

TENNESSEE PROMISE SCHOLARSHIP ENDOWMENT TRUST

This Trust Agreement (the "Agreement") is made effective as of the 24th day of June, 2014, on behalf of the State of Tennessee.

RECITALS:

WHEREAS, the State of Tennessee 108th General Assembly has passed and Governor Bill Haslam has signed Public Chapter No. 900, Acts of 2014, known as the Tennessee Promise Scholarship Act of 2014 (the "Act"); and

WHEREAS, the purpose of the Act is to increase higher education attainment among Tennesseans to attract high quality jobs for Tennesseans; and

WHEREAS, the Trust is created pursuant to Tennessee Code Annotated Section 49-4-708(d) to hold, invest, administer and distribute funds in accordance with and to carry out the purposes of the Act;

NOW, THEREFORE, in consideration of the premises, the Tennessee Promise Scholarship Endowment Trust is hereby established as follows:

I. NAME OF TRUST

The name of the trust shall be the "Tennessee Promise Scholarship Endowment Trust" (the "Trust").

II. IRREVOCABLE

The Trust is irrevocable.

III. PURPOSE OF TRUST

The Trust is established for the purposes of receiving, investing, protecting and allocating principal and income in accordance with the Act, as the same may be constitutionally amended from time to time and to take such other action as may be necessary and proper to carry out such legislation and to further enhance the cause of education in the State of Tennessee. This Agreement is intended to comply with the provisions of Tennessee Code Annotated Section 49-4-708(d).

IV.
BENEFICIARIES OF TRUST

The beneficiaries of the Trust are current and future Tennessee residents seeking an associate's degree, certification or diploma from an eligible post-secondary institution who meet the terms and conditions of the Act. The trust assets are for the benefit of the beneficiaries and shall not be used or diverted for any purpose other than that authorized by Article XI Section 5 of the Tennessee Constitution and Section III of this Agreement.

V.
TRUSTEES

1. Appointment of Trustees. There shall be eight (8) Trustees, who are collectively referred to as the "Board of Trustees." The eight (8) Trustees shall be as follows:

- a. The Governor, or in lieu of the Governor serving, a member of the Governor's cabinet or cabinet level staff member designated by the Governor;
- b. The State Treasurer;
- c. The Comptroller of the Treasury;
- d. The Secretary of State;
- e. The Commissioner of Finance and Administration;
- f. The Chair of the Finance, Ways and Means Committee of the House of Representatives;
- g. The Chair of the Finance, Ways and Means Committee of the Senate; and
- h. A member appointed by the Governor serving at the pleasure of the Governor.

2. No Compensation; Reimbursement of Expenses. Each member of the Board of Trustees shall serve without compensation, but may be reimbursed for actual and necessary expenses including travel expenses in accordance with the comprehensive travel regulations as promulgated by the Department of Finance and Administration and approved by the Attorney General.

3. Legal Advisor to Board of Trustees. The Attorney General and Reporter (or his or her designee) shall serve as legal advisor to the Board of Trustees.

VI.
GOVERNANCE AND ADMINISTRATION OF TRUST

1. Chair of the Board of Trustees. The State Treasurer shall serve as the Chair of the Board of Trustees and shall preside over all meetings and proceedings. In the event of a temporary vacancy in the position of Chair, the Board of Trustees may elect one of its members to serve as Chair during such temporary vacancy.

2. Vice Chair of the Board of Trustees. The Board of Trustees may appoint a Vice Chair, to serve at the pleasure of the Board of Trustees, who shall perform such duties and have such powers as may be prescribed by the Board of Trustees.

3. Secretary of the Board of Trustees. The Board of Trustees may appoint a Secretary, to serve at the pleasure of the Board of Trustees, who shall: (i) attend and prepare minutes of the meetings of the Board of Trustees and all Committees, if any; (ii) give, or cause to be given, notice of all meetings of the Board of Trustees and all Committees, if any; and, (iii) perform such other duties as may be prescribed by the Board of Trustees.

4. Committees of the Board of Trustees. The Board of Trustees may create one (1) or more Committees, which shall consist of one (1) or more Trustees, who shall serve at the pleasure of the Board of Trustees.

5. Meetings of Board of Trustees. The Board of Trustees may adopt rules and policies governing the conduct of its meetings. The Board of Trustees shall meet as determined by the Chair upon notice to all members of the Board of Trustees.

6. Quorum; Vote of Board of Trustees. Five (5) members of the Board of Trustees shall constitute a quorum. A majority vote of the members of the Board of Trustees present at a meeting and voting shall be necessary for all decisions by the Board of Trustees.

7. Powers of Board of Trustees. The Board of Trustees shall have all powers provided by the laws of the State of Tennessee for fiduciaries acting in a similar capacity, subject to the provisions of the Act and this Agreement, which powers are intended to include all powers enumerated in the Tennessee Uniform Trust Code and in Tennessee Code Annotated Section 35-50-110, with the exception of subsections (8) and (9), which are specifically excluded.

8. Administration of the Trust; Books and Records, Accountings, and Reports.

a. Subject to the oversight of the Board of Trustees, the State Treasurer shall be responsible for the administration of the Trust.

b. The books and records of the Trust shall be maintained by the State Treasurer in accordance with generally accepted accounting principles. Such records shall be subject to audit by the State Comptroller or its designee.

c. The Treasurer shall provide the Board of Trustees an annual report.

VII.
INVESTMENT OF ASSETS

1. Establishment of Investment Policies and Guidelines. The Board of Trustees shall establish investment policies and guidelines to carry out the purposes of the Trust.
2. Responsibility for Investment of Assets. The State Treasurer shall be responsible for the investment and reinvestment of the assets of the Trust in accordance the investment policies and guidelines established by the Board of Trustees.
3. Authorization to Invest in Securities and Other Investments. The Board of Trustees may invest and reinvest the assets of the Trust in any security or investment in which the Tennessee Consolidated Retirement System is entitled to invest.
4. Commingling of Assets. The funds transferred to the Trust may be commingled with, co-invested with, and invested or reinvested with other assets transferred to the Trust. All or any portion of the assets of the Trust may be invested or reinvested and co-invested with other funds not a part of the Trust, which are held by the State Treasurer, including, but not limited to, assets of the Tennessee Consolidated Retirement System and the State Pooled Investment Fund established pursuant to Title 9, Chapter 4, Part 6 of the Tennessee Code Annotated. Provided, however, the State Treasurer shall account for the assets of the Trust in one or more separate accounts in accordance with the Tennessee Code Annotated Section 49-4-708(d) and other law.

VIII.
TENNESSEE PROMISE ENDOWMENT ACCOUNT,
TENNESSEE PROMISE SCHOLARSHIP SPECIAL RESERVE ACCOUNT,
DEFINITIONS OF PRINCIPAL AND INCOME

The Trust shall consist of two accounts, namely the Tennessee Promise Endowment Account (the “Endowment Account”) and the Tennessee Promise Scholarship Special Reserve Account (“Special Reserve Account”).

1. Definition of Endowment Account. The Endowment Account shall consist of the initial deposit, in the 2014-2015 fiscal year, of: (i) the program-generated revenues of the Tennessee Student Assistance Corporation (“TSAC”) invested as part of the Chairs of Excellence Endowment Fund established by Tennessee Code Annotated Section 49-7-501 and pursuant to Chapter 98 of the Public Acts of 2013 and any income earned from the investment of such funds; and, (ii) the balance of the lottery for education account established in accordance with Tennessee Code Annotated Section 4-51-111(b), but excluding the general shortfall reserve subaccount provided in Tennessee Code Annotated Section 4-51-111(b)(3) and the sum of ten million dollars (\$10,000,000).
2. Principal. The Endowment Account shall be the Principal of the Trust.

3. Definition of Special Reserve Account. The Special Reserve Account shall consist of all funds transferred to the Trust, except the initial deposits described in paragraph 1., above, and all Trust Income. Any Trust Income not allocated or distributed in accordance with the terms of this Agreement shall be maintained in the Special Reserve Account and may be subject to future allocation and/or distribution in accordance with the terms of this Agreement.

4. Definition of Income. For purposes of this Agreement, the term "Trust Income" shall mean the income from all of the Trust's assets from whatever source derived, including, but not limited to, interest, dividends, and realized gains and losses, whether such gains or losses are capital or ordinary and the amounts transferred, at least annually, to the Trust from the funds in the lottery for education account established in Tennessee Code Annotated Section 4-51-111(b), in excess of the sum of the general shortfall reserve subaccount provided in Tennessee Code Annotated Section 4-51-111(b)(3) and ten million dollars (\$10,000,000), and all matching funds or future appropriations made by the general assembly. It is intended that any increase in the value of the Endowment Account over the value of the Endowment Account immediately following the initial deposits identified in paragraph 1., above, constitute Trust Income. The Trustees are authorized to make determinations on what constitutes income and principal not otherwise specified in the Act.

5. Prohibition on Distributions from Endowment Account. Notwithstanding any provision of this Agreement to the contrary, no distribution shall be made from the Principal (i.e., the Endowment Account) for any purpose.

6. Commingling and/or Investment of Endowment Account and Special Reserve Account. Notwithstanding the creation of the Endowment Account and Special Reserve Account, the funds of each of these respective accounts may be commingled with, co-invested with, and invested or reinvested with the other assets of the Trust.

IX. DISTRIBUTIONS FROM TRUST

Trust Income shall be distributed for the exclusive purpose of funding the Tennessee Promise Scholarship Program and paying the expenses incurred in administering Trust, including the investment of the assets of the Trust. In distributing the Trust Income, the Board of Trustees may transfer the Trust Income to TSAC for further distribution in accordance with the Tennessee Promise Scholarship Program. No assets of the Trust shall revert to the general fund of the State of Tennessee.

All requests presented to the State Treasurer for withdrawals from the Trust shall be used only to fund the Tennessee Promise Scholarship Program. Such requests for withdrawals shall not be commingled with requests for withdrawals presented to the State Treasurer for any other purposes and any individual or entity requesting a withdrawal of funds shall attest to the same upon presentation of the request for withdrawal to the State Treasurer.

X.
GOVERNING LAW AND CONSTRUCTION

1. Tennessee Law. This Agreement and the Trust created herein shall be governed and construed according to the laws of the State of Tennessee.

2. Headings of Articles, Paragraphs, and Subparagraphs. The headings of Articles, paragraphs, and subparagraphs used within this Agreement are included solely for the convenience and reference of the reader and shall have no significance on the interpretation or construction of this Agreement.

XI.
AMENDMENT

The Board of Trustees may amend at any time and from time to time, in whole or in part, the provisions of this Agreement, provided that no amendment shall allow the assets of the Trust to be used or diverted to any purpose other than those expressed in this Agreement.

XII.
APPROVAL

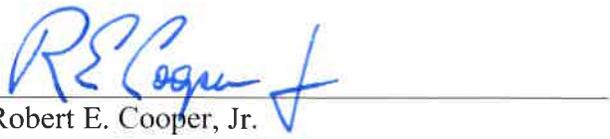
The Trust shall not be effective until approved by the Attorney General and Reporter.

ACCEPTED:



David H. Lillard, Jr.
State Treasurer
Date: June 25, 2014

APPROVED:



Robert E. Cooper, Jr.
Attorney General and Reporter
Date: June 30, 2014

**THE TENNESSEE PROMISE SCHOLARSHIP
ENDOWMENT FUND**

INVESTMENT POLICY

Effective: July 1, 2014

Investment Policy Original Adopted: 06/24/2014

Table of Contents

I. Overview and Authority	3
A. Introduction.....	3
B. Authority.....	3
C. Fiduciary Standard.....	3
D. Compliance with the Law.....	3
E. Scope.....	4
II. Objective.....	4
III. Roles and Responsibilities	4
A. Board of Trustees.....	4
B. State Treasurer.....	5
C. Chief Investment Officer.....	5
D. Investment Division Staff.....	6
IV. Governing Principles	6
A. Primary Investment Objective and Risk Tolerance	6
B. Asset Allocation and Benchmarks.....	6
C. Percentage Limitations.....	7
D. Co-Invest with Other Funds	7
E. Foreign Country Designation.....	8
V. Custodian and Service Providers	8
VI. Investment Criteria.....	8
A. General.....	8
B. Investment Companies	8
C. Non-Investment Grade Fixed Income Securities	8
VII. Trust Principal and Market Value Diminution	9
VIII. Transition Mandate	9
IX. Investment Monitoring and Reporting.....	9
X. Administrative Fee	9
XI. Policy Adoption	10

I. Overview and Authority

A. Introduction

The Tennessee Promise Scholarship Endowment Fund (“TN Promise Fund” or “Trust”) was established by Chapter No. 900 of the Public Acts of 2014, approved May 12, 2014 for the purpose of funding the Tennessee Promise Scholarship Program, a scholarship program for Tennessee residents seeking an associate’s degree, certificate or diploma from an eligible postsecondary institution.ⁱ The Trust consists of the Tennessee Promise Endowment Account and the Tennessee Promise Scholarship Special Reserve Account.ⁱⁱ

B. Authority

The investments by the Trust shall be governed by the investment policies and guidelines (“Investment Policy”) adopted by the trustees (“Board”). The State Treasurer, a constitutional officer, is the Board chair, administrator of the Trust and responsible for the investment and reinvestment of the Trust funds.ⁱⁱⁱ

Implementation of the TN Promise Fund’s Investment Policy established by the Board is hereby delegated to the State Treasurer who shall put such policy into effect. In implementing this Investment Policy, the State Treasurer hereby delegates certain responsibilities, including the power to invest and reinvest the Trust’s assets within the criteria established within this Investment Policy, to the State of Tennessee, Treasury Department’s Chief Investment Officer (“CIO”) and Investment Division Staff. The State Treasurer shall retain oversight of the CIO and the Investment Division Staff in the performance of duties delegated under this policy.

C. Fiduciary Standard

All assets of the TN Promise Fund shall be invested and managed solely in the interest of the beneficiaries of the Tennessee Promise Scholarship Program in a manner that is consistent with T.C.A. §35-14-107, the prudent investor rule pursuant to T.C.A. §35-14-103, the standard of care pursuant to T.C.A. §35-14-104 and the exercise of reasonable care in delegation of investment and management functions pursuant to T.C.A. §35-14-111. Notwithstanding the foregoing, the assets of the TN Promise Fund shall be invested subject to the criteria further established by the Board in the Trust’s Investment Policy, as may be amended from time to time, and in accordance with T.C.A. §49-4-708.

D. Compliance with the Law

The Board, Investment Division Staff and investment-related service providers are required to comply with all applicable federal and state laws, rules and regulations. The Investment Policy may reference or restate applicable laws, rules and regulations, or portions thereof, for convenience; however, in the event of any conflict between the law and this Investment Policy, the law prevails. Each fiduciary to the TN Promise Fund is ultimately responsible for compliance with applicable laws, rules and regulations.

E. Scope

The Investment Policy is binding on all persons and entities with authority over the TN Promise Fund's assets, including the Board, Investment Division Staff and investment-related service providers, as well as any other person who or entity that may have a fiduciary relationship with the Trust.

II. Objective

The purpose of this Investment Policy is to support the Trust's primary objective by:

- Outlining the distinct roles and responsibilities of the Board, Investment Division Staff and investment-related service providers;
- Establishing formalized benchmarks to measure and evaluate the performance results of the Trust;
- Setting forth the additional investment criteria, which the Board judges to be prudent, in consideration of the purposes, terms, distribution requirements and other circumstances of the TN Promise Fund, and in the best interest of the beneficiaries;
- Communicating the Investment Policy, as approved by the Board, to the Investment Division Staff, investment-related service providers and any other person who or entity that may have a fiduciary relationship with the TN Promise Fund; and
- Functioning as a supervisory tool, guiding the ongoing oversight of the Trust.

III. Roles and Responsibilities

In addition to the responsibilities described below and throughout the Investment Policy, investment-related service providers, as well as any other person who or entity that may have a fiduciary relationship with the TN Promise Fund, may have additional duties and responsibilities outlined within federal and state laws, rules and regulations, executed contracts or agreements, or as dictated by standard business or industry practices.

A. Board of Trustees

- 1) Operate with a duty of undivided loyalty;
- 2) Adopt an Investment Policy which establishes the additional investment criteria, which the Board judges to be prudent, in consideration of the purposes, terms, distribution requirements and other circumstances of the TN Promise Fund, and in the best interest of the beneficiaries;
- 3) Delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances;
- 4) Review and, if applicable, authorize the use of investment-related service providers or the processes employed by Investment Division Staff;
- 5) Evaluate the investment performance of the Trust, through reports supplied by the State Treasurer, Investment Division Staff and service providers; and

- 6) Monitor the Trust's compliance with this Investment Policy and applicable federal and state laws, rules and regulations.

B. State Treasurer

- 1) Implement the Investment Policy, as approved by the Board;
- 2) Subject to retained oversight of the functions performed, delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 3) Review and, as applicable, authorize the use of investment-related service providers and the employment of Investment Division Staff;
- 4) Evaluate and, as applicable, approve the processes employed and procedures established by Investment Division Staff; and
- 5) With the advice of legal counsel, negotiate and execute all contracts, agreements and memorandums of understanding in accordance with applicable procurement policies and law.
- 6) Notify the Board of situations that merit its attention.

C. Chief Investment Officer

- 1) Assume executive responsibility and authority, as delegated by the State Treasurer, for the ongoing evaluation and management of the Trust, ensuring compliance with the Investment Policy, as approved by the Board, and such other guidelines, policies, procedures, internal controls, laws, rules and regulations that may apply;
- 2) Undertake the necessary authority to effectively manage and supervise the Investment Division Staff;
- 3) Delegate investment and management functions that a prudent trustee of comparable skills would properly delegate under the circumstances;
- 4) Report to and, as necessary or upon request, consult with the State Treasurer and Assistant Treasurer of Investments and Deferred Compensation on administrative, organizational and investment activities;
- 5) Collaborate with Investment Division Staff and, as applicable, investment-related service providers on development and implementation of appropriate investment strategies;
- 6) Prepare and submit reports, as required, to document investment activities;
- 7) Take prudent actions that are deemed essential to protect the principal (i.e. initial deposit^{iv}) of the TN Promise Fund with any emergency actions, including, but not limited to aggressive rebalancing, being promptly reported to the Treasurer and the Board; and
- 8) Notify the State Treasurer of situations that merit his attention.

D. Investment Division Staff

- 1) Assume fiduciary responsibility and authority, as delegated by the State Treasurer and CIO, for the Investment Division Staff member's role in the ongoing evaluation and management of the TN Promise Fund's assets;
- 2) Use his/her/their individual special skills and expertise in an effort to accomplish the primary objective of the Trust, as stated in the Investment Policy, as approved by the Board;
- 3) Ensure compliance with the Investment Policy, as approved by the Board, and such other guidelines, policies, procedures, internal controls, laws, rules and regulations that may apply;
- 4) Assist the State Treasurer, Assistant Treasurer of Investments and Deferred Compensation and/or CIO with respect to any matters related to the TN Promise Fund's assets;
- 5) Prepare and submit reports, as required, to document investment activities; and
- 6) Notify the State Treasurer of situations that merit his attention.

IV. Governing Principles

The Board has adopted a set of governing principles for the oversight of the TN Promise Fund's assets. Those principles are as follows:

A. Primary Investment Objective and Risk Tolerance

The primary investment objective of the Trust is to obtain the highest available return on investments consistent with the preservation of principal^v, while maintaining sufficient income generation to pay beneficiaries and the expenses of the Tennessee Promise Scholarship Program.^{vi}

Given TN Promise Fund's investment objective and moderate risk tolerance, a passive management style may be implemented as a cost-effective measure to diversify the Trust's portfolio and mitigate unreasonable investment risks.

B. Asset Allocation and Benchmarks

Based on input from the CIO and Investment Division Staff, the Board has established the following strategic asset allocation targets and ranges:

<u>Asset Classes</u>	<u>Target</u>	<u>Range</u>
Equities	35%	0% - 50%
Fixed Income	65%	0% - 100%
Cash, Cash Equivalents and Short-Term Securities	≤ 1%	0% - 25%
TOTAL	100%	

Furthermore, based on input from the CIO and Investment Division Staff, the Board has determined that investment performance for the TN Promise Fund portfolios will be compared with the following respective benchmark indices:

<u>Portfolio</u>	<u>Benchmark Index</u>	<u>Weight</u>
Equities:		35%
Domestic	S&P 1500	18%
Canadian	S&P / TSX 60 Index	2%
International Developed Markets	MSCI EAFE Investable Market Index (IMI)	9%
Emerging Markets	MSCI Emerging Markets Index**	3%
Publicly Traded Real Estate Investment Trusts ("REITs")	MSCI US REIT Index	3%
Fixed Income:		65%
Investment Grade	Citigroup Large Pension Fund Index	49%
Non-Investment Grade	Barclay's High Yield 2% Constrained Index	5%
Inflation Protected	Barclays Capital US Treasury Inflation Notes Index	10%
Cash, Cash Equivalents and Short-Term Securities	91-Day U.S. Treasury Bills	≤ 1%
<u>TOTAL</u>		<u>100%</u>

**To facilitate proper evaluation of the Emerging Market Equity Portfolio, the benchmark index returns will be adjusted to exclude countries based on the country screening methodology developed by Investment Division Staff and approved by the CIO and State Treasurer.

C. Percentage Limitations

In determining compliance with the percentage limitations stated within this Investment Policy, the assets of the Trust will be valued at their Market Value. Accordingly, an investment may be made on any given day; provided that such investment does not cause any applicable limitation prescribed in this Investment Policy to be exceeded on such day.

D. Co-Invest with Other Funds

The Board hereby empowers the State Treasurer and Investment Division Staff to invest, reinvest and co-invest TN Promise Fund's assets with other funds held by the State Treasurer. The Trust's funds shall be accounted for in one or more separate accounts.^{vii}

E. Foreign Country Designation

The Trust may invest in publicly traded, foreign securities that are the same kinds, classes and investment grades otherwise eligible for investment^{viii}. A security's foreign country classification will be determined at the time of acquisition using the following, in order of dominance: MSCI Country Classification; Bloomberg's Ultimate Parent Country of Risk; Country of Domicile.

Suitability of investing in foreign countries shall be subject to a screening methodology recommended by the CIO and approved by the State Treasurer.

For purposes of this Investment Policy, Canadian securities shall be considered a domestic country and subject to the same terms, conditions, limitations and restrictions imposed upon U.S. domestic securities.

V. Custodian and Service Providers

The TN Promise Fund's assets shall be held in a separate account at the same master custodian financial institution that is utilized by the Tennessee Consolidated Retirement System.

If determined to be in the best interest of the Trust, the State Treasurer is authorized to contract for investment-related service providers for the TN Promise Fund.

VI. Investment Criteria

A. General

The Board hereby authorizes the State Treasurer and Investment Division Staff to invest and reinvest the TN Promise Fund's assets in the same securities or investments in which the Tennessee Consolidated Retirement System is permitted to invest. Unless otherwise stated within this Investment Policy, the TN Promise Fund's assets shall be invested and reinvested subject to all the terms, conditions, limitations and restrictions imposed upon the Tennessee Consolidated Retirement System in the making and disposing of its investments.

B. Investment Companies

The TN Promise Fund's assets may be invested in shares of publicly traded investment companies, including Unit Investment Trusts ("UITs"), Exchange Traded Funds ("ETFs") and open- and close-end mutual funds. Investment companies shall be classified by and subject to the asset allocation range of the underlying asset class type (e.g. equity ETF included in the equity allocation calculation).

C. Non-Investment Grade Fixed Income Securities

The TN Promise Fund's assets may be invested in non-investment grade, fixed income securities, including, but not limited to high yield bonds.

VII. Trust Principal and Market Value Diminution

Tennessee Code Annotated Section 49-4-708(d)(8), provides that the principal of the trust shall not be expended for any purpose is a legal prohibition against expenditure of the principal for program purposes. This Investment Policy authorizes investment of Trust assets in instruments which are subject to fluctuations in market value. Accordingly, the Board of Trustees recognizes that the market value of the investments of the Trust may diminish in the aggregate to less than the principal amount and further recognizes that investment decisions may be made to sell securities at a loss when market or other appropriate factors indicate that course of action.

During the time period when the aggregate market value of assets is greater than the principal amount, the State Treasurer shall pay unrealized gains for program purposes. During any time period in which the aggregate market value of investments of trust assets is less than the principal amount, the State Treasurer may pay for program purposes only the interest, dividends and realized gains actually received by the Trust.

VIII. Transition Mandate

It is anticipated that the Trust will undergo an initial funding phase comprised of several transfers or deposits of in-kind securities and cash^x. Given the timing and nature of the initial funding phase, the Board recognizes that the TN Promise Fund's portfolio will be in a period of transition. The Board expects the CIO and Investment Staff to appropriately manage in-kind securities based upon market conditions, opportunity and the funding requirements of the Tennessee Promise Scholarship Program^x in an effort to, over time, structure the TN Promise Fund's portfolio as contemplated within this Investment Policy. Furthermore, given the nature and length of the transition period, the Board recognizes that it may be more appropriate during the transition period to analyze assets based upon their terminal value and not relative to a benchmark.

IX. Investment Monitoring and Reporting

The State Treasurer, Assistant Treasurer of Investments and Deferred Compensation, CIO and Investment Division Staff, along with the assistance of other Treasury Department employees, will establish written policies and procedures, including, but not limited to, guidelines and internal controls, which are an integral component of implementing this Investment Policy.

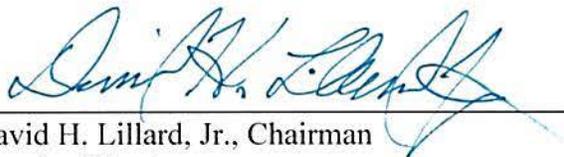
The State Treasurer shall provide a quarterly investment summary report and an annual report to the Board.

X. Administrative Fee

The State Treasurer may charge an investment-related administrative fee to the TN Promise Fund at the same rate (basis point) as is charged to the Chairs of Excellence Fund.^{xi} Such fee may be deducted from the Tennessee Promise Endowment Account.

XI. Policy Adoption

The Board of trustees for the Tennessee Promise Scholarship Endowment Fund adopted this Investment Policy at its meeting held on June 24, 1014.



David H. Lillard, Jr., Chairman
Board of Trustees
Tennessee Promise Scholarship Endowment Fund

i	Chapter No. 900 of the Public Acts of 2014
ii	T.C.A. §49-4-708(d)(1)
iii	T.C.A §49-4-708(d)(1) - (4)
iv	T.C.A §49-4-708(d)(6)
v	T.C.A §49-4-708(d)(6)
vi	T.C.A §49-4-708(d)(8)
vii	T.C.A §49-4-708(d)(11)
viii	<i>See the Tennessee Consolidated Retirement System's current Investment Policy</i>
ix	T.C.A. §49-4-708(d)(5)
x	T.C.A §49-4-708(d)(8)
xi	T.C.A §49-7-501(f)