



JASON E. MUMPOWER  
*Comptroller*

## **TENNESSEE STATE SCHOOL BOND AUTHORITY**

**July 22, 2021**

### **AGENDA**

1. Call meeting to order
2. Approval of the Minutes from the TSSBA Meeting held on June 15, 2021
3. Approval of Match project:
  - Middle Tennessee State University – Applied Engineering Building (458) (Match Project); Cost: \$2,942,000 of which \$2,500,000 will be financed by TSSBA; Term of Financing: 5 years as short-term financing at an assumed tax-exempt rate
4. Approval of Projects for:  
**The Board of Regents**
  - Middle Tennessee State University – Tennis Facility Improvements (457); Cost: \$4,800,000 of which \$2,500,000 will be financed by TSSBA; Term of Financing: 5 years as short-term financing at an assumed tax-exempt rate
5. Consideration and approval of the Resolution to Approve the Borrowing of Money by Another Method by the Tennessee Board of Regents for Northeast State Community College
6. Consideration and approval of the Resolution to Approve the Borrowing of Money by Another Method by the University of Tennessee at Martin
7. Public Hearing on and Approval of the Tennessee State School Bond Authority Debt Policy
8. Adjourn

## **TENNESSEE STATE SCHOOL BOND AUTHORITY**

**June 15, 2021**

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Tuesday, June 15, 2021, at 2:09 p.m. in the Executive Conference Room, State Capitol, Nashville, Tennessee. The Honorable Jason Mumpower, Comptroller of the Treasury, was present and presided over the meeting.

The following members were present:

The Honorable David Lillard, State Treasurer  
Commissioner Butch Eley, Department of Finance and Administration  
Chris Mustain, proxy for the Honorable Tre Hargett, Secretary of State  
Mark Paganelli, proxy for Randy Boyd, President, University of Tennessee  
Dick Tracy, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum, Mr. Mumpower called the meeting to order and stated that the first item on the agenda was the approval of the minutes of the meeting held on May 24, 2021. Mr. Mumpower asked if there were any questions, or discussion on the minutes. Hearing none, Mr. Eley moved approval of the minutes, and Mr. Lillard seconded the motion.

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the consideration of approval of a Resolution to Approve the Borrowing of Money by Another Method by Middle Tennessee State University (“MTSU”). Mr. Mumpower recognized Mr. Bruce Petryshak, Vice President for Information Technology & Chief Information Officer at Middle Tennessee State University, to present the request. Mr. Petryshak explained that MTSU was interested in replacing its firewall infrastructure. He stated that MTSU was seeking approval to enter into a financing arrangement with Key Government Finance (“KGF”) and CDW-G to purchase the new equipment under a five(5) year financing agreement. Mr. Petryshak explained that the purchase price of \$1,198,954.20 was slightly more than the cost of maintenance for the current firewall infrastructure of \$1,123,075. He stated that the \$75,879.20 difference in cost had already been set aside in reserves. He stated that the total amount of interest on the loan of \$58,802.59 would be paid by CDW-G which resulted in a zero interest cost for MTSU.

Mr. Mumpower asked if there were any questions or discussion. Hearing none, Mr. Tracy made a motion to approve the request, and Mr. Eley seconded the motion.

The motion was approved unanimously.

Mr. Mumpower stated that the next item to come before the Authority was the consideration of approval of a Resolution to Approve the Borrowing of Money to Acquire Real Estate by the University of Tennessee (“UT”). Mr. Mumpower recognized Mr. Austin Oakes, Executive Director of Capital Projects at the University of Tennessee, to present the request.

Mr. Oakes stated that the first request from UT was for approval of a request to borrow money to acquire property. Mr. Oakes explained that UT was seeking TSSBA approval of a commercial loan from First Horizon Bank in the amount of \$7,175,620.98. Mr. Oakes stated that the loan would be used to repay an existing Martin Methodist College (“MMC”) United States Department of Agriculture (“USDA”) loan. Mr. Oakes explained that the loan would have a five-year term with renewable five-year increments.

Mr. Mumpower asked if there were any questions on the item. Mr. Eley asked if the loan was contemplated to be in five-year increments and if UT had a feel for how long the loan would remain outstanding. Mr. Oakes stated that the loan was contemplated to be in five-year increments and that UT had discussed the

loan internally. Mr. Oakes explained that while UT was not in a position to set a final repayment date for the loan at this time, the University was optimistic that as MMC came online as the University of Tennessee Southern ("UTS"), they would be able to repay the loan more quickly than the 30-year term of the current amortization schedule.

Mr. Mumpower asked if there were any other questions. Hearing no further discussion, Mr. Lillard moved approval of the request and Mr. Eley seconded the motion.

The motion was approved unanimously.

Mr. Mumpower recognized Mr. Oakes to present a Resolution to Approve the Borrowing of Money by Another Method by the University of Tennessee Health Science Center ("UTHSC"). Mr. Oakes explained that UT was seeking approval for a lease of apartments at Quarry Trail in Knoxville. Mr. Oakes stated that the lease was for up to six (6) four-bedroom units for one year, and one (1) three-bedroom unit for a two-month period. Mr. Oakes explained that the lease would provide housing opportunities for medical students in clinical rotations in the Knoxville region. Mr. Oakes stated that the annual cost was \$217,800.

Mr. Mumpower asked if there were any questions or discussion. Hearing none, Mr. Eley made a motion to approve the request, and Mr. Tracy seconded the motion.

The motion was approved unanimously.

Mr. Mumpower recognized Mr. Oakes to present a Resolution to Approve the Borrowing of Money by Another Method by the University of Knoxville ("UTK"). Mr. Oakes explained that UT was seeking approval for a lease of apartments at 303 Heights and Aspen Flats located in Knoxville. Mr. Oakes stated that the lease would provide up to 325 beds in anticipation of very positive enrollment numbers at UTK for fall of 2021. Mr. Oakes explained that the lease was for a one-year term beginning August 8, 2021. Mr. Oakes stated that the annual cost \$3,463,200.

Mr. Mumpower asked if there were any questions or discussion. Hearing none, Mr. Mustain made a motion to approve the request, and Mr. Tracy seconded the motion.

The motion was approved unanimously.

Mr. Mumpower stated that concluded the agenda for the meeting and made a motion to adjourn. Mr. Lillard seconded the motion.

The motion was approved unanimously.

The meeting was adjourned.

Approved on this \_\_\_\_ day of \_\_\_\_\_, 2021.

Respectfully submitted,

Sandra Thompson  
Assistant Secretary

# Tennessee State School Bond Authority Feasibility Study

## MTSU - Applied Engineering Building (458) (Match Project)

### Individual Project Summary

Revenue Source:	Annual Facilities Fees	\$	1,400,000.00
	<b>Total Revenue Source:</b>	<b>\$</b>	<b>1,400,000.00</b>
Assumptions:	TSSBA Funding Requested	\$	2,500,000.00
	Status		Tax-Exempt
	Term of Financing		5
	Interest Rate		1.50%

Feasibility Test	
	<u>Annual</u> Short-Term Pmt
Pledged Revenue	\$1,400,000
New Max Annual DS	\$522,723
<b>Feasible</b>	<b>Yes</b>

\*TSSBA staff conducts a feasibility test on a project-by-project basis to ensure that each individual project has sufficient revenue pledged to cover the projected maximum annual debt service charged to the project. On an annual basis, and prior to the issuance of long-term debt, an assessment is performed pursuant to Article 2.01 (b) which requires that the aggregate amount of the Fees and Charges collected by an Institution in the preceding Fiscal Year is not less than two times the amount required for the payment of the aggregate of the maximum amount of Annual Financing Charges.



**Campus Planning**  
MTSU Box 44 – Holmes Building  
1672 Greenland Drive  
Murfreesboro, TN 37132  
615-898-2411

Jacqueline Felland  
Program Accountant  
Comptroller of the Treasury  
Cordell Hull Building  
425 Rep. John Lewis Way N.  
Nashville, TN 37243-3400

Jaqueline,

Middle Tennessee State University plans on bringing the “Applied Engineering Building” project to the State Building Commission for approval as part of the July 2021 meeting. Included in the funding sources for this project is \$2,500,000 in TSSBA short term (5 year) bridge bonds. Debt payments for these bonds will be made with non-auxiliary plant funds (Facility Fee).

The initial SBC project approval request will only be partially funded with sufficient funds needed to carry the project through design. The initial project request funding includes \$2,500,000.00 in TSSBA short-term bonds and \$442,000.00 in non-auxiliary plant funds, for a total of \$2,942,000.00. After we have collected gift funds, MTSU will request a funding revision with the State Building Commission to add the remaining gift and capital improvement funding needed for construction.

The project scope includes a 92,000 square foot new facility that will provide classroom, laboratory, office, and support spaces for the MTSU Engineering Technology departments. In addition to the new building, the scope also includes demolition of the Voorhies Engineering Technology building that will occur after the new Applied Engineering Building is completed.

This project was approved by the MTSU Board of Trustees on 06/16/2020 and was disclosed to the Tennessee Higher Education Commission on 07/31/2020 as part of the FY 21/22 capital budget request.

Please see enclosed for TSSBA Project Application and bond feasibility workbook.

Thanks for your consideration and please let us know if you have questions or need additional information.

Thanks,

A handwritten signature in black ink, appearing to read "Bill Waits".

Bill Waits, Architect  
Assistant VP, Campus Planning  
Middle Tennessee State University  
P.O. Box 44, Murfreesboro, TN 37132  
615.494.8867

**Tennessee State School Bond Authority  
Project Application**

**DEPARTMENT:** Middle Tennessee State University

**INSTITUTION/LOCATION:** Middle Tennessee State University / Murfreesboro, Rutherford County

**PROJECT :** Applied Engineering Building

**SBC PROJECT #:** 366/009-xx-2021 (tbd)

**PROJECT BUDGET:**

		Original	Revised	Total
<b>Funding Sources:</b>	TSSBA (5 year)	\$ 2,500,000.00	\$	\$
	Plant Funds	\$ 442,000.00		\$
				\$
	<b>Total</b>	<b>\$ 2,942,000.00</b>	<b>\$</b>	<b>\$</b>

**PROJECT REVENUES:** (Describe sources and projected levels)

Facility Fee Revenues - \$1,400,000 annual revenue

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**PROJECT LIFE:**

Anticipated Useful Life of Project: One hundred (100) years

Desired Term for Financing (if less than useful life): Five (5) years

**ESTIMATED ANNUAL FINANCING CHARGE:** \$522,723.00

**PROJECT APPROVAL DATES:**

**BOARD (MTSU):** 06/16/2020

**THEC:** 07/31/2020

08/12/2021

**SBC:** (pending)

Disclosed in the Governor's Budget:	<u>X</u>	Yes	<u>    </u>	No	If yes, what year?	<u>FY21/22</u>
Disclosed as TSSBA Funding:	<u>X</u>		<u>    </u>			<u>FY21/22</u>
Match Project	<u>X</u>		<u>    </u>			

**PROJECT DESCRIPTION:** Physical description, including land, buildings and equipment with approximate dollar value. (If a renovation or repair project, please provide information with respect to the renovated or improved portion as well as the entire structure).

Design and construct a new center and related work for the Applied Engineering disciplines at MTSU. The building program contains classroom, laboratory, office, and support spaces. The project contains required site development and utility infrastructure, and the demolition of the Voorhies Engineering Technology building.

**REAL ESTATE:**

Owner of real property State of Tennessee – Middle Tennessee State University

           To be acquired            To be leased or other arrangement

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The purpose of the following questions are to determine the tax status of this project to be financed with the proceeds of Tennessee State School Bond Authority Bonds and/or Bond Anticipation Notes and the amount of private use associated with this project. Private use means the direct or indirect use of the project by any entity other than a state or local government entity, including use by the Federal Government (including its agencies and instrumentalities) or a Section 501(c)(3), (c)(4), or (c)(6) organization. When the project consists of an improvement that does not involve space that is being used directly by governmental or private users (for example, a re-roofing, air conditioning or energy efficiency improvement), all questions involving uses and users of the project should be answered by reference to all portions of the facility or facilities benefited by the improvement.

The questions below relate to the project referenced above. Attach additional sheets as required. **Please make a copy of this document for your files.**

1. Project Status: (If the project has already been completed, and the proceeds are being used to reimburse the department, please so indicate and include date of project completion.) This project will be brought to the August 2021 SBC meeting for project approval.
2. Project completion estimated to be: September 2024 substantial completion; Spring 2025 close-out
3. Project Owner: Middle Tennessee State University
4. Project Operator (see also item 8 below): Middle Tennessee State University
5. Intended Use of the Project: This project is to be utilized for educational use by the MTSU Department of Engineering Technology.
6. Intended Users of the Project (excluding use by the general public): MTSU students, faculty, and staff

7. Indicate whether any of the following activities will take place at the project. Indicate whether the activities are operated by a private entity or will indirectly benefit a private entity. Include all incidental private uses. For each direct or indirect private use of the project, indicate the total amount of space the private use occupies in relation to the entire project. (For example, if an area of vending machines operated by a private contractor occupies 50 square feet of a 5,000 square foot area financed, indicate the relationship in terms of the ratio of square footage used.)

Gross Square Footage of Building 92,000 (See Supporting Data Sheet if more than one building is involved.)

A. Vending Machines:

Square Footage 150 square feet

Operator Tennessee Business Enterprises

Are any vending areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? No

B. Wholesalers or retailers (e.g., Newsstand, Book Store, Pharmacy, etc.):

Square Footage Not Applicable

Type Not Applicable

Operator Not Applicable

C. Laundry Services:

Square Footage Not Applicable

Operator Not Applicable

Are any laundry service areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? Not Applicable

D. Cafeteria or other food services areas:

Square Footage Not Applicable

Operator Not Applicable

E. Provision of health care services:

Square Footage Not Applicable

Operator Not Applicable

F. Laboratory research performed on behalf of or for the benefit of a private entity or pursuant to a cooperative research agreement:

Square Footage Not Applicable

Recipient Not Applicable

G. Office space utilized by or on behalf of private entities:

Square Footage Not Applicable

Occupant Not Applicable

H. Provision of housing for persons or entities other than enrolled students:

Square Footage Not Applicable



8. Attach copies of any management contracts or incentive payment contracts entered into, or to be entered into, in connection with the operation of the project. (Do not include contracts for services that are solely incidental to the primary governmental functions of the facility (for example, contracts for janitorial, office equipment repair or similar services). Indicate the portion of the project to which the contracts relate. Give the usable square feet involved compared to the total usable square feet of the facility being financed. If a contract has not been entered into but is anticipated, indicate that fact.

Not applicable

9. Will any debt proceeds be used to make or finance loans to any private entity? If so, indicate the amount of such loans, the length and payment terms of such loans: No

10. Indicate any expected payments (direct or indirect) to be made by non-governmental entities, separately and in the aggregate, to the State or any other governmental entity, with respect to the project.

\$1,450,000 in gift funding is included as a funding source for this project.

11. Additional information not explained above. Project approval will be with partial funding sufficient to carry the project through design. The remainder of the funding is to be added to the project before construction.

Completed this first day of June, 2021.



Dr. Sidney McPhee  
President



Bill Waits, Assistant Vice President  
Campus Planning



Alan Thomas, Vice President for  
Business & Finance

Digitally signed by Alan R. Thomas, Vice  
President for Business and Finance, acting for  
and on behalf of Middle Tennessee State  
University  
Date: 2021.05.29 11:50:21 -05'00'

*To be filled out by the Authority*

BOND COUNSEL APPROVAL:	DATE	_____
	GOOD	_____
	5%	_____
	10%	_____

# Middle Tennessee State University Feasibility Study

## MTSU Applied Engineering Building

### Individual Project Summary

Revenue Source:	Facility Fee Revenue	\$	1,400,000.00
	<b>Total Revenue Source:</b>	<b>\$</b>	<b>1,400,000.00</b>
Assumptions:	TSSBA Funding Requested	\$	2,500,000.00
	Interest Rate		1.50%
	Status		Tax-Exempt
	Term of Financing		5

Feasibility Test	
	<u>Annual</u> Short-Term Pmt
Pledged Revenue	\$1,400,000
New Max Annual DS	\$522,723
<b>Feasible</b>	<b>Yes</b>

# Tennessee State School Bond Authority Feasibility Study

## MTSU - Tennis Facility Improvements (457)

### Individual Project Summary

Revenue Source:	Annual Facilities Fees	\$	1,400,000.00
	Annual Gifts		300,000.00
	<b>Total Revenue Source:</b>	<b>\$</b>	<b>1,700,000.00</b>
Assumptions:	TSSBA Funding Requested	\$	2,500,000.00
	Status		Tax-Exempt
	Term of Financing		5
	Interest Rate		1.50%

Feasibility Test	
	<u>Annual</u> Short-Term Pmt
Pledged Revenue	\$1,700,000
New Max Annual DS	\$522,723
<b>Feasible</b>	<b>Yes</b>

\*TSSBA staff conducts a feasibility test on a project-by-project basis to ensure that each individual project has sufficient revenue pledged to cover the projected maximum annual debt service charged to the project. On an annual basis, and prior to the issuance of long-term debt, an assessment is performed pursuant to Article 2.01 (b) which requires that the aggregate amount of the Fees and Charges collected by an Institution in the preceding Fiscal Year is not less than two times the amount required for the payment of the aggregate of the maximum amount of Annual Financing Charges.



THE COLLEGE SYSTEM  
of TENNESSEE

Office of Administration & Facilities Development  
Department of Facilities Development

1 Bridgestone Park, Third Floor  
Nashville, Tennessee 37214  
615-366-4431 OFFICE 615-365-1512 FAX

[tbr.edu](http://tbr.edu)

June 15, 2021

Ms. Sandi Thompson, Director  
Comptroller of the Treasury, Division of Finance  
Cordell Hull Building, 425 Fifth Avenue North  
Nashville, TN 37243-3400

RE: Middle Tennessee State University (MTSU)  
Tennis Facility Improvements  
SBC Project No. 166/009-XX-2021

Ms. Thompson:

We are requesting \$2,500,000 bond financing for 5 years for the Middle Tennessee State University Tennis Facility Improvements project. The total estimated project cost is \$4,800,000. We will be presenting this project at an SBC meeting in July.

The project scope includes demolition and construction of new tennis courts, seating, and support facilities. The annual bond financing will be repaid with facility fees and gifts. The project application and pro forma are attached.

Your review and consideration of this request will be appreciated. Please advise if you have any questions.

Sincerely,

Dick J. Tracy  
Executive Director  
Office of Facilities Development

Enclosures

c: Patti Miller, THEC  
MTSU

**Tennessee State School Bond Authority  
Project Application**

**DEPARTMENT:** Tennessee Board of Regents

**INSTITUTION/LOCATION:** Middle Tennessee State University / Murfreesboro, Rutherford County

**PROJECT :** Tennis Facility Improvements

**SBC PROJECT #:** 166/009-XX-2021 (tbd)

**PROJECT BUDGET:**

		Original	Revised	Total
<b>Funding Sources:</b>	TSSBA (short term)	\$ 2,500,000.00	\$	\$
	Plant Funds (Non-Aux)	\$ 1,500,000.00		\$
	Gifts	\$ 800,000.00		\$
	<b>Total</b>	<b>\$ 4,800,000.00</b>	<b>\$</b>	<b>\$</b>

**PROJECT REVENUES:** (Describe sources and projected levels)

Facility Fee revenue and gifts are to be used for debt payment; Projected levels are \$1,400,000 annual revenue for Facility Fees and \$300,000 annual revenue for gifts. If additional gifts are secured, MTSU will utilize them before the facility fee for bond payments.

**PROJECT LIFE:**

Anticipated Useful Life of Project: Thirty (30) years

Desired Term for Financing (if less than useful life): Five (5) years

**ESTIMATED ANNUAL FINANCING CHARGE:** \$522,723.00

**PROJECT APPROVAL DATES:**

**BOARD (MTSU):** 04/06/2021

**THEC:** 01/14/2021

**SBC:** 08/12/2021

Disclosed in the Governor's Budget: X Yes      No If yes, what year? FY21/22  
Disclosed as TSSBA Funding: X      FY21/22  
Match Project      X

**PROJECT DESCRIPTION:** Physical description, including land, buildings and equipment with approximate dollar value. (If a renovation or repair project, please provide information with respect to the renovated or improved portion as well as the entire structure).

Project scope includes demolition of eleven existing tennis courts and small support building (\$300,000).

New construction includes eight new tennis courts (\$1,100,000), spectator seating (\$675,000), site improvements (\$575,000), and small support building (\$1,000,000) with restrooms, storage, and coach's offices.

**REAL ESTATE:**

Owner of real property State of Tennessee – Middle Tennessee State University

           To be acquired

           To be leased or other arrangement

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The purpose of the following questions are to determine the tax status of this project to be financed with the proceeds of Tennessee State School Bond Authority Bonds and/or Bond Anticipation Notes and the amount of private use associated with this project. Private use means the direct or indirect use of the project by any entity other than a state or local government entity, including use by the Federal Government (including its agencies and instrumentalities) or a Section 501(c)(3), (c)(4), or (c)(6) organization. When the project consists of an improvement that does not involve space that is being used directly by governmental or private users (for example, a re-roofing, air conditioning or energy efficiency improvement), all questions involving uses and users of the project should be answered by reference to all portions of the facility or facilities benefited by the improvement.

The questions below relate to the project referenced above. Attach additional sheets as required. **Please make a copy of this document for your files.**

1. Project Status: (If the project has already been completed, and the proceeds are being used to reimburse the department, please so indicate and include date of project completion.) This project will be brought to the July 2021 SBC meeting for project approval.
2. Project completion estimated to be: January 2023 – Construction completed; July 2023 project close-out
3. Project Owner: Middle Tennessee State University
4. Project Operator (see also item 8 below): Middle Tennessee State University
5. Intended Use of the Project: Project is to be utilized by MTSU Athletics tennis team for both practice and match play, educational usage by MTSU Department of Health and Human Performance, and portions for recreational use by MTSU students, faculty, and staff.
6. Intended Users of the Project (excluding use by the general public): MTSU students, faculty, and staff

7. Indicate whether any of the following activities will take place at the project. Indicate whether the activities are operated by a private entity or will indirectly benefit a private entity. Include all incidental private uses. For each direct or indirect private use of the project, indicate the total amount of space the private use occupies in relation to the entire project. (For example, if an area of vending machines operated by a private contractor occupies 50 square feet of a 5,000 square foot area financed, indicate the relationship in terms of the ratio of square footage used.)

Gross Square Footage of Building 1,300 (See Supporting Data Sheet if more than one building is involved.)

A. Vending Machines:

Square Footage Not Applicable

Operator Not Applicable

Are any vending areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? Not Applicable

B. Wholesalers or retailers (e.g., Newsstand, Book Store, Pharmacy, etc.):

Square Footage Not Applicable

Type Not Applicable

Operator Not Applicable

C. Laundry Services:

Square Footage Not Applicable

Operator Not Applicable

Are any laundry service areas separated by walls, night gates, etc. so that they are under the control of the service provider/operator? Not Applicable

D. Cafeteria or other food services areas:

Square Footage Not Applicable

Operator Not Applicable

E. Provision of health care services:

Square Footage Not Applicable

Operator Not Applicable

F. Laboratory research performed on behalf of or for the benefit of a private entity or pursuant to a cooperative research agreement:

Square Footage Not Applicable

Recipient Not Applicable

G. Office space utilized by or on behalf of private entities:

Square Footage Not Applicable

Occupant Not Applicable

H. Provision of housing for persons or entities other than enrolled students:

Square Footage Not Applicable

8. Attach copies of any management contracts or incentive payment contracts entered into, or to be entered into, in connection with the operation of the project. (Do not include contracts for services that are solely incidental to the primary governmental functions of the facility (for example, contracts for janitorial, office equipment repair or similar services). Indicate the portion of the project to which the contracts relate. Give the usable square feet involved compared to the total usable square feet of the facility being financed. If a contract has not been entered into but is anticipated, indicate that fact.

Not applicable

9. Will any debt proceeds be used to make or finance loans to any private entity? If so, indicate the amount of such loans, the length and payment terms of such loans: No

10. Indicate any expected payments (direct or indirect) to be made by non-governmental entities, separately and in the aggregate, to the State or any other governmental entity, with respect to the project.

\$800,000 in gift funding is included as a funding source.

11. Additional information not explained above.

Completed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

DocuSigned by:

*Flora W. Tydings*

7E046D30A13B498

Flora Tydings  
Chancellor

DocuSigned by:

*Dick Tracy*

D0CE2D568DB749E

Dick Tracy, Executive Director  
Office of Facilities Development

DocuSigned by:

*Danny Gibbs*

15A0EAT01E84F9...

Danny Gibbs, Vice Chancellor for  
Business & Finance

*To be filled out by the Authority*

BOND COUNSEL APPROVAL:	DATE	_____
	GOOD	_____
	5%	_____
	10%	_____



**Project Request****SBC1**

<b>1</b>	<b>Department:</b>	<b>Tennessee Board of Regents</b>	Submitting
	<b>Project Title:</b>	<b>Tennis Facility Improvements</b>	06/11/2021
	<b>Institution:</b>	<b>MTSU</b>	
	<b>City/County:</b>	<b>Murfreesboro / Rutherford</b>	<b>SBC No: 166/009-tennis</b>

<b>3</b>	<input type="checkbox"/> Capital Outlay		<u>New</u>	<u>Renovation</u>
	<input checked="" type="checkbox"/> Capital Maintenance	Gross Sq. Ft.	0	0
	<input type="checkbox"/>	Net Sq. Ft.	0	0
	<input checked="" type="checkbox"/> Designer Required	Cost/Sq. Ft.	\$0.00	\$0.00

**4 Project Description**

Demolition and construction of new tennis courts, seating, and support facilities.

<b>5</b>	<b>Total Project</b>	<b>Allocation</b>	
	\$4,090,000.00	\$4,090,000.00	Building Construction
	\$0.00	\$0.00	Site & Utilities
	\$0.00	\$0.00	Built-in Equipment
	<b>\$4,090,000.00</b>	<b>\$4,090,000.00</b>	<b>Bid Target</b>
	\$300,000.00	\$300,000.00	Contingency 7.33% 7.33%
	<b>\$4,390,000.00</b>	<b>\$4,390,000.00</b>	<b>M.A.C.C.</b>
	\$279,746.00	\$279,746.00	Fee 0.0000000 0.0000000 New
	\$0.00	\$0.00	Movable Equipment
	\$0.00	\$0.00	
	\$0.00	\$0.00	
	\$130,254.00	\$130,254.00	Administration & Miscellaneous
	<b>\$4,800,000.00</b>	<b>\$4,800,000.00</b>	<b>Total Cost</b>

**6 Funding**

\$0.00	\$0.00	STATE Funds
\$0.00	\$0.00	FEDERAL Funds
\$4,800,000.00	\$4,800,000.00	TSSBA, Plant Fundsm & Gifts
\$4,800,000.00	\$4,800,000.00	

**7 Available Funding Sources**

\$1,500,000.00	Plant Funds (Non-Aux)
\$2,500,000.00	TSBBA (Fees)
\$800,000.00	Gifts
\$0.00	
\$0.00	
\$4,800,000.00	

**8 SBC Action**

Date

Action

**9 Designer**

tbd

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

**Recitals**

Whereas, Northeast State Community College (“NeSCC”) is seeking Federal Aviation Administration (“FAA”) certification to become an FAA Part 147 Aviation Maintenance Technology school but currently lacks sufficient space to satisfy the student-to-equipment ratios required by the FAA to attain certification; and

Whereas, the Tennessee Board of Regents (“TBR”), on behalf of NeSCC, proposes to enter into a lease with the Tri-Cities Airport Authority for a thirteen thousand three hundred eighty-two (13,382) square-foot hangar located at 971 N. Hangar Road, Blountville, Tennessee to serve as an aviation maintenance training facility that will accommodate equipment needs in accordance with the FAA’s requirements (the “Lease”); and

Whereas, the Lease term will be twenty (20) years with an average annual rent of forty-five thousand eight hundred sixty-one dollars and zero cents (\$45,861.00) (the “Rent”), which has been reduced to reflect the six hundred twenty thousand dollar and zero cents (\$620,000.00) upfront contribution from the State of Tennessee for hangar renovations pursuant to a grant made by the Appalachian Regional Commission (the “Renovation Contribution”); and

Whereas, the Lease’s total annual effective cost will be approximately eighty-three thousand nine hundred ninety-nine dollars and seventy cents (\$83,999.70), consisting of Rent, estimated annual utility costs, and estimated annual janitorial costs; and

Whereas, in the event TBR terminates the Lease for cause or as a result of destruction of the hangar, NeSCC will receive reimbursement of the unamortized portion of the Renovation Contribution; and

Whereas, the Lease payments will be funded by NeSCC plant funds; and

Whereas, the Tennessee State School Bond Authority (the “Authority”) Guidelines for Requests for Approval to Borrow Money by Another Method require the Authority to approve real-estate related leases with terms greater than five years.

**BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:**

1. In accordance with the authority provided by Tenn. Code Ann. § 49-3-1205(11), the Authority gives its approval for TBR to enter into the Lease.

BE IT FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 22, 2021.

Adopted by the Authority at its meeting on July 22, 2021.

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JASON E. MUMPOWER, SECRETARY  
TENNESSEE STATE SCHOOL BOND AUTHORITY

27 July 2020

Tammy Ray, CDT  
Real Estate Operations Coordinator  
Office of Administration and Facilities Development  
Tennessee Board of Regents  
1 Bridgestone Park, 3<sup>rd</sup> Floor  
Nashville, TN 37214

We are seeking FAA certification to become an FAA Part 147 Aviation Maintenance Technology school by January 2021. FAA regulation part 147 requires us to have specific tools, equipment, and facilities prior to certification. The FAA will perform an onsite evaluation to determine if the school has the proper quantity of tools and equipment to meet the student-to-equipment 8-1 ratio and if the facility meets lighting, space, and basic environmental standards.

The hangar/facility must have adequate space to accommodate various airframes, powerplants, and test equipment. Northeast State Community College's main and satellite campuses lack sufficient space to meet this need.

Respectfully,

Richard A. Blevins  
Assistant Professor, Aviation Head  
Northeast State Community College  
120 Dillon Court, Johnson City, TN  
Office 423.354.5179 Cell: 423.946.0579



TENNESSEE BOARD OF REGENTS

**Acquisition – Lease (Space)**

**Requested Action:**                      **Approval of a lease**

**Transaction Description:**      Transaction No. 20-01-038

• **Proposed Lease**

- **Location:**                      Northeast State Community College  
971 N. Hangar Road, Blountville, TN
- **Landlord:**                      Tri-Cities Airport Authority
- **Term:**                              20 years
- **Area / Costs:**                  13,382 Square Feet

Average Annual Contract Rent	\$45,861.00	\$3.43
Estimated Annual Utility Cost	\$23,418.50	\$1.75
Estimated Annual Janitorial Cost	\$14,720.20	\$1.10
Total Annual Effective Cost	\$83,999.70	\$5.16

- **Source of Funding:**      Plant Funds    (Non-Auxiliary) (A)
- **Procurement Method:**      Negotiated
- **FRF Rate:**                      \$18.00 (for referenced only)

**Comment:**                      NeSCC is seeking FAA certification to become an FAA Part 147 Aviation Maintenance Technology school. The hangar has adequate space to accommodate the equipment needed for the class. The State will contribute \$620,000 towards the costs of renovating the hangar for use by NeSCC. This rent has been reduced to reflect this upfront payment. In the event NeSCC terminates the lease for cause or as a result of destruction of the hangar, NeSCC will receive reimbursement of the unamortized portion of the renovation contribution.

**SSC Report:**                      07/12/2021      [Action taken at Staff Sub meeting]

## LEASE AGREEMENT

(TBR institution is State)

Administrative use only:

Agency: \_\_\_\_\_

Allotment Code: \_\_\_\_\_

No. \_\_\_\_\_

This Instrument Prepared By:



**Tennessee Board of Regents**

Third Floor 1

Bridgestone Park

Nashville, Tennessee 37214

## LEASE AGREEMENT

This Lease Agreement (the "Lease"), is made and entered into as of this \_\_\_\_ day of October, 2020, by and between

### **Tri-Cities Airport Authority**

**a Tennessee regional airport authority, organized and chartered pursuant to Tennessee law**

hereinafter called the Lessor, and

### **the Tennessee Board of Regents, on behalf of Northeast State Community College**

hereinafter called the State.

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### **RECITALS:**

**WHEREAS**, Lessor is the owner and operator of Tri-Cities Airport in the 18th Civil District of Sullivan County and the City of Blountville, Tennessee (the "Airport");

**WHEREAS**, Lessor has the right and obligation to regulate commercial aeronautical activities on the Airport under the laws of the State of Tennessee and the United States and under the regulations and policies promulgated by the Federal Aviation Administration (the "FAA") and owns the right, title, and interest in and to the real property on the Airport, together with the facilities, easements, rights, licenses, and privileges hereinafter granted, and has full power and authority to enter into this Lease in respect thereof;

**WHEREAS**, Lessor owns that certain real property and facilities at the Airport, more particularly described as an aircraft hangar and office suites known as Building #301, located at 971 North Hangar Road, Blountville, Tennessee 37617, consisting of the aircraft hangar and exclusive parking spaces, as depicted and described on **Exhibit A** attached hereto and made part hereof (such real

property, together with all rights, privileges, easements, and appurtenances benefiting such real property, are collectively referred to herein as the “Leased Premises”);

**WHEREAS**, Lessor desires to develop the Leased Premises for use by the State for the purpose of providing education and hands-on training to students seeking Airframe and Power Plant certification; and

**WHEREAS**, This Lease is entered into in order to implement a grant made by the Appalachian Regional Commission (ARC) under the authorities of Section 302 of the Appalachian Regional Development Act of 1965 (ARDA), as amended, (40 USC 14321)(the “ARC Grant” as further defined in Section 1).

**WHEREAS**, the Lessor and the State desire to memorialize the terms and conditions of their lease arrangement.

**NOW, THEREFORE**, in consideration of the foregoing Recitals, which by this reference are hereby incorporated into this Lease, and the mutual covenants contained in this Lease, the Parties agree as follows:

1. **ARC GRANT:** This Lease is made in furtherance of ARC Contract Number: PW-19484-IM-2019 between ARC and Northeast State Community College (the “Grant Agreement”) to develop a workforce pipeline of trained and certified aviation maintenance professionals in alignment with regional economic development priorities which shall abide be administered in accord with ARDA, the Office of Management and Budget guidelines, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards found in Chapter 2 of Title 2 of the Code of Federal Regulations and other federal regulations as applicable which are incorporated herein as though fully set forth and shall take precedence over any other term provided herein. The project shall abide by the ARC Code. The requirements as set forth above in this Section 1 shall be applicable only to the extent that they do not conflict with any applicable requirements of all other federal laws or federal regulations of the FAA, the Grant Assurances (as defined in Section 21), and to the extent that they do not conflict with any applicable laws or regulations of the State of Tennessee.
2. **GRANT:** Lessor hereby leases to the State, and the State hereby leases from Lessor the Leased Premises and all herein described rights incident thereto for and during the Term (as defined below), upon and subject to the terms, provisions, and conditions set forth herein. The Leased Premises shall be used by the State for an FAA certified Aircraft Maintenance Technician School and other associated academic programs and training related to aviation education with all related uses thereto (the “Permitted Use”).
3. **TERM:** The “Term” of this Lease shall be for a term of twenty (20) years commencing on the Commencement Date and ending on the Expiration Date, unless earlier terminated as set forth in this Lease. “Commencement Date” means the date the Leased Premises are delivered to State as described in Section 6 hereof. “Expiration Date” means the last day of the calendar month in which occurs the day immediately preceding the twentieth (20<sup>th</sup>) anniversary of the Commencement Date.
4. **RENTAL:**
  - a) **RENT:** Except as otherwise specifically set forth in this Lease and as adjusted pursuant to Section 4b below, State shall pay to Lessor the annual rent of Sixty Two Thousand Four

Hundred Twenty-Six and 50/100 Dollars (\$62,426.50) in equal monthly installments of Five Thousand Two Hundred Two and 21/100 Dollars (\$5,202.21) (“Rent”) on the first day of each month commencing on the Commencement Date, and continuing throughout the Term of this Lease. Rent payable hereunder for any period of time less than one month shall be determined by prorating the monthly rental herein specified, based on the actual number of days in the month. Rental shall be paid to Lessor in accordance with Section 4c below. Rent shall be paid without setoff, deduction, abatement, reduction, or counterclaim during the Term.

- b) **RENT ADJUSTMENT:** The Rent has been calculated pursuant to an estimate of renovation costs and expenses set forth on **Exhibit B** attached hereto (the “Rent Calculation Addendum”) and incorporated herein by reference. Upon completion of the construction of the Improvements, the Rent shall be adjusted as set forth in the Rent Calculation Addendum and all references herein to Rent shall be deemed to mean Rent as adjusted by this Section the Rent Calculation Addendum.
- c) **AUTOMATIC DEPOSITS:** Lessor shall complete and execute an Authorization Agreement for Automatic Deposits (ACH Credits) Form, using the form provided to Lessor by State. Once this executed form has been provided to State by Lessor, all payments to Lessor under this or any other contract the Lessor has with the State of Tennessee, shall be made through the State of Tennessee’s Automated Clearing House wire transfer system. Lessor shall not invoice State for services until Lessor has executed this form and submitted it to State. The debit entries to correct errors authorized by the Authorization Agreement for Automatic Deposits Form shall be limited to those errors detected prior to the effective date of the credit entry. The remittance advice shall note that a correcting entry was made. All corrections shall be made within two banking days of the effective date of the original transaction. All other errors detected at a later date shall take the form of a refund or, in some instances, a credit memo if additional payments are to be made.
- d) **DELINQUENT RENT:** In the event Rent due pursuant to Section 4a, or any other fees or amounts payable by State hereunder shall not be paid by State on the due date thereof, State shall pay to Lessor as additional Rent, an interest charge of one and one-half percent (1.5%) of the amount due for each full calendar month of delinquency, computed as simple interest. No interest shall be charged until payment is thirty (30) days overdue, but any such interest assessed thereafter shall be computed from the due date. Lessor shall not be responsible for electronic banking delays or other ACH related delays that could block or prevent the electronic deposit of funds.

- 5. **CONSTRUCTION:** The Lessor shall arrange for the construction of certain improvements (hereinafter the “Improvements”) in accordance with applicable laws and regulations, including without limitation the American with Disabilities Act and in accordance with the plans and specifications (the “Plans”) provided by the Lessor and approved by the State (the construction by the Lessor of the Improvements in accordance with the Plan shall collectively be referred to herein as the “Project”). The Plans shall not be materially modified without the prior written consent of State, such consent not to be unreasonably withheld, conditioned or delayed. Material modification, as used herein, shall include, without limitation, any change to the gross or net square footage of the Leased Premises by more than ten percent (10%) or to the layout of the Leased Premises such that it is not adequate for the Permitted Use. State shall be responsible for the cost of construction of the Improvements by allocating a portion of the ARC Grant funds to the same up to a maximum amount of six hundred twenty thousand dollars (\$620,000). Lessor shall obtain bids for the construction of the Improvements in accordance with state and federal law. Once Lessor and State have consented to the construction of the Improvements,



Lessor shall enter into a construction contract for the construction of the Improvements. The Lessor will, during the construction of the Improvements, submit monthly draws to State which represent the total project costs that have actually been incurred in relation to the construction of the Improvements as of the date of the draw. Any draw shall be accompanied with sufficient evidence that the necessary expenditures have taken place (e.g., contractor's invoices). State shall pay the draw within thirty (30) days of the receipt thereof. Immediately after payment of the draw to the contractor by Lessor, Lessor shall provide State with evidence of payment. The parties anticipate construction of the Improvements to be completed by no later than \_\_\_\_\_ 2021 ("Completion Deadline"), as evidenced by issuance of a Certificate of Occupancy for the Leased Premises ("Certificate of Occupancy").

6. **DELIVERY OF POSSESSION:** Promptly after completion of the Improvements and issuance of the Certificate of Occupancy, Lessor shall deliver possession of the completed Leased Premises to State in broom clean condition and in accordance with the Plans.
7. **COMPLETION DATE AND COMMENCEMENT OF TERM:** The parties desire the Leased Premises to be in the condition described in Section 6 hereof on or before the Completion Deadline. Notwithstanding anything to the contrary herein, in the event that the Leased Premises are not ready for occupancy by the State by the Completion Deadline, the validity of this Lease shall not be impaired; provided that if the Commencement Date shall not occur on or before one hundred twenty (120) calendar days after the Completion Deadline, the State may immediately terminate this Lease upon written notice thereof to Lessor. In the event of such termination, this Lease shall be of no further force and effect.
8. **STATE'S RIGHTS AND OBLIGATIONS:**
  - a) **RIGHTS GRANTED TO STATE:** Lessor grants to State the following rights and privileges:
    - i) The exclusive right to use the Leased Premises in connection with the establishment and operation by the State of a Federal Aviation Administration ("FAA") certified Aircraft Maintenance Technician School (the "Program") at the Airport;
    - ii) The right of ingress and egress to and from the Leased Premises twenty-four (24) hours a day and seven (7) days a week for the State's instructors, students, employees, contractors, subcontractors, suppliers, agents, invitees, and other representatives ("State's Associates") in connection with the Permitted Use, occupancy, and operations as authorized by this Lease;
    - iii) The right to peaceably and quietly have, hold and enjoy the Leased Premises and remain in peaceable possession thereof during the Term;
    - iv) The right to install, operate, maintain, repair, and store all equipment necessary for the conduct of the State's operations as authorized by this Lease, including but not limited to, maintenance materials, cleaning materials, tools, parts, spares, and other aircraft components;
  - b) **CONDITION OF LEASED PREMISES:** Lessor shall, as soon as Lessor reasonably determines the date that Lessor expects the Completion Date to occur, provide notice thereof to State and schedule a joint inspection of the Leased Premises to document any pre-existing damages and defects to be included on a punch list for correction by Lessor's construction contractor, which joint inspection shall be conducted by Lessor and State (or their authorized

representatives) no later than fifteen (15) business days after the Completion Date. All damage or injury done to the Leased Premises by State, shall be paid for by State. Upon termination or expiration of this Lease, the State will peaceably surrender to the Lessor the Leased Premises in as good order and condition as when received, reasonable use and wear excepted.

**c) ALTERATIONS AND IMPROVEMENTS BY STATE:**

- i) Authorization for Improvements. State shall not make any structural, electrical, or other modification to the Leased Premises without first obtaining Lessor's express written consent. The plans and specifications for any requested alterations or improvements on the Leased Premises will be submitted to the Lessor, in advance of the commencement of any work, for its approval, and the State agrees that all of the construction and work will be performed in accordance with the approved plans and specifications and all state and federal laws and regulations. No work may be commenced without the written authorization of the Lessor. State shall notify all contractors, subcontractors, architects, and other persons, firms, and corporations which provide material, labor, and services that no lien will attach to the Leased Premises or any structure erected thereon for materials, labor, or any other character of services in making any improvement on the Leased Premises, or any part thereof.
- ii) Documentation. With written approval of Lessor, State has the right at its own expense to construct improvements to the Leased Premises, all in compliance with the provisions of this Lease. Within sixty (60) days after completion of any improvements or alterations approved by the Lessor, State shall submit to Lessor copies of as-built plans and specifications along with a statement of construction costs. Construction costs are hereby defined as actual demolition, construction, or alterations, including architectural and engineering costs, plus pertinent fees in connection therewith.
- iii) Incorporation of Improvements. It is understood and agreed that the improvements to the Leased Premises shall be enjoyed by State during the term hereof without additional rental therefore, but shall not be removed therefrom by the State, and that any improvements shall become the property of the Lessor upon the expiration or termination of this Lease, free from the claims of the State, its successors and assigns, and/or creditors.
- iv) Request for Repairs. It is the responsibility of State to report any damage, necessary repairs, or maintenance to the Leased Premises to Lessor immediately. Except as expressly set forth in Maintenance Schedule as defined in Section 8j, State shall be responsible for making all repairs and handling all maintenance of the Leased Premises. State shall be liable for any and all damage to the Leased Premises caused by State's use, including, but not limited to, bent or broken interior walls, damage due to fuel spillage or damage to doors due to State's improper or negligent operation. When damage is due to the fault of State, State shall reimburse Lessor for the cost of necessary repairs.

**d) ACCESS AND PARKING:**

- i) Access to Airport. Lessor agrees that if State is not in breach of this Lease, State and State's Associates are authorized to ingress and egress across the common areas of the Airport (in the areas designated by Lessor, for the purposes for which they were designed) on a non-exclusive basis and to the extent reasonably necessary for State's use, occupancy, and operations at the Leased Premises. During special events at the Airport, State acknowledges that the standard operation procedure at the Airport may be altered such

that egress and ingress to the Leased Premises may be altered by Lessor. Lessor will notify State in writing of any special events or closures that will impede State's use of the Leased Premises.

- ii) **Parking.** State may park its vehicles in the designated parking spots on the Leased Premises at any and all times. State will not allow disabled vehicles to be parked or stored on the Leased Premises nor allow the storage of equipment or vehicles not directly related to the aviation education activities granted under this Lease.

- e) **USE OF LEASED PREMISES AND COMPLIANCE WITH ALL LAWS AND REGULATIONS:** State shall use the Leased Premises only for the Permitted Use and State and State's Associates shall comply at all times, at State's sole cost, with any and all laws and regulations (as amended or otherwise modified from time to time) that are applicable to State's business and State's construction of any improvements, and State's use, occupancy, or operations at the Leased Premises or the Airport (the "Laws and Regulations"), which include, but are not limited to, all laws, statutes, ordinances, regulations, rules, orders, writs, judgments, decrees, injunctions, directives, rulings, guidelines, standards, codes, policies, common law, and other pronouncements of any kind having the effect of law that may be applicable at any time during the term of this Lease including, but not limited to, the Rules and Regulations and Minimum Standards, master plans and zoning codes, and all Laws and Regulations pertaining to the environment (the "Environmental Laws"); any and all plans and programs developed in compliance with such requirements (including, but not limited to, any Airport Security Plan); and all lawful, reasonable, and nondiscriminatory Airport policies and other requirements. State shall provide all required notices under the Laws and Regulations. Upon a written request by Lessor, State will verify, within a reasonable time frame, compliance with any Laws and Regulations.
- f) **NO UNAUTHORIZED USE:** State and State's Associates shall use the Leased Premises and the Airport only for purposes that are expressly authorized by this Lease or by a separate written authorization by Lessor and shall not engage in any unauthorized use of the same. Unauthorized uses include, but are not limited to, damaging, interfering with, or altering any improvement; restricting access on any road or other area that State does not lease; placing waste materials on the Airport or disposing of such materials in violation of any Laws and Regulations; any use that would constitute a public or private nuisance or a disturbance or annoyance to other Airport users; driving a motor vehicle in a prohibited Airport location; the use of automobile parking areas in a manner not authorized by Lessor; any use that would interfere with any operation at the Airport or decrease the Airport's effectiveness (as determined by Lessor in its sole discretion); and any use that would be prohibited by or would impair coverage under either Party's insurance policies or would cause an increase in the existing rate of insurance upon the Leased Premise.
- g) **THIRD-PARTY GOODS AND SERVICES:** State is prohibited from authorizing or allowing any third-party vendors from selling or providing goods or services from the Leased Premises that have not been specifically authorized in advance by Lessor, which authorization shall not be unreasonably withheld, conditioned or delayed. Lessor reserves the right to require any third-party vendor to operate under the terms of a permit or separate agreement with Lessor. State shall be responsible for ensuring that all third-party service providers operate in accordance with all Laws and Regulations, the Rules and Regulations, the Minimum Standards, and the terms of this Lease.

- h) **PERMITS AND LICENSES:** State shall obtain and maintain in current status all permits and licenses that are required under any Laws and Regulations in connection with State's construction of any improvement and the use, occupancy, or operations at the Leased Premises or the Airport. In the event that State receives notice from any governmental entity that State lacks, or is in violation of, any such permit or license, State shall provide Lessor with timely written notice of the same.
- i) **NO LIENS:** State shall not cause any lien, encumbrance, or assessment to be placed on the Leased Premises or any improvement on such real property, except as expressly agreed to in writing by Lessor. If any party shall assert such a lien or encumbrance, State shall immediately inform Lessor in writing of the lien and state its plan to resolve or remove the lien. Unless otherwise permitted by Lessor in writing, all liens or encumbrances shall be cured within sixty (60) days after recordation of such lien. In the event ARC requires a notice of federal interest in real property pursuant to Section 8.8 of the Appalachian Regional Commission Code (a "Notice of Federal Interest"), such Notice of Federal Interest shall be effective against the Leased Premises only to the extent it does not conflict with the laws of the State of Tennessee and only to the extent it does not conflict with federal laws and federal regulations of the FAA and the Grant Assurances.
- j) **OPERATIONS AND MAINTENANCE BY STATE:** State shall operate and maintain the Leased Premises and all improvements in a condition that is clean, free of debris, safe, sanitary, and in good repair and shall not accumulate or permit the accumulation of any trash, refuse, debris, or anything which creates a fire hazard or nuisance or causes inconvenience to adjoining properties. Maintenance of any substance or material that is regulated by any Environmental Law ("Hazardous Materials") shall be governed by Section 8n. State shall be responsible for maintaining and repairing the portions of the Leased Premises listed as the responsibility of the State in accordance with the Facilities Maintenance Responsibility Schedule attached hereto as **Exhibit C** (the "Maintenance Schedule") and incorporated herein by reference.
- k) **UTILITIES:** State shall pay the utilities serving the Leased Premises including but not limited to telephone, gas, electricity, water, sewer, internet services and garbage and trash removal used by State and shall make such deposits as are required to secure service. State shall be responsible for any water or sewer impact fees incurred by its use of the Leased Premises. Any repairs of the utility lines other than those which are not the responsibility of the utility service are the responsibility of State. If utilities are billed to a common meter, State shall pay to Lessor the pro-rated amount based on square footage leased.
- l) **SIGNS:** State shall not place, or cause to be placed, any sign or signs on the Leased Premises unless otherwise agreed to in writing by Lessor. All signs are subject to the approval of Lessor and such signs shall be in conformity with the local custom and shall be in good taste, and shall not conflict with the architecture of the building. The windows of the Leased Premises shall not be cluttered with signs; however, this shall not prohibit customary and normal use of the windows.
- m) **SECURITY:** State is responsible to comply (at State's sole cost) with all security measures that Lessor, the United States Transportation Security Administration, the United States Department of Homeland Security ("Homeland Security"), FAA, or any other governmental entity having jurisdiction may require in connection with the Airport, including, but not limited to, any access credential requirements, any decision to remove State's access credentials, and any civil penalty obligations and other costs arising from a breach of security requirements

caused or permitted by State or State's Associates. State agrees that Airport access credentials are the property of Lessor and may be suspended or revoked by Lessor in its sole discretion at any time. State shall pay all fees associated with such credentials, and State shall immediately report to the Lessor's Public Safety Department any lost credentials or credentials that State removes from any employee or any of State's Associates. State shall protect and preserve security at the Airport. State acknowledges that FAA, Homeland Security, or a subdivision of either may enact laws or regulations regarding security at general aviation airports such that Lessor may not be able to comply fully with its obligations under this Lease, and State agrees that Lessor will not be liable for any damages to State or State's personal property that may result from such noncompliance.

n) **HAZARDOUS MATERIALS:**

- i) State agrees to operate and maintain the Leased Premises in accordance with all Environmental Laws. State further covenants that it will under no circumstances dispose of any Hazardous Materials by dumping or burning by fire, either upon or off the Airport in any manner or fashion, but shall dispose of the same only in accordance with environmentally accepted practices and disposal procedures. Notwithstanding any other provision of this Lease, State shall indemnify the Lessor from any loss due to and shall be and remain liable to the Lessor for any contamination of the Leased Premises by Hazardous Materials that occurs as a result of negligence or actions of State, its agents, or employees during the Term. State's liability shall survive the termination of this Lease by expiration of the Term or otherwise.
  - ii) State shall respond to any release or threat of release of Hazardous Materials in accordance with applicable Laws and Regulations. If Lessor has reasonable cause to believe that any such release or threat of release has occurred, Lessor may request, in writing, that State conduct reasonable testing and analysis (using qualified independent experts acceptable to Lessor) to show that State is complying with applicable Environmental Laws. Lessor may conduct the same at the State's expense if State fails to respond in a reasonable manner. Should Lessor be forced to take such action, State shall be completely liable for all costs incurred in the remediation including, but not limited to, the payment of fines or other charges that might be levied as a result of such contamination, spill, or release of Hazardous Materials.
  - iii) State shall develop and maintain a Spill Prevention, Control, and Countermeasures Plan pursuant to applicable Laws and Regulations and at Lessor's discretion, State will develop and maintain a Storm Water Pollution Prevention Plan, pursuant to federal Clean Water Act and/or State regulations and any related permit requirements.
- o) **TRASH, GARBAGE AND OTHER REFUSE:** State shall pick up, and provide for a complete and proper arrangement for the adequate sanitary handling and disposal, away from the Airport of all trash, garbage, and other refuse caused as a result of its operation on the Leased Premises. State shall keep the Leased Premises clean, prevent the accumulation of trash or debris, properly dispose of all debris and other waste matter, and provide containers with proper covers, acceptable to Lessor, for waste within and outside of the buildings. In the event State uses Lessor's trash disposal facilities, State will pay Lessor a fee for the use of Lessor's dumpster, compactor, or other trash disposal facilities. This fee will be established on an annual basis. Lessor is not obligated to provide the State access to Lessor's trash disposal facilities or services.

- p) **TERMINATION FOR NON-APPROPRIATION:** This Lease is subject to the appropriation and availability of State and/or Federal funds. In the event that the funds are not appropriated, the State reserves the right to terminate the Lease upon written notice to the Lessor. In the event State provides written notice at least one (1) year prior to the date when such termination becomes effective pursuant to this Section 8p, the State shall not be required to reimburse the Lessor for the remaining balance of the Renovation Costs set forth on Exhibit B. In the event State fails to provide at least one (1) year prior written notice of termination pursuant to this Section 8p, State repay Lessor the balance of the Renovation Costs set forth on Exhibit B remaining from the date of termination through the remainder of the Term of the Lease.

9. **RIGHTS AND OBLIGATIONS OF LESSOR:**

- a) **MAINTENANCE BY LESSOR:** Lessor shall be responsible for maintaining the portions of the Leased Premises set forth on the Maintenance Schedule as the responsibility of the Lessor.
- b) **NON-EXCLUSIVE RIGHT:** This Lease does not grant to State the exclusive right to provide any or all of the services described herein at the Airport at any time during the entire term of this Lease. Lessor reserves the right, at its sole discretion, to grant others certain rights and privileges upon the Airport which are identical in part or in whole to those granted to Lessor.
- c) **COMMON AREAS:** Lessor has the sole discretion to perform any maintenance or repairs and to construct any additions or improvements to the common or public areas of the Airport as it sees fit, and to perform such maintenance or repairs and construct such additions or improvements at the times and places it deems necessary or desirable. Lessor shall have the right to direct State's activities as reasonably necessary in order to perform such maintenance or repairs and to construct such additions or improvements. Lessor shall make commercially reasonable efforts to mitigate any adverse impact to State's operations on the Lease Premises.
- d) **AERIAL APPROACHES:** Lessor reserves to itself and its successors and assignees, for the use and benefit of the public, the right of navigation over the Leased Premises for the passage of aircraft utilizing the Airport or the navigable airspace above the Leased Premises, and to take any action it considers necessary to protect the aerial approaches of the Airport against obstruction, together with the right to prevent State from erecting, or permitting to be erected, any building or other structure on or adjacent to the Airport which, in the opinion of Lessor, would limit the usefulness of the Airport or constitute a hazard to aircraft. Lessor shall have the continuing right and easement to take any action it deems necessary to prevent the erection or growth of any structure, tree, or other object into the airspace, or development of any hazard to air navigation or communication, and to remove or abate from such airspace, or mark and light as obstructions, any such structure, tree, object or hazard, and shall have the right of ingress and egress over the Leased Premises for such purposes.
- e) **LESSOR ENFORCEMENT OF APPLICABLE RULES AND REGULATIONS:** Lessor agrees to enforce at all times all applicable Airport Rules and Regulations, the Airport Minimum Standards, FAA regulations and Orders, and federal and state laws regarding operation of the Airport.
- f) **FAA AND AIRPORT INSTRUMENTS:** The FAA and Lessor reserve the right to place on and around the premises described in this Lease such instruments and equipment as are

desirable or necessary to facilitate Airport operations, provided such instrumentation or equipment does not unreasonably interfere with the intended use of the premises as contemplated under this Lease.

10. **INSURANCE:** The State of Tennessee self-insures its exposures in general liability, automobile liability, professional malpractice, and workers' compensation. The limits of liability for general liability, professional malpractice, and automobile liability are \$300,000 per person and \$1 million per occurrence. The limits of liability under workers' compensation are those set forth in T.C.A. §50-6-101 et seq. Copies of the statutes that authorize actions against the State of Tennessee, establish the State's limit of liability, and authorize self-insurance through the Risk Management Fund, are set forth in T.C.A § 9-8-101 et seq.

The State's self-insurance program insures all liability created under Title 9, Chapter 8 of the Tennessee Code Annotated, for all State departments, agencies and institutions, including State institutions of higher education, and any entity deemed by the General Assembly to be a State agency for the purpose of participating in the State's self-insurance program.

11. **DEFAULT AND REMEDIES:**

- a) **DEFAULT BY STATE:** The occurrence of any of the following events shall constitute a default by Lessee under this Lease unless cured within thirty (30) days following written notice of such violation from Lessor: (i) State fails to timely pay any Rent; (ii) State or State's Associates violate any requirement under this Lease (including, but not limited to, abandonment of the Leased Premises); (iii) State suffers this Lease to become subject to a writ of execution and such writ is not released within thirty (30) days. If the nature of State's obligation is such that more than thirty (30) days are reasonably required for performance or cure, State shall not be in default if State commences performance within such thirty (30) day period and thereafter diligently prosecutes the same to completion.
- b) **DEFAULT BY LESSOR:** The occurrence of any of the following events shall constitute a default by Lessor under this Lease unless cured within sixty (60) days following written notice of such violation from State: (i) the issuance by any court of competent jurisdiction of an injunction in anyway preventing or restraining the use of the Airport, so as to substantially affect State's use of its Leased Premises and the remaining in force of such injunction for a period which exceeds sixty (60) days; provided, however, that such injunction is not due to the acts or omissions of State at the Airport; (ii) the assumption by the United States Government or any authorized agency thereof of the operations, control, or use of the Airport, or any substantial part or parts thereof, in a manner as substantially to restrict State for a period which exceeds sixty (60) days from full use of its Leased Premises, and in that event, a just and proportionate part of the Rent hereunder shall be abated by to State's termination of the Lease; or (iii) any other breach of the terms of this Lease by Lessor, which is not adequately remedied within sixty (60) days of the mailing of written notices thereof to Lessor If the nature of Lessor's obligation is such that more than sixty (60) days are reasonably required for performance or cure, Lessor shall not be in default if Lessor commences performance within such sixty (60) day period and thereafter diligently prosecutes the same to completion.
- c) **REMEDIES FOR BREACH OF LEASE:** If either party shall fail to perform or breach any provision of this Lease other than the agreement of Lessee to pay Rent, the non-breaching party shall provide written notice to the breaching party specifying the performance required. Ten (10) days after such notice is provided under this Section 11c, the non-breaching party may

terminate this Lease or take any such action it is legally entitled to take, including instituting litigation to compel performance of this Lease.

d) **REMEDIES FOR FAILURE TO PAY RENT:** If any Rent required by this Lease shall not be paid when due, Lessor shall have the option to:

- i) Terminate this Lease, resume possession of the Leased Premises for his own account, and recover immediately from State the differences between the Rent and the fair rental value of the property for the term, reduced to present worth.
- ii) Resume possession and re-lease the Leased Premises for the remainder of the term for the account of State, and recover from Lessee, at the end of the Term or at the time each payment of Rent comes due under this Lease as Lessor may choose, the difference between the Rent and the rent received on the re-leasing or renting.

In either event, Lessor shall also recover all expenses incurred by reason of breach, including reasonable attorney's fees.

e) **SURVIVAL:** The provisions of this Section and the remedies and rights provided in this Section 11 shall survive any expiration or termination of this Lease.

12. **ASSIGNMENT AND SUBLETTING:** The State shall not assign or sublet this Lease without the prior written consent of the Lessor.

13. **INSPECTION:** The Lessor reserves the right to enter and inspect the Leased Premises, at reasonable times, and to render services and make any necessary repairs to the Premises.

14. **ARC GRANT PROVISIONS:**

a) **TERMINATION OF PROJECT OR PROGRAM:** Lessor shall take no action to terminate the Project or the Program without first providing the State at least fifteen (15) days prior written notice of Lessor's intent to terminate.

b) **COOPERATION WITH GRANTEE:** Subject to the terms and conditions herein provided, Lessor shall use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to cooperate with State and Northeast State Community College, in its capacity as grantee (the "Grantee"), in complying with the Grantee's requirements and obligations of the ARC Grant and the Grant Agreement.

c) **SUBORDINATION TO ARC FEDERAL CLAUSES:** In addition to Sections 1 and 21 herein, this Lease shall also be subordinate to the ARC Grant and federal requirements and the ARC Federal Clauses in Exhibit E hereto which shall control in the event the same conflict with any term or condition of this Lease, but only to the extent that the ARC Grant and federal requirements and the ARC Federal Clauses in Exhibit E do not conflict with any applicable requirements of all other federal laws or federal regulations of the FAA, the Grant Assurances, and to the extent that they do not conflict with any applicable laws or regulations of the State of Tennessee.

15. **CASUALTY:**

a) If the Leased Premises are totally destroyed by fire or other casualty, this Lease shall terminate. If such casualty shall render ten percent (10%) or less of the floor space of the Leased Premises unusable for the purpose intended, Lessor shall effect restoration of the Leased Premises as quickly as is reasonably possible, but in any event within thirty (30) days.



- b) In the event such casualty shall render more than ten (10) percent of such floor space unusable but not constitute total destruction, Lessor shall forthwith give notice to State of the specific number of days required to repair the same. If Lessor under such circumstances shall not give such notice within fifteen (15) calendar days after such destruction, or if such notice shall specify that such repairs will require more than one hundred twenty (120) days to complete from date such notice is given, State, in either such event, at its option, may terminate this Lease or, upon notice to Lessor, may elect to undertake the repairs itself.
- c) In the event of any such destruction other than total destruction of the Leased Premises, where the State has not terminated the Lease as herein provided, or pursuant to the terms hereof has not elected to make the repairs itself, Lessor shall diligently prosecute the repair of the Leased Premises and, in any event, if repairs are not completed within the period of thirty (30) days for destruction aggregating ten (10) percent or less of the floor space, or within the period specified in Lessor's notice in connection with partial destruction aggregating more than ten (10) percent, the State shall have the option to terminate this Lease or complete the repairs itself.
- d) In the event the State remains in possession of the Leased Premises though partially destroyed, the rental as herein provided shall be reduced by an amount mutually agreed to in good faith by the Lessor and the State.
16. **NOTICES:** All Notices herein provided to be given, or which may be given, by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail, certified and postage prepaid, and addressed as follows:
- |                                     |   |
|-------------------------------------|---|
| To the Lessor at:                   | To the State at:                        |
| <b>Tri-Cities Airport Authority</b> | <b>Tennessee Board of Regents</b>       |
| <b>2525 Highway 75, Suite 301</b>   | <b>Office of Facilities Development</b> |
| <b>Blountville, TN 37617</b>        | <b>1 Bridgestone Park</b>               |
|                                     | <b>Nashville, TN 37214</b>              |
17. **TIME OF THE ESSENCE:** Time is of the essence of this Lease, and the terms and provisions of this Lease shall extend to and be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns to the respective parties hereto.
18. **HOLDING OVER:** In the event the State remains in possession of the Leased Premises after the expiration of the Term, or any extension thereof, this Lease shall be automatically extended on a month to month basis, subject to thirty (30) days termination by either party, and otherwise on the terms and conditions herein specified, so far as applicable.
19. **NO WAIVER:** The waiver by Lessor of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Lessor shall not be deemed to be a waiver of any preceding breach by the State of any term, covenant or condition of this Lease, other than the failure of State to pay the particular rental so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

20. **ADDITIONAL CHARGES AS RENT:** Any charges against the State by Lessor for services or for work done on the Leased Premises by order of the State or otherwise accruing under this Lease shall be considered as Rent due.
21. **SUBORDINATION TO GRANT ASSURANCES:** This Lease shall be subordinate to the provisions of any existing or future agreements between Lessor and the United States of America, relative to the operation and maintenance of the Airport, the terms and execution of which have been or may be required as a condition precedent to the expenditure or reimbursement to Lessor of federal funds for the development of the Airport ("Grant Assurances"). In the event that this Lease, either on its own terms or by any other reason, conflicts with or violates any such Grant Assurances, Lessor has the right to amend, alter or otherwise modify the terms of this Lease in order to resolve such conflict or violation.
22. **NON-INTERFERENCE WITH OPERATION OF AIRPORT:** State expressly agrees for itself, its successors and assigns that State will not conduct operations in or on the Leased Premises in a manner that in the reasonable judgment of Lessor, (i) interferes or might interfere with the reasonable use by others of common facilities at the Airport, (ii) hinders or might hinder police, fire fighting, or other emergency personnel in the discharge of their duties, (iii) would or would be likely to constitute a hazardous condition at the Airport, (iv) would or would be likely to increase the premiums for insurance policies maintained by Lessor unless such operations are not otherwise prohibited hereunder and the State pays the increase in insurance premiums occasioned by such operations, (v) is contrary to any applicable Grant Assurance, (vi) is in contradiction to any rule, regulation, directive or similar restriction issued by agencies having jurisdiction over the Airport including FAA, Homeland Security, Transportation Security Administration and Customs and Border Patrol, or (vii) would involve any illegal purposes. In the event this covenant is breached, Lessor reserves the right, after prior written notice to the State, to enter upon the Leased Premises and cause the abatement of such interference at the expense of State. In the event of a breach in Airport security caused by the State, resulting in fine or penalty to Lessor of which State has received prior written notice, such fine or penalty will be charged to the State.
23. **EMERGENCY CLOSURES:** During time of war or national emergency, Lessor shall have the right to enter into an agreement with the United States Government for military or naval use of part or all of the landing area, the publicly-owned air navigation facilities and/or other areas or facilities of the Airport. If any such agreement is executed, the provisions of this Lease, insofar as they are inconsistent with provisions of the agreement with the Government, will be suspended. The Lessor shall use its best efforts in the negotiation of any such agreement to ensure the continuation of the Program on the Leased Premises during the term of the agreement. In the event the Program is interrupted due to the Lessor's agreement with the Government pursuant to this Section 23, the Lessor shall cooperate with the State to identify a suitable alternative location for the Program at the Airport until the return of the Program to the Leased Premises.
24. **APPROVALS:** The Lessor fully understands that this Lease is not binding except and until all appropriate State officials' signatures have been fully obtained, approval of this Lease has been given by the State Building Commission, if applicable, and the fully executed document returned to the Lessor.
25. **INTERPRETATION:** References in the text of this Lease to articles, sections or exhibits pertain to articles, sections or exhibits of this Lease, unless otherwise specified. The terms "hereby,"

“herein,” “hereof,” “hereto,” “hereunder” and any similar terms used in this Lease refer to this Lease. The term “including” shall not be construed in a limiting nature, but shall be construed to mean “including, without limitation.” Words importing persons shall include firms, associations, partnerships, trusts, corporations and other legal entities, including public bodies, as well as natural persons. Any headings preceding the text of the articles and sections of this Lease, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Lease, nor shall they affect the meaning, construction or effect of this Lease. Words importing the singular shall include the plural and vice versa. Words of the masculine gender shall be deemed to include correlative words of the feminine and neuter genders.

26. **FORCE MAJEURE:** No act or event, whether foreseen or unforeseen, shall operate to excuse the State from the prompt payment of rent or any other amounts required to be paid under this Lease. If Lessor (or State in connection with obligations other than payment obligations) is delayed or hindered in any performance under this Lease by a force majeure event, such performance shall be excused to the extent so delayed or hindered during the time when such force majeure event is in effect, and such performance shall promptly occur or resume thereafter at the expense of the party so delayed or hindered. A “force majeure event” is an act or event, whether foreseen or unforeseen, that prevents a party in whole or in part from performing as provided in this Lease, that is beyond the reasonable control of and not the fault of such party, and that such party has been unable to avoid or overcome by exercising due diligence, and may include, but is not limited to, acts of nature, war, riots, strikes, accidents, fire, and changes in law. State hereby releases Lessor from any and all liability, whether in contract or tort (including strict liability and negligence) for any loss, damage or injury of any nature whatsoever sustained by the State, its employees, agents or invitees during the Term, including, but not limited to, loss, damage or injury to the aircraft or other personal property of the State that may be located or stored in the Leased Premises due to a force majeure event.
27. **GOVERNING LAW AND VENUE:** This Lease has been made in and will be construed in accordance with the laws of the State of Tennessee. In any action initiated by one party against the other, exclusive venue and jurisdiction will be in the appropriate state courts in and for Sullivan County, Tennessee; provided however, any and all monetary claims against the Lessee shall be submitted to the Claims Commission of the State of Tennessee pursuant to T. C. A. § 9-8-307.
28. **ENVIRONMENTAL PROVISIONS:** In the event Lessor, or Lessor’s agent, discovers hazardous materials on the Leased Premises during the Term of this Lease, Lessor shall promptly notify State. In the event State, or State’s agent, discovers hazardous materials on the Leased Premises during the Term of this Lease, State shall promptly notify Lessor. State agrees that no activity will be conducted on the Leased Premises that will use or produce any hazardous materials or substances, except materials and supplies necessary for the purpose of training FAA certified airframe and powerplant technicians, provided that such hazardous materials and/or substances are used, handled, removed, disposed and stored in compliance with all applicable environmental laws and regulations.
29. **AMENDMENTS AND WAIVERS:** No amendment to this Lease shall be binding on Lessor or State unless reduced to writing and signed by both parties. No provision of this Lease may be waived, except pursuant to a writing executed by the party against whom the waiver is sought to be enforced.

30. **SEVERABILITY:** If any provision of this Lease is determined to be invalid, illegal, or unenforceable, the remaining provisions of this Lease shall remain in full force and effect if both the economic and legal substance of the transactions that this Lease contemplates are not affected in any manner materially adverse to any party. If any provision of this Lease is held invalid, illegal, or unenforceable, the parties shall negotiate in good faith to modify this Lease to fulfill as closely as possible the original intents and purposes of this Lease.
31. **MERGER:** This Lease constitutes the final, complete, and exclusive Lease between the parties on the matters contained in this Lease. All prior and contemporaneous negotiations and Leases between the parties on the matters contained in this Lease are expressly merged into and superseded by this Lease. In entering into this Lease, neither party has relied on any statement, representation, warranty, nor Lease of the other party except for those expressly contained in this Lease.
32. **RELATIONSHIP OF PARTIES:** This Lease does not create any partnership, joint venture, employment, or agency relationship between the parties. Nothing in this Lease shall confer upon any other person or entity any right, benefit, or remedy of any nature.
33. **FURTHER ASSURANCES:** Each party shall execute any document or take any action that may be necessary or desirable to consummate and make effective a performance that is required under this Lease.
34. **SIGNATORY'S AUTHORITY:** Each person signing this Lease in a representative capacity expressly represents that the signatory has the subject party's authority to so sign and that the subject party will be bound by the signatory's execution of this Lease. Each party expressly represents that except as to approval specifically required by this Lease, such party does not require any third-party's consent to enter into this Lease, including the consent of any spouse, insurer, assignee, licensee, secured lender, or regulatory agency.
35. **REQUIRED FEDERAL CLAUSES:**
- a) State acknowledges that Lessor is required by the FAA under the terms of its Grant Assurances to include in this Lease certain required contract provisions, included as **Exhibit D** hereto (the "FAA Federal Clauses"). State agrees to comply with the FAA Federal Clauses and, where applicable, include the FAA Federal Clauses in each of its subcontracts without limitation or alteration. State acknowledges that a failure to comply with the FAA Federal Clauses constitutes an event of default under this Lease.
  - b) Lessor acknowledges that State is required by the Grant Agreement under the terms of its Grant Assurances to comply with certain required contract provisions, included as **Exhibit E** hereto (the "ARC Federal Clauses"). Lessor agrees to comply with the ARC Federal Clauses, but only to the extent that the ARC Federal Clauses do not conflict with any applicable requirements of all other federal laws or federal regulations of the FAA, the Grant Assurances, and to the extent that they do not conflict with any applicable laws or regulations of the State of Tennessee, and, where applicable, include the ARC Federal Clauses in each of its subcontracts without limitation or alteration.
36. **RECORDS RETENTION:** Lessor shall maintain documentation for all charges against State

under this Lease. The books, records and documentation of Lessor, insofar as they relate to reimbursement by State for costs incurred, whether in whole or in part, shall be maintained for a period of five (5) full years from the date of what amounts to the final payment under this Lease, and shall be subject to the review, at any reasonable time and upon reasonable notice by the appointed representatives of the State or Comptroller of the Treasury.

**IN WITNESS WHEREOF**, this Lease has been executed by the parties hereto:

**LESSOR**

**STATE**

**BY:** \_\_\_\_\_  
Gene Cossey, Executive Director

**BY:** \_\_\_\_\_  
Bethany H. Bullock, President,  
Northeast State Community College

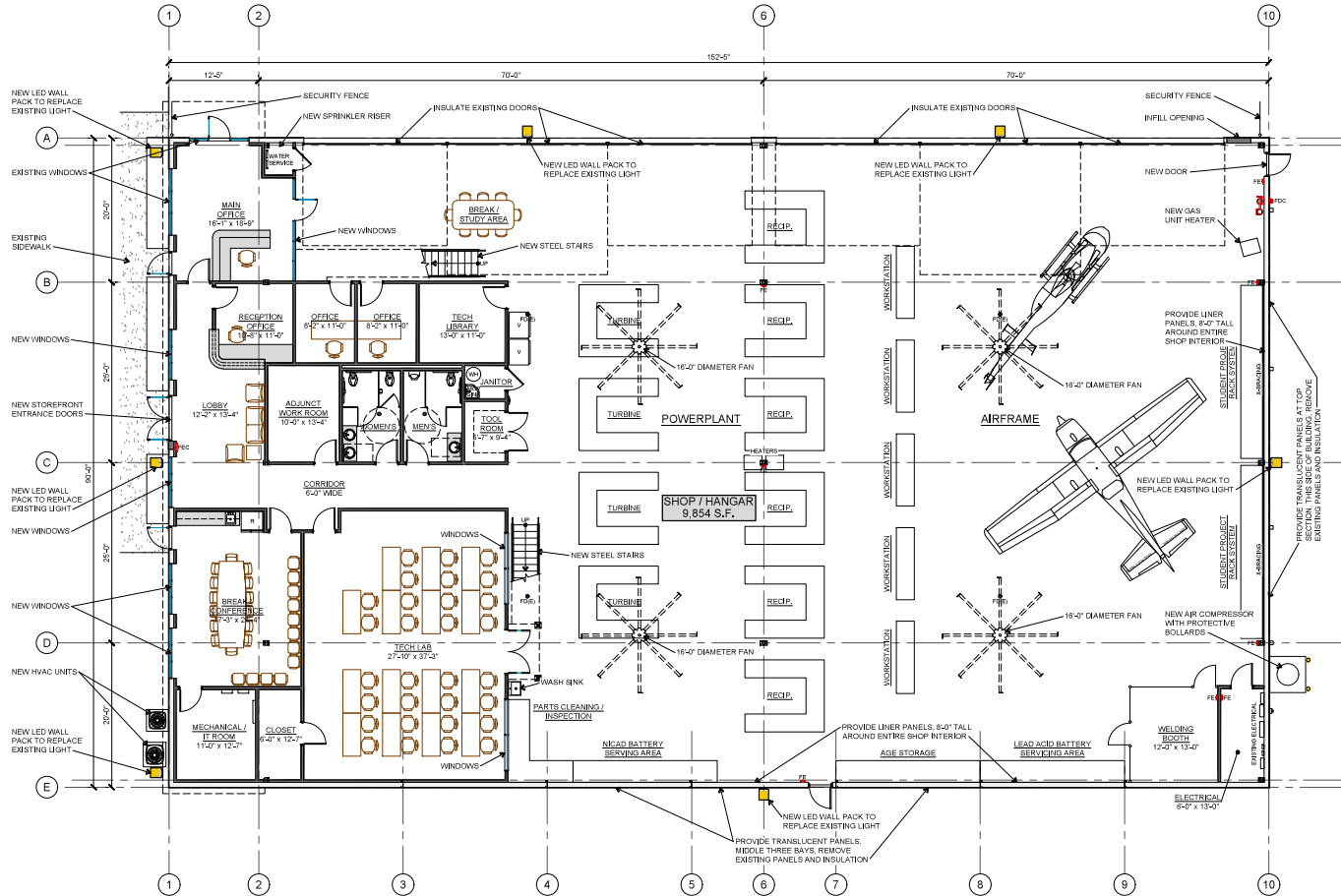
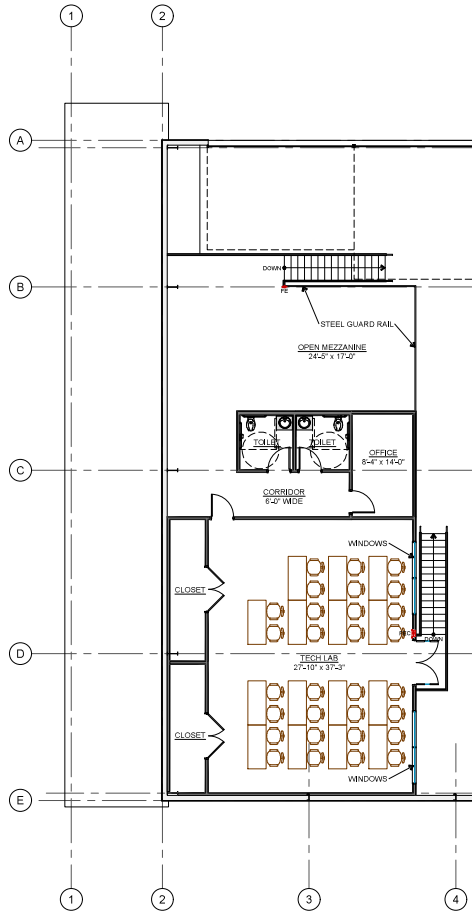
**BY:** \_\_\_\_\_  
Flora W. Tydings, Chancellor,  
Tennessee Board of Regents

**Approved as to form and legality:**

\_\_\_\_\_  
Herbert H. Slatery III  
Attorney General & Reporter

**EXHIBIT A**  
**To Lease Agreement**

Drawing/description- Being (part of) the same property further described in last recorded instrument conveyed to the Lessor in Deed Book 23, Page 171, recorded in the Register's Office, Sullivan County, Tennessee



FLOOR AREAS			
LEVEL	AREA	DIVIDED BY	OCCUPANTS
FIRST FLOOR HANGAR	9,854 S.F.	300	33
FIRST FLOOR GROUP B	3,528 S.F.	150	24
UPPER LEVEL	2,421 S.F.	150	16
			73

LEGEND	
	EXISTING WALL CONSTRUCTION TO REMAIN
	NEW WALL CONSTRUCTION
	NEW BUILT-IN CASEWORK
	FIRE EXTINGUISHER / FIRE EXTINGUISHER CABINET

**EXHIBIT B**  
**To Lease Agreement**  
**Rent Calculation Addendum**

<b>Costs, Reimbursements, and Discounts Included in Rent Calculation</b>	
<b>Renovation Costs</b> (estimated - to be adjusted after completion of construction)	\$1,923,410.00*
<b>Preliminary Design Cost</b> (to date)	\$134,900.00
<b>ARC Grant Reimbursement</b> (paid back to Lessor upon completion of construction)	\$(620,000.00)
<b>Airport Funds Discounted</b> (previously guaranteed by Airport taken from Tennessee Equity Funds)	\$ (551,700.00)
<b>Renovation Cost After Discounts and Reimbursements</b>	<b>\$886,610.00</b>

**Renovation Cost After Discounts and Reimbursements Depreciated Over 20-year Lease Term (straight line depreciation, no residual value calculated):**

Annual	\$ 44,330.50
Monthly	\$ 3,694.21

<b>Hangar 301</b>	<b>Annual</b>	<b>Monthly</b>
Base Lease Rate	\$ 90,480.00	\$ 7,540.00
Educational Institute Discount (80%)	\$ (72,384.00)	\$ (6,032.00)
NeSCC Base Lease Rate	\$ 18,096.00	\$ 1,508.00
Renovation Cost (20 Year Depreciation)	\$ 44,330.50	\$ 3,694.21
<b>Base Lease Rate + Renovation Cost</b>	<b>\$ 45,861.00</b>	<b>\$ 5,202.21*</b>

\*Upon completion of the renovation of the premises, the actual construction cost will be substituted for the for the estimated renovation above and the Renovation Cost After Discounts and Reimbursements will be adjusted accordingly. The Base Lease Rate + Renovation Cost will be increased or decreased accordingly for a final Base Lease Rate + Renovation Cost that shall become the Rent pursuant to Section 4b of the Lease.



**EXHIBIT C**  
**To Lease Agreement**  
**Facilities Maintenance Responsibility Schedule**

The following schedule sets forth the operating, cleaning, maintenance, and repair responsibilities associated with the Leased Premises referenced in the Lease Agreement dated \_\_\_\_\_ between the Tri-Cities Airport Authority ("TCAA") and the Tennessee Board of Regents on behalf of Northeast State Community College ("State").

The Leased Premises may not contain all facilities listed below. Some items may not be applicable to the Leased Premises. Any conflict which arises between the language of this Exhibit \_\_\_\_ and the Lease Agreement will be controlled and resolved in favor of the language contained in the body of the Lease Agreement.

<b>FACILITY DESCRIPTION</b>	<b>RESPONSIBLE PARTY</b>
<b>01-00-00 Division 01 General Requirements</b>	
01-10-00 Exterior Cleanliness and Appearance	State
01-10-10 Disposal of Trash and Debris	State
01-10-20 Trash Receptacles	State
01-10-30 Cleaning of Walkways, Parking Lots, Associated Areas	State
01-10-30.10 Snow and Ice Control	State
01-10-60 Cleaning Exterior Windows	State
01-10-70 Mowing Grass, Removing Weeds, Maintaining Landscaping	State
01-10-80 Aircraft Ramp	State
01-10-80.10 Removing Trash, Debris, Foreign Objects	State
01-10-80.20 Snow and Ice Removal	State
01-10-80.30 Maintaining and Replacing Tie-down Equipment	State
01-20-00 Interior Cleanliness and Appearance	State
01-20-10 Cleaning of Floors, Walls, Ceilings, Surfaces	State
01 -20-10.10 Carpet Cleaning (Minimum Twice Per Year)	State
01-20-10.20 Stripping /Sealing Tile Floors (Min. Twice Per Year)	State
01-20-20 Cleaning Interior Windows	State
01-20-40 Cleaning and Stocking Restrooms	State
<b>02 00 00 Division 02 Existing Conditions</b>	
02 01 65 Underground Storage Tanks	Not Applicable
02 01 70 Oil/Water Separators Servicing/Pumping (per manufacturer's recommendations)	State
02 01 75 Sanitary Sewer Dump Station	Not Applicable
02 01 80 SPCC Plan for Material Storage (Env.)	State If Applicable
<b>03 00 00 Division 03 Concrete</b>	
03 30 00 Cast-in-Place Concrete	TCAA
Retaining Wall/Sidewalks/Structural/Curbs	TCAA

<b>04 00 00 Division 04 Masonry</b>	
04 01 20 Maintenance Unit Masonry	TCAA
Brick/Block Walls	TCAA
<b>05 00 00 Division 05 Metals</b>	
05 01 10 Structural Metal Framing	TCAA
Columns/Cabling/Joists	TCAA
05 50 00 Metal Fabrications	TCAA
Stairs/Handrails	TCAA
<b>06 00 00 Division 06 Wood, Plastics, and Composites</b>	
06 01 20 Finish Carpentry	State
06 01 40 Architectural Woodwork/Plastics/Composites	State
<b>07 00 00 Division 07 Roofing/Thermal and Moisture Protection</b>	
07 01 40 Maintenance of Roofing and Siding Panels	TCAA
07 40 00 Roofing and Siding Panels	TCAA
07 41 00 Roof Panels	TCAA
07 42 00 Wall Panels	TCAA
07 46 00 Siding	TCAA
07 51 60 Maintenance of Flashing and Sheet Metal	TCAA
07 61 00 Sheet Metal Roofing	TCAA
07 70 00 Roof and Wall Specialties and Accessories	TCAA
Copings/Flashing/Curbs/Gutters/Vents	TCAA
07 72 00 Damproofing and Waterproofing	TCAA
07 74 00 Weather Barriers and Roof Insulation	TCAA
07 76 00 Vapor Barriers	TCAA
07 80 00 Membrane Roofing	TCAA
07 90 00 Joint Protection	TCAA
<b>08 00 00 Division 08 Openings</b>	
08 01 10 Operation & Maintenance of Exterior Openings	TCAA
08 10 00 Exterior Doors and Frames	TCAA
08 11 00 Locking Hardware and Closures for Exterior Doors	TCAA
08 12 00 Interior Doors, Frames, and Hardware	State
08 34 16 Hangar Doors and associated electrical systems	TCAA
08 40 00 Entrances, Storefronts and Curtain Walls	TCAA
08 50 00 Windows and Frames Repair	TCAA
08 60 00 Roof Windows and Skylights	TCAA
08 80 00 Glazing	TCAA
08 90 00 Louvers and Vents	TCAA

<b>09 00 00 Division 09 Finishes</b>	
09 01 00 Maintenance of Finishes	State
09 01 20 Plaster/Gypsum Board	State
09 01 50/60/70 Floors/Ceilings/Walls	State
09 01 80/90 Acoustic Treatments/Painting & Coating	State
09 30 00 Tiling	State
09 02 00 Painting of exterior building surfaces	TCAA
<b>10 00 00 Division 10 Specialties</b>	
10 12 00 Display Cases	State
10 14 00 Signage (Interior)	State
10 17 00 Telephone Specialties	State
10 20 00 Interior Specialties	State
10 21/22 00 Compartments & Cubicles/Partitions	State
10 28 00 Toilet Bath Accessories	State
10 40 00 Emergency Aid Specialties	State
10 44 00 Fire Protection Specialties	State
10 55 00 Postal Specialties	State
10 56 00 Storage Assemblies	State
10 70 00 Exterior Specialties including Exterior Building Signs	State
10 73 00 Awnings	State
<b>11 00 00 Division 11 Equipment</b>	
11 10 00 All Equipment Owned or Installed by Operator	State
11 11 00 Vehicle and Aircraft Service Equipment	State
11 60 00 Entertainment Equipment /P-A System/TVs/Music	State
<b>12 00 00 Division 12 Furnishings</b>	
12 06 10 Window Treatment	State
12 30 00 Casework	State
12 36 00 Countertops	State
12 50 00 Furniture/Seating	State
<b>21 00 00 Division 21 Fire Suppression</b>	
21 10 00 Water Based Fire Suppression Systems	Not Applicable
21 11 00 Facility Fire Suppression Water Service Piping	Not Applicable
21 12 00 Fire Suppression Standpipes	Not Applicable
21 13 00 Fire Suppression Sprinkler System	Not Applicable
21 20 00 Fire Extinguishing Systems	Not Applicable
21 30 00 Fire Pumps	Not Applicable
21 40 00 Fire Suppression Water Storage	Not Applicable
21 50 00 Fire Suppression System Inspections	Not Applicable

<b>22 00 00 Division 22 Plumbing</b>	
22 10 00 Plumbing Piping and Pumps	TCAA
22 13 00 Facility Sanitary Sewage	TCAA
22 14 00 Facility Storm Drainage	TCAA
22 33 00 Electric Domestic Water Heater	TCAA
22 42 00 Commercial Plumbing Fixtures	State
22 45 00 Emergency Plumbing Fixtures	State
22 45 16 Eye Wash Equipment/Safety Showers	State
<b>23 00 00 Division 23 Heating, Venting and Air Conditioning (HVAC)</b>	
23 01 00 O&M Central Heating/Cooling Equipment	TCAA
23 07 00 HVAC Insulation	TCAA
23 09 00 Instrumentation/Control Devices (HVAC)	TCAA
23 20 00 HVAC Piping and Pumps	TCAA
23 21 23 Hydronic Pumps	TCAA
23 22 00 Steam and Condensate Piping and Pumps	TCAA
23 23 00 Refrigerant Piping	TCAA
23 24 00 Internal-Combustion Engine Piping	TCAA
23 25 00 HVAC Water Treatment	TCAA
23 30 00 HVAC Air Distribution	TCAA
23 31 13 Metal Ducts (Rectangular/Round/Fittings)	TCAA
23 32 00 Air Plenums and Chases	TCAA
23 33 00 Air Duct Accessories	TCAA
23 33 13 Dampers, Fire/Volume-Control	TCAA
23 34 00 HVAC Fans	TCAA
23 37 00 Air Outlets and Inlets	TCAA
23 37 13 Diffusers/Grilles/Registers	TCAA
23 38 00 Ventilation Hoods	TCAA
23 38 16 Fume (Heat Hood)	TCAA
23 40 00 HVAC Air Cleaning Devices	TCAA
23 41 00 Particulate Air Filtration	TCAA
23 52 00 Heating Boilers	N/A
23 52 33.16 Steel Water-Tube Boilers	N/A
23 53 00 Heating Boiler Feedwater Equipment	N/A
23 53 13 Boiler Feedwater Pumps	N/A
23 53 16 Deaerators	N/A
23 60 00 Central Cooling Equipment	TCAA
23 61 16 Reciprocating Refrigerant Compressors	TCAA
23 62 00 Package Compressor and Condenser Units	TCAA
23 62 16 Package Air-Cooled Refrgmt Comp. and Cond. Units	TCAA

<b>26 00 00 Division 26 Electrical</b>	
26 01 00 O&M of Electrical System	TCAA
26 01 10 O&M Medium-Voltage Electrical Distribution	TCAA
26 01 20 O&M Low Voltage Electrical Distribution	TCAA
26 01 50 O&M Lighting	State
26 01 60 Switches/Outlets/Face Plates/Receptacles	State
26 05 00 Common Work Results for Electrical	TCAA
26 05 19 Low Volt. Elect. Power Cond. and Cabling	TCAA
26 09 00 Instrumentation and Control for Elect. Syst.	TCAA
26 09 26 Lighting Controls and Panel Boards	TCAA
26 10 00 Medium Voltage Electrical Distribution	TCAA
26 11 13 Primary Unit Substations	TCAA
26 12 19 Pad-Mnt Liquid Filled, Med.-Volt. Transformers	TCAA
26 18 00 Medium Voltage Circuit Protection Devices	TCAA
26 18 26 Medium Voltage Reclosers	TCAA
26 51 00 Int. Lighting (Fixtures/Ballast/Components/Lamps/Bulbs/Diffusers)	State
26 52 00 Emergency Backup Lighting	State
26 56 00 Exterior Lighting (Signage/Fixtures/Ballast/Lamps/Bulbs)	State
26 53 00 Exit Signs/Lamps	State
<b>27 00 00 Division 27 Communications</b>	
27 01 00 O&M of Communication Systems	State
27 01 10 O&M Structural Cabling and Enclosures	State
27 01 20 O&M Data/Voice	State
27 01 40 Audio-Video/Dist/Monitoring	State
<b>28 00 00 Division 28 Electronic Safety and Security</b>	
28 01 00 O&M of Electronic Safety and Security	State
28 05 13 CCTV Conductors and Cables (if installed by Operator)	State
28 10 00 Electronic Access Control (if installed by TCAA)	TCAA
28 13 13 Global Applications/Software/Devices (if installed by TCAA)	TCAA
28 13 19 System Infrastructure	TCAA
28 13 26 Remote Device	TCAA
28 13 43 Access Control System (if installed by TCAA)	TCAA
28 20 00 Electronic Surveillance (if installed by Operator)	State
28 23 13 Video Surveillance Control Sys. (if installed by Operator)	State
28 25 00 Electronic Personal Protection Systems	State
28 30 00 Electronic Detection and Alarm	State
28 31 00 Fire Detection and Alarm System (if installed by Operator)	State

<b>32 00 00 Division 32 Exterior Improvements</b>	
32 01 00 O&M of Exterior Improvements	
32 01 11 Pavement/Sidewalk Cleaning	State
32 01 16 Flexible Pavement Rehabilitation	TCAA
32 01 90 O&M of Planting	State
32 16 00 Curbs and Gutters	TCAA
32 17 00 Paving Specialties	TCAA
32 17 16 Parking Bumpers	TCAA
32 17 23 Pavement Markings (Signage)	TCAA
32 31 00 Fence and Gates	TCAA
32 32 00 Retaining Walls	TCAA
32 80 00 Irrigation	State
32 90 00 Planting	State
32 92 00 Turf and Grass	State
<b>33 00 00 Division 33 Utilities</b>	
33 01 00 O&M of Utilities	State
33 10 00 O&M Water Utilities Lines from Meter to plumbing fixtures	TCAA
33 30 00 Sanitary Sewer Lines Structure and Integrity	TCAA
33 35 00 Sanitary Sewer Line Servicing resulting from foreign material	State
33 40 00 Storm Drain Utilities	TCAA
33 42 00 Culverts (Manholes/Piping)	TCAA
33 44 13 Drains (Ponds/Reservoirs)	TCAA
33 50 00 Fuel Distribution Utilities	N/A
33 51 13 Natural Gas Piping/Metering from Meter to Appliances	State
33 70 00 Electrical Utilities	State
33 75 00 Electrical Utilities Service Line from Meter to Panel Boxes	TCAA
33 80 00 Communication Utilities	State
33 90 00 Natural Gas Utilities	State

**EXHIBIT D**  
**To Lease Agreement**  
**Required Federal Clauses**

**FAA Federal Clauses:**

- A. Compliance with Nondiscrimination Provisions. During the performance of this Agreement, the Lessee, for itself, its assignees, and successors in interest (hereinafter collectively referred to as the “Lessee”) agrees as follows:
1. **Compliance with Regulations:** The Lessee will comply with the Title VI List of Pertinent Nondiscrimination Acts and Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this Agreement.
  2. **Non-discrimination:** The Lessee, with regard to the work performed by it or use of the Leased Premises during the Term, will not discriminate on the grounds of race, color, or national origin in the selection and retention of contractors, including procurements of materials and leases of equipment. The Lessee will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR Part 21.
  3. **Solicitations for Contracts, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by Lessee for work to be performed under a contract, including procurements of materials, or leases of equipment, each potential contractor or supplier will be notified by the Lessee of the Lessee’s obligations under this Agreement and the Nondiscrimination Acts and Authorities on the grounds of race, color, or national origin.
  4. **Information and Reports:** The Lessee will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts and Authorities and instructions. Where any information required of Lessee is in the exclusive possession of another who fails or refuses to furnish the information, Lessee will so certify to Lessor or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
  5. **Sanctions for Noncompliance:** In the event of Lessee’s noncompliance with the Non-discrimination provisions of this contract, Lessor will impose such sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to cancelling, terminating, or suspending the Lease, in whole or in part.
  6. **Incorporation of Provisions:** The Lessee will include the provisions of paragraphs one through six of this Section (A) in every contract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The Lessee will

take action with respect to any contract or procurement as Lessor or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the Lessee becomes involved in, or is threatened with litigation by a contractor, or supplier because of such direction, the Lessee may request Lessor to enter into any litigation to protect the interests of Lessor. In addition, the Lessee may request the United States to enter into the litigation to protect the interests of the United States.

- B. Real Property Acquired or Improved Under the Airport Improvement Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the property described in this Agreement for a purpose for which a Federal Aviation Administration activity, facility, or program is extended or for another purpose involving the provision of similar services or benefits, the Lessee will maintain and operate such facilities and services in compliance with all requirements imposed by the Nondiscrimination Acts and Regulations listed in the Pertinent List of Nondiscrimination Authorities (as may be amended) such that no person on the grounds of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.
- C. Construction/Use/Access to Real Property Acquired Under the Activity, Facility or Program. Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land, and the furnishing of services thereon, no person on the ground of race, color, or national origin, will be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that the Lessee will use the Leased Premises in compliance with all other requirements imposed by or pursuant to the List of discrimination Acts And Authorities.
- D. Title VI List of Pertinent Nondiscrimination Acts and Authorities. During the performance of this Agreement, Lessee, for itself, its assignees, and successors in interest (hereinafter referred to as the “contractor”) agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:
- i. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
  - ii. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
  - iii. 49 CFR Part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);



- iv. The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- v. Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 et seq.), as amended, (prohibits discrimination on the basis of disability); and 49 CFR Part 27;
- vi. The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 et seq.), (prohibits discrimination on the basis of age);
- vii. Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- viii. The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms “programs or activities” to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- ix. Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR Parts 37 and 38;
- x. The Federal Aviation Administration’s Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- xi. Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- xii. Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100); and
- xiii. Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).

E. General Civil Rights Provision. The Lessee and its transferee agree to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates the Lessee or its sublessee for the period during which Federal assistance is extended to the airport through the Airport

Improvement Program. In cases where Federal assistance provides, or is in the form of personal property; real property or interest therein; structures or improvements thereon, this provision obligates the party or any transferee for the longer of the following periods: (i) the period during which the property is used by the airport sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (ii) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

- F. Right of Re-entry. In the event of breach of any of the above Nondiscrimination covenants, Lessor will have the right to terminate the Agreement and to enter, re-enter, and repossess said lands and facilities thereon, and hold the same as if the Agreement had never been made or issued.
- G. This Agreement incorporates by reference the provisions of 29 CFR Part 201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers. The Lessee has full responsibility to monitor compliance to the referenced statute or regulation. The Lessee must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.
- H. This Agreement incorporates by reference the requirements of 29 CFR Part 1910 with the same force and effect as if given in full text. Lessee must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. The Lessee retains full responsibility to monitor its compliance and any sublessee's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Lessee must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.
- I. Subcontracts. Lessee agrees that it shall insert the above eight provisions (Section (A) through (H)) in any agreement by which said Lessee grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public on the Leased Premises herein leased or owned.
- J. Lessee agrees to furnish service on a fair, equal, and not unjustly discriminatory basis to all users thereof, and to charge fair, reasonable, and not unjustly discriminatory prices for each unit or service; provided that Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers. (Grant Assurance 22)
- K. It is hereby specifically understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right to provide aeronautical services to the public as prohibited by the Grant Assurances, and Lessor reserves the right to grant to others the privilege and right of conducting any one or all activities of an aeronautical nature. (Grant Assurance 23)

- L. Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of Lessee, and without interference or hindrance. (FAA Order 5190.6B)
- M. Lessor reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard. (FAA Order 5190.6B)
- N. This Agreement shall be subordinate to the provisions of and requirements of any existing or future agreement between Lessor and the United States, relative to the development, operation, or maintenance of the Airport. (FAA Order 5190.6B)
- O. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises. (FAA Order 5190.6B)
- P. It is clearly understood by Lessee that no right or privilege has been granted which would operate to prevent any person, firm, or corporation operating aircraft on the Airport from performing any services on its own aircraft with its own regular employees (including but not limited to, maintenance and repair) that it may choose to perform. (Grant Assurance 22(f))

**EXHIBIT E**  
**To Lease Agreement**  
**Required Federal Clauses**

**ARC Federal Clauses:** During the Term of the Lease, Lessor:

- A. Has the institutional, managerial and financial capability (including funds sufficient to pay its portion of the non-Federal share of project costs) to ensure proper planning, management and completion of the project.
- B. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
- C. Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal interest in the title of real property in accordance with awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
- D. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
- E. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.
- F. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
- G. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
- H. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. A§A§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPMEIETms Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
- I. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. A§A§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.

- J. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. A§A§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. A§794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. A§A§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) A§A§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. A§A§290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. A §A§360 I et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
- K. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
- L. Will comply with the provisions of the Hatch Act (5 U.S.C. A§A§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
- M. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. A§A§276a to 276a-7), the Copeland Act (40 U.S.C. A§276c and 18 U.S.C. A§874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. A§A§327-333) regarding labor standards for federally-assisted construction subagreements.
- N. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
- O. Will comply with environmental standards which may be prescribed pursuant to the following (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order

(EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. A§A§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. A§A§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).

- P. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. A§A§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
- Q. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. A§470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. A§A§469a-1 et seq.).
- R. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments. and Non-Profit Organizations."
- S. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations and policies governing this program.
- T. Will comply with the requirements of Section 106(g) of the Trafficking Victims Protection Act (TVPA) of 2000, as amended (22 U.S.C. 7104) which prohibits grant award recipients or a subrecipient from (1) Engaging in severe forms of trafficking in persons during the period of time that the award is in effect. (2) Procuring a commercial sex act during the period of time that the award is in effect or (2) Using forced labor in the performance of the award or subawards under the award

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

**Recitals**

Whereas, The University of Tennessee at Martin (“UTM”) proposes to enter into a five-year lease agreement (the “Agreement”) with Caldwell & Gregory LLC (“C&G”) relative to the provision of a full-service laundry program across UTM’s student residence halls; and

Whereas, C&G will install, service at its own expense over the life of the Agreement, and weekly inspect eighty (80) laundry machines, including thirty-eight (38) Speed Queen Quantum Top Load Washers, two (2) Speed Queen Quantum Front Load Washers, and twenty (20) Speed Queen Quantum Stack Dryers (twenty (20) machines with two (2) dryers each); and

Whereas, C&G will also install and maintain an internet-based monitoring and service reporting system, which UTM will support by providing internet drops and outlets in laundry rooms for users to connect to the Speed Queen App; and

Whereas, C&G will charge UTM a rental rate of forty-one dollars and seventy cents (\$41.70) per machine per month payable in equal biannual installments (Fall semester and Spring semester) (the “Rate”) and the Rate will be subject to a three per cent (3%) increase in year three of the five-year term; and

Whereas, the Rate will increase if additional machines are installed but will not be reduced if machines are removed or unused or if buildings are taken offline; and

Whereas, summer usage is included in the Rate, but the machines can be switched to require coin operation during summer camps and conferences with revenues being split fifty per cent each (50%/50%) between UTM and C&G; and

Whereas, pursuant to the Agreement, C&G will provide UTM with ten thousand dollars and no cents (\$10,000.00) no later than June 30, 2022 to use for any area to benefit UTM students, such as laundry room renovations, scholarships, or technology upgrades; and

Whereas, UTM may terminate the Agreement if UTM determines, in its sole discretion, that the State of Tennessee appropriations are insufficient to fund UTM’s obligations under the Agreement; and

Whereas, UTM will fund the Agreement from its Residence Hall Administration Account; and

Whereas, the Tennessee State School Bond Authority (the “Authority”) Guidelines for Requests for Approval to Borrow Money by Another Method require the Authority to approve non-real estate related leases with terms greater than three years.

**BE IT RESOLVED BY THE TENNESSEE STATE SCHOOL BOND AUTHORITY:**

1. In accordance with the authority provided by Tenn. Code Ann. § 49-3-1205(11), the Authority gives its approval for UTM to enter the Agreement.

BE IT FURTHER RESOLVED that all resolutions or parts of resolutions in conflict are repealed, and the resolution shall be effective as of July 22, 2021.

Adopted by the Authority at its meeting on July 22, 2021.

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JASON E. MUMPOWER, SECRETARY  
TENNESSEE STATE SCHOOL BOND AUTHORITY



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The University of Tennessee Martin (UTM) proposes to enter into a five-year contract with Caldwell & Gregory (C&G) for the repair, maintenance and replacement of laundry equipment provided by C&G for UTM's student residence halls.

The agreement includes 38 Speed Queen Quantum Top Load Washers, 2 Speed Queen Quantum Front Load Washers and 20 Speed Queen Quantum Stack Dryers (2 dryers per stack). C&G will install a laundry room monitoring and service reporting system and service, repair and replace the laundry machines at C&G's expense during the term of the agreement. C&G technicians will conduct a weekly inspection of each laundry room to evaluate the functionality of each machine, the ventilation system, and rectify any service issues.

The equipment was competitively sourced through the Virginia Higher Education Procurement Consortium, specifically, William & Mary Contract #WM20-2303 for Laundry Services.

### **TERMS**

The term is five (5) years at a rate of \$41.70 per machine per month for a 12 month period. There will be a total of eighty (80) machines and payment will be made in two equal installments of \$20,016.00, one in the Fall semester and one in the Spring semester. Fees are subject to a 3% increase in year three of the five-year term. Summer usage is included in the monthly rate and the machines can be turned to require coins during summer camps/conferences with revenues being split 50/50 between UTM and C&G.

The laundry equipment will be installed in Browning Hall, Cooper Hall, Ellington Hall and University Courts.

C&G will make a one-time payment of \$10,000 to UTM Housing no later than June 30, 2022 to use for any area to benefit UTM students, such as laundry room renovations, scholarships, or technology upgrades.

UTM may terminate the agreement if UTM determines, in its sole discretion, that State of Tennessee appropriations are insufficient to fund UTM's obligations under this agreement.

### **SOURCE OF FUNDS**

The lease will be paid with funds from UTM's Residence Hall Administration account.

### **REQUEST**

UTM is seeking TSSBA review and approval of the five-year equipment lease.

**CALDWELL & GREGORY LLC**  
129 Broad Street Road  
Suite A  
Manakin-Sabot, Virginia 23103

(800) 927-9274  
(804) 784-6100  
(804) 784-7418 (Fax)  
[service@caldwellandgregory.com](mailto:service@caldwellandgregory.com)

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## **SPECIAL LAUNDRY RENTAL, SERVICE, AND MAINTENANCE AGREEMENT**

This agreement is between Caldwell & Gregory ("C&G"), whose offices are at the address listed above, and **THE UNIVERSITY OF TENNESSEE, ON BEHALF OF ITS MARTIN CAMPUS ("UTM")**, whose offices are located at **554 UNIVERSITY STREET, MARTIN, TN 38238** ("office address"). UTM, wishing to provide the students of the campus located at **THE UNIVERSITY OF TENNESSEE AT MARTIN, 554 UNIVERSITY STREET, MARTIN, TN 38238** ("premises") with laundry facilities, agrees to provide access to C&G to all current and future laundry areas within the student housing areas for the purpose of installing, maintaining and servicing commercial washing, drying and laundry equipment within the premises.

### **1. EQUIPMENT:**

C&G agrees to install in the premises the following commercial laundry equipment & technology:

**38 Speed Queen Quantum Top Load  
2 Speed Queen Front Load Washers  
20 Speed Queen Quantum Stack Dryers (counts as 2 machines each)  
The Speed Queen App/Online Monitoring System in the 6 Laundry Rooms  
This includes all hardware (Gateways), install, wiring, and responsibility/upkeep of the system.**

C&G agrees to service the Equipment and keep it in repair at C&G's expense during the term of this agreement. C&G has the option to replace or remove the Equipment during the term of the agreement as necessary in order to maintain the Equipment properly. The parties agree that the Equipment, together with all fixtures installed in conjunction with the Equipment furnished by C&G under this agreement, shall at all times remain the property of C&G. C&G shall be entitled to remove the Equipment and any fixtures installed in conjunction with the Equipment upon the termination of this agreement. UTM shall not move, alter or tamper with the Equipment except upon the written authorization of C&G.

### **2. TERM:**

This agreement shall commence on \_\_\_\_\_ and continue for a period of five years. UTM may terminate this agreement by giving C&G at least 30 days prior written notice if UTM determines, in its sole discretion, that State of Tennessee appropriations are insufficient to fund UTM's obligations under this agreement.

### **3. RENT:**

UTM will pay C&G \$41.70 per machine per month for the full-service laundry program, as described in the attached proposal. UTM will pay C&G in 2 equal payments of six months each per year in the fall and spring semesters. Fees are subject to a 3% increase in year 3. Rent is based upon the amount of equipment initially installed and not on occupancy of the residence halls. If machines are added the rate will increase accordingly, but it will not be reduced if machines are removed or unused or if buildings are taken offline. If additional machines are added during the agreement, they will be billed at the prevailing rate. For billing purposes: All Washers = 1 machine and Stack Dryers = 2 machines.

Summer Use: UTM summer student usage is included in the monthly fees. For Camps/Conferences, the machines can be switched to coin and any revenues generated (minus transaction fees, if applicable) will be split 50/50 by C&G and UTM.

### **4. ADDITIONAL OBLIGATIONS:**

UTM is responsible for providing:

- An internet drop in each laundry room to connect the Gateway (Speed Queen App).
- A 110 outlet near the internet drop to power the Gateway (Speed Queen App).

**CALDWELL & GREGORY LLC**

**(800) 927-9274**

C&G is responsible for providing:

- \$10,000 for UTM Housing **no later than June 30, 2022** to use for any area to benefit UTM students, such as laundry room renovations, scholarships, technology upgrades (CBORD and/or internet drops), etc.
- A full-service laundry program as described in the attached proposal submitted to UTM in March 2021.

#### **5. SECURITY:**

UTM shall provide security for the laundry area and the Equipment.

#### **6. INSURANCE:**

C&G agrees to obtain insurance for the Equipment in case of fire, destruction or theft. The proceeds of such insurance shall be payable to C&G. In the event of fire, destruction or theft, C&G shall have the option either to repair the stolen, destroyed or damaged Equipment, or to replace the Equipment with comparable equipment.

C&G must have insurance coverage that meets or exceeds the following limits:

Workers' Compensation (WC): Statutory Limits – required in all contracts	
Employers' Liability Each Accident	\$ 100,000
Employers' Liability Disease – each employee	\$ 100,000
Employers' Liability Disease – policy limit	\$ 500,000

Commercial General Liability (CGL):	
Each Occurrence Limit	\$ 1,000,000
Damage to Rented Premises – Ea. Occ.	\$ 300,000
Medical Expense – any one person	\$ 10,000
Personal & Advertising Injury Limit	\$ 1,000,000
General Aggregate Limit	\$ 2,000,000
Products/Completed Ops. Aggregate Limit	\$ 2,000,000

Automobile Liability	
Combined Single Limit – each accident	\$ 1,000,000

The following language must be included in the Description of Operations section of the COI:

*The University of Tennessee, its Board of Trustees, officers, employees, agents, and volunteers are named as Additional Insureds with respect to the General and Automobile Liability policies. A Waiver of Subrogation applies to Workers' Compensation, General Liability and Automobile Liability policies as evidenced on this certificate of insurance. All insurance policies above are primary and non-contributory to any other insurance available to the Certificate Holder. A thirty-day notice of cancellation is required.*

#### **7. EXCLUSIVITY:**

UTM agrees that it will not install or permit to be installed similar laundry facilities within UTM student residence halls for public use by UTM student residents during the term of this Agreement. UTM further agrees that it shall not install, nor permit others to install, any laundry equipment within the UTM student residence halls during the term of this Agreement. UTM student residence halls are located at the following addresses:

- Browning Hall – 315 Hannings Lane, Martin, Tennessee 38238
- Ellington Hall – 301 Hannings Lane, Martin, Tennessee 38238
- Cooper Hall – 206 Hurt Street, Martin, Tennessee 38238
- University Courts – 134 Mt. Pelia Road, Martin, Tennessee 38238

**8. PERFORMANCE CLAUSE:**

C&G agrees to perform service in a responsive and professional manner. If an unsatisfactory condition exists with any of the laundry machines, UTM will have the right to notify C&G in writing via certified mail of such condition and C&G will have three (3) working days to respond with due diligence and make every effort to fix the situation. If such unsatisfactory condition is not corrected, UTM has the right to terminate this agreement.

**9. DEFAULT:**

In the event that UTM fails to perform any of its obligations under this agreement, subject to Section 13, C&G shall be entitled to as many of the following remedies as may be appropriate: (1) to terminate this agreement and remove all Equipment from the premises; (2) to recover from UTM as liquidated damages for lost profits and not as a penalty a sum equal to \$1.50 per day for each unit in the premises multiplied by the number of days remaining in the existing term; and (3) to recover any damages, including liquidated damages for lost profits, incurred by C&G due to UTM's failure to perform according to this agreement. Failure by C&G to enforce its rights under this agreement following a breach or default by UTM shall not constitute a waiver by C&G of its rights to elect pursue the remedies provided under this agreement at a later time.

**10. UTILITIES:**

C&G may connect its Equipment to the electric and water lines and ventilation in the premises and use such utilities at no charge. UTM shall maintain all such utilities in good working order.

**11. NOTICE:**

Any written notice required under this agreement shall be delivered either by hand or by "Certified" United States Mail accompanied by a "Return Receipt" to the office addresses listed above for C&G and UTM.

**12. AUTHORITY:**

UTM represents that it possesses the lawful authority to execute this agreement.

**13. GOVERNING LAW:**

The internal laws of the State of Tennessee (without regard to its conflict of law principles) govern all matters arising under or relating to this agreement. Any liability of the UTM to C&G and third parties for any claims, damages, losses, or costs arising out of or related to acts performed by UTM under this agreement will be governed by the Tennessee Claims Commission Act, Tenn. Code Ann. §§ 9-8-301, et. seq.

**14. SEVERABILITY:**

The provisions of this agreement shall be severable, and the invalidity or unenforceability of any provision shall not affect the remaining provisions. This agreement shall be binding upon and shall inure to the benefit of the parties and their successors and assigns.

**15. ENTIRE AGREEMENT:**

This agreement constitutes the entire agreement between the parties. The terms of this agreement may not be modified except by written instrument signed by the parties or their authorized representatives.

**16. ASSIGNMENT:**

Neither party may assign this agreement, or any right or duty hereunder, or enter into a subcontract for any of the services performed under this agreement, without the prior written approval of an authorized official of both parties.

**17. DEBARMENT:**

Debarment: C&G hereby attests that the following are true statements:

- i. C&G is not currently debarred by the U.S. federal government.
- ii. C&G is not currently suspended by the U.S. federal government.
- iii. C&G is not currently named as an "excluded" supplier by the U.S. federal government.

**129 Broad Street Road  
Suite A  
Manakin-Sabot, Virginia 23103**

**(804) 784-6100  
(804) 784-7418 (Fax)  
[service@caldwellandgregory.com](mailto:service@caldwellandgregory.com)**

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**18. ILLEGAL IMMIGRANTS:**

Illegal Immigrants: In compliance with the requirements of Tenn. Code Ann. § 12-3-309, C&G 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.

**19. IRAN DIVESTMENT:**

The requirements of Tenn. Code Ann. § 12-12-101 et. seq., addressing contracting with persons as defined at T.C.A. §12-12-103(5) that engage in investment activities in Iran, are a material provision of this agreement. C&G hereby certifies, under penalty of perjury, that to the best of its knowledge and belief that it is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

**20. ORDER OF INTERPRETATION:**

The following documents make up this agreement: Special Laundry Rental, Service, and Maintenance Agreement and the Proposal. Notwithstanding anything herein to the contrary, in the event of any inconsistency or conflict among those documents, the following order of precedence will govern: 1) Special Laundry Rental, Service, and Maintenance Agreement; and 2) Proposal.

**21. PREMISES RULES:**

When C&G is physically present on UTM's property, C&G shall make reasonable efforts to cause its employees and permitted sub-contractors to:

- Avoid alcohol use
- Avoid any illegal drug use
- Avoid smoking
- Comply with all access restriction protocols
- Comply with applicable firearms laws
- Comply with applicable parking regulations

**22. RECORDS; AUDIT**

i. Records: C&G shall maintain records for all expenses for which C&G invoices UTM under this agreement. C&G shall maintain its records for at least 3 years and shall maintain its records in accordance with generally accepted accounting principles.

ii. Audit: During the term of this agreement and for 3 years after the last payment from UTM to C&G under this agreement, the State of Tennessee Comptroller or UTM's internal audit, or both, may audit C&G's records that relate to this agreement.

iii. Assistance: C&G shall provide UTM with any documentation, access to information, or other assistance necessary for UTM to ensure that C&G complies with its obligations under this agreement.

**23. TAX REGISTRATION:**

In compliance with the requirements of Tenn. Code Ann. § 12-3-306, C&G hereby attests that it has registered with the State of Tennessee's Department of Revenue for the collection of Tennessee sales and use tax. This registration requirement is a material requirement of this agreement.

**CALDWELL & GREGORY LLC**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**THE UNIVERSITY OF TENNESSEE,  
ON BEHALF OF ITS MARTIN CAMPUS**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FED. I.D. #: \_\_\_\_\_

# TENNESSEE STATE SCHOOL BOND AUTHORITY



## DEBT MANAGEMENT POLICY

Prepared by:  
Division of State Government Finance

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# **Debt Management Policy**

## **Introduction**

The Tennessee State School Bond Authority (the “Authority”), created in 1965 under the Tennessee State School Bond Authority Act (the “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 but not limited to 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 (SGF) serves as staff to the Authority. The Director of SGF serves 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. The Tax Cuts and Jobs Act, passed in December 2017, repealed the issuance of tax credit bonds, including QZABs and QSCBs.

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 refund 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 be structured as:

- **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

Typically, short-term debt is issued during the construction period to take advantage of the lower short-term interest rates. Short-term debt will subsequently be repaid with proceeds from the sale of long-term debt or fees and charges from the borrowers. Short-term debt may include:

- **Bond Anticipation Notes (“BANs”)** – BANs are short-term interest-bearing securities generally issued to finance a capital project during construction.
- **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. Provisions 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. Provisions 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 Structure**

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 and capital appreciation bonds, 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 provision no later than ten (10) years from the date of delivery of the bonds. Call provisions 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 SGF and consultation with the Financial Advisor 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 refund 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.

#### **A. Refunding Opportunities**

The bonds may be considered for refunding when:

##### **Advance Refunding:**

- The refunding results in present value savings of at least 4% per series of refunded bonds. Consideration will be given to escrow efficiency when reviewing refunding candidates.

##### **Current Refunding:**

- The refunding results in present value savings of at least 2% per series of refunded bonds; or
- The present value savings per series must be equal to or greater than twice the cost of issuance allocable to the refunding series.

##### **Refunding for Other Purposes:**

- 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.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

##### **Present Value Savings Calculation**

Unless otherwise agreed upon by the SGF and the Financial Advisor, the present value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by comparing the debt service on the refunding bonds to the remaining debt service on the bonds to be refunded thereby, present valued to the issue date of such refunding bonds at a discount rate equal to the arbitrage yield on such refunding bonds calculated (whether for tax-exempt bonds or taxable bonds) in the same manner as arbitrage yield is calculated for Federally tax-exempt bonds; provided, however, if a series of bonds is being issued for the purpose of refunding bonds to be refunded and for other purposes, the discount rate is equal to the arbitrage yield of the series of bonds. Percentage present value savings shall be expressed as a percentage of the par amount of such bonds to be refunded.

### **Escrow Efficiency**

Escrow efficiency is determined by dividing the present value savings by the perfect escrow cost. The perfect escrow cost is the sum of the present value savings plus the absolute value of the negative arbitrage in the escrow.

### **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. Escrow Structuring**

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. 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 Series securities (SLGS). Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

### **D. 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”).

### **E. Cost of Issuance**

Costs of issuance includes fees paid for professional services provided to the Board in the debt issuance process, including underwriting fees.

## **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 bond issuance 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,

- Whether the bonds include market sensitive refunding(s); and
- Tax status of the bond(s).

### **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.

### **A. 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.

### **B. 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.

### **C. 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.

### **D. 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.



## 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 lines 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 the Division of Local Government Finance (LGF) 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.

### **H. Verification Agent**

The Verification Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. The Verification Agent primarily verifies the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on the refunded bonds.

## **I. Escrow Bidding Agent**

The Escrow Bidding Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review and evaluate responses to the bids, accept and award bids, and provide final certification as to completion of requirements.

## **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**

In planning for the sale of bonds, the procedures outlined below will be followed:

- 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 rational 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. Preparing for Bond Closing**

In preparation for the bond closing, the procedures outlined below will be followed:

- 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;
- Authority staff with assistance from 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, if applicable.

- 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 LGF.
- 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 Authority 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 Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority 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 refund 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 25<sup>th</sup> 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 25<sup>th</sup> 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 and with the accounting policies established by the Department of Finance and Administration 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 Authority adopted this Policy on December 8, 2011, effective December 8, 2011.
3. The Authority amended this policy on February 4, 2013, effective February 4, 2013.
4. The Authority amended this policy on March 10, 2016, effective March 10, 2016.
5. The Authority amended this policy on June 9, 2016, effective June 9, 2016.
6. The Authority amended this policy on May 11, 2017, effective May 11, 2017.
7. The Authority amended this policy on June 27, 2019, effective June 27, 2019.
8. The Authority amended this policy on July 22, 2021, effective July 22, 2021

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*Secretary*  
Tennessee State School Bond Authority

**ANNUAL REVIEW**

The Authority has reviewed and accepted the Debt Management Policy on:

November 21, 2014

January 20, 2016

July 20, 2020

# TENNESSEE STATE SCHOOL BOND AUTHORITY



## DEBT MANAGEMENT POLICY

Prepared by:  
Division of State Government Finance

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# Debt Management Policy

## Introduction

The Tennessee State School Bond Authority (the “Authority”), created in 1965 under the Tennessee State School Bond Authority Act ([the “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 [but not limited to](#) 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 ([SGF](#)) serves as staff to the Authority. [The Director of ~~SGF~~ serves](#) 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. [The Tax Cuts and Jobs Act, passed in December 2017, repealed the issuance of tax credit bonds, including QZABs and QSCBs.](#)

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

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“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 [refund](#) outstanding debt.

**Deleted:** refinance

## 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 [be structured as](#):

**Deleted:** 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

Typically, short-term debt is issued during the construction period to take advantage of the lower short-term interest rates. Short-term debt will subsequently be repaid with proceeds from the sale of long-term debt or fees and charges from the borrowers. Short-term debt may include:

- Bond Anticipation Notes (“BANs”) – BANs are short-term interest-bearing securities generally issued to finance a capital project during construction.
- **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. Provisions 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. Provisions as to the calculation or change of variable interest rates shall be included in the authorizing credit agreement.

**Deleted:** 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.

## 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 Structure

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 and capital appreciation bonds, 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 provision no later than ten (10) years from the date of delivery of the bonds. Call provisions 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 SGF and consultation with the Financial Advisor 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 refund 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.

#### A. Refunding Opportunities

The bonds may be considered for refunding when:

##### Advance Refunding:

- The refunding results in present value savings of at least 4% per series of refunded bonds.  
Consideration will be given to escrow efficiency when reviewing refunding candidates.

##### Current Refunding:

- The refunding results in present value savings of at least 2% per series of refunded bonds; or
- The present value savings per series must be equal to or greater than twice the cost of issuance allocable to the refunding series.

##### Refunding for Other Purposes:

- 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.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

##### Present Value Savings Calculation

Unless otherwise agreed upon by the SGF and the Financial Advisor, the present value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by comparing the debt service on the refunding bonds to the remaining debt service on the bonds to be refunded thereby, present valued to the issue date of such refunding bonds at a discount rate equal to the arbitrage yield on such refunding bonds calculated (whether for tax-exempt bonds or taxable bonds) in the same manner as arbitrage yield is calculated for Federally tax-exempt bonds; provided, however, if a series of bonds is being issued for the purpose of refunding bonds to be refunded and for other purposes, the discount rate is equal to the arbitrage yield of the series of bonds. Percentage present value savings shall be expressed as a percentage of the par amount of such bonds to be refunded.

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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.¶  
Aggregate present value savings must be equal to or greater than twice the cost of issuance allocable to the refunding series.¶

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**Deleted:** of the par value of the bonds to be refunded (refunding?) as certified to the Authority; or ¶  
Aggregate present value savings per series of refunding bonds is no less than \$1,000,000; ¶  
Individual maturities must have at least a 3% net present value savings and an option value above 70%; 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

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### Escrow Efficiency

Escrow efficiency is determined by dividing the present value savings by the perfect escrow cost. The perfect escrow cost is the sum of the present value savings plus the absolute value of the negative arbitrage in the escrow.

## **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. Escrow Structuring**

The Authority shall structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will endeavor to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. 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 Series securities (SLGS). Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Authority from its own account.

## **D. 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”).

## **E. Cost of Issuance**

Costs of issuance includes fees paid for professional services provided to the Board in the debt issuance process, including underwriting fees.

## **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 bond issuance 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,

#### **Deleted: Option Value Calculation ¶**

The Option Value analysis quantifies the projected value of the call option (ability to refund the bonds) in the future, based upon implied forward rates in the present-day yield curve. The “efficiency” of a proposed refunding is determined by comparing the present value savings associated with refunding the bonds in the current market relative to the option (future) value associated with the refunded bonds. ¶

#### **Deleted: <#>Bond Structuring¶**

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

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- Whether the bonds include market sensitive refunding(s); and
- Tax status of the bond(s).

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### 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.

### A. 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.

### B. 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.

### C. 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.

### D. 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.

## 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

#### **Deleted: <#>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 the 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.¶

#### **Moved down [1]: <#>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.

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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.¶

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 lines 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 [the Division of Local Government Finance \(LGF\)](#) 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").

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## 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.

### H. Verification Agent

The Verification Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. The Verification Agent primarily verifies the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on the refunded bonds.

## I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a request for proposal process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review and evaluate responses to the bids, accept and award bids, and provide final certification as to completion of requirements.

## 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

In planning for the sale of bonds, the procedures outlined below will be followed:

- 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.

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### B. Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- 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;
- Authority staff with assistance from the Financial Advisor will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters’ compensation,

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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, if applicable.

- 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 LGF.
- 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.

**Deleted:** <#>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.¶

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### 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 Authority 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 Authority currently contracts with an arbitrage consultant to prepare these calculations, when needed. The Authority 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.

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### 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.

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Proceeds used to refund 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

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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 25<sup>th</sup> 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 25<sup>th</sup> 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 and with the accounting policies established by the Department of Finance and Administration when applicable,

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#### **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 Authority adopted this Policy on December 8, 2011, effective December 8, 2011.
3. The Authority amended this policy on February 4, 2013, effective February 4, 2013.
4. The Authority amended this policy on March 10, 2016, effective March 10, 2016.
5. The Authority amended this policy on June 9, 2016, effective June 9, 2016.
6. The Authority amended this policy on May 11, 2017, effective May 11, 2017.
7. The Authority amended this policy on June 27, 2019, effective June 27, 2019.
8. The Authority amended this policy on July 22, 2021, effective July 22, 2021

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*Secretary*  
Tennessee State School Bond Authority



## APPENDIX A

### ANNUAL REVIEW

The Authority has reviewed and accepted the Debt Management Policy on:

November 21, 2014

January 20, 2016

July 20, 2020