TENNESSEE STATE FUNDING BOARD
February 15, 2023

The Tennessee State Funding Board (the "Board") met on Wednesday, February 15, 2023, at 10:30 a.m., in the Volunteer Conference Center, Cordell Hull Building, 2nd Floor, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were also present:

The Honorable David Lillard, State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following members were absent:

The Honorable Bill Lee, Governor
The Honorable Tre Hargett, Secretary of State

Having established that a quorum was present, Mr. Mumpower called the meeting to order and presented the minutes from the meeting held on December 15, 2022, for consideration and approval. Mr. Bryson made a motion to approve the minutes, and Mr. Lillard seconded the motion. The motion was unanimously approved.

Mr. Mumpower then recognized Mr. Stuart McWhorter, Commissioner of the Tennessee Department of Economic and Community Development ("ECD"), to present FastTrack projects for consideration and Mr. Paul VanderMeer, Assistant Commissioner of Administration, ECD, to present the "FastTrack Report to State Funding Board" (the "Report"). Mr. VanderMeer reported that, as of the date of the December 15, 2022, Board meeting, the FastTrack balance was $260,885,172.02. Since that time, $5,143,185.44 in appropriations had been added from interest earned through November; $5,917,901.56 in funds had been deobligated; $19,987,550.00 in new grants and loans had been approved; and $215,615.61 in funds had been spent on FastTrack administrative expenses, which resulted in an adjusted FastTrack balance available for funding grants and loans of $251,743,093.41 as of the date of the Report. Mr. VanderMeer reported that total commitments had been made in the amount of $212,189,388.78, resulting in an uncommitted FastTrack balance of $39,553,704.63. Mr. VanderMeer reported that the amount of proposed grants for projects to be considered at this meeting totaled $16,086,000.00, and if these projects were approved, the uncommitted balance would be $23,467,704.63, for a total committed balance of $228,275,388.78, which represented 90.7% of the FastTrack balance.

Mr. McWhorter then presented the following FastTrack projects:

- **Tritium Technologies LLC – Lebanon (Wilson County)**
  FastTrack Job Training Assistance Grant — $ 536,000.00

- **Saxco International, LLC – Franklin (Williamson County)**
  FastTrack Job Training Assistance Grant — $ 1,000,000.00

- **In-N-Out Burgers, Inc – Franklin (Williamson County)**
  FastTrack Economic Development Grant — $ 2,750,000.00

- **SK Food Group, Inc. – Cleveland (Bradley County)**
  FastTrack Economic Development Grant $ 9,000,000.00

- **Arrowhead Engineered Projects – Portland (Robertson County)**
  FastTrack Job Training Assistance Grant $ 1,500,000.00

- **Summertown Metals, LLC – Hohenwald (Lewis County)**
  FastTrack Economic Development Grant $ 1,300,000.00

The Board member packets included letters and FastTrack checklists signed by Commissioner McWhorter, and incentive acceptance forms signed by company representatives. Mr. Mumpower inquired if the companies that had signed the incentive acceptance forms fully understood the agreements, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if the checklists had been completed for each project, and Mr. McWhorter responded affirmatively. Mr. Mumpower then inquired if all the projects included accountability agreements which would provide protections for the state in the event the entity could not fulfill the agreement, and Mr. McWhorter responded affirmatively. Mr. Bryson made a motion to approve the projects. Mr. Lillard seconded the motion, and it was unanimously approved.

Mr. Mumpower then recognized Ms. Sheila Reed, Director of the Division of Local Government Finance ("LGF"), and Mr. Steve Osborne, Assistant Director, LGF, to present a Report on the Notice of Default of a Debt Obligation submitted by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metro IDB"). Mr. Osborne stated that the Metro IDB reported the failure to pay a portion of the interest payment on its 2015 Bellevue Mall Tax Increment Financing ("TIF") Bonds (the "Metro IDB Bonds") that is considered to be a "Conduit Debt Obligation" pursuant to State Funding Board Guidelines for Debt Reporting by Industrial Development Boards ("Guidelines"). Mr. Osborne then stated that the Metro IDB Bonds were issued for construction of TIF related projects for a mixed-use development on the site of the old Bellevue Mall and were secured by a tax increment financing. Mr. Osborne then stated that the failure to pay interest was not a default as defined under the bond indenture but was a default under the Guidelines. Mr. Osborne further explained that the failure to make principal and interest payments under the bond indenture was not a default if funds were not available, only if the funds were misappropriated. Mr. Osborne then stated that there was no recourse on the Metropolitan Government of Nashville and Davidson County. Mr. Osborne then stated that according to the default notice sufficient funds were not available to fund the December 1, 2022, debt service payment, requiring funds to be transferred from the Debt Service Reserve Fund (the "DSRF"), leaving an interest payment deficiency of $45,690.99, and a fully depleted DSRF. Mr. Osborne then reported that there may not be sufficient revenues to fully fund future debt service payments and replenish the DSRF based on projected TIF revenues. Mr. Osborne stated that this was the first time that funds had not been sufficient to make the interest payments on the Metro IDB Bonds, but draws on the DSRF have been made each year since 2019 to meet the debt service requirement. Mr. Osborne then stated the Metro IDB Bonds were issued in December of 2015, and were privately placed with Preston Hollow Community Capital. Mr. Osborne further stated that the first three years of payments were provided by funds in the Capitalized Interest Fund that had been initially funded with bond proceeds. Mr. Osborne then stated that the investor was aware that future failure to make debt service payments due to insufficient revenues was not a default under the bond indenture. Since this was a report item, no further action was necessary.

Mr. Mumpower then recognized Ms. Reed and Mr. Osborne to present a Report on the Notice of Default submitted by the Economic Development Growth Engine Industrial Development Board of Memphis and Shelby County, Tennessee ("EDGE"). Mr. Osborne stated that EDGE filed two notices of defaults in connection with their 2017 Series C and 2017 Series D Graceland Bonds (the "Graceland Bonds") considered to be "Conduit Debt Obligations" pursuant to State Funding Board Guidelines for Debt Reporting by Industrial Development Boards ("Guidelines"). Mr. Osborne then stated that both default notices were filed timely. Mr. Osborne further stated that the DSRF had been depleted for both series of Graceland Bonds. Mr. Osborne then stated that the Graceland Bonds were secured by TIF revenues, Tourist Development Zone ("TDZ") revenues, and tourism surcharge revenues. Mr. Osborne then reported that according to communications from EDGE, revenue performance at the Graceland campus was beginning to improve. Mr. Osborne further reported that tourism surcharge revenues reported for the six months ended November 2022, had increased approximately $700,000 from the prior year. Mr. Osborne then stated that no payments had been made on the 2017C or 2017D Graceland Bonds. Mr. Osborne further stated that payments had been made on the 2017A and 2017B Graceland Bonds. Mr. Osborne then reported that this was the fourth default notice issued for the 2017C Graceland Bonds and the fifth default notice issued for the 2017D Graceland Bonds. Mr. Osborne then stated that failure to make payments on the 2017C Graceland Bonds was a default under both the bond indenture and the Guidelines, however, the failure to make payments on the 2017D Graceland Bonds was a default only under the Guidelines and not the bond indenture.

Mr. Osborne then reported that the 2017 Series E Graceland Bonds were privately placed with Graceland Entities, and the Graceland Entities have continued to defer interest payments on these bonds. Mr. Osborne then stated Tennessee Public Chapter 1029, Public Acts 2022, went into effect on July 1, 2022, removing the local portion of sales and use taxes collected from dealers without a physical presence within the State of Tennessee, from the calculated county-wide base tax revenue for the TDZ in Shelby County. Mr. Osborne further stated that this amount was calculated each year from the prior year base amount plus or minus the change in sales tax. Mr. Osborne then stated that the change in base year TDZ for fiscal year distribution to the Graceland TDZ increased from $0 in 2021 to $883,000 in fiscal year 2022. Mr. Osborne further stated that fiscal year 2022 was the first year that Graceland would experience the impact of the change in distribution. Mr. Osborne then stated that the fiscal year 2023 TDZ revenue would not be received until September 2023, therefore it was too early to determine whether the revenues will be sufficient to cover the next interest payment, however, the preliminary data appears positive. Since this was a report item, no further action was necessary.

Mr. Mumpower then presented the "State of Tennessee Cash Management Improvement Act Annual Report State Fiscal Year 2022" (the "Report") for acknowledgement of receipt by the Board. The Board acknowledged receipt of the Report. No further action was necessary.

After Mr. Mumpower requested other business and heard none, Mr. Lillard made a motion to adjourn the meeting, and Mr. Bryson seconded the motion. The motion was unanimously approved, and the meeting was adjourned.

Approved on this 27th day of March 2023.

Respectfully submitted,

Sandra Thompson

Sandra Thompson
Assistant Secretary