

Tennessee State Funding Board Guidelines

Debt Reporting by Industrial Development Corporations

I. Background

Title 7, Chapter 53 of the Tennessee Code Annotated (“T.C.A”) authorizes the formation of industrial development corporations (“IDC”) for the purpose of maintaining and increasing employment opportunities, agricultural commodities, and available housing, as well as addressing environmental pollution. Public Chapter 529, Acts of 2018 (“Act”) creates transparency related to IDC debt by adding to T.C.A. § 7-53-304 a requirement that each IDC maintain an aggregate listing of its current debt, including conduit debt, in accordance with guidelines approved by the Tennessee State Funding Board (“SFB”). Each IDC will annually file with the SFB the list and any information required by the SFB. Additionally, each IDC is required to file with the SFB a notice within fifteen (15) days of an event of default on any of its debt obligations.

The SFB adopted these Guidelines for Debt Reporting by IDCs (effective _____, 2018) (“Guidelines”) which apply to fiscal years ending on or after on June 30, 2018.

II. Reporting

A. Annual Reporting

Within thirty (30) days of the closing of each fiscal year, all IDCs with debt outstanding at any time during that fiscal year must submit to the SFB the items listed below. Only for the fiscal year ending in 2018, IDCs have ninety (90) days within the close of fiscal year 2018 to submit.

Required Items:

1. Report on Outstanding Debt Form, using the reporting format prescribed in Appendix A.
2. List of the IDC Board Members, IDC Counsel, Financial Advisor (as applicable), and Authorized Representative, including name, title, company/government, physical and email addresses, phone number.

If requested by the Comptroller of the Treasury (or designee):

1. Report(s) on Debt Obligation (CT-0253 Form(s) – stamped copies).
2. Loan document(s) for debt without official statements or similar documents reported on the MSRB’s EMMA website.
3. Derivative agreements not reported on the MSRB’s EMMA website.
4. Any other information as may be required.

B. Notice of Default

In the event of default, the IDC shall file a notice of default within fifteen (15) days of the default. The reporting format is prescribed in Appendix B.

III. Defined Terms

- A. “Authorized Representative” shall mean the individual the IDC has authorized to compile and submit information pursuant the Act and these Guidelines.
- B. “Debt” shall mean, any bond, note, loan agreement or any other evidence of a debt obligation, including leases, in which the IDC, either directly or indirectly, incurs a definite and absolute obligation to the payment of the principal of and interest on the debt obligation.
- C. “Conduit Debt Obligation” shall mean a debt obligation issued by the IDC to provide capital financing for a public or private entity.
- D. “Default” shall mean a failure to pay principal of or interest on a debt when due or a failure to comply with other covenant, promise or duty imposed by the debt documents.
- E. “Industrial Development Corporation” shall mean any corporation organized pursuant to Title 7, Chapter 53, T.C.A.
- F. “Report on Debt Obligation” shall mean State Form CT-0253 as prescribed in T.C.A. § 9-21-151.
- G. “Report on Outstanding Debt” shall mean the annual listing of debt to be completed by the authorized representative, using the reporting format as prescribed in Appendix A.

Appendix A

Industrial Development Corporations

Report on Outstanding Debt

Instructions

The Report on Outstanding Debt Form (“Form”) must be prepared annually for each Industrial Development Corporation (“IDC”) with debt outstanding, including conduit debt. Debt obligations shall be individually listed. All the reporting items in the Form are required for each individual debt issue. In the header please list the fiscal year for which aggregate debt is being reported, the name of the IDC as listed in its certificate of incorporation, the name of the county/counties where the IDC is located, and the contact information for the individuals indicated.

Reporting Items and Definitions

A. Name of Debt Issue

The name of the debt issue as reported on the official statement or offering memorandum or other loan document; for example: “Tax Increment Revenue Bonds (ABC Project), Series 2018.” Debt includes any bond, note, loan agreement or any other evidence of a debt obligation, including leases, in which the IDC, either directly or indirectly, incurs a definite and absolute obligation to the payment of the principal of and interest on the debt obligation.

B. Dated Date

The date that interest begins to accrue for the debt.

C. Final Maturity

The date of the final principal payment on the debt.

D. Original Amount

The face amount of debt issue at the date of issuance, not including premium or discount.

E. Amount Outstanding at June 30

The amount of the principal remaining outstanding as of the end of the reporting fiscal year.

F. Interest Rate

The rate of interest on the debt: for fixed rate debt use either TIC, APR; for variable rate debt list the spread and index.

G. Tax Status

The federal tax status of the debt: (Taxable or Tax-exempt).

H. Name of Project

Name of project(s) financed by the bonds issued; for example: “purchase of land and construction of a commercial building to be leased to ABC Corporation” or “XYW Development Phase I”.

I. Type of Debt

Conduit to a business, conduit to a government, or debt of the IDC.

J. Obligor

For conduit debt issues, identify the Obligor, the business or government responsible for making principal and interest payments. This obligation to make payment is typically accomplished through a separate loan agreement, lease agreement, or other payment arrangement between the IDC and Obligor. For debt issues that are not conduit debt, identify as not applicable (“N/A”).

K. Type of Issuance

Marketable security, direct placement, or loan.

L. Security

Revenue or General Obligation Pledge.

M. Source of Revenue

Identification of the specific source of revenue pledged to secure the payment of principal and interest; for example: lease revenue, rental revenue, appropriations, loan agreement payments, Tax Increment Financing (TIF) funds, direct payment from conduit borrower, or other special revenue (identified specifically).

N. Refunding

Did this issue refund or refinance a previous issue – Yes or No?

O. CT-0253 Filing Date

The date the Report on Debt Obligation (Form CT-0253) was filed with the Comptroller’s Office of State and Local Finance.

P. Reporting on MSRB/EMMA

Has this debt been reported on the Municipal Securities Rulemaking Board’s (MSRB) Electronic Municipal Market Access (EMMA) – Yes or No?

Q. Event of Default

Has there been an Event of Default, such as late or non-payment of principal and/or interest, or technical default – Yes or No? If yes, was notice given – Yes or No?

R. Balloon Debt Structure

Was the debt issued with a balloon debt structure – Yes or No?

S. Derivative

If there is a derivative product or contract associated with the debt issue, report the notional amount of derivative and the type of derivative; for example: Notional Amount: \$750,000, Type: Interest Rate Swap.

T. Rating

If there is a credit rating on the bond identify the ratings as follows: Moody's (xxx), S&P (xxx), Fitch (xxx). Enter "N/A" if no application for rating was made. For example: Moody's Aa3, S&P AA-, Fitch N/A.

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Appendix B

Industrial Development Corporations

Notice of Default Form

Instructions

The Industrial Development Corporation (“IDC”) must report an event of default within fifteen (15) days of its occurrence. A copy of the official statement, offering memorandum, or loan document, as applicable, must be included as part of the notice.

Notice Items and Definitions

- a. Name of IDC**
The name as listed in its certificate of incorporation.
- b. Contact Information: IDC President, IDC Counsel, Financial Advisor (if applicable), Obligor (if applicable), and Authorized Representative**
The name, title, company/government, phone number, and email address.
- c. Name of Defaulted Debt Issue**
The name of the debt issue as reported on the official statement or offering memorandum or other loan document; for example: “Tax Increment Revenue Bonds (ABC Project), Series 2014.”
- d. Dated Date**
The date that interest begins to accrue for the debt.
- e. Security of Debt and Source of Revenue**
Include the security, such as lease revenue, *and* the exact source, such as “Payments from 20-Year Lease Agreement with ABC Corporation.”
- f. Amount of Principal Outstanding**
All current and long-term maturities.
- g. Type of Debt**
Identify as either direct or conduit.
- h. Detailed Description of Debt**
Include information describing the debt and related sources of revenue pledged to repay the debt.
- i. Type of Default**
Identify as either monetary or technical.

j. Date of Default

The date principal and/or interest payment was due and not paid or the date an IDC discovered an event of technical default.

k. Date Default Reported on EMMA

The date the defaulted principal and/or interest payment was reported to the MSRB's Electronic Municipal Market Access (EMMA) system.

l. Reason for Default

Describe events leading to default. Include the nature of the actual or technical default as well as the cause or default; for example: The IDC failed to make its scheduled principal and interest payments. The IDC secured the debt with lease payments from an industry, ABC Corporation, that filed for bankruptcy.

m. Detailed Plan to Resolve Default

Identify the action planned by the governing body to bring the IDC into compliance with its debt covenants.

n. Additional Comments

Include any comments pertinent to the defaulted debt issue that are not already addressed within the notice.

o. Signatures

Identify the authorized representative for the IDC and/or bond counsel, including telephone numbers and email addresses. Include date of signatures which should be within fifteen (15) days of the default.