-exempt funds could potentially cause a bond issue to become taxable.

B. Default Risk

The risk that debt service payments due from the borrowers are not all received by the due date.

C. Liquidity Risk

The risk of having to pay a higher rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that interest rates will rise, on a sustained basis, above levels that would have been set if the issue had been fixed.

E. Rollover Risk

The risk of the inability to obtain a suitable liquidity facility at an acceptable price to replace a facility upon termination or expiration of the contract period.

F. Market Risk

The risk in the event of a failed remarketing of short-term debt, the Liquidity Provider fails.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act, providing adequate public notice of meetings and specifying on the agenda when matters related to debt issuance will be considered. Additionally, the Authority will provide certain financial information and operating data by specified dates, and provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure requirements of the U.S. Securities and Exchange Commission ("SEC") Rule 15c2-12,. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of such sale;
- Preparing and filing with SGF a copy of the costs related to the issuance of a bond and other information required by Section 9-21-151 of the TCA, within 45 days of the closing of such sale and presenting the original of such document to the Authority at its next meeting (see also "Debt Administration – B. Post Sale"); and
- Electronically submitting through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website the information necessary to satisfy the Authority's continuing disclosure requirements in a timely manner (see also "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged to assist in the process of issuing debt to clearly disclose all compensation and consideration received related to services provided in the debt issuance process by the Authority. This includes "soft" costs or compensations in lieu of direct payments.

A. Issuer's Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of Attorney General and Reporter for the State of Tennessee which serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, which serves as counsel to the SGF regarding Board matters.

B. Bond Counsel

Bond Counsel shall be engaged through the SGF and serves and assists the Authority on all its debt issues under a written agreement.

C. Financial Advisor

The Financial Advisor shall be engaged through the SGF and serves and assists the Authority on financial matters under a written agreement. However, the Financial Advisor shall not be permitted to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care.

D. Trustee/Refunding Trustee

The Trustee is appointed under the General Bond Resolution of the Authority. The Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar

services. The Trustee will also serve as the Refunding Trustee for the Authority's refunded bonds as appointed under the General Bond Resolution.

E. Dealer

The Authority will enter into a Dealer Agreement with the appointed CP dealer. The Dealer agrees to offer and sell the CP, on behalf of the Authority, to investors and other entities and individuals who would normally purchase commercial paper.

F. Issuing and Paying Agent

The Authority covenants to maintain and provide an Issuing and Paying Agent at all times while the CP is outstanding. The Authority will enter into an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company or national banking association that has trust powers.

G. Credit/Liquidity Provider

The Authority shall enter into a Credit/Liquidity Agreement with an appointed provider if deemed necessary or advisable for the CP. The provider shall be a bank, lending institution or the Tennessee Consolidated Retirement System ("TCRS") that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan or a similar credit product or as a liquidity facility for CP.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators. This disclosure shall include such information that is reasonably sufficient to allow the Authority to appreciate the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

- Prior to submitting a bond resolution for approval, the Director of SGF (the "Director"), with the assistance of the Financial Advisor, will present to staff of the members of the Authority information concerning the purpose of the financing, the proposed structure of the financing, the source of payment proposed to be pledged to the financing, the proposed method of sale for the financing, all members of the proposed financing team, and an estimate of all the costs associated with the financing; and
- In addition, in the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure; and

- The Director (with the assistance of staff of SGF), Bond Counsel, Financial Advisor, along with other members of the financing team will prepare a Preliminary Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.

B. Post-Sale

- The Director (with the assistance of staff in the SGF), Bond Counsel, and Financial Advisor, along with other members of the financing team, will prepare an Official Statement describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds;
- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Form CT-0253 - "Report on Debt Obligation" outlining costs related to the issuance and other information set forth in Section 9-21-151 of the TCA, and also present at the next meeting of the Authority and file a copy with the SGF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds and reporting to the Internal Revenue Service (the "IRS") all arbitrage earnings associated with the financing and any tax liability that may be owed to the Service.
- The Post-Issuance Compliance ("PIC") team will meet annually to review matters related to compliance and complete the PIC Checklist.
- As a part of the PIC procedures, the Director (with the assistance of staff in the SGF) will, no less than annually, request confirmation from the borrowers that there has been no change in use of tax-exempt financed facilities.

C. Continuing Administration

- Authority staff will prepare billings in a timely manner to send to the borrowers to ensure payment in a timely manner.
- Authority staff will send moneys collected from borrowers for payment of debt service to either the Depository Trust Company ("DTC") or the associated Trustee/Paying Agent to pay the bondholders the debt service due, or in the case of term bonds, place the funds in a sinking fund until the bond matures.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The SGF will comply with arbitrage requirements on invested tax-exempt bond funds consistent with representations made in the relevant Tax Certificate. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Board will comply with all of its tax certificates for tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Board currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Board will also retain all records relating to debt transactions

for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Section 49-3-1205(6) of the TCA, subject to any restrictions required pursuant to the next sentence or pursuant to any applicable bond issuance authorization. Compliance with Federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained.

Proceeds used to refinance outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) are rated not lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services and (iii) shall mature and bear interest at such times and such amounts as will be sufficient, together with other moneys to pay the remaining defeasance requirements of the bonds to be redeemed.

C. Disclosure

The Authority will disclose on EMMA the State's and the Authority's audited Comprehensive Annual Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings for the outstanding bonds no later than January 31st of each year or February 25th for the Qualified School Construction Bond (QSCB) Program. The Authority will provide timely notice of any failure to provide required annual financial information by January 31 or February 25th for the QSCB Program. The Authority, with respect to borrowers under the QSCB Program (the "QSCB Borrowers"), will provide by no later than one year after the end of each respective fiscal year:

- the updated version of the state-shared taxes contained in the Official Statement with respect to the Authority and the QSCB Borrowers
- Audited Financial Statements of the QSCB Borrowers, if available, or the Unaudited Financial Statements of the QSCB Borrowers

The Authority will also, in accordance with the continuing disclosure undertakings, disclose on EMMA within ten business days after the occurrence of the following events relating to the bonds to which the continuing disclosure undertakings apply:

- Principal and interest payment delinquencies
- Nonpayment-related defaults, if material
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers 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 status of such bonds or other material events affecting the tax status of such bonds
- Modifications to rights of bondholders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing the repayment of the bonds, if material
- Rating changes

- Bankruptcy, insolvency, receivership, or similar event of the State
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all of the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- Appointment of successor trustee or the change of name of a trustee, if material
- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties

D. Generally Accepted Accounting Principles (GAAP)

The Board will comply with the standard accounting practices adopted by the Governmental Accounting Standards Board when applicable.

Review of the Policy

The debt policy guidelines outlined herein are intended to provide direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines in a manner similar to the original adoption of the Policy.

This policy will be reviewed no less frequently than annually. At that time the Director will consider any recommendations for any amendments, deletions, additions, improvements or clarification.

Adoption of the Policy

1. A public hearing on the Policy was held on the following date: November 14, 2011.
2. The Board adopted this Policy on December 8, 2011, effective December 8, 2011.
3. The Board amended this policy on February 4, 2013, effective February 4, 2013.
4. The Board amended this policy on March 10, 2016, effective March 10, 2016.
5. The Board amended this policy on June 9, 2016, effective June 9, 2016.
6. The Board amended this policy on May 11, 2017, effective May 11, 2017.
7. The Board amended this policy on June 27, 2019, effective June 27, 2019.

Secretary
Tennessee State School Bond Authority