

**PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF REGULAR MEETING
DATE OF MEETING: SEPTEMBER 13, 2019
BRENTWOOD, TENNESSEE**

The Board of Directors of Public Entity Partners (“PE Partners” or “the Company”) met at 10:52 a.m. on September 13, 2019 at PE Partners’ office in Brentwood, Tennessee.

Board Members present: Chairman Curtis Hayes, Vice-Chairman Randy Brundige, Jill Holland, Victor Lay, Dr. Christa Martin, Sam Tharpe.

Board Members participating via telephone conference call: Lois Preece, Todd Smith

Board Members absent: John Holden

PE Partners’ staff present: Dawn R. Crawford, President/CEO; Charles DeMore, Executive Vice President & CFO

Also present were: Russ Farrar, General Counsel; Kristin Berexa, Associate General Counsel; Margaret Mahery, Executive Director, TML; Wade Morrell, President, TML Bond Fund.

Guests present: Benjamin Lauderback, Watson & Roach; Dan Telford, ExodusHR; Emily Yamada, ExodusHR; Elise Holden, ExodusHR

1. APPROVAL OF MINUTES

Chairman Hayes called for a motion to approve minutes of the June 22, 2019 and July 12, 2019 Board meetings. Motion was made by Lay; seconded by Brundige.

At this point Chairman Hayes asked everyone to introduce themselves for the benefit of Board members participating via telephone conference call.

2. FINANCIAL REPORTS

A. DeMore presented the financial statements for the year ended June 30, 2019. He said he would be brief and hit the highlights because there are several other year-end reports. In reviewing the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2019, the Company had consistent earnings with gross earned premiums of \$73.4 million which is about 2.0% more than last year. Investment income of \$9.3 million was slightly under what it was last year but was still over budgeted expectations.

In the expense category, total losses and loss adjustment expense was \$4.2 million more than the prior year. DeMore noted that there was growth in the case reserves that was offset by reductions in the IBNR reserves which are actuarially-determined. Policy acquisition costs increased about \$1 million over last year due to additional agent commissions. General and administrative expenses of \$8.1 million were slightly up by 2.0% or \$174,000 more than the prior year.

Total expenses were \$50 million compared to \$45 million last year. DeMore said operating income for the year ended June 30, 2019 was \$22.5 million compared to \$26 million last year, resulting primarily from increases in the loss reserves.

He noted the recent volatility of the investment market and at June 30, 2019 the investment portfolio was in an unrealized investment gain position of \$14 million, compared to an unrealized loss position of \$7 million this same time last year. He emphasized the unrealized gains and losses are paper gains and losses required to be recorded because of generally accepted accounting principle for governmental entities.

The total change in net position for the year is \$37.4 million compared to \$19 million last year. Chairman Hayes asked what the extra \$18 million of income is attributed to. DeMore replied that there was \$1.3 million more gross earned premium due to cities' exposures increasing for such reasons as increased payroll bases and growing property values. He noted that on the other side, the actuarial adjustment to the claim reserve expense resulted in a \$17 million takedown or decrease in expenses because of the overall positive development in claim loss trends, some of which go back to older claim years.

DeMore presented highlights of the Statement of Net Position as of June 30, 2019, which he said is a snapshot of what the Company owned and what it owed at that date. Total assets were \$304.6 million at the end of the year. He noted the growth in the investment balances as well as capital assets due to the cost of construction of the new office building. Total assets combined with deferred outflows of resources of \$1.1 million related to the pension liability resulted in total assets and deferred outflows of resources of \$305.7 million at year-end.

The net reserve for losses was \$131 million at June 30, 2019 compared to \$136 million last year. This was attributed primarily to the significant decrease in IBNR reserves based on the actuarial review. DeMore noted that the accounts payable balance increased due, in part, to the full package bonus accrual of \$1.1 million that was paid after year-end as well as a contract payment of \$323,000 due to Origami next year. He said an additional contract payment of \$323,000 due to Origami in 2021 has been presented separately as Contracts Payable. He noted that dividends payable includes the \$6.5 million dividend declared by the Board and will be released to members beginning with July 1st policy renewals. Total liabilities were \$156 million at June 30, 2019. DeMore noted that deferred inflows of resources relates to the pension liability and, because it is actuarially-determined by TCRS, the amount presented would change.

The net position balance at the beginning of the year was \$111.7 million, after the \$6.5 million dividend declaration. Combined with the total change in net position of \$37.4 million, the ending net position balance was \$149.1 million at June 30, 2019. DeMore commented that this is a very healthy balance sheet and a very healthy company.

Chairman Hayes asked if there were any questions on these reports; there were none. Hayes asked DeMore to continue.

B. DeMore reviewed the internally-managed investment portfolio as of August 30, 2019 as classified by type and maturity of securities. Funds totaling \$36 million were invested with the Tennessee Local Government Investment Pool at an average rate of return of 2.23%. He noted that because there has been a lot of investment activity with recent security calls, the call proceeds have been deposited in LGIP until Crawford locates a suitable security to purchase.

On August 30, 2019, the portfolio had a book value of \$255 million and a market value of \$263 million resulting in an unrealized or "paper" gain of \$8.4 million on that date. Two-thirds of the portfolio consisted of municipal bonds that had an average coupon rate of 3.5% compared to the total portfolio's average coupon rate of 3.3%.

Chairman Hayes asked DeMore to provide a brief overview of the investments for the newer Board members. DeMore said there are different types of government investments and that those starting

with the word “federal” are generally more safe because they are backed by the faith and credit of the federal government but may not pay as much in interest as other securities. Government agency securities often have terms of 20, 25 and 30 years. He said there is an inverse relationship between the stock or equities market and the government agencies or fixed income market so when the stock market is doing well, the fixed income market usually is not doing so well. He said PE Partners buys investments to hold to maturity, generally, unless there is a really good reason why a security should be sold, such as to take advantage of a profit on the sale. He explained the different columns of information presented on the investment report.

Chairman Hayes thanked DeMore and asked if there were any questions. Dr. Martin asked how often the investment assumptions are changed, like how much is in the municipals and how much is in the other types of investments. She asked if there was an assumption that lasts for a year or for three years. DeMore replied the investment policy follows a percentage of how much can be invested in a type of investment. Crawford added there is no prescribed percentage breakout as to how much can go into agencies versus municipals. She said the breakout is more in line with governmental bonds versus equities and that the Board has authorized not to get into equities.

Dr. Martin said she sits on the trust fund for the City of Columbia and they have an assumption set for funds to do so much in particular which cannot be changed until they change it for them. DeMore offered to provide a copy of the Company’s most recent investment policy as adopted by the Board. Dr. Martin asked if there are consultants PE Partners uses to advise as to which investments to investigate. DeMore said yes there are and deferred to Crawford since she manages them. Crawford said she works with two different brokers who come with recommendations and then after evaluation, she may or may not take their recommendation.

Tharpe commented that serving on this Board as long as he has served, Crawford is a jewel at doing the investing and that, to him, it is a very good value based upon her keeping up with the investments and the two advisers that she works with. He said she does an outstanding job.

Tharpe recommended if there is any way possible for Crawford not to be the only person in the organization who does the investments; he suggested DeMore or somebody else might need to get a handle on this because, to him, the value of this is the value of PE Partners and if something happened to Crawford. He said those are things that he thinks we need to safeguard for her sake and for the survival of doing the things that need to be done in our investment field. He said that is something Crawford might want to look at in the future. Tharpe told Crawford she has done well to which Crawford replied thank you.

C. DeMore presented an overview of a budget-to-actual summary of general and administrative expenses by department for the fiscal year ended June 30, 2019. A breakout of earned premium shows how each line of coverage performed compared to actual with combined total revenues. Investment income was slightly up -- \$4.6 million over budget. Total general and administrative expenses of \$8.1 million were under budget by a significant amount due to both vacant personnel positions that were not filled until later in the fiscal year as well as savings in employee benefits. He said he had estimated health insurance costs to increase by 15%; however, by using an HRA component, the effective health insurance increase was only 7.58%. Also, the new TCRS contribution rate was lower than expected in addition to a significant reduction in retirement expenses due to the TCRS actuarial adjustment of the pension liability.

Chairman Hayes asked if there were any questions; there were none. He asked DeMore to continue.

D. DeMore presented a Pro-Forma Statement of Revenues and Expenses for fiscal year 2020 and reviewed the various components. He said while PE Partners is not obligated to present a budget for accounting standards, management prepares one for managerial and operational use. He said the

amounts in the Pro-Forma do not get finalized until after the actuarial review of claim reserves is done. For the fiscal year 2020, estimated total revenues of \$71.2 million and expenses of \$69.6 million result in an estimated operating income of \$1.6 million.

Gross earned premium is estimated to increase \$1.3 million due to increased exposures. Reinsurance costs are also expected to increase approximately 7.0% which will result in net earned premium remaining fairly flat compared to the prior year actual amount. He said investment income is difficult to predict given the current investment market but the estimate is based on a 3.0% interest rate. Total revenues are projected to be approximately \$2 million less than last year's actual amount.

DeMore noted that the actuarial review of claim reserves indicates claim loss trends and loss ratios are improving over prior years. For this reason based on the most recently updated actuarial benchmarks, losses and loss adjustment expenses of \$52.7 million are projected using a composite loss ratio of 63.4%, which is lower than used in prior years.

Policy acquisition costs are estimated at \$6.6 million which is consistent with the prior year. General and administrative expenses are estimated at \$10.2 million based on the budget that was previously approved by the Board. Total expenses are projected at \$69.6 million.

Based on these estimates, operating income for fiscal year 2020 is expected to be \$1.6 million before any actuarial adjustments for IBNR reserve; the Company's net pension obligation; and, unrealized gains and losses in investment fair values.

Holland asked what the agent commission and full package bonus are. DeMore explained a program was established years ago for members who retain all three lines of coverage to receive a bonus in which the member and the member's agent may participate. Crawford added that the program is a marketing event established years ago to draw business by encouraging members to place all three lines of coverage with the Company. She said it helped grow the property program.

DeMore commented that members may engage an agent to represent them, in which case the agent will earn a percentage of the premium amount. He noted the agent commission is a fixed percentage but varies based on the line of coverage.

Chairman Hayes asked if there were any questions on the financial reports. There were none.

E. Crawford presented the following schedules: IBNR (Incurred But Not Reported) Losses by Line of Coverage and by All Lines of Coverages Combined; and, Change in Unrealized Gain/(Loss) on Investments. She commented that these schedules represent the two largest pieces of volatility on the Company's financial statements: what the actuaries think ultimate claim losses will be; and, unrealized investment gains and losses. Crawford said the first chart presents a 10-year history of how much IBNR reserves have changed by line of coverage. She noted that once the 2014 worker compensation reform went into effect, the numbers started going down since 2016. She said for the year just ended it is still a very healthy reduction, although not quite as much as reserve takedowns in years prior.

Crawford said the next chart shows the volatility in the market as DeMore referred to. She called attention to the unrealized gain of \$4.2 million at June 30, 2010 compared to the unrealized loss of \$7.9 million twelve months later – a financial swing of \$12.2 million in only twelve months. She said she wanted to point out the blue-shaded box at the bottom of the page to show how dramatic the changes are from year to year. She emphasized the huge impact to the total bottom line for this year because of the \$37 million reported, \$22.1 million of it was a “paper” gain – not operating. DeMore commented for that reason unrealized gains and losses are not considered when making management decisions.

Chairman Hayes asked if there were any questions, concerns or statements. There were none. A motion was made by Tharpe to accept the financial reports as presented; seconded by Lay. Chairman Hayes asked if there was any discussion. There was none so he called for a vote. Chairman Hayes declared the motion PASSED UNANIMOUSLY.

3. HR FIRM INTERVIEW

Chairman Hayes called on Crawford to introduce the HR firm's representatives. Crawford reminded the Board that at the July meeting they asked staff to come up with some HR firms to interview for the purpose of updating handbooks, policies, training and those types of things. She said the second piece of that was to hire an HR Director down the road. She said she had two proposals today: one which is the policy, procedures and training by itself as the Board asked. The second proposal is a little bit of a deviation because we have some concerns long-term about keeping a Director of HR occupied 37.5 hours a week. There just is not going to be, there is not now, that much work to pay somebody six digits and keep them busy. So the second proposal is geared towards -- we found an organization, actually two, that are local who can perform the HR services that the Board has asked for as well as handle the other -- disciplinary, hiring, all those types of things. They have a retainer with legal counsel that they work with and are willing to also work with our general counsel. And it seemed to be a possible fit for killing two birds with one stone, and it also brings about the opportunity for independence. When you have a third party handling HR matters, you don't have to worry about the internal relationship side of things. She said the first page is a one-time only; she thinks we all agree the policies do not need to sit around for nine or ten years and not be updated, which is what we have had. So, to her, the processes are ongoing, living transactions for updating things, continued training and those types of things. So the first page is the single-shot items as the Board requested we present and how much each item would cost on a per-project basis. The next page is the hybrid that would allow for an HR firm to handle HR matters from an independent, third-party standpoint as opposed to having another staff member on board.

Brundige said he was totally against that and would tell why in a minute to which Crawford said okay. Brundige said he thinks you need somebody on the board that needs to know your employees. He thinks you are going to have more work for them as we go through than you expect, even with a small staff. He said he has a full-time HR director and probably more employees. Then he asked Crawford how many employees there are to which Crawford replied 33. Brundige said he has 250; so he has a full-time employee. He thinks you need somebody here on staff; people to come to, not somebody down the road that you have to call.

Chairman Hayes said Crawford talked to him about this and he thought it was really a good idea. He said that is what she and he discussed, so that is why we are here for an open dialogue for everyone. Brundige replied, "An open dialogue." Hayes said he sees what Brundige is saying, given the fact that he has 200 employees. Hayes said he even went as far to say that this may be a group that he could use in the future, given the fact that he has a long-term personnel HR director that is been with the city over 40 years. Hayes said he knows there is going to be a time that we have to make some transitions there. He said he is sure there are some pros and cons. Brundige said there is on both sides. Hayes said that is right.

Brundige said he thinks that for the place here and what is happening here at this particular time, we need somebody on site. Hayes said of course, whoever the HR is is supposed to be monitoring the policy and procedure manuals. Brundige said he knows. Hayes said he liked this at first, but that's just him and there are other board members. Brundige said yes, there are other board members who can vote any way they want to. Hayes relied right.

Farrar said he is not a board member but he had just had two quick observations that he wanted to ask: one is, if he recall correctly from the June meeting where you particularly told us to look at HR until you got somebody on, would it not be possible to go forward with the firm and see how that goes

and, if it does not work, then bring on a full-time director. That is the first question. The second question is: with the firm what protection do we have, whether it is a firm HR director or whatever, just to allow them the autonomy they need to get our CEO out of the personnel business and doing what we talked about that she is really good at doing. What kind of setup would you have where they would have, and they have got to have some autonomy, but yet they have to be accountable to somebody. Brundige said they have to acquire liability. Farrar said right. Brundige asked if they are willing to acquire the liability.

Chairman Hayes asked Farrar to hold the questions and said maybe we are in a little unique situation the past little bit. And to be able to relieve Dawn of the little HR duties and to allow an HR director or an HR firm to do that, but the question would go back to who exactly are they going to report to and things of that nature. He said he hopes that in doing development of the employee handbook, development of performance evaluation, such things, that all of these would be answered with some feedback from this Board of Directors. He said he has not talked to the HR firm or anything like that. Farrar said he was just asking.

Chairman Hayes asked Crawford if she had something. Crawford said she had met with them several times, and they are going to have to answer some of this, but they are somewhat of a boutique HR firm. She said a lot of them that she spoke with do payroll and the benefits as their primary piece, which is not what we are after. She said these folks have it just the opposite and Elise Holden, the one in the middle back there, would actually be assigned to us. They are right down the street, so the location is very much here. She said they can be in our offices whenever we want, however often they want. Now, as far as liability and all that, if the Board would like to ask them some questions, you asked us to bring someone for interview, and they are here to respond.

Emily Yamada thanked the Board for having them. She said they are ExodusHR Group and introduced herself, Elise Holden and Dan Telford, who is not only a partner and founder of ExodusHR Group but also Yamada's father. Yamada gave a brief overview of each person's background and experience. She said ExodusHR is not a payroll company but an HR company that focuses on the HR world within an organization. She said they understand that like most clients you are not just trying to design and implement a handbook or design and implement policy but trying to cultivate a culture and to enrich a culture of teamwork, honesty, growth. She said this is what they do.

Telford said as a company they have to understand where they are, where they have been, as well as where they are going. He said there has been a lot of change since he started in the HR industry in 1986, one of which has been a more diverse workplace which is a tremendous asset. He said they connect on a very personal basis with their clients, both off site and on site, and have competitive technology. He said he have the ability to meet PE Partners' immediate need. And if the Board chooses to go that direction, they will dive in and make the project-by-project basis work. He said he would challenge the Board to take those things that can get done and keep those moving in an organic way to target changes on a regular basis.

Telford said they have interacted with hundreds of clients in 15 states and have several offices. He said Holden leads the charge on implementation and the delivery of services for many of our clients and said they have other team members that help support -- from training areas to the legal compliance side that give backup. He added they always need to have someone that can be PE Partners' point person. He said they want to work with the Board on whatever level they can that works for the Board today, but then look toward how they can help PE Partners move forward with more positive direction. He commented that they are bonded and insured and have errors and omissions insurance.

Farrar asked if ExodusHR would have a problem working with counsel for PE Partners to run things by to make sure everything is comfortable so that Farrar could call the Chairman of the Board if there was a question to let him know that we communicated and what had been said.

Telford said they do that in many, many cases and that if there is an attorney who is currently involved with the company, he/she continues on that same basis and is involved in whatever way. He said their attorney has 20-plus years in the labor law side that can help and maybe complement that, should there be a need for interaction. Berexa asked who is the attorney. Telford said her name is Micah Knight. He said she is actually at one of our other locations in the Oklahoma City area and has been in labor law. Berexa asked to clarify that she is not local. Telford said she is not here local and cannot and will not represent in the courts here.

Telford said she is there as backup to their clients and as a backup to ExodusHR from a legal standpoint to be sure that what they, along with their SHRM-certified PHRs and other liability management team members, are doing is going to hold up.

Farrar said he would like some kind of assurance for this Board and asked to clarify that if ExodusHR either recommends or performs an action that leads to litigation in Tennessee, then it is going to be up to PE Partners to handle that litigation or does ExodusHR supply outside counsel licensed in Tennessee to handle that litigation. Telford replied that it would be up to PE Partners to handle that litigation. Farrar asked Telford if ExodusHR's E&O carrier would get with support that PE Partners invokes personally. Telford replied yes, if there was a liability that this is deemed to be on ExodusHR. Farrar said that was what he was asking. Telford said that is why they buy it.

Berexa asked if ExodusHR assists in some internal investigation of something that can lead to litigation, would they support in terms of what they did for the internal investigation and also asked in terms of a fee structure, how does all that work. Telford said that is basically what the ongoing HR partnership would be about, in that it's an all-inclusive service delivery. Yamada added that it is annually. Telford said it is based on the number of employees and typically they see that on a per pay period or a monthly basis.

Farrar asked if PE Partners would get all the hours we need to perform the functions we need performed to which Telford replied absolutely.

Chairman Hayes asked if a PE Partners' employee has an HR question, how would we communicate that they need to go see down the road - how this would work.

Yamada said one of the first things that ExodusHR does when partnering with a new client is go through a discovery phase as part of the implementation process where our HR specialist comes in, sometimes with other team members, to work through an HR compliance audit. The HR compliance audit is very extensive and thorough and is going to unveil and make you think about everything you never thought to think about. The HR audit lays out the framework of the work that has been done and needs to be done. From that point, you move forward with a calendar of services and start prioritizing what fires do we need to put out, what processes do we need to start implementing, and what is it going to look like in the next month, in the next couple of months, and the next six months, and the next year, etc.

Farrar said he thought what Chairman Hayes was asking begs an excellent question. He asked if we can refer employees with an HR question to ExodusHR where they can sit down and talk to one of you as an HR specialist and then you will get back with the right person so we know the question and the advice that was given. Yamada replied, yes – always, and not only that but your dedicated HR specialist would also be available to come and sit in on meetings during terminations or disciplinary meetings to have that objective third party there for documentation and compliance.

Dr. Martin asked what type of HR services are we looking at today: administrative HR services or are we looking at HR -- and are we doing compliance, policy, and state and federal laws. She asked are we doing recruitment, hiring, retention, training, CEUs. She said she did some research to look at some of the best practices on when is HR a necessary position inside the company and it looks at 30 people, 35 people, 40 people. She said she is looking at what is it that we need for the employees of this

organization so that they will feel comfortable with being an employee and know that HR is there -- because they are going to work for a supervisor and then there is a CEO person and then there is all this other stuff that is in the organization. She said she may not be where she can listen to what the Board is saying because she sees HR generalist and somebody that comes in that helps this organization do what it does. She said that is because she has worked for Columbia State with 300 employees and has a full-fledged HR department and a legal-assigned person handles our business. She said she is also on the board for Murray Regional Hospital with an HR department, but that board looks at what we do for the organization. She said she has other boards, like Boys and Girls, that hire 25 part-time people and they do not have an HR department. She said all that is floating around in her brain as she listens to the questions that we had from July and looking at whether HR is needed. She said so she may need a peel-the-onion session in order to have a final opinion on this and asked how do we embark on HR when we have never had it before.

Chairman Hayes said one of the original questions was how much HR are we asking these prospective HR firms to do. He said he thinks the answer was pretty much everything but payroll and addressed Crawford in asking her to answer that for us. Crawford said yes, everything except payroll and benefits; it would be scattered – in revisiting policies and procedures and in doing training. She said fortunately we do not have a lot of turnover and do not have a lot of new hiring; those would be on a more ad hoc basis. She said the HR resources from the standpoint of employee situations would be as they come up with the availability of each employee to reach out to our assigned representative.

Telford said he wanted to go back to that original question about how we interact with employees, and that's maybe different from client to client depending on your comfort zone with that. He said more of our clients, especially after they get to know us and they realize that we are on the same team, around the same table, we represent the HR function of what all you guys do, they are comfortable with telling the employees, here is who you reach out to and you go directly. He said then we are accountable to you so you are not left out of the loop, whoever that might be, whether it be a supervisor of that employee or whether it be Crawford or whether it be DeMore or whoever is there so that you know we have had an outreach and that there is a situation that we probably need to talk about that. But our whole goal, one of our main goals, is to streamline it and to help you focus on all of the things that you're in business to do so that you can concentrate on those things, but also limit and help do away with the exposure to all this massive employer liability. A 300-man group can afford to go out and hire a safety manager, an HR manager, a benefits administrator, a certified payroll manager to do those things and at least have one or two payroll, HR specialists, maybe an HR generalist, maybe an attorney. He said all of those things costs hundreds of thousands of dollars to equip a really strong -- that's what we do – an HR department. He said our average client probably has 20 to 30, maybe 33 employees just like you are – that is our average client.

He said we have a client with 150 employees locally that was going to go the direction of starting with us and then moving into getting their own HR manager when they got management employees but has not done that. He said what we have done for them primarily is ExodusHR has actually hired another HR general generalist that is working on site with them now about 25 hours a week specifically dedicated to that client. And they have decided it is the best of every world - they get all the expertise for a fraction of the cost. He said ExodusHR's all-inclusive service gives them the opportunity to spread that cost over hundreds of clients so we have a fee that is on a per-employee basis that when you take 33 employees, it comes out to somewhere between \$15,000 and \$16,000 per year for the overall cost. Dr. Martin said that helps.

Chairman Hayes asked Lay if he had a question. Lay said his question was more in the process side, in that he agreed with Brundige in having somebody that is touchable, and if somebody has an issue they can walk down the hall and talk to somebody about it. He said he could see actually even in his organization -- they have 250 employees, too, – that there is a benefit to have someone to come with that much expertise and be a supplement. And so the question he had was, "If you have a situation where Chad Darden is at Spring Hill, Tennessee, and is giving training and one of my employees gets mad and throws an ink pen and hits him in the eye, you have a workers' comp claim. What does he do

- who does he call? Today, who does he call - what does he do?"

Crawford answered that right now, he would call DeMore to which Lay replied okay. Crawford added that for workers' comp, because this is in the benefit arena, that would not change. Lay said that is one of the answers he was looking for, how does that employee -- is that going to change. He said, "Are they going to have somebody to call and go, 'Okay, this happened -- what do I need to do?' So, that piece is answered." The other question he said he had was you had mentioned you did not want to do an HR director because that was a six-digit salary. Crawford said it was more so because of trying to keep them busy.

Lay said he thinks you end up finding things that they do. He said as busy as your organization is, there are lots of things that you can go task on. DeMore has four titles so he does not know that that is necessarily an issue. He said but his thought was, if you did bring them on -- and he is an advocate for bringing them on in at least a supplemental capacity and maybe in the primary capacity that you all have outlined here. He said maybe one of the other alternatives is to have somebody that is not a director but maybe a coordinator that is not a six-figure salary, but is much, much less, but is that touchable entity that if somebody that has an issue, walks down the hall and says, "I've got this issue," and they go, "All right. Great, here's what we do immediately. And, oh, by the way, that's a really good question. Let's call Elise." Crawford said that is a very viable option.

Chairman Hayes said that was going to be a question that he had, is -- he wants to make sure and he thinks the Board wants to make sure -- that we are not putting a perception out there that we do not care about HR, but he feels that employees should know and should have immediate access to an HR person, if so desired quickly. He said it should not be "get in my and car drive 2 miles down the road, 5 miles down road, whatever it is." Hayes asked Telford if we wanted someone in ExodusHR to be at PEP 40 hours a week or 25 hours a week, would your firm be able to do that or not.

Telford said we could do that, but it would change the scope and the pricing schedule on that because under this scenario we would be here on a regular basis, whatever we determine is necessary to do the job. But what we have been able to figure out in our service delivery side is that early on there is a significant amount on-site that is done to get started, get the discovery, to get policies and training going and those sort of things, and to get some benchmarks. He said but then after that, it is both off-site and on-site from that point forward. There may be an opportunity to come in and spend three or four hours that day doing those things -- it is customized and designed for you. We are going to do a lot of discovery and go through the compliance audit and determine what is ahead, what has been done, and what is going to be necessary to communicate properly and to deliver the things that have to be done in there. He said if you can get to the point where you want a dedicated employee that is going to be here 25 hours a week, then we have that as an option to show you what that would look like. They would still work for ExodusHR, and they would still have all of the resources and expertise that is there with the training to do the job for you and they might be a dedicated employee to you on a more regular basis -- that is certainly an option.

Chairman Hayes said when Crawford and he talked, he is sure she went over this with him, but maybe he did not hear it. He said in his mind he did think we were going to have -- even though they were off-site -- there would be someone in the building of PEP that our employees could talk to. And in the meantime, they would be looking at our handbook and would be developing a performance evaluation. He said all of these things would be going on and he told Crawford he thought she was right that you are probably not going to have employees knocking down the door because we have HR issues. He said but in developing these plans that are spelled out here, he assumed that someone would be in-house.

Telford said it is your choice to do that and many of our clients have someone dedicated as our point of contact; in fact, nearly all of them have someone as a point of contact. Many times it's someone wearing a lot of hats that touches either operations or the fiscal side, but it does not make them solely responsible for the HR obligations. He said it is just someone that would be a point of contact that is

there. There are some of our larger companies that have an HR generalist in place, carrying out some of the day-by-day things and have us as a resource and as a backup. He said we are here to set up standards of practice and systemization and some accountability for even that person being sure that they are doing the things that you, as a Board, want them to do.

Chairman Hayes said it is exactly what you just said – it is all about accountability to which Telford replied yes. Hayes said it is his understanding that what we are trying to get away from is DeMore wearing four or five hats and to go in a direction of HR, because being accountable is a major word you just said. He said it is critical that when someone comes in that office with an HR issue that they can have immediate service rendered to them at that time and that is why he is just a proponent for being able to have someone in house.

Crawford addressed Lay and said you mentioned the possibility of having an HR manager. There are things that we can keep somebody busy with from a manager standpoint, where taking payroll and benefits off of DeMore which are all HR related, but then have them be the point person that interacts with ExodusHR. She said she thinks that would be a very good solution. Lay said he would be much more of an advocate of something like that because it gives you that local touch. He said we know DeMore does a lot and he is a superman. Telford said it could be the best of all worlds -- he thinks is what you're saying.

Tharpe said the employees get closer and closer to the person that stays here in this office to which Crawford said yes. Tharpe said you got to have more, be able to relate to them more than they will somebody down the street. Lay said he thinks that happens and from what he sees just in his office, is that folks will come to trust the HR person and want to come have a very candid conversation with them about an issue. Tharpe said right. Lay said that may have an issue, may not be an issue that they – he does not think they would have with someone that is completely outside the organization and HR can help them go either way.

Chairman Hayes said he can also see that working on the other side – he can also see that employees on the inside might want to see a new face. Lay said absolutely. Hayes said maybe they have filed complaints before and they feel like that it is not going anywhere. He said we had this discussion last time we had a meeting with the Board of Directors so again, he wants to go back to the goal, to try to remove some hats from DeMore, but the way that we are having this discussion is we are not removing them at all and we still want him to be the point of contact. Brundige said no, we are talking about hiring a person in house. Hayes said okay, he was sorry.

Lay said hiring a coordinator and taking that off of him. Telford said the coordinator role is what we see in a majority of the cases. Holland said, “Still working with the firm.” Crawford said, “As opposed to hiring an HR director.” Dr. Martin said right.

Crawford said we think that we could probably fill an HR manager, coordinator, whatever. Dr. Martin said generalist. Crawford said generalist and let them be the HR person that staff goes to, but then they could also have access to the resources.

Yamada said, “And have access to our team and our expertise and have access to our accounting and liability, all that.” Crawford said, “And clears DeMore of some of this overhead.” Yamada said we have clients with that exact setup. Chairman Hayes said and could go over this policy. Crawford said she agreed, we could do that.

Lay said he agreed that is an appropriate time for folks that want to reach outside the organization, and they would still have that availability of saying, “I really do not want to go have that conversation with X, but I am just going to call Elise directly and ask her about it.”

Telford said that coordinator position can become – especially if you're not a certified HR manager and been doing this for large companies for many, many years – it can get overwhelming in an

organization. He said to have the backup and the support to be able to, one, pick up the phone call, but also sit down with our team here around your Board member – it is not that if you get a coordinator, we are only virtual – that is not what we stand for. That is not why we have a 95 percent retention rate, which is higher than we know of anywhere in the industry. We use the term we are a boutique company, and that is very true. He said we want to be what you want us to be; and if we lose money on an account because we were on-site more often, guess what; they are going to stay with us for a long, long time. He said we have to be a strong company and we have to cover and check our boxes from the financial side. But our one differentiator is we do whatever it takes to make sure that we are all accomplishing the right goals, we have got the right people doing the right things, and we all can sleep well at night knowing that we have checked the right boxes on HR.

Dr. Martin asked Telford if his company contracts out that HR generalist. She said given these two items here, the price based on 33, but if we are looking at -- because she comes in here hiring a HR director at whatever figure that is or hiring somebody that is going to be available electronically or by call, and then that middle ground is -- what she hears the Board saying, is that HR generalist, which is the research she did after that July meeting. She asked Telford again if he contracts out that person. Telford said we have done that, but typically it's been for the hundreds-and-up groups. Dr. Martin said oh, okay. Telford said he can you send us someone that is dedicated and they still get our full team to back them up.

Crawford asked do you still help vet. Yamada said we can help, absolutely. Telford said we will help you choose the right person through the HR practices and the good vetting strategies that we have and help with that whole process. He said because, in the long run, their success is dependent on their work here but also with their communication with us; we want to be sure you get the right person as well.

Farrar asked Telford if he has a standard contract that he uses that legal could look at. He said, “Number two, what is the termination? Let’s just say the worst happens, and we’re not a good fit for each other. Then what’s the termination period?”

Telford replied most of our competitors have got some “gotchas” in that contract where they say if you quit during the first year, you pay the full year or there is a penalty for not terminating within 30 days or whatever that is. He said we just ask for written notice and that you can terminate this contract at whatever point you say we are done. Farrar asked to clarify, no time period to which Telford replied, no time period. Yamada added there are no terms.

Telford said there is not a term in there; we want to keep you with excellent service and with a good partnership, not with some “gotcha” in the contract. He said even though you are a man of contracts we will send you that contract. Farrar replied okay. Telford said you guys take a look at that, vet that, talk with our attorney if you need to, to make sure it works for you. Crawford said she will send it to you.

Holland asked would it be possible for Crawford and DeMore to sit down and come up with a plan and present it to the Board. She said because absolutely, from the July meeting, DeMore does not need to even be the point person. She said it is going to end up taking as much time as it ever has for you and, it takes hundreds and hundreds of hours to develop these different documents. And if you are going to keep up with the training -- not just training the employees, but the training yourself to be the HR person – it takes so much time. Holland said she also agrees that there does need to be a point person. She asked, “If there is an accident and you’ve got to turn that in right then, you know, who does that employee go to? Who do you call? How do they know what to do?” She asked if there is any way that Crawford and DeMore could come up with what they think would best suit the organization and then we have a get-with ExodusHR and then we have a special meeting to either approve it or not? She asked if this has to be decided now or can we study a little bit longer.

Tharpe asked Telford if he knew Mike Edmonds to which Telford said he did know Mike. Yamada said he is our CEO. Telford said he has been my personal friend for 20 years, and he is one of my partners.

Tharpe said he was just curious and asked, "What about Mike Robinson - do you know him?" Elise Holden said he is their president. Yamada said he is the third founder of the three-man founder team. Tharpe said he just asked those questions specifically because he just did some research on ExodusHR. He said, "You all seem to be pretty solid and pretty honest. Before I do business with anybody, that's definitely one thing I have to know." Telford replied sure.

Tharpe asked, "How long have you all been in Brentwood at this present time?" Telford said he has been in Brentwood for 15 years. He said his two partners and he worked with another corporation for many years that they decided that they could create a better mousetrap, and felt like they have -- more personalized and more suited for smaller companies. He said so we went together ten years ago and put together this concept and it has an ever-moving target. Those first ten years, we had to figure out who we were and what is our differentiator and how are we going to grow, but how are we going to service our clients, all of those things we do. He said keep in mind our main goal that is -- number one, to be what our clients need us to be; that is number one.

Tharpe said that leads to this next question, "Have you dealt with anybody like PEP before?" Yamada asked Tharpe what he meant by his question. Telford said we have firm clients that are similar in some ways: we have some insurance agencies as clients; we have private nonprofits that are private entities, quasi-governmental entities in many ways, but not exactly what you are, which combines both an insurance agency with private nonprofit and the governmental component.

Tharpe said so this is going to be a new venture for you. Telford said, "A little bit, but I will tell you -- and I don't want to minimize that because every company, no matter whether they are making cabinets or doing what you guys do, is very unique." He said they have their own workforce; they have their own culture; and, they have their own mission statement and their own history. He said, "We have to know what you want to be and help guide you to be the best company Public Entity Partners can be." Tharpe said he was glad you understand that. Telford said yes, it is very, very important. Tharpe said, "Because we do value this; these people here, PEP, represent a lot of cities -- all the cities in the state of Tennessee." Yamada said that is right.

Tharpe said, "You must understand what you are stepping into. If you are going to step into it, you know, the creativity that you have, I hope it is fantastic, because this was created under those conditions." He said the thing about it is, "We expect the best from you; and not only that, if we do a contract with you or whatever, I hope all that you will be on board with the things and the needs of this organization." He asked if ExodusHR can bring a person in here using creativity that can work and do the things that you say. Tharpe said of course he saw a lot of other things that this job is going to be occupied, and he feels if you bring a person in here that they are going to have a lot to do. Telford said that is right.

Tharpe said they are going to have a lot to get a hold of and are going to have a lot to build on, and it is going to take a little time. He said it is not -- this is not going to happen overnight. He said you need to understand that, working with our attorneys, of the value of what goes on in this organization. Telford said yes, sir.

Tharpe said so the creativity that you put on the table, it has to be creative, but it has to work based on what we are doing now and based on how we can grow. So the mayor has mentioned about maybe coming up with a solution on all of things that we can get off of DeMore's back. He said that is going to take a little time to organize and if that is the route this Board wants to go, if you could bring it back to us and let us see where we are going with it, maybe we can come up with some conclusion on what we need to do. He said he has read a lot on your company as this has gone on, and he wanted to see what you guys were really about. Telford said thank you.

Tharpe asked Telford if he could tell of one successful company that you have in this area or maybe two or three that we can connect with. Telford said we actually sent a list of several and asked Crawford if she had gotten that. Crawford replied she did and that she had requested references and Telford gave her five or six. Tharpe asked, "Did they?" Crawford replied yes.

Telford said there are tons. He said we always ask our clients before we send out their names so that they are not getting phone calls that they do not even know that they agreed to do. He said we do have a large group of various types from three employees to 200 employees that we can help you get in touch with to talk with them about how we do business and how it has been a benefit to them, and many of them will be more than happy to share that.

Tharpe said he would like for Farrar to get a handle on that. Farrar said he wanted to ask a couple of quick questions: one, he thinks it would be very helpful -- assuming this Board wants counsel to assume this role -- it would be extremely helpful since we have not had the opportunity to sit down and visit. He said he would like for us [referring to Berexa and him] -- if it is okay with the Board -- to sit down and go over several issues that we could report back to the Board on, as well as going over line by line the contract to be sure we know exactly what we are getting, if that is okay with the Board. He said if not, he understands, but if it is, he would like to do that. Chairman Hayes said he would like for Farrar to add the Chair to that, too -- Hayes would like to be a part of that. Farrar said that would be fine. Tharpe said he was leaning in that direction so if that can happen, that would be fantastic.

Yamada said for what it is worth, she wanted to jump in and say, as Tennessee residents, we understand the pressure that you guys are under and we understand what you are answering to. She said we are walking into this meeting with our eyes wide open and want to be a part of your team and want to be a pillar of support for Tennessee. She said she lives in Kingston Springs and whenever we left for breakfast, the first thing she said to Crawford was, she kind of wanted to call her city manager now and ask him about our coverage for Kingston Springs to find out what would happen in the event of an emergency, because she never even thought of that. She said we would be honored to be a part of your support team in any capacity.

Farrar said from Berexa's and his standpoint, we want to make sure you are going to be able to cover what we need to cover as a public entity. He said we do reports to the Comptroller and are considered a governmental agency. TCRS, the whole ball of wax, make sure that you can cover us there and that we know exactly what we are getting. He said he guesses you call it the engagement before the marriage -- to at least try to have an idea of what we are doing because he wants the Chairman in on it. Farrar said because he wants the Chairman to be very, very happy. Chairman Hayes said thank you.

Brundige said we have two different issues here: one is a proposal for services; the other one is a proposal for projects and stuff. He asked to clarify, "If we vote on them, vote on one and then table the other -- is that right?" Chairman Hayes said "Well, I'll tell you -- and you all tell me." Brundige said, "So they can get started." Hayes said, "So you we have got a couple of things that were on the table; there has not been a motion made by any, but..."

Brundige said he is talking about what we have got to do is maybe table the second one until we, Farrar and all of them can get together with you on the second proposal. Hayes replied, okay. Hayes asked Brundige, "So you are saying the one that you want -- that you would like to adopt page 1?" Brundige said right. Hayes replied okay.

Brundige said, "Because they need to get started on the employee handbook, the employee handbook, the performance evaluation systems; and that is going to take some time."

Holland asked will these prices change if we decide not to go. Yamada said if you decide to move forward with us with that second option, all of those projects would be included in what we would do for you. Yamada said we would get started right away either way. Telford said we will start

immediately on the HR functionality and then employee handbooks and all of those things. Yamada said right.

Brundige asked would the price change if we started right now.

Tharpe said if they can check into this and bring it back to us based upon the changes and the cost and the things that they feel like would be acceptable, then we can move on from there. Brundige said yeah.

Tharpe said let's give them room to talk about it and give Farrar room to see the contract and sit down and discuss it fairly and include the Chairman. Tharpe said he is going to put that in the form of a motion. Brundige seconded the motion. Chairman Hayes said all right; there was a motion made.

Holland asked to restate the motion. Chairman Hayes said there was a motion and a second. Motion made by Tharpe and second by Brundige. He asked if there was any discussion.

Holland said she would just like you to say the motion again.

Tharpe said the motion is for them to bring us information back in regard to expenses and in regards to the contract and what they feel like is going to be acceptable for PEP. He said we will investigate it and look at it and let Farrar and the Chairman take charge of that and bring it back and let us see where it is.

Holland asked, "That includes having -- discussing a point person for PEP that is not DeMore?" Tharpe said that would be part of the contract.

Dr. Martin told Chairman Hayes she was in hopes that this discussion between him and Farrar and Berexa includes the costs, the services, the contract, and the possible positions. Farrar said absolutely. Dr. Martin said she was good if you can get me details on those four things.

Berexa said it was her understanding just to be clear that they [ExodusHR] will not pick an HR coordinator or person that we will have in here; you just help us -- they will vet them and that sort of thing. Farrar said they will vet them. Yamada said you will make that decision. Telford said right, you make that decision; we work for you.

Farrar asked but you [ExodusHR] will help vet them. Yamada said absolutely. Telford said even if we had a dedicated employee that worked for us that was on-site a certain number of hours, the ones that we have done, even on that, the last word came from the client because they have got to be a fit for you on a daily basis, even though we vetted them and we felt it was great. He said under this scenario, they would be your employee working for you, doing what you need them to do.

Tharpe said, "And that is what you guys can bring back to us." Chairman Hayes said, "Bring back some options."

Holland asked do we have an employee handbook or an evaluation procedure. Crawford said we do have an employee handbook that is ten years old in October; we do not do employee evaluations.

Holland asked about a reward and incentive program. Crawford said we do not have a formal one. She said she does things on an ad hoc basis, but nothing formal that somebody gets something every month kind of thing. She said we only have 33 employees; there are some years we recycle and she thinks it takes away from the value in needing it.

Farrar asked Chairman Hayes if he wanted to be in with them when they meet with them the first time or did Hayes want them to meet and get all the information. Chairman Hayes said he thinks it can be a conference call, but let them talk about that in just a minute.

Chairman Hayes recognized Smith. Smith said before we vote on the motion, we are not unsupportive of it, but he wanted to kind of make his support known. He said he agrees with Mayor Brundige on the real critical nature of having somebody on the team, a full-time HR person that we can call this person a manager, director, coordinator. He said but he thinks it is so critical to have that person on your team, that your team knows, that they trust, that the chief -- that the President knows and trusts and somebody who goes to work every day and their mission is PEP. He said he thinks that person is so critical to have as a part of the team and he has learned, as a chief administrative officer, so many personnel issues get funneled through our HR department or HR director that he would not have a clue about unless they got filtered through our HR department. He said the other part of that is HR issues do not happen only 8:00 to 5:00 and to have that staff person that we can reach out to on the weekend or after hours is sometimes critically important when you deal with HR issues that are sometimes challenging. He said he understands the cost, and he has the same concern with the costs. But DeMore, fortunately, earlier said that we are in a strong position and Lay agrees. He said we have got other support positions with IT and finance and he thinks HR is every bit as important to have that on-site person to help us. He said he thinks we have got the funding to afford it; in fact, we are in such a strong position, the strong position makes us more of an HR liability. If something goes south from an HR personnel perspective, we have got those strong financial resources that could become a big target for us. He said he thinks it is so important to have that on-site HR person; HR is as deep and wide as you want to make it. He said when he first came to Greeneville, we really did not have an HR department; we hired a person – and it is kind of like PEP. He said they started the personnel handbook and that function; but really, the deeper you dig into HR and personnel issues, the more you realize you are at a liability for something; so it seems like the HR work never ends. He said so he thinks that on-staff person is really critical for us. Farrar said he agreed.

Chairman Hayes said he agreed and said we have got a motion and second and asked is there any more discussion. He said he will say that after they bring some things back, he thinks it is imperative that the Board members sit down and take a look at the employee handbook as well. He said especially, if it has not been done in ten years. He said he knows that one of the recommendations may very well be that they have some things to add or take away or to update, but he thinks the Board of Directors needs to understand the employee handbook, also if there is a performance evaluation system, etc. He said he thinks this would be step one of many steps.

Chairman Hayes said there is a motion and second and asked if there was any more discussion. There was none. Chairman Hayes called for a vote and declared the motion PASSED.

Farrar asked Chairman Hayes to clarify so there was no confusion whether Hayes wanted to be in on the meeting when they meet with ExodusHR the first time or when they did a follow-up after they had reviewed the thing. Chairman Hayes replied, "All of the above." Farrar asked Hayes "You want on the first one?" Chairman Hayes replied, "All of the above." Farrar said okay, that is fine; he wants to do it right. Hayes said he could do a conference call. Farrar said okay. Hayes said all right. Crawford said thank you all very much.

4. STRATEGIC BOARD RETREAT

Chairman Hayes called on Crawford. Crawford said at the Chairman's request and with the Board's agreement, they had evaluated opportunities of locations for the recommended Board retreat. She said the one that seems to be the best of opportunities, given the number of people that would be involved, would be to recommend Evins Mill, which is in Middle Tennessee right out of Smithville. She said as of two days ago, they rechecked their dates of availability which are listed for Board members. She said in looking at the menu, the room and the cost of breaks, they are looking at a little over \$6,000 to hold a one night-two days or a day and three-quarters, or a day and a half - whatever the Board chooses they want for a little over \$6,000.

She said she was able to locate a moderator whose name is Michael McCord. She said you all are very familiar with the National League of Cities -- he was with the National League of Cities program with the Mutual Insurance Company, the reinsurance piece of the business as their VP of finance. She said she has a lot of history with Mr. McCord as he and another consultant used to come once a year and meet with Lee Holland and her and a couple of other staff members for planning for the next year, that type of thing. McCord has spent four decades dealing with pools so he knows the industry, and he knows our business. She said she has reached out to him, and he would very much like to be a part if the Board chooses to go that route.

Chairman Hayes said Crawford and he had talked and there was not an agenda set up just yet, so any topics that the board would like to talk about during the retreat are open. He said you can contact him, Crawford, Berexa, whoever – it does not matter. He said we will take a serious look at putting it on the agenda and having a lengthy discussion. He said he wanted to make sure there has not been a retreat. He said we are striving to find out the mission, the goals that we set for a president, for our staff and how we want PEP to look the next five to ten years is critical. He said if there are issues that can be talked about and addressed through this retreat, this would be the appropriate time to do it. He said he is sure that when everyone gets there, they will have on their PEP caps because this is for PEP; it is not for him or Crawford or DeMore – it is for PEP on how we want this to look in the next five to ten years. He asked Crawford did she say 20 years it had been since we have had a retreat.

Crawford said no, she would not even call it one - just say we have never had one. Hayes replied okay, so this is the first. He said so we will hopefully set the bar high, and then whoever after me or this board can maybe have another one years down the road. He said he wanted to emphasize and asked Crawford to send to all the Board members a copy of the handbook, current handbook, for all of the Board members. Crawford replied she could and said we started about three or four years ago with another firm to update that handbook and that she could send that one was well. Chairman Hayes said whatever you have got. Crawford replied okay. Hayes said what you are going by. Crawford said we are going by a ten-year-old one, but we have one that has some adjustments to it and things that needed to be done and that she could send both if you would like. Hayes said just send the one currently that we are going after right now. Crawford replied okay. Hayes said the one that we are under right now, please. Crawford replied okay.

Chairman Hayes asked Board members to look at their calendars and referred to a handout that displayed the available dates for Evins Mill in Smithville, Tennessee in Middle Tennessee. He said October 6-8 is an available date; one is January 13-16. Farrar asked if he was talking October this year. Dr. Martin responded, “Of this year.”

Chairman Hayes asked Farrar if he had a question. Farrar said he was just trying to make sure he had the date right and asked if October 6 is Sunday. Crawford clarified those are just the dates that Evins Mill has available and does not mean it is a date we have to go. Farrar replied he already had stuff booked those days. Chairman Hayes said we are in the opening discussion and asked Farrar to give us just a minute here. Farrar replied all right.

Chairman Hayes said it appears, according to the availability, the first one looks like there are two days for the first date; the second date, January 13-16, obviously is three days; January 27-30 is three days; in February most days are open; and March 2-6. He said he thinks what Crawford was saying is the max would be three days, if we would even need that; probably be more like two days. He asked Board members if any of these dates were available and whether they still want to do this or not want to do this. He asked Board members what do they want to do.

Holland said she thinks it is a good idea, and she would not want three days but if we can get it done in two, that would be great. She said depending on what we want to do, probably the sooner the better, just depending on everybody's schedules. She said looking at the winter months, we don't ever know about the weather with people are coming different locations in Tennessee.

Farrar said the legislature will be back in session. Brundige said he could not come in October, the first of January, the 27th or the 16th of March. Holland asked to clarify Brundige could not come in October. Brundige replied no way. Farrar said he could not either.

Chairman Hayes said just as sure as we plan it, there is going to be six inches of snow on the ground and people are not going to be able to travel. He said he is okay going in March of 2020; at least the weather is broken there and we should not have any ice and snow. He addressed Crawford and said by then we will know some topics hopefully that we will be discussing.

Dr. Martin asked when is legislative conference. Morrell replied 16th and 17th. Tharpe said 16th and 17th would be good with me. Morrell said no, that is the legislative conference. Tharpe said March is not going to be good for him.

Lay said there is scheduling software that is free that you can list off the dates and everybody can go in and select whether or not they are available. He said what you may find is that there is no date where we are all here, but you might find one where there is a date where all but one or two of us can make it and that might be a preferred. Dr. Martin said send Google docs.

Chairman Hayes addressed Crawford and said he wants to revisit Gatlinburg because these dates just may not work and if you want general counsel there, Farrar is saying October cannot work. Dr. Martin said Tharpe was saying March. Chairman Hayes said Tharpe is saying March, early March is not going to work so we just need to get a little more information. Crawford said we will come back with some more options. Hayes asked in December. Crawford said yeah.

Farrar said he will see if January or February works because he will have his team on the hill if there is something going on lobbying-wise for Public Entity Partners. He said we will have it covered and will make sure whoever has a bill that is negative, they will roll it for us.

Chairman Hayes said he made a mistake and did not know if it was March; he said February most dates are open. Tharpe said if it is the last part of February, he could do it.

Chairman Hayes called on Smith. Smith asked could we use Lay's idea and send out this scheduler and then once we get everybody on the same schedule or couple of schedules, we could schedule. Hayes said sure, he was just trying to briefly go around the table and look at some dates that would help out a little bit. He asked about the last week in February.

Crawford said we also traditionally have a Board meeting in the second half of February, if that is something we wanted to do combined. Holland said she thinks that is a great idea. Crawford said that would save a trip. Chairman Hayes said the last week of February; he has not had any objection yet.

Chairman Hayes called on DeMore. DeMore asked who all did the Board want to be in attendance at the retreat, for clarification -- just board members? Hayes said he thinks that is some more thought that he was going to get with Crawford about. DeMore replied okay.

Chairman Hayes said just thinking off the top of his head -- the mediator; these department heads on where their departments need to be next five to ten years. He said it is a strategic plan for PEP and everything in it.

Dr. Martin said that is a very valid point because the City of Columbia has strategic planning, and we do two days; the department heads do get to come in and brief us.

Chairman Hayes addressed Lay and said if Lay wanted to send out some dates, it is looking like the last week of February -- nobody has objected to that. Crawford said she could send an email in the morning. Hayes said okay, that is the way it is looking.

Lay said he was just going to ask, "Every one of us have a Board meeting or some kind of meetings. In Livingston, yours are on what days?" Chairman Hayes said first Monday of the month. Lay said Spring Hill's is first and third. Tharpe said first Thursday. Dr. Martin said mine is first and second Thursday. Brundige said first Tuesday, second Monday. Holland said second Thursday. Chairman Hayes said that last week of February is looking good. Lay said that makes it that more challenging because the only day that we did not mention was Wednesday and Friday. Hayes said you have got to be there for your board meetings. Lay agreed and said you have got to be there for your board meetings, so that just makes it challenging.

Chairman Hayes addressed Crawford and said hopefully, maybe by the December meeting we can have an agenda, a penciled-in agenda. Crawford said she also has a document this is an expanded version for those of you who went to the trustee's conference in May and went to the new member orientation. She said there were a couple of pages of points and questions and things to learn about an organization and goal setting and those types of things, and there is actually a more robust one of those. She said she would be happy to send that out to everybody that might help stir some thinking in addition to the "where are we going to be in five, ten years," that type of thing.

Chairman Hayes said we are close to the end and asked if Board members needed to take a five real quick.

Holland asked if TML was going to be included in the retreat. Chairman Hayes said he thinks we are going to have that discussion, and right now there is no agenda. He said we know what we kind of want, but he has not sat down with Crawford to tell exactly what we want. He asked Crawford if he was right. Crawford said yes, it is whatever the Board would like to do.

Chairman Hayes said he wants to open the invitation out that anybody that wants anything on the retreat to please email him, Crawford, or whoever you want, and we will take a look at putting it on there.

Farrar asked to confirm that Chairman Hayes will send the instruction whether he and Berexa are supposed to be there or not. Crawford said she thinks counsel should be there. Chairman Hayes agreed. Farrar asked Hayes, "You will email it to us and we will go from there?" Hayes said yes, probably. Farrar said he was going to tentatively mark it out.

Chairman Hayes asked Board members if they wanted to take a quick break or to roll on. Brundige said roll on. Farrar said roll on. Dr. Martin said roll on; if they want a break, they can.

5. DATE OF NEXT MEETING

The date of the next meeting was suggested as Wednesday, December 11, 2019 at 8:30 a.m. at PE Partners' office in Brentwood, Tennessee.

Chairman Hayes said the date for the next meeting is going to be in December of 2019 and asked Farrar if that is the date of his Christmas party as well. Farrar said yes sir. Hayes said okay.

Both Crawford and Chairman Hayes said that is also the ribbon cutting of the new building.

Farrar said everybody will be invited; he said he wants everybody to bring their spouses, whatever, to the party. He said it will be a nice party.

Chairman Hayes said okay, so December 11th is the next meeting. He asked Board members if everybody is okay with that.

DeMore asked if that will be at 8:30. Crawford said traditionally, that meeting starts at least an hour earlier because of the timing for the Christmas lunch. Farrar said we start at 11:00 on the lunch.

Chairman Hayes said this is the long one. Crawford said this is the long one and asked Chairman Hayes do you want to do the department reports again at the December meeting. Brundige asked can we just send them out in email. Farrar said yes, he was wondering that, too. Crawford said we could do that. Farrar said then if somebody had questions, we can ask them. Brundige agreed.

Chairman Hayes said he thinks it was discussed they would want to do every other time. Farrar said okay. Hayes said he thinks what we are saying is, we will see them in February about strategic planning, more than likely. Brundige said he thinks they still need to do a report, though, because you are looking at three months down the road. Farrar agreed.

Chairman Hayes said okay, they can do an email report and be in person every other meeting. Crawford said the September and February meetings. Chairman Hayes said that is right.

Farrar asked Crawford to put us on that list just so we are in the loop at the law office on the reports that they email out. Crawford said you get them every time. Chairman Hayes said okay. Farrar said okay, all right; this was the first time. Hayes told Farrar that means open your email. Farrar said he was the last one in his office to get a computer.

Mahery addressed Crawford and said Morrell and she did not get them. Chairman Hayes said okay, all right. Crawford said she would add that to the distribution.

6. OTHER BUSINESS

Chairman Hayes announced other business and called upon Crawford.

A. Crawford directed Board members' attention to a one-page update in the Board book about the new office building. She said the new projected substantial completion date is now December 3rd. She said at the ribbon cutting, we obviously are not going to have all the furniture in at that point, but it will be to the point where everybody can go through and tour. She said hopefully we will be on a punch list at that point and having some furniture delivered as we start the moving process hopefully in December; hopefully, there are no more delays. Chairman Hayes asked DeMore if he had a pickup truck.

Crawford said the furniture in this building is pretty much 30 years old and we will be getting new furniture in the building that we have talked about before. She said we have found out in our research is that there seems to be a glut of used furniture available and that we are not going to be able to sell the desks, credenzas, bookcases and stuff here.

DeMore said just recently there is one company whose founder is interested in looking at it. Crawford said should this company not come through and want to purchase our furniture, we would like to open it up to local governments, to city members that might need or have use for the furniture.

Dr. Martin asked if she was going to put it on gov.biz. Crawford said no, we will just get the word out. Dr. Martin said okay. Crawford said she thinks the Board would probably have first choice. Dr. Martin said okay.

Tharpe asked do you have anybody that is going to lease downstairs, or is that being advertised right now. Crawford said we do not have anybody solid yet. She said ExodusHR is interested in talking about leasing that space because they also want to have a training center and their lease there in Maryland Farms is opening up. She said she did not know that when I first interviewed them; it was a couple -- it was like on the third meeting that they said, "Do you have lease space?" She said but no, it

is not specifically spoken for at this point. Chairman Hayes said all right.

Lay asked will you have an opportunity to move your stuff into that and maybe it is more occupied and use some of your old furniture there. Crawford said we are going to leave it in its raw state at this point. She said we are not even going to have walls put up because somebody could lease part of it, put it into two parcels, or somebody could lease all of it -- not until we know what a particular tenant's footprint wants to look like.

Chairman Hayes asked Crawford if she had something else. Crawford said she did. Chairman Hayes added if anyone wants to go out there today, Crawford has agreed to take us out there if you want. He said he knows it is a long meeting and people are ready to get out of here, but we are going. Crawford said we have hardhats if you would like to go.

B. Crawford said she wanted to give an update to the Board on what we have done from a leadership team-building and communication standpoint in the last 60 days since our meeting in July. She said we have implemented a once-a-month mandatory management meeting because, as we all know, the expected seems to fall apart and we were not getting consistent meetings. She said the first Tuesday of every month we have mandatory management staff meetings and added that people, such as DeMore who was on vacation for the first one, called in to attend by phone.

Crawford said minutes are being taken at those meetings, being produced, and shared back out among management staff. She said we had a meeting where basically she said to the managers we need to look at the elephant in the room and figure out where we are -- we need to figure out where things are broken and how we are going to fix them. She said we received consensus that we all need to refocus our attention on more positive attitudes and actions for staff and the members and have established a voluntary small group to work on a vision statement that the department heads as a whole will finalize.

She said we have discussed additional opportunities to enhance communication, including she has asked everybody to look at their calendars and give me one day a month that gets etched in stone, that she has a one-on-one with each department and department head. She said we have emphasized we would like to have more ad hoc meetings and one of the things that has been an issue is people get regimented in their schedules and do not have time for the ad hocs. She said we are all in agreement that we need to adjust our schedules to make time for each other and for the team as a whole and so we have that commitment from staff. She said she did lay out expectations as far as respect and teamwork and, again, everybody is in agreement that is part of the refocusing. She said she is working with a professional coach on a program for the culture enhancement or enrichment, to bring our culture back to where it was before and everybody working together and having something in front of all of us that we are striving for. She said so as she said she is looking at an independent coach to bring in there.

She said something she has not mentioned to the management staff as of yet because she wanted to see the results of the Board's strategic plan is, after we have our Board's strategic plan, then to have a management retreat to plan on how we are going to go about carrying out the objectives that come out of that Board retreat. She said we have been quite busy, making headway, and she wanted Board members to know that she took their recommendations very seriously, and we are implementing as we go along. She said it is like a steamship -- you cannot turn it around overnight, but we have made a lot of ground in 60 days and we are going to keep going. Chairman Hayes said good.

C. Crawford addressed Chairman Hayes and asked him if he wanted to do an intro. Chairman Hayes said yes. He said many of you have probably received this email, and we will be able to talk about it in discussion here in a minute, if you want to. Brundige said he had not seen it.

Chairman Hayes asked to let him read it. He said it was an email that was sent out on Saturday, September 7th and as Chairman of the Board, he got one but did not know who all got one. He said he

feels that he has a fiduciary responsibility to at least read the report to the Board members. He said it says it came September 7th at 4:00. He said he was playing golf that day by the way. He said it came to: THARS@bellsouth.net; Subject: PE Partners. He then read aloud the email as follows:

"Concerned citizens are calling upon you to act in the best interest of people who depend on the services of PE Partners and the taxpayers who fund PE Partners. PE Partners needs leadership who are concerned more with providing services than getting wealthy. Not a director making over \$700,000 on the backs of small and poor cities. Not a director who does not lead the organization. Not a director who the board has not seen their compensation contract. Not a director who takes a quarter of the year in vacation. Not a director and counselor who may violate open meetings law. Not a director whose bonus is linked to building unnecessary reserves rather than to performance. A director willing to build up their employees and support the wonderful public servants that have dedicated their lives to serving the Tennessee cities. A director who would treat complaints especially discriminatory in the same manner that PE Partners would advise its members. A director who would seek impartial counsel. Counsel who is not also PE Partners' lobbyist and defense. A director that would return greater dividends to members. Your action in the next board member is requested."

Chairman Hayes said it does say "member" and said he is assuming it should be "...meeting is requested." Hayes said attached is an attachment, and it has got a lot of numbers on it. He read from the attachment, "The figures on this page are taken from the annual report filed with the state of Tennessee for Public Entity Partners." Hayes said that is what it is getting.

Brundige asked who sent this.

Chairman Hayes said he was telling Board members what he got. Lay asked Brundige if he got one to which Brundige replied no. Tharpe said he did.

Chairman Hayes asked if any other board members got one and then acknowledged that Mahery and Tharpe got one. He asked Smith if he got one. Smith replied he did.

Chairman Hayes said as soon as he got it, he did not call Crawford on Saturday because he did not want to mess up a Saturday. He said he called Monday morning and sent her and Farrar a copy of this, and talked with Crawford later on that afternoon. He said he had a Board meeting on Monday night and had to concentrate on the Board meeting and thinks they talked again Tuesday or Wednesday – he was not sure. He said he told Crawford he was just going to bring this up to the Board. He said he was not suggesting that Board members take any action and was not encouraging any action. He said but he thinks as Chairman of the Board he had a responsibility to bring it out today so if there is any discussion, please carry on.

Brundige said if someone did not sign it, it is a bunch of trash that should be thrown in the trash.

Holland asked Crawford if she makes over \$700,000. Crawford said yes, ma'am; it is not all in salary. Crawford said she would like to explain that when Board members allow her to.

Chairman Hayes said in his opinion, trying to fix the HR hopefully will fix some of these things. He said Crawford and he have had conversations back and forth about a performance evaluation. He said he personally quit doing them himself for the City of Livingston because they never were filled out accurately and it could be held against you in a court of law if it is not done accurately; so personally, he quit. He said, of course, Tennessee is an at-will state so counsel just advised us to terminate and move on.

He said but, you know, a performance evaluation of our executive director may be something that we need to talk about at our retreat when we have that in March. He said maybe being a little bit more accountable, maybe to the Board of Directors. He said he was not saying that Crawford has anything to hide or anything like that. He said that is not his purpose of this at all; but he thinks -- his opinion

of some recent remarks and complaints that we have had -- he thinks that it is important that we have a little accountability of our executive director.

Hayes said he is not saying we need to strip the person of any authority or anything like that, but there has to be -- he feels like there needs to be a mechanism in place or that there is some accountability to the public and to PEP. He said he was doing a lot of talking, he guessed because he is the Chair, but all of us go back to our cities and our place of business and work to run their own business, to run their own city. He said to be quite frank, he does not -- and he does not know about all the Board members -- have time to be micro-managing PEP; and nor does he want to micro-manage PEP.

He said but when there are problems, alleged problems that arise that he thinks that they are -- again, going back to accountability and maybe talk about some performance evaluations. He said but as you see some of the issues, I do not know if you have the paperwork or not, but they are talking about making \$700,000 a year, which is a lot of money. He said he thinks that probably does focus with the Board of Directors having a little bit more accountability of the executive director or the president of PEP. He said that is a lot of money, and he has no idea. He said he thinks Crawford is going to address this here in just a minute. He noted that Crawford also has her attorney here. Hayes said he has no idea if Crawford works every day or half days or -- he has no idea, and he does not think none of the Board members do either. He said he does not think that we have ever tried to micro-manage Crawford or PEP.

Crawford said she can answer that.

Chairman Hayes said he knows she can. He said but he thinks that sometimes when there's smoke, there's fire. He said maybe not, but he has not asked Crawford to leave the room because he thinks it's important that she hears these things. He said folks, we have got some disgruntled employees, and we have got some people that are upset and that it started with a letter. He said he thinks several Board members have had visitors come to them personally and talk to them. He said a thing that worries him is he does not know who else gets the letters and he does not know who else gets the emails. He said so as a fiduciary responsibility, he is bringing this to the Board. Hayes said so when -- afraid, not "if" -- media -- because he knows they do believe in fake news, if it is fake news. He said he has been a victim of that himself, but if they were to get a hold of this, who knows what kind of rumor it would be. He said so he wants to be able to say as Board Chairman that he has brought these things up. He said he will agree with what Brundige says and according to Crawford -- he has not done any research -- but this THARS@Bellsouth...

Crawford said to Chairman Hayes that is actually his (referring to Tharpe). Chairman Hayes said oh, okay; so but, anyway, there is no other name on it and he did not know that.

Crawford referred to Tharpe and said she would assume because he forwarded it probably to the Chairman. Chairman Hayes said Tharpe did not forward it to him.

Crawford said the original email is from PEPartners@protonmail.com and it went to -- it has got your (referring to Tharpe) email address in there, but the others must have been hidden or something. Tharpe said it went to him, and he did not know where it came from and did not have any idea and did not know what is going on.

Chairman Hayes asked Board members to tell him what they wanted to do. He asked, "Do you want to talk line-item by line-item with this? Do you want to let it go?" He said again he just does not know where these emails are going, and does not know who they are going to. He said he thinks that we must be on guard because we are liable to walk out in the parking lot and there be a microphone and a camera shoved in your face. He said he hopes not and he was going to stand behind Farrar. Farrar said, "Russ [Farrar] is going to fight you, Mr. Chairman."

Chairman Hayes said he thinks there are some things that we probably do need to take a look at, and

he thinks Crawford was willing to address that. He said he has been on the Board several years and he has never personally seen the contract with Crawford. He said he did not really know if we even had one, so obviously somebody did. He said we have asked for salaries before, so he did know that Crawford was making that kind of money.

Brundige said of course, you saw that in the last meeting. Crawford said the June meeting. Chairman Hayes said yeah, well anyway, he was just telling what had happened.

Holland addressed Chairman Hayes and said when she was reading the minutes for the June meeting - - and she was not a member of the Board at that time -- but she thinks she remembered Hayes asking for a printout of the salaries. Chairman Hayes said he did. Holland asked do we have that.

Hayes said Crawford gave him one about six months ago and asked Crawford is that right. Crawford told Chairman Hayes you asked for it, and she gave him a copy, yes. Chairman Hayes said but he does not think the rest of the Board members has them, but he can make sure, working with Crawford, that they can have one by next Monday or Tuesday.

Crawford said it is a matter of public record. She said if you go to the Comptroller's website and look at our audit report, is it fully disclosed for every employee in the back of the audit report. She noted that what you would look for is under our old name, TML Risk Management Pool and if you try to look for Public Entity Partners, you would not find it yet.

Lay told Crawford she could probably make it easy in a way; maybe she could just get it to the Board members by email. Crawford said she would be happy to do it by email.

Chairman Hayes said he thinks what we are looking for is each employee that is working for PEP, everybody that has a contract for PEP, and what their annual salary is and email that out to all Board members. He asked is that right. Crawford said she would be glad to.

Chairman Hayes said, "Okay. Go ahead -- the compensation contract. I do want to talk to -- can you give me a Cliff notes version of what the contract says?" Farrar asked to clarify her [Crawford's] contract. Hayes replied yeah.

Farrar said, "Basically the Cliff notes version is it goes through the beginning, explaining that she had been -- this was entered in 2010 -- explaining that she had been here for 22 years and they wanted to put something formally in place." He said they entered a three-year contract, which is to be extended one year for every year notice is not given. He said, "So the way I interpret that is, let's say, that you've got some from 2010 to 2013. You don't give notice in 2010, then it starts running from 2011 through 2014." Farrar said he thinks the minutes in June went through those on salaries and contracts; but anyway, that is what it says. He said, "Then it says if it's terminated before its expiration without just cause, the President/CEO is compensated at the rates in the agreement. And then I guess the really big clause is this -- it says: 'The President/CEO shall be provided with the same salary, benefits, and other compensation that has been paid to the former President of TML already paid.'" Farrar said that is from Lee [Holland] and then Crawford. Farrar read, "Including investment commissions currently shared with the executive vice president and which may be adjusted from time to time by the Chairman of the Board in consultation with the President/CEO."

Farrar said then it tells what the benefits include as reasonable and customary compensation, and again, it says her compensation should not be less than what was paid to the prior President. He said then it just says that everybody accepts that, and it was voted on. He said he did not have this in front of him, but it was voted on by the Board; he remembered that from being here. He said Tommy Green was Chairman of the Board and signed the contract as Chairman of the Board, and then Crawford signed and then Bones Seivers signed it as attesting to it. He said that is the Cliff notes version.

Chairman Hayes asked, “When was that -- is there a date on that?” Farrar replied January 2010.

Chairman Hayes told Tharpe, he guessed Tharpe might have been on the Board then. He said he did not think anybody else was on the Board and did not think he was.

Tharpe asked, “But it was approved?” Chairman Hayes said oh, yeah.

Farrar said yes, all those are in the minutes. He said he made very, very sure that all this was brought to the Board and voted on at the time, and, in fact -- he could not remember exactly -- he knows that Crawford went over in June the contract -- the contracts Farrar had, including the amount and the rollover period on them; and hers has a three-year instead of a five-year contract. Farrar said that -- again, it rolled -- the way he interprets it; he feels very certain he is correct -- it rolls over. He said it is not just adding a year to the end of it; it rolls over where it continues three years. He said if you do not give notice, you get three more years.

Brundige said it was set up just kind of like Bones' contract was. Farrar said right, so we are rolling.

Chairman Hayes asked Farrar, “Where are we at in the contract -- where are we at? Are we in the middle of the contract year? Are we at the end? We at the beginning?” He said because you have to be somewhere.

Farrar said this says that you have to give notice. He said the contract took effect July 1, 2010; it was entered in January when the Board appointed Crawford as President-in-waiting or whatever you want to call it. He said the effective date being July, then there was no notice given, so basically you are in the middle of the first year, and you are going to have to give notice by January 1 of this coming year, which would then leave three years on the contract. He said that is the way it is set up, so it rolls over.

Chairman Hayes asked Farrar, “So you are telling me we are in the final year of her third year, because you are saying January 1st?” Holland asked is it year by year. Farrar said it rolls over.

Chairman Hayes said year by year; he thought it says years. Farrar said no, it says with the passage of each year, if you do not give notice, you add another year to the end. He said so on this one, if you give no notice, it goes from that second year that -- or the first year is there; you do not give notice, then you are back to a three-year contract. He said once you give notice, the three years starts to run and will end at the end of the three years. He said that is the way he read it, and he thinks it pretty well tracks what Bones had with the Bond Fund.

Holland said to clarify, so every year if there is no notice that she [Crawford] is leaving or whatever, then from what Holland understands, the Chairman and the Bond Fund -- or the PEP -- director/CEO get together and they decide what the salary is going to be based upon.

Chairman Hayes said by the Board, he took it. Farrar said yeah, by the Board.

Farrar told Holland she was right, except for one thing -- he does not think it mandates that they do it -- it just says that the Chairman and the CEO have that ability from time to time; he thinks that is the verbiage used in the contract.

Holland asked so how does it go from the first number she sees here 541, 251 -- how does it go from there to 717 in June 2018. She asked does that mean in 2012, Crawford's salary would have been 541. Farrar replied uh, huh. Holland asked to clarify, “But the Chairman and she [Crawford] got together and decided -- well, I think it went down that year.”

Farrar said the best he can explain -- and he is not the compensation expert -- the best way he knows how to explain it -- number one, he is giving Board members his best interpretation as it was explained to the Board in 2010 as to the rollover on the contract. He said he can tell Board members this much:

it has to do with some kind of investment points that Crawford and Lee [Holland] were splitting at the time. He said then this contract says that she can get all of the points that they were splitting; he thinks they were getting eight a piece, and now she can get 16.

Lauderback said he would like to take a swing at that answer. He said he could hopefully give Board members a Cliff notes version. Farrar said that is fine. Lauderback said he was going to jump ahead to members of the Board to 2016 – that is a hard number he has. He said Crawford’s actual salary is \$225,000 that year and he will explain the difference in just a minute.

Lauderback said in 2017, her hard salary was \$234,000 by the Pool at that point; in 2018, it was \$243,000. He said, “So why the difference, right?” That is the obvious question. Farrar said right, that is the first question. Holland replied yeah.

Lauderback said Crawford has bonus incentives on investment returns. He said if you hire the investment – we heard DeMore's financial report talking about the investments and we heard excellent questions from the Board asking about investments. He said if you hire an outside brokerage firm to take those investments, they are going to earn a fee, ball-parking -- and we have some slides, if you want to see them -- but ball-parking double, if not triple, the amount that Crawford makes for investing that. He said those basic points, those returned interest rates, if you will, are based on – that is in her contract and that has been approved by the Board going well back to Mr. Holland's tenure. He said there has not been any increase whatsoever for Crawford in terms of her position as CEO from what Mr. Holland had access to originally. He said the only difference, however, is that when she was Executive Vice President and under Mr. Holland, he split them with her; so when she was Executive Vice President, she had eight basis points and he had eight basis points. He said in this current contract, which again has been approved by the Board for many years, she has the 16 – that is the difference. He said if she was not making that difference, PE Partners would not be making the revenue it did because the brokerage firm would be earning that – that is the difference. He said so her actual hard salary paid by PE Partners for 2018 is \$243,000.

Lauderback said whoever authored this just ridiculous, frankly, email knows this. He said they go to the site; they know it. He said whoever decided to author it, they know it and they did not tell you the whole story. He said they know she did not take a quarter of a year vacation. He said we have got documentation, and there is software that tracks documentation for every employee; that is not even close. He said and this is -- if you look at that slide – she is not even second or first on the number of -- and, frankly, none of those weeks of vacation for any of those people are outside the realm of reasonableness when you consider 25 years' tenure. I'm not sure.

Crawford said 31. Farrar said 31. Lauderback said 31 years' tenure; taking a month of vacation is not outside the realm of reasonableness. He said he did not care what corporation you are with. He said there is other just clearly blatantly purposefully incorrect statements in that email. He said let him go back to the Open Meetings Act comments -- that shows either willful ignorance of the law or an outright ignorance of the law. Lauderback said your general counsel is as good as it gets; you are not going to find a better one – you are not – he [Farrar] knows what the Open Meetings law is. He said frankly, if he [Farrar] wants to talk to Crawford at the county fair, in the Board room, in her office, over the telephone, that is not a violation of the meetings law any more than it would be if he [Farrar] wanted to talk to any one of the Board members on an individual basis, if he wanted to talk to the Chairman on an individual basis. Lauderback said you are going to do that when you get into the situation of the HR firm – that is not a violation of the Open Meetings law. Lauderback said this is a lot of smoke -- there is no fire – and he urged Board members to get the bucket out and throw it on the fire.

Holland said she had no problem with this; she understands people apparently get things incorrect. She said she guessed she is astounded that after bonuses and everything that somebody is making over \$700,000 – that is \$59,000 a month. She said you know, there are a lot of people in her town that would love to make that in a year. She said that is a drop in the bucket to this salary, and she did not

know if it can be redone so that the points can go to the cities or some other incentives.

Chairman Hayes said he thinks what he is hearing Board members say here – he does not want to put words in their mouths, and our counsel is at the table, if -- this board, he would think, has the authority to reconstruct the contract of Ms. Crawford, if we want to give the proper notice and things like that. He referred to Farrar and Berexa and asked if they could speak to that because he thinks what from he is hearing -- and he is not hearing from everybody -- the \$700,000 is what kind of hurts just a little.

Holland said she thinks when people know that, she thinks it is going to hit the fan. They are not going to understand the points; they are not going to understand bonuses.

Tharpe said he was Chairman somewhere in between here, and he did not know the salary had got to that amount, but these are investments that you are dealing with. He said it could have gone either way. Holland said yeah, and it showed it did go down one year.

Tharpe said, “Yeah, it could have gone either way. And the other side of that is, you know, of the 16 basis points – that’s what was written in the contract. So it was in the contract. It’s not Dawn’s fault; it’s the Board’s. And we approved it. So even though that is -- and that’s public record.”

Chairman Hayes said he would note that he has never seen the contract. He wanted to be real clear on that. Tharpe said well, he understands that.

Chairman Hayes said, “I’ve never seen a contract. But when you say that we approved the contract, I personally never seen a contract. Now, ignorance on my part for voting on something maybe that I have never seen.”

Farrar said it was voted on in 2010. Chairman Hayes said he was not here in 2010. Farrar said okay. Hayes said nor was anybody here.

Tharpe said, “And see, that’s the way of the Board. You know, you -- sometimes those things -- when you have people coming off the Board...” Chairman Hayes said, “Absolutely, I understand.” Tharpe said, “...things are going to get lost in the track of what’s going. Okay? That was in 2010. But at the same time, we went through those months. And what had happened, had happened.” Tharpe addressed Crawford and said, “And the vision of that was, Dawn, you and -- what was --?” DeMore said, “Mr. Holland.” Tharpe said, “Mr. Holland, you all split that before.” Crawford replied yes, sir. Tharpe said his only question at this moment, “Why wasn’t it the same split with Charles [DeMore], you know?”

Crawford said, “Because when Mr. Holland was here, he and I truly did split the duties of managing the portfolio. It wasn’t just an amount of the money that went with the title. As we’ve talked about and you mentioned again today, we need to find somebody who can back me up and take on those duties part time with me as well so that, if I got hit by a Mack truck somebody could carry on. And that would be split.”

Tharpe asked Crawford, “But that was the concept that you and Lee [Holland] were promised then?” Crawford replied yes. Tharpe said that was his question, and that is why he is raising this back up to the Board, because the investment part of PEP -- and this is from being on this Board -- is a value that that has to be guarded daily, weekly, nightly to make sure that things are done the way they should be for investment purposes. He said if it is going to make money and the money that is there is going to grow, you know, these are the things that we value. He said he can say -- and you know it is true -- as an accountant, which she is, Crawford is good; you are seeing finances right now. He said this did not start in 2010. He said she has been doing it for a long time. He asked Crawford how many years now. Crawford replied 31. Tharpe said 31 years; and we value that.

Tharpe said she knows this portfolio like she knows the back of her hand. He said you pay for what you get; for people to understand that, it is hard to explain. He said well, that is something this Board has to address until we understand the process and see what you want to do to make it different – this is public record.

Tharpe said, “Now, I don’t know who sent me this, you know. I could look up these salaries on public record if I wanted to, which I have no use of doing that because I am here to support you. I know what’s going on. I see the value of what it’s doing for cities. But as far as what Dawn’s [Crawford’s] salary is, I didn’t have a clue coming back on the Board what it was. But I do know this – I can look at these investments and I can look at the financial sheet and the things that are going on financially. It’s solid.”

Brundige said, “You’re going to pay some...” Dr. Martin said, “That’s what I was going to say -- you’re going to pay somebody. Investments have a cost, and we at the City of Columbia hire an outside trust fund and we pay them to invest our money. So this Board is going to have to decide if you’re going to pay Dawn [Crawford] to invest the money, you’re going to pay Dawn [Crawford] and Lee’s replacement to invest the money or what you going to do. So it’s either going to come in to a person here, or it’s just going to go out to an investment firm. These dollars are not made by somebody throwing their hands up in the air.”

Chairman Hayes said, “So let’s think outside the box. And someone can tell me, ‘No, this wouldn’t work.’ If we hired a President/CEO or Dawn [Crawford] and we pay her \$500,000 a year and it’s part of her job description would be this investment -- why couldn’t we do that.” Dr. Martin said you can do that – that’s the Board’s decision.

Chairman Hayes said, “My point is this: I understand the numbers that we’ve got. I have no idea where the numbers come from that it showed that we’d be paying somebody \$450,000 or \$240,000, whatever it was. That’s the first time I’ve seen that. But my point is, if the Board – if the Board wanted to sit down and renegotiate the contract, you could put that salary at whatever you wanted to put. And it would be, period -- and include the investments.”

Brundige said, “Yeah, but you’ve got a three-year period on that that you can’t do.” Chairman Hayes said, “Well, I know that, Randy. I know – I’m well aware of the contract. Our counsel just explained it to us.” Holland said that was year by year.

Chairman Hayes said let him ask counsel again, “How far are we in the contract of Dawn Crawford?” Farrar replied, “In my opinion, the contract would have started the next three-year period in July 2019.” Chairman Hayes replied okay.

Farrar said, “So you are three months into it and you’re going to have to give notice by January 1 of 2020 before then if you want out of it. And then she finishes up two and a half more years after that under the terms of the contract.”

Tharpe said, “Now, that gets to another thing – Ms. Dawn [Crawford] may not want to do that.” Dr. Martin said exactly. Chairman Hayes said that is right.

Tharpe said, “So that leads to another conversation, and that’s going to be a negotiable thing. So, you know, that’s where this is going to lead to, and we don’t have a strategic planning meeting until February or March. So I’m...” Dr. Martin said, “The last week of February.”

Tharpe said, “So I’m looking at – I’m sitting here and I’m listening to this, where are we going with it?” Holland said, “Well, we do have a board meeting in December.” Tharpe said, “Yes, we do. Well, somebody better start negotiating with Dawn [Crawford]...”

Chairman Hayes said, “Well, I don’t...” Tharpe said, “...under those conditions.”

Lay said, "So even if we issued a notice, that doesn't mean that we wouldn't have a contract with the same – with the same or similar terms going forward." Tharpe said right.

Lay referred to Crawford and said, "Even if we wanted to issue the notice in December, that's -- we still have two and a half more years on your existing contract. And it's not saying, oh, by the way, better start looking for a job, you know, because it's going to expire."

Tharpe said, "But the pay is going to be the same." Lay said, "The pay is -- and I think our board is -- that is the contract that this Board has inherited, and that's the area that we're under. We're needing to look at what's the long-term future. And if we look at it and go, you know what, we've got the best deal around, we want to continue that deal or we want to modify it in some way that everyone knows what it is we're doing and why we're doing it, then we have that opportunity. But we don't have that opportunity if we don't at least issue a notice by that time."

Tharpe said, "Okay, this is one thing, if we want to discuss this, we're going to have to go in executive session. That's all there is to it at this point. I'm just being – Mr. Chairman, that would be the right thing to do. She's going to have to be dismissed."

Lauderback addressed Chairman Hayes and asked to make a point of interest. Chairman Hayes replied yes. Lauderback said another issue that must be considered is the basis points. He said if there is going to be a renegotiation – he is not saying there is or is not – there is going to be major tax ramifications with that. He said he does not know what they are – he is not an accountant; he is not a CPA. He said but that those basis points, those investment points are going to go somewhere to somebody because they were set. He said so this isn't just something that you take up today and then - - and you are highly educated individuals. He said he doesn't even want to begin to add up the centuries -- no offense -- of the education in this room and experience, but you unless you are basically a Ph.D. investment/MBA-type of accountant, these are difficult, difficult tax ramifications, even on an individual basis on behalf of Ms. Crawford.

Dr. Martin agreed. Tharpe said that is why we need to discuss it.

Farrar addressed Chairman Hayes and said, "Mr. Chairman, I do think you ought to let Dawn [Crawford] and her attorney -- before we go into executive session -- let them finish up saying anything they want to say before we go into executive session."

Lauderback said yes, if we can do that, yes. He said we have showed you the vacation slide -- showed you the meritless attacks from this email. He said let me go back very briefly tell you a little bit about the server, where this came out. He said this is a company out of Switzerland that puts together these encrypted emails; they are very, very difficult to trace, if not impossible – you are talking about high-level Stanford, Harvard graduates who put this company together and moved to Switzerland. He said they are they can avoid EU subpoena power; they can avoid United States subpoena power.

Lauderback said so if you want to hide something, if you want to do something sneaky, you want to do something illegal, you go through Proton email; it has been around since about 2014 – that is the way you do it. He said whoever put this together knows that and they know there is an illegality involved, not against necessarily this Board, this company, but it is completely libelous when it comes to Ms. Crawford. He said we know -- we can prove there are untruths in this email.

Lauderback said, "If this Board goes and starts altering the financial obligations to Ms. Crawford, now you're talking about a tortious interference with business relationships claim. Before we get into any more slides, I strongly, strongly urge and request this Board to consider getting with Mr. Ponessa, your IT, in-house IT person, and seeing if there is a way to track down who sent these emails and find out."

He said if it is in-house, bring them before the Board and ask them, “What are you thinking, why in the world would you do this and subject this Board and PE Partners to potential liability?” He said if it is out of house, find out. He said he strongly urges this Board -- at the end of the day, these emails and these attacks, individual attacks, have to stop. He said he means, we – you cannot -- you cannot keep going with business as is when it is not business as is, when it is personal and it is attacking staff, anonymous or direct. He said and he urges this Board to do something at the end of this meeting to try -- give your general counsel and your IT folks a chance, an opportunity to try to track down who sent this email. He said he does not think you can, but he sure would like to, on behalf of PE Partners and its members and citizens, try to find out who is perpetrating this fraud against you. He said he has talked about the general counsel/Open Meetings Act, and he does not want to go into that much, much more than just to say it is blatant...

At this point, Preece disconnected from the telephone call and left the conversation.

Lauderback continued by saying it is blatant propaganda and fabrication. He said you have got somebody that does not like your general counsel, and you have got somebody that does not like Crawford. He said it is not hard to read between the lines here, whoever it is.

Tharpe asked, “Was this – this is not the first one?” Lauderback said correct. Tharpe said, “And it looked like this is, for me, the first one that was sent out, so...” Holland asked, “So there was another one sent out?” Brundige said yes. Dr. Martin said uh-huh. Crawford said this has been going on for a year. Chairman Hayes said there was a letter sent out.

Lauderback said, “An anonymous letter. And there is repeated unsubstantiated attacks, personal attacks.” Brundige said, “After reading that, it’s garbage.”

Chairman Hayes said, “All right. Our counsel has advised us to go into executive session.” Berexa said, “I think so because of the fact that there’s now especially been some discussion about possible tortious interference with the contract and that sort of thing.”

Lauderback said that is not by this Board against Ms. Crawford and PE Partners – that is by whoever is drafting this email.

Chairman Hayes said we will ask everyone but the Board members and our general counsel to be excused from the room at this time, please; and, we will go into executive session as recommended by counsel.

7. ADJOURNMENT TO EXECUTIVE SESSION

The Board of Directors entered into executive session at 2:14 p.m.

8. RECONVENE TO PUBLIC MEETING

The Board of Directors adjourned from executive session, and Chairman Hayes called the meeting back to order to resume in public meeting at 2:34 p.m.

Individuals present in the reconvened meeting were: Board members: Chairman Hayes, Vice Chairman Brundige, Holland, Lay, Dr. Martin, and Tharpe. Board members participating via telephone call: Smith. PE Partners staff: Crawford and DeMore. Guests: Berexa and Farrar.

Chairman Hayes asked if any board members had anything else. Brundidge said he did.

Chairman Hayes called on Brundige. Brundige said, "I had two members of PEP come to my city to talk to a vendor." Chairman Hayes asked, "To what?" Brundige said, "To one of the vendors -- that wanted to be a vendor now with PEP, and they didn't represent PEP in a very good light at that -- they discussed some things that we discussed at our July meeting that they thought they knew. This is George, and this is Michael."

Crawford asked, "Was that with Nassar?" Brundige said, "Yes. Nassar came over to my office right after."

Chairman Hayes asked, "Who is Ms. Ard?" Brundige said, "He owns..." Chairman Hayes said, "Oh, I thought you said 'Miss'. It's 'Mister.'"

Brundige said he is Dr. Nassar. Brundige addressed Tharpe and said, "You know him." Tharpe replied, "Yes, I know him." Brundige said, "He came over there and said, 'What's going on? I want to do business with y'all but they talk bad about the Pool, about Dawn.' And he's afraid to say anything because he's afraid we won't do any business with him. He's got a pretty good thing out there."

Chairman Hayes asked what does he do. Brundige said, "He does training for the FBI, does training for all the police departments in the United States."

Holland asked, "Oh, does he have a virtual, law enforcement?" Brundige said yes, virtual. Tharpe said yes, Savant. Holland said she knows. Brundige said, "Savant. He's very well known there." Tharpe said, "Yeah, all over the nation."

Brundige said he has had Birmingham police chief come to town, police chiefs all over the nation come to town. Brundige said "And them to go down there and he said, what's going on over there? It's very disturbing."

Tharpe said he told Tharpe the same thing. Tharpe said he just told him let PEP take care of their own business.

Brundige said he wanted this Board to know that it happened. Tharpe said yeah.

Crawford asked Brundige to clarify and asked, "Well, you said they said stuff that happened at the June board meeting -- or July board meeting?"

Brundige said, "They talked about the July board meeting, you know, when we went into executive session -- they talked about the letter they wrote."

Chairman Hayes asked, "A letter?" Brundige said yeah. Chairman Hayes asked what letter. Holland asked what letter. Brundige said, "What they accused Dawn [Crawford] of back in July." Tharpe said okay.

Chairman Hayes said okay, he was confused. Hayes said, "I know there was a letter, but you're saying they talked about..." Brundige said, "About the letter." Hayes said, "...about writing a letter..."

Brundige said, "About that letter." Chairman Hayes asked to clarify, "...that came out to all of us? That's what you're telling me?" Brundige said, "Yeah, they talked about what all was in the letter -- to him."

Tharpe said, "I don't know anything about that." Brundige said, "You know, about the discrimination and all that."

Holland asked, "And what else did he say, that -- I mean, I just -- I heard the beginning, something about 'said bad things about PEP'?"

Brundige said, "Well, he's talking about PEP. They was talking about PEP and they saying they need to make a change, you know." Holland said okay.

Brundige said, "But I wanted this Board to know that." Chairman Hayes asked, "But we have addressed the letter, right?"

Brundige said, "Not this -- we addressed it, but they're going out in public talking about it." Chairman Hayes said, "Okay. All right. I'm with you now. I see where you're -- we already addressed it." Brundige said, "We've done addressed it."

Holland said, "Okay. Because of what Randy [Brundige] is saying, because of -- different board members have been approached, I think it's important that it is in the minutes that we have addressed this. And I would like to make a motion that we are terminating the present employment contract as it stands. We're not firing anybody, but we're giving notice that we're terminating that contract as it stands and Curtis [Chairman Hayes] would negotiate with Dawn [Crawford]. That's my motion."

Chairman Hayes said, all right -- so there is a motion on the table.

Lay seconded the motion. Chairman Hayes said there is a second by Lay.

Chairman Hayes addressed Farrar and said, "So I just want to the make sure that -- counselor, that you're hearing this loud and clear -- I'm sure you are -- that according to counselor's advice, that Ms. Dawn [Crawford] has currently got a -- on the remainder of her contract two years and nine months left, and that the motion states -- is to terminate the contract."

Holland said, "Give notice --" Chairman Hayes said, "Give notice to terminate the contract --"

Holland said, "That the current contract would be -- will be terminated."

Chairman Hayes asked, "And allow Dawn [Crawford] and I to talk about restructuring the contract. Is that correct?" Holland said yes.

Chairman Hayes said all right -- there is a motion and second on that. He asked if there was any discussion. Tharpe said, "In other words, you're going to talk about negotiating the salary?" Hayes replied that's right. Tharpe said okay.

Chairman Hayes said that is right; so there is a motion and a second. He asked again if there was any discussion.

Dr. Martin asked, "And the time frame for this period is the two years and nine months?" Chairman Hayes said yeah.

Dr. Martin said, "When will you -- I mean, I'm not asking for a date of when you're going to let us know something, because that will be between the two of you all, but..."

Chairman Hayes said, "Well, I mean, if Dawn [Crawford] and I can get together, and I'm sure we will, we'll be able to maybe, maybe, maybe talk about it in the December meeting, maybe. If not, we'll continue on the negotiations. But I'll give you an update on where we're at in December.'

Lay said, "You've got a little time." Chairman Hayes said yes, sir.

Chairman Hayes called for a vote and said all for the motion to let it be known by saying aye and then for all opposed to indicate by like sign. Chairman Hayes declared the motion PASSED UNANIMOUSLY.

9. ADJOURNMENT

Chairman Hayes asked if there was any other business. Tharpe made a motion to adjourn. Holland seconded the motion. Chairman Hayes asked if there was any discussion. There was none. Hayes called for a vote and said all for the motion to let it be known by saying aye and then for those opposed to indicate by like sign. PASSED UNANIMOUSLY

Chairman Hayes declared the meeting adjourned at 2:48 p.m.

William Curtis Hayes, Chairman

Charles DeMore, Secretary