TENNESSEE STATE FUNDING BOARD
June 23, 2015

The Tennessee State Funding Board (the "Board") met on Tuesday, June 23, 2015, at 10:30 a.m., in the Executive Conference Room, Ground Floor, Tennessee State Capitol, Nashville, Tennessee. The following members were present:

The Honorable Tre Hargett, Secretary of the State of Tennessee
The Honorable Justin Wilson, Comptroller of the Treasury
The Honorable David Lillard, State Treasurer
Commissioner Larry Martin, Department of Finance and Administration

The following members were absent:
The Honorable Bill Haslam, Governor

Seeing a physical quorum present, Mr. Wilson called the meeting to order and asked for approval of the minutes from the May 26, 2015, Board meeting. Mr. Hargett made a motion to approve the minutes. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Allen Borden, Assistant Commissioner, Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Senior Financial Advisor, ECD, to present the FastTrack funding report. Mr. VanderMeer reported that, as of the date of the last Board meeting, the FastTrack balance was $113.1 million and since that time $3 million in funds had been deobligated and returned to the FastTrack program and $1.3 million in new loans had been approved, which left an adjusted FastTrack balance available for funding grants or loans of $114.8 million as of today's meeting. Mr. VanderMeer reported that there were $101.4 million in commitments, resulting in an uncommitted FastTrack balance of $13.4 million. Mr. VanderMeer reported that the projects to be considered at this meeting totaled $3.3 million, and if these projects were approved, the uncommitted balance would be approximately $10.1 million, or 91.2 % of FastTrack funds committed.

Mr. Borden stated that the projects were being presented to the Board because state law required that FastTrack projects in amounts exceeding $750,000 per eligible business within any three-year period be reviewed and approved by the Board. Mr. Borden then presented the following FastTrack projects:

- **UBS AG – Franklin (Williamson Co.)**
  FastTrack Economic Development $1,074,000

- **Royal Mouldings Limited – Bristol (Sullivan Co.)**
  FastTrack Economic Development $2,000,000

- **Nissan North America – Decherd (Franklin Co.)**
  FastTrack Infrastructure Development $ 228,000

Mr. Wilson stated that the Board received a signed letter from Mr. Randy Boyd, Commissioner of ECD, which stated that the projects met all the statutory requirements, and a signed FastTrack Checklist for each of the projects under consideration. Mr. Wilson inquired if the information contained in the letter and checklists was true and correct, and if the signature was that of Commissioner Boyd. Mr. Borden responded

affirmatively. Mr. Hargett made a motion to approve the FastTrack grants for the projects presented. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Ralph Perry; Executive Director of the Tennessee Housing Development Agency ("THDA") and Mr. Trent Ridley; Chief Financial Officer of THDA, who presented for approval THDA's Schedule of Financing for Fiscal Year 2015-16 (the "Schedule"). Mr. Perry stated that the Schedule was previously approved by THDA's Bond Finance Committee and Board of Directors. Mr. Wilson made a motion to approve the Schedule. Mr. Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then recognized Mr. Andy Palmer, Deputy Chief Investment Officer of the Tennessee Department of the Treasury, who presented a letter from the Tennessee Consolidated Retirement System ("TCRS") affirming that TCRS does not intend to exercise its option to cancel the agreement to serve as standby purchaser for the State of Tennessee's (the "State") General Obligation commercial paper during fiscal year 2015-16. Mr. Wilson stated that in response, the Board would notify TCRS of the Board's intent not to exercise its option to cancel the agreement for the fiscal year 2015-16. Mr. Lillard made a motion to accept the letter from TCRS and approve the draft of the affirmation letter from the Board to TCRS and to ratify the signature of the Secretary of the Board on the document. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Palmer then presented a proposed Liquidity Guarantee Fee Schedule to be effective for fiscal year 2015-16 pursuant to the standby purchase agreement. The agreement states that these fees are to be renegotiated each year. Mr. Palmer stated that TCRS had surveyed providers and reviewed the municipal bond market to determine reasonable fees. Mr. Palmer stated that the proposed fees were as follows:

- 30 basis points (bps) if the highest rating by Moody's or Standard & Poor's is AAA
- 45 bps if the highest rating by Moody's or Standard & Poor's is AA
- 70 bps if the highest rating by Moody's or Standard & Poor's is A

Mr. Palmer noted that this was an increase of 5 bps from the fees in place for the 2014-15 fiscal year. He clarified that the increase was justified as a result of changes in the regulation surrounding such a service and the availability of providers in the market, not the result of any change in the State's rating. Mr. Wilson stated that the Comptroller's Office had also conducted independent research and consulted with PFM, the Board's financial advisor. He further stated that staff agreed that the fees presented by Mr. Palmer appeared to be fair and reasonable. Mr. Wilson made a motion to approve the Liquidity Guarantee Fee Schedule as presented. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Allocating Funds To Defray A Portion Of The Cost Of Highway Bridge Construction Projects And To Cancel A Like Amount Of Bonds Authorized For That Purpose" in the amount of $29,100,000. Mr. Wilson made a motion to approve the Resolution. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Authorizing the Allocation of Funds to the Sinking Fund for the 2015-16 Fiscal Year." Commissioner Martin made a motion to approve the Resolution. Mr. Mr. Hargett seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Authorizing the Issuance of General Obligation Bonds of the State of Tennessee." Mr. Wilson made a motion to approve the Resolution. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson the presented for approval a "Resolution Canceling $7,000,000 of Authorized Bonds." Mr. Hargett made a motion to approve the Resolution. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval a "Resolution Allocating Funds To Defray A Portion Of The Cost Of Highway Construction Projects And To Cancel A Like Amount Of Bonds Authorized For That Purpose" in the amount of $85,800,000. Mr. Lillard made a motion to approve the Resolution. Commissioner Martin seconded the motion, and it was unanimously approved.

Mr. Wilson then presented for approval the Other Post-Employment Benefits ("OPEB") Trust for the Germantown Board of Education. Mr. Wilson stated that the OPEB Trust met statutory requirements. Mr. Hargett made a motion to approve the OPEB Trust. Commissioner Martin seconded the motion, and it was unanimously approved.

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

Approved on this 13th day of August 2015.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary