

MINUTES OF A REGULAR MEETING OF  
THE SPORTS AUTHORITY OF THE COUNTY OF  
KNOX AND THE CITY OF KNOXVILLE, TENNESSEE  
May 9, 2023 – 9:00 AM

The meeting of the Board of Directors of The Sports Authority of the County of Knox and the City of Knoxville, Tennessee (the "Authority" or "Board") was called to order by the Chairman of the Board, Alvin Nance, at 9:03 AM on Tuesday, May 9, 2023, in the Board Room of the Knoxville Community Development Corporation located at 901 North Broadway, Knoxville, TN 37917.

The following Directors were present at the meeting, constituting a quorum, Joan Cronan, Jeff Hagood, Tim Hill, Alvin Nance, Nikitia Thompson, and Rosalyn Tillman. Richard Bass attended by phone. None were absent. Also, present at the meeting were Chris Bessler, Senior Vice President of Cumberland Securities, Barry Brooke, Executive Vice President of Lawler Wood, LLC, Kim Bumpas, President of Visit Knoxville, Harold Cannon, the City of Knoxville Chief Economic Development Officer, Doug Kirchhofer, Chief Executive Officer of Boyd Sports, LLC, Lisa Lawrence, Managing Director at PFM Financial Advisors, LLC., Mark Mamantov, Attorney at Bass, Berry & Sims, PLC, R. Culver Schmid, Attorney at Baker, Donelson, Bearman, Caldwell, & Berkowitz, PC., and Donald Wilbon, Managing Director at JP Morgan Securities, LLC. Members of the media and other visitors were also in attendance.

Approval of Meeting Minutes

Chairman Nance presented the minutes from the April 25, 2023, meeting for the Authority's review. Director Hill moved that the Authority approve the minutes. Director Thompson seconded the motion. The Authority approved the April 25, 2023, meeting minutes by a unanimous voice vote.

Initial Resolution and Bond Resolution

Wilbon explained that JP Morgan serves as the Senior Manager of the bond issue for the Authority. He gave a presentation explaining the process that will be undertaken to sell bonds to finance the stadium, the roles of some of the team members, and what the Authority should expect. He explained the \$65 million bond financing will be separated into two series: \$50 million in tax-exempt bonds and \$14.5 million in taxable bonds. Sales tax revenues, TIF payments, and PILOT payments will support the repayment of the debt service associated with the tax-exempt bonds. The taxable bonds will be supported by the team lease payments. He stated that if any of those revenue streams are insufficient to pay the debt service due on bonds, then they are backstopped by a pledge of non-ad valorem taxes from the City of Knoxville and Knox County. The bonds are callable in ten years and are expected to have an AA+ rating. Bonds are expected to be priced the week of May 22<sup>nd</sup> and will close on June 7<sup>th</sup> at which time the proceeds will be given to the Authority.

Wilbon stated that the participants in this transaction are the Authority, Knox County, the City of Knoxville, Cumberland Securities, PFM Financial Advisors, JP Morgan, Bass, Berry, & Sims, PLC, and Adams & Reese, LLP. He also explained the current state of the bond market and that the Federal Reserve's decision to raise short-term rates by 25 basis points has inverted the yield curve: short-term rates are now higher than long-term rates. Wilbon pointed out that the majority of the Authority's bond deal is tax-exempt and that rates in the tax-exempt Municipal market are much less volatile than those in the Treasury market. Interest rates remain low relative to the past thirty years.

Wilbon then explained the process of pricing the bonds by presenting a chart to the Board. The chart showed the actions that have already been taken, actions that are currently underway, as well as actions that will occur in the future. He explained that the next step is to post a preliminary official statement, an offering document that contains information about the parties involved in the transaction, the security, financial conditions, legal activities, and any other information an investor would want to know before investing. The preliminary official statement is released to the market about a week before selling begins. Once the document is public, conversations with investors can begin. Targeted investors would include those that are familiar with the City and County as well as investors that are familiar with this type of structure and stadium financings in Tennessee. Wilbon also shared the financing schedule with the Board.

Chairman Nance asked if the AA+ rating is due to the ratings of the City and County. Wilbon explained that the City has a slightly higher rating than the County and that different rating agencies have different methodologies. In this case, the agency looked at the two equal partners: the city and county, and they took the lower rating of the two.

Chairman Nance asked if secondary markets would be available. Wilbon explained that because the Authority has no outstanding bonds, the secondary market would not be available until the bonds begin to trade.

Chairman Nance asked if the sale of the bonds would fund the total \$65 million or be a percentage. Wilbon explained that at closing, \$65 million would be delivered to the Authority. Because the bonds are being sold at a premium, any proceeds above the par amount would be invested in the construction fund over the next two years.

Vice-chair Thompson asked Wilbon to explain the 10-year call mentioned earlier. Wilbon explained that after ten years the Authority will have the ability to call the bonds, similar to refinancing a loan. The taxable bonds could be redeemed within the first ten years; however, it is an expensive option.

Lawrence explained that the role of PFM and Cumberland Securities was to ensure that the Authority received the best possible price for the bonds. She explained several of the benefits of a dedicated pricing team. She outlined several of the tasks that the co-financial advisors would be undertaking for the Authority during the transaction including setting a target scale, marketing, pre-selling, establishing a target price, etc. She explained that they will be looking at 60 different price points and negotiations.

Mamantov explained that an initial resolution is legally required under state law for this transaction. He stated that there is also a bond resolution that authorizes the trust indenture and the bond purchase agreement that he explained during the meeting on April 25. He stated that the ability to prepay for taxable bonds during the first ten years, although unlike to be used, is a nice addition to the resolution because it adds flexibility.

Chairman Nance asked that the Board be provided with the presentations from Wilbon and Lawrence so that they have them for later reference.

Director Hill moved that the Board approve the Initial Resolution authorizing the issuance of not to exceed \$65,000,000 in aggregate principal amount of public facility revenue bonds. Director Cronan seconded the motion. The Board approved the resolution with a unanimous voice vote. A copy of such Initial Resolution is included with these minutes.

Director Thompson moved that the Board approve the Detailed Resolution approving the authorization, issuance, and sale of public facility revenue bonds; approving the execution and delivery of a trust indenture and bond purchase agreement relating to said bonds; pledging certain revenues of the authority to the payment of the bonds; authorizing the preparation and distribution of an official statement in connection with the sale of the bonds; approving the execution and delivery of an Intergovernmental Agreement with the Industrial Development Board of the City of Knoxville; and approving the execution and delivery of certain loan documents and the approval of a loan to Knoxville's Community Development Corporation to finance eligible redevelopment expenses adjacent to the stadium. Director Hill seconded the motion. The Board approved the resolution by a unanimous voice vote. A copy of the Detailed Resolution is included with these minutes.

#### Investment Policy Resolution

Mamantov explained that the Authority will receive \$65 million in bond proceeds at closing. The project has received a \$13.5 million grant from the state. The \$78.5 million will go into the construction fund. Interest earned on the construction fund will be invested and will go toward funding the gap to meet the projected \$114 million cost the remainder of which Mr. Boyd has agreed to cover.

Director Hagood asked what the premium above the \$65 million is expected to be. Bessler stated that the structure has not been finalized but the desire is to maximize the amount of premium. That is part of the structuring discussion with PFM. Mamantov added that the constraint on interest is six percent of the true interest cost. Wilbon added that, depending on the couponing structure, they may be able to expect more than \$7 million.

Bessler explained that the investment policy sets the parameters on how to invest the bond proceeds on the \$13.5 million state grant. The primary objectives are safety, good market rate of return, and liquidity. Stephen Rosen of Raymond James & Associates has been chosen as the investment manager. Investments will be matched to the expected spend-down. Anticipating the generation of about \$3 million of interest.

Mamantov stated that although the policy is more liberal than the City or County, it is a relatively conservative investment policy when compared to private businesses. The investments are highly rated.

Director Cronan moved that the Authority approve the Resolution adopting an investment policy. Director Tillman seconded the motion. The resolution was approved by the Authority by a unanimous voice vote. A copy of the resolution with the investment policy is included in these minutes.

### Selection of a Bond Trustee

Mamantov stated that US Bank and Regions Bank are the only two bond trustees that have offices in the state.

Bessler explained that PFM and Cumberland Securities sent requests for proposals to US Bank and Regions Bank. Regions is the current paying agent for Knox County and the City of Knoxville. US Bank is a very active agent in the corporate trust market. Both responded with proposals. The cost of the proposal from US Bank is eight times lower than that from Regions; therefore PFM and Cumberland Securities recommend that the proposal from US Bank be accepted.

Director Hagood moved that the Authority approve the selection of US Bank to act as the Bond Trustee.

Director Bass asked if US Bank anticipated using proprietary money market funds as an investment obligation. Bessler replied that it has not been determined if either US Bank or Regions has federal money market funds available. He said that if not, they would work with the investment manager to achieve liquidity at that market rate. Mamantov replied that the ability to direct that investment will be ensured.

Director Hill seconded the motion. The Authority approved US Bank as the Bond Trustee by a unanimous voice vote.

### Construction Update

Brooke provided an update on the construction of the stadium and explained the series of pictures and videos that were displayed in a loop on the screens placed around the room. The pictures showed the Board preparations for the foundation from various angles. The video showed the first piece of steel that would be the stadium to go into the ground.

### New Business

The next meeting will be held on Tuesday, May 23, 2023, at 9:00 AM in the Board Room of the Knoxville Community Development Corporation

### Adjournment

Mr. Chairman Nance adjourned the meeting at 10:02 AM.