



# Grayson County Economic Development Authority

P. O. Box 217; Independence, VA 24348

March 1, 2016

## MEETING MINUTES

### Members Present

Larry D. Osborne  
Gregory M. Webb  
William F. Halsey  
Robert E. Williams  
Tony M. Shaffner

### Staff Present

Jonathan D. Sweet  
Mitchell L. Smith

### Members Absent

Ricky F. Anderson  
Joseph M. Killon

### Staff Absent

Leesa Gayheart

### OPEN MEETING

Executive Director, Jonathan D. Sweet opened the meeting.

### ROLL CALL

Executive Director, Jonathan D. Sweet, called the roll and determined a quorum was present.

### ELECTION OF OFFICERS – EDA CHAIR AND EDA VICE CHAIR

Gregory M. Webb nominated Larry D. Osborne for Chair; duly seconded by Tony M. Shaffner. Robert E. Williams made the motion to close nominations and elect by acclamation; duly seconded by Tony M. Shaffner. Motion carried 5-0.

Tony M. Shaffner nominated Robert E. Williams for Vice Chair – Mr. Williams declined. Robert E. Williams nominated Tony M. Shaffner – Mr. Shaffner declined due to just joining the Board. William F. Halsey nominated Ricky F. Anderson; duly seconded by Gregory M. Webb. Mr. Webb made the motion to close nominations and elect by acclamation; duly seconded by Robert E. Williams. Motion carried 5-0.

### APPOINTMENT OF EDA SECRETARY

Robert E. Williams nominated Jonathan D. Sweet; duly seconded by Gregory M. Webb. Motion carried 5-0.

### APPROVAL OF MINUTES

William F. Halsey made the motion to approve the minutes from the December 14, 2015 meeting; duly seconded by Gregory M. Webb. Motion carried 5-0.

## **FINANCIAL REPORT**

Jonathan D. Sweet noted that Director of Finance, Leesa Gayheart, had an unexpected injury to her eye so she's not able to attend and give the financial report. Mr. Sweet did note that the fund balance is approximately \$777,343.47 which is the last report on October 14, 2015.

## **OLD BUSINESS**

### **▪ GRAYSON COUNTY EDA REVOLVING LOAN PROGRAM**

Jonathan D. Sweet gave the following update:

Currently Grayson Mill Works has an outstanding balance of \$110,982.53 and Grayson Inn & Suites has an outstanding balance of \$64,246.20. Mr. Sweet noted that he has been in communicating with legal council through a series of emails. Mr. Sweet recommended the EDA let him work with Grayson National Bank and legal council for a game plan on how to move forward; whether by foreclosure or by an alternative plan. Once a plan is established, staff will contact each of the clients and let them know what plan of action will be taken.

## **NEW BUSINESS**

### **▪ LEASE AGREEMENT BOS/EDA – GRUBB PUBLIC SAFETY FACILITY**

Jonathan D. Sweet explained by way of memorandum (listed below) the lease agreement (listed below). Tony M. Shaffner made the motion to approve and authorize all agents of the EDA (Chair/Vice Chair/Clerk) to execute; duly seconded by Robert E. Williams. Motion carried 5-0.

## **MEMORANDUM**

**TO: GRAYSON COUNTY ECONOMIC DEVELOPMENT AUTHORITY**

**FROM: JONATHAN D. SWEET, COUNTY ADMINISTRATOR**

**RE: LEASE AGREEMENT - EDA/BOS**

**DATE: TUESDAY, MARCH 1<sup>ST</sup>, 2016**

The Lease Agreement for the EDA's consideration of adoption is per a Resolution adopted by the Board of Supervisors at their regularly scheduled meeting on January 14<sup>th</sup>, 2016 and promulgated by the EDA's financing arrangement for the purchase of the Grubb Public Safety Facility. The Board of Supervisor's adopted resolution denoted that a lease arrangement would be entered into by the Grayson County Board of Supervisors and the Economic Development Authority to effectuate the relationship between the EDA and the BOS for the purchase, debt service, lease and use the property known as the Grubb Public Safety Facility (Tax Map Nos. 73A2-A41C; 73A2-2-6A; and 73A2-2-11C).

Please do not hesitate to contact me with any questions you may have regarding this matter - Thank you.

Tax Map Nos. 73A2-A-41C; Exempt from recordation taxes pursuant to Virginia Code § 58.1-73A2-2-6A; 73A2-2-11C 811(E). Exempt from the payment of Clerk's Fees pursuant to Virginia Code § 17.1-266 and Virginia Code § 17.1-279(E).

### LEASE AGREEMENT

**THIS LEASE AGREEMENT** (this "**Lease Agreement**") is dated as of January 1, 2016, by and between the **ECONOMIC DEVELOPMENT AUTHORITY OF GRAYSON COUNTY, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "**Authority**"), and the **BOARD OF SUPERVISORS OF GRAYSON COUNTY, VIRGINIA**, on behalf of **GRAYSON COUNTY, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "**County**"); provides

**WHEREAS**, the Authority is a political subdivision of the Commonwealth of Virginia duly created under the Industrial Development and Revenue Bond Act, Virginia Code § 15.2-4900, *et seq.* (the "**Act**"); and

**WHEREAS**, the Authority is authorized to exercise all the powers set forth in the Act, which include, among other things, the power to own, lease, construct, remodel or renovate any public building or other facility used for public purposes; and

**WHEREAS**, the County desires to make improvements to and equip a public safety facility for the County, together with related improvements, costs and expenses (collectively, the "**Project**"), with such facilities to be utilized by the County in furtherance of its governmental purposes.

**WHEREAS**, the Authority holds fee simple title to that certain real property located in Grayson County, Virginia more fully described in Exhibit A attached hereto (including the improvements thereon and the Project, referred to as, the "**Property**"); and

**WHEREAS**, the Authority has executed a promissory note dated December 21, 2015, payable to Grayson National Bank, in the original principal amount of \$659,000.00 (the "**Grayson Loan**") in connection with the acquisition of the Property, and has submitted an application to the United States of America, acting by and through the Rural Housing Service, an agency of the United States Department of Agriculture, ("**Rural Development**"), in order to refinance the Grayson Loan (together with the Grayson Loan, the "**Financing**"); and

**WHEREAS**, the Authority has agreed to lease the Property to the County, and the County has agreed to lease the Property from the Authority, in consideration for the Financing, and for the purposes of the Project;

**NOW, THEREFORE**, for and in consideration of the mutual covenants hereinafter contained and other valuable consideration, the parties hereto agree as follows:

Prepared by an attorney licensed by the Virginia State Bar, to wit:  
N. Reid Broughton, Esq. (VSB # 38899)  
Sands Anderson PC  
P.O. Box 2009  
Christiansburg, Virginia 24068  
540-260-9011 (telephone)  
540-260-0022 (facsimile)

### **ARTICLE I** **LEASE OF PROPERTY AND CONSTRUCTION**

#### **Section 1.1. Lease of Property.**

The Authority demises and leases to the County and the County leases from the Authority the Property, for the term set forth in Section 2.1, for the Basic Rent and Additional Rent provided for in Section 2.2, and in accordance with the terms of this Lease Agreement.

### **Section 1.2. Agreement to Acquire, Improve and Equip the Project.**

The County, as agent for the Authority, shall cause the Project to be improved and equipped. The County, as agent for the Authority, shall use its best efforts to complete the Project by January 1, 2016, and to file a certificate of completion with the Authority for such completion. If for any reason the acquisition, improvements and equipping of the Project shall not be completed by such date, there shall be no resulting diminution in or postponement of the payments of Basic Rent required to be paid by the County pursuant to Section 2.2.

In order to effectuate the purposes of this Lease Agreement, the County, as agent for the Authority, has made, executed, acknowledged and delivered, caused to be made, executed, acknowledged and delivered, or will make, execute, acknowledge and deliver, all contracts, orders, receipts, writings and instructions, in the name of the County or otherwise, with or to other persons, firms or corporations, and in general has done or caused to be done all such other things as may be requisite or proper for the undertaking of the Project and fulfillment of the obligations of the County under this Lease Agreement.

THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY THAT THE COUNTY WILL HAVE QUIET AND PEACEFUL POSSESSION OF THE PROPERTY, except that the Property is free from encumbrances done, made or knowingly suffered by the Authority or anyone claiming by, through or under it, other than the following ("**Permitted Encumbrances**"):

- (a) liens for taxes and special assessments not then delinquent,
- (b) liens for taxes and assessments which are delinquent but the validity of which is being contested in good faith and with respect to which the County shall have set aside adequate reserves, unless thereby any of the Property or the interest of the County therein may be in danger of being lost or forfeited,
- (c) this Lease Agreement and the Financing and any security interests or other liens related thereto,
- (d) mechanics' and materialmen's liens incident to construction or maintenance now or hereafter filed of record which are being contested in good faith and have not proceeded to judgment, provided that the County shall have set aside adequate reserves with respect thereto,
- (e) restrictions, mineral rights, easements, rights of way, exceptions or reservations for the purpose of utilities (including but not limited to water and gas pipelines, sanitary and storm sewers, telephone lines, telegraph lines, power lines, substations and other facilities and equipment used in connection with such utilities), roads, streets, alleys, highways, railroads, dikes, canals, laterals, ditches, and other like purposes, or for the joint or common use of real property, in each case which do not, in the opinion of the County Administrator, materially impair the use of the Property for the purposes for which it is or may reasonably be expected to be held,
- (f) such defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to property owned or leased by the County for essential

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governmental purposes and similar in character to the Property and as will not, in the opinion of the County Administrator, impair the use of the Property affected thereby for the purpose for which it is or may reasonably be expected to be held by the County,

- (g) the non-exclusive easement, 3 feet in width, as set forth in Deed Book 364, at Page 397,
- (h) the agreement regarding retaining wall as set forth in Deed Book 364, at Page 397,
- (i) amendments and easements to construct or improve cuts, fills, ditches, storm draws or other facilities as set forth in Deed Book 140, at Page 14 and Deed Book 140, at Page 18,
- (j) matters shown on the plat of survey recorded in Deed Book 364 at Page 385, Deed Book 364, at Page 399 and Deed Book 424, at Page 790,
- (k) any inaccuracy in the area, square footage, or acreage of the Property, and
- (l) present or future zoning laws and ordinances.

The County recognizes that since the Project is being undertaken at the County's request and by contractors and suppliers selected by the County in accordance with plans and specifications prepared by architects or engineers selected by the County, THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE MERCHANTABILITY, CONDITION OR WORKMANSHIP OF ANY PART OF THE PROJECT OR ITS SUITABILITY FOR THE COUNTY'S PURPOSES OR NEEDS.

**Section 1.3. Default in Contractor's Performance.** In the event of default of any contractor or subcontractor in connection with the Project, the County will promptly proceed, either separately or in conjunction with others, to exhaust the remedies of the Authority or the

County, as agent for the Authority, against the contractor or subcontractor or supplier in default and against each surety for the performance of such contractor. The County agrees to advise the Authority, in writing, of the steps it intends to take in connection with any such default. The County may, in good faith and at the expense of the County, in its own name or in the name of the Authority, by notice from the County to the Authority, prosecute or defend any action or proceeding or take any other action involving such contractor, subcontractor, supplier or surety which the County deems reasonably necessary, and in such event the Authority agrees to cooperate fully with the County. Any amounts recovered by way of damages, refunds, adjustments or otherwise, net of reasonable expenses related thereto, in connection with the foregoing, shall be paid to the County to reimburse the County for any costs it incurred in connection with the foregoing, and then, any remaining amounts to the Authority and credited to the next required payment of Basic Rent.

## **ARTICLE II**

### **LEASE TERM; PAYMENT OF RENTAL; OPTION TO PURCHASE; MAINTENANCE; INSURANCE; INDEMNIFICATION AND TAXES**

#### **Section 2.1. Lease Term.**

The Lease Term shall commence on the date of execution hereof and shall terminate at midnight on December 31, 2055, or earlier upon the exercise of the County's rights pursuant to Section 2.4 of this Lease Agreement.

#### **Section 2.2. Rental Payments.**

(a) Subject to Section 2.5, commencing on January 1, 2016, the County shall pay Basic Rent in the amount necessary to pay all amounts due in connection with the Financing.

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Each Basic Rent payment shall be paid in lawful money of the United States of America. In the event the County fails to make any Basic Rent payments when due, interest on the principal component of such Basic Rent shall accrue from such date until paid at the rate per annum that will yield the amount necessary to pay interest due on the Financing outstanding on the date the overdue payment of Basic Rent is made.

(b) The County shall also pay when due all other amounts which the County agrees to pay under the terms of this Lease Agreement ("**Additional Rent**") including without limitation: (a) any amounts due to the Authority for its respective expenses associated with the Property or the Project, (b) any amounts required to be paid by the Authority with respect to the Financing, (c) reasonable costs and expenses directly related to the Property or the Financing, such as insurance and utility costs and expenses, and (d) a reasonable share of the fees and expenses of the Authority, including the reasonable fees of its counsel and the cost of any audit of the funds of the Authority related to the Financing or this Lease Agreement.

(c) The obligations of the County to make the payments of Basic Rent and Additional Rent and to perform and observe the other agreements contained herein shall be absolute and unconditional except as provided in Section 2.5.

#### **Section 2.3. Prepayment of Rent.**

The County may, at its option, elect by notice to the Authority to make prepayments from time to time of the principal component of Basic Rent. The Authority shall apply the amounts so prepaid in such manner as shall be consistent with the Financing Instruments (hereafter defined) to redeem or defease the Financing. Any such prepayments of principal components of Basic Rent shall be paid, plus interest accrued to the redemption date, or if the Financing is not subject to redemption on such date, in an amount sufficient to provide for the defeasance of the Financing. Upon such prepayment, the County shall also pay all Additional Rent then due and payable.

#### **Section 2.4. Option to Purchase.**

At any time, provided the Basic Rent then due, together with any and all Additional Rent and any other amounts due and payable under this Lease Agreement have been paid in full, the

Authority shall, upon the written request of the County, transfer all of its rights, title and interest in and to the Property, including the Project, subject to Permitted Encumbrances, to the County in exchange for a purchase price of One Dollar (\$1.00) and assumption or payment in full of all amounts owed in connection with the Financing, if any.

**Section 2.5. Appropriations of Basic Rent and Additional Rent; Declaration of Essentiality.**

The Board of Supervisors of the County (the "Board") reasonably believes that funds sufficient to make all payments of Basic Rent and Additional Rent during the term of this Lease Agreement shall be available and can be obtained. While recognizing that it is not empowered to make any binding commitment to make payments of Basic Rent and Additional Rent beyond the current Fiscal Year, the Board in authorizing the execution of this Lease Agreement has stated its

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intent to make annual appropriations sufficient to make the payments of Basic Rent and Additional Rent and has recommended that its successors continue to do so during the term of this Lease Agreement.

The County declares the nature of the Project essential to the proper operations of the County. The County anticipates that the need for the Project will not change during the term of this Lease Agreement. Notwithstanding anything in this Lease Agreement to the contrary, the County's obligations to pay the cost of performing its obligations under this Lease Agreement, including without limitation its obligations to pay all Basic Rent and Additional Rent, shall be subject to and dependent upon appropriations being made from time to time by the County for such purpose; provided, however, that the County Administrator or other officer charged with the responsibility for preparing the County's annual budget shall include in the budget for each Fiscal Year the amount of the Basic Rent and estimated Additional Rent during such Fiscal Year. Throughout the Lease Term, the County Administrator shall deliver to the Authority within ten (10) days after the adoption of the budget for each Fiscal Year, but not later than July 1, a certificate stating whether an amount equal to the Basic Rent and estimated Additional Rent which will be due during the next Fiscal Year has been appropriated by the Board in such budget. If, by July 10, the Board has not appropriated funds for the payment of both Basic Rent and estimated Additional Rent for the then current Fiscal Year, the County Administrator shall give written notice to the Board of the consequences of such failure to appropriate, including the right of the Authority to terminate this Lease Agreement in accordance with Article VI.

**Section 2.6. Insurance.**

Subject to Section 2.5, the County shall continuously maintain insurance against such risks and in such amounts as are customary for public bodies owning similar projects, including without limitation:

(a) public liability insurance to the extent of \$1,000,000 per occurrence against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership or operation of the Property;

(b) workers' compensation insurance with respect to the Project; and

(c) coverage to the extent of the lesser of (i) the full replacement cost of the Project or (ii) the amount equal to the principal components of Basic Rent remaining unpaid, against loss or damage by fire or lightning, with broad form extended coverage, including damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally included within such coverage (limited only as may be provided in the standard form for such coverage at the time in use in the Commonwealth of Virginia), provided that during the period of construction of the Project the County may provide or cause to be provided in lieu of the insurance set forth above builders' risk or similar type of insurance to the full replacement cost thereof minus site work not normally insured

All such insurance shall be taken out and maintained with generally recognized responsible insurers selected by the County and reasonably acceptable to the Authority and may be written with deductible amounts comparable to those on similar policies carried by other

public bodies owning or operating similar facilities. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law, Virginia Code § 38.2-4800, *et seq.*, as amended, or any successor provision of law, the County shall provide evidence reasonably satisfactory to the Authority that such insurance is enforceable under the laws of the Commonwealth of Virginia. In each policy, other than policies of workers' compensation insurance, the Authority shall be named as additional insured, and the policies of insurance required by subsection (c) above shall require that all Net Proceeds (hereafter defined) resulting from any claims be paid to the Authority. The County hereby irrevocably assigns, transfers and sets over to the Authority all right, title and interest of the County in such Net Proceeds; provided, however, that if the Net Proceeds payable under any one claim shall not exceed \$100,000 and no event has occurred or is continuing that constitutes or that, by notice or lapse of time, or both, would constitute an Event of Default under this Lease Agreement, such Net Proceeds shall be paid to the County to be used for purposes set forth in Section 3.1(a) - Option A or Section 2.7.

As used in this Lease Agreement, "Net Proceeds" shall mean the gross proceeds from any insurance recovery, or condemnation, eminent domain or loss of title award in connection with the Property less payments for attorneys' fees, fees and expenses incurred by the Authority and the County in the collection of such gross proceeds.

On or before January 1, 2016, the County shall provide the Authority with a certificate or certificates of the respective insurers attesting that the insurance required by this Section is in full force and effect. Prior to the expiration of any such policy, the County shall furnish the Authority evidence satisfactory to the Authority that the policy has been renewed or replaced or is no longer required by this Lease Agreement. Unless a policy with such an undertaking is available only at a cost which the County, with the consent of the Authority, determines to be unreasonable, each policy shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of the Authority or canceled without at least 30 days' prior notice to the Authority.

In lieu of policies of insurance written by commercial insurance companies meeting the requirements of this Section, the County may participate in group risk financing programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or federal insurance programs; provided, however, that such alternative is reasonably acceptable to the Authority (based on a favorable written opinion of an independent insurance consultant selected by the County having a favorable reputation for skill and experience in such work; provided, however, that no such certificate will be required with respect to workers' compensation insurance).

To the extent losses for any damage to the Property, however caused, are paid from the Net Proceeds of any insurance required by this Section, no claim shall be made and no suit shall be brought against the County by the Authority or anyone else claiming by, through or under it.

#### **Section 2.7. Maintenance; Expenses of Maintenance; Taxes.**

Subject to Sections 2.5, 3.1 and 3.2, the County shall maintain, preserve and keep the Project, or cause the Project to be maintained, preserved and kept, in good condition and repair.

The County shall not abandon the Project during the Lease Term except pursuant to Section 6.1. Subject to Section 2.5, the County shall pay, in addition to the payments provided for in Sections 2.2 and 2.6, all of the expenses of maintenance of the Project. The County shall pay any and all taxes, assessments and utility charges payable with respect to the Project. The County represents that the Project currently has, or it will obtain, all utilities necessary for the continued operation of the Project, and the County shall be responsible for maintaining all utilities necessary for the Project.

#### **Section 2.8. Triple Net Lease.**

This Lease Agreement shall be deemed and construed to be a triple net lease, and during the Lease Term, the County shall pay Basic Rent and Additional Rent, free of all deductions, diminutions and set-offs, and without abatement for casualty, loss of title, condemnation or any other reason whatsoever except that Basic Rent shall decrease as a consequence of each prepayment of Basic Rent undertaken in accordance with the terms and conditions contained herein.

#### **Section 2.9. Proof of Payment of Taxes, etc.**

The County shall furnish the Authority, upon request, proof of payment of any taxes, utility charges, insurance premiums, or other charges or payments required to be paid by the County under this Lease Agreement.

#### **Section 2.10. No Encumbrances.**

The County shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property, or the rights of the County and the Authority as herein provided, other than Permitted Encumbrances. Subject to Section 2.5, the County, at its own expense, shall promptly and duly discharge any such mortgage, pledge, lien, charge, encumbrance or claim not excepted above.

#### **Section 2.11. Installation of County's Own Furnishings and Equipment.**

The County may from time to time, in its discretion and at its own expense, install furnishings and equipment at the Property. All furnishings and equipment so installed by the County shall remain the property of the County in which the Authority shall not have any interest and may be modified or removed at any time while the County is not in default under this Lease Agreement. Nothing contained in this Section shall prevent the County from purchasing furnishings and equipment and creating purchase money security interests therein pursuant to the Uniform Commercial Code of Virginia as security for the unpaid portion of the purchase price thereof. The County shall pay as due the purchase price of and all costs and expenses with respect to the acquisition and installation of any furnishings and equipment installed by it pursuant to this Section.

#### **Section 2.12. Use of Property.**

The County shall not sublease the Property, or any portion thereof, or assign any of its rights under this Lease Agreement without the consent of the Authority to any entity other than the Commonwealth of Virginia, a city, a county or a town, or any agency thereof. The County shall send notice to the Authority of any sublease of the Property or any portion thereof, or any assignment of any of the County's rights under this Lease Agreement, within 30 days of entering into such sublease or assignment. No sublease will relieve the County from primary liability for any of its obligations under this Lease, and the County will continue to remain primarily liable for the payment of Basic Rent and Additional Rent and for the observance and performance of all of the County's other agreements under this Lease.

### **ARTICLE III DAMAGE, DESTRUCTION OR CONDEMNATION**

#### **Section 3.1. Damage or Destruction.**

(a) The County shall notify the Authority immediately in the case of damage to or destruction from fire or other casualty of the Property or any portion thereof during the Lease Term in an amount that the County determines in good faith will cost more than \$100,000 to repair, reconstruct and restore. If the County determines in good faith that such cost will not exceed \$100,000, the County shall retain the Net Proceeds received with respect to such damage



or destruction and apply such Net Proceeds to the repair, reconstruction and restoration of such portion of the Property so damaged or destroyed to substantially the same condition as it had existed prior to the event causing such damage or destruction. If such Net Proceeds are not sufficient to pay in full the cost of such repair, reconstruction and restoration, the County shall, subject to Section 2.5, pay so much thereof as is in excess of such Net Proceeds.

(b) If the Property or any portion thereof is damaged or destroyed by fire or other casualty during the Lease Term and the County determines in good faith that the cost of repairing, reconstructing and restoring the Property to the same condition as had existed prior to such damage or destruction, will exceed \$100,000 then the County, upon the following conditions and within 90 days after the date such damage or destruction occurs, shall pay all Net Proceeds to the Authority and elect one of the following two options by giving notice of such election to the Authority, and the Authority shall disburse such Net Proceeds in accordance with the option so elected:

(1) Option A - Repair, Reconstruction and Restoration. The County may elect to repair, reconstruct and restore the Project. Upon the County's election of this Option A, the County shall proceed to cause the Property to be repaired, reconstructed and restored to substantially the same condition as had existed prior to the event causing such damage or destruction, with such alterations and additions as the County may determine to be necessary or desirable and as will not impair the capacity or character of the Property for the purposes for which it had been or intended to be used prior to such damage or destruction. So long as the County is not in default under this Lease Agreement, the Authority shall apply so much as may be necessary of Net Proceeds to payment of the cost of such repair, reconstruction and restoration, either on

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completion thereof or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such repair, reconstruction and restoration, the County shall pay, subject to Section 2.5, so much of the cost thereof as may be in excess of such Net Proceeds. The County shall not be entitled by reason of the payment of such excess cost to any (A) interest in the Property that it did not possess prior to such payment, (B) reimbursement from the Authority, or (C) abatement or diminution of Basic Rent or Additional Rent.

(2) Option B – Application Towards Basic Rent. The County may elect to have such Net Proceeds applied towards the payment of the principal of, premium, if any, and interest on the Financing when due in accordance with the terms and conditions of the Financing Instruments.

### **Section 3.2. Condemnation and Loss of Title.**

(a) In the case of a taking of all or any part of the Property or any right therein under the exercise of, or in lieu of the exercise of, the power of eminent domain or any loss of all or any part of the Property because of loss of title thereto, or the commencement of any actions, proceedings or negotiations which might result in such a taking or loss, the party upon whom notice of such taking is served or with whom such proceedings or negotiations are commenced or who learns of a loss of title shall give prompt notice to the other. Each such notice shall describe generally the nature and extent of such condemnation, taking, loss, proceedings or negotiations. All obligations of the County under this Lease Agreement (except obligations to pay Basic Rent when due) shall terminate as to the Property or portion thereof as to which there is a loss of title or which is condemned or taken when such loss of title is finally adjudicated or when title thereto vests in the party condemning or taking the same, as the case may be (hereinafter referred to as the "Termination Date"). The County shall pay over to the Authority (and irrevocably assigns, transfers and sets over to the Authority) all right, title and interest of the County in and to any Net Proceeds payable as to any such loss of title, condemnation or taking during the Lease Term.

(b) In the event of any such loss of title, condemnation or taking, the County, upon the following conditions and within 90 days after the Termination Date therefor, shall pay all Net Proceeds to the Authority and elect one of the following two options by giving notice of such election to the Authority:

(1) Option A - Repairs, Reconstruction and Restoration. The County may elect to have the Net Proceeds as to such loss of title, condemnation or taking used to repair, restore or reconstruct the portion of the Property as to which there has been a loss of title, condemnation or taking to substantially its condition prior to such loss of title, condemnation or taking. Upon any election of this Option A, so long as the County is not in default under this Lease Agreement, the County may direct the Authority to apply, so much as may be necessary of the Net Proceeds received by it on account of such loss to repair, reconstruction or restoration of the Property, either on completion thereof or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such repair, reconstruction or restoration, the County shall pay, subject to Section 2.5, so much of the cost thereof as may be in excess of such Net Proceeds. The

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County shall not be entitled by reason of the payment of such excess cost to any (A) interest in the Property that it did not possess prior to such payment, (B) reimbursement from the Authority or the Trustee or (C) abatement or diminution of the Basic Rent or Additional Rent.

(2) Option B – Application Towards Basic Rent. The County may elect to have the Net Proceeds payable as to any such loss of title, condemnation or taking applied towards the payment of the principal of, premium, if any, and interest on the Financing when due in accordance with the terms and conditions of the Financing Instruments.

(c) The Authority shall, at the expense of the County, cooperate fully with the County in the contest of any prospective or pending condemnation proceedings or in any contest over title with respect to the Project or any portion thereof and shall, to the extent they may lawfully do so, permit the County to litigate, at the expense of the County, in any such proceeding in the name and behalf of the Authority. In no event shall the Authority voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings, or proceedings as to title, with respect to the Project or any portion thereof without the consent of the County.

#### **ARTICLE IV REPRESENTATIONS**

##### **Section 4.1. Representations by Authority.**

The Authority makes the following representations:

(a) The Authority is a political subdivision of the Commonwealth of Virginia duly created under the Act;

(b) The undertaking by the Authority to cause the Project to be designed, constructed, renovated, rehabilitated and equipped and to lease the Property to the County has been authorized, as required by the Act, by the affirmative vote of a majority of the members of the Authority present at a meeting at which a quorum was present and acting throughout;

(c) Pursuant to the Act, the Authority has full power and authority to enter into this Agreement and to perform the transactions contemplated thereby and to carry out its obligations thereunder and by proper action has duly authorized, executed and delivered this Lease Agreement;

(d) The execution, delivery and compliance by the Authority with the terms and conditions of this Lease Agreement will not conflict with or constitute or result in a default under or violation of, (1) any existing law, rule or regulation applicable to the Authority or (2) any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or other restriction of any kind to which the Authority or any of its assets is subject;

(e) No further approval, consent or withholding of objection on the part of any regulatory body or any official, Federal, state or local, is required in connection with the execution or delivery of or compliance by the Authority with the terms and conditions of this Lease Agreement, except that no representation is given as to the applicability of any Federal or state securities laws;

(f) There is no litigation at law or in equity or any proceeding before any governmental agency involving the Authority pending or, to the knowledge of the Authority, threatened with respect to (1) the creation and existence of the Authority, (2) its authority to execute and deliver this Lease Agreement or the Financing, (3) the validity or enforceability of this Lease Agreement or the Authority's performance of its obligations thereunder, (4) the title of any officer of the Authority executing this Lease Agreement or the Financing or (5) the power to issue the Financing or to undertake the Project; and

#### **Section 4.2. Representations by County.**

The County makes the following representations:

(a) The County is a political subdivision of the Commonwealth of Virginia;

(b) The lease of the Property to the County pursuant to this Lease Agreement will provide public safety and related facilities so that it may serve functions which are essential to the proper, efficient and economic operations of the County and to the welfare of its residents;

(c) The County has full power and authority to enter into this Lease Agreement to which it is a party and to perform the transactions contemplated thereby and to carry out its obligations thereunder and by proper action has duly authorized, executed and delivered such Agreement;

(d) The County is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under or subject to which any indebtedness for borrowed money has been incurred, and no event has occurred and is continuing that with the lapse of time or the giving of notice, or both, would constitute or result in an event of default thereunder;

(e) The County is not in default under or in violation of, and the execution, delivery and compliance by the County with the terms and conditions of this Lease Agreement to which it is a party will not conflict with or constitute or result in a default under or violation of, (1) to the best of the County's knowledge, any existing law, rule or regulation applicable to the County, or (2) any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the County or any of its assets is subject, and no event has occurred and is continuing that with the lapse of time or the giving of notice, or both, would constitute or result in such a default or violation which would have a material adverse effect on its financial condition or its ability to perform under this Lease Agreement;

(f) No further approval, consent or withholding of objection on the part of any regulatory body or any official, Federal, state or local, is required in connection with the execution or delivery of or compliance by the County with the terms and conditions of this Lease Agreement to which it is a party;

(g) There is no litigation at law or in equity or any proceeding before any governmental agency involving the County pending or, to the knowledge of the County, threatened against the County with respect to (1) the authority of the County to execute and deliver this Lease Agreement, (2) the validity or enforceability of this Lease Agreement or the County's performance of its obligations thereunder, (3) the title of any officer of the County executing this Lease Agreement or (4) the power to undertake the Project; and

(h) Until termination of this Lease Agreement, the County intends to use the Property, or to cause it to be used, as public safety and related facilities, as applicable, or for any other use which is permissible under the Act and the Code of Virginia of 1950, as amended. The County will not use or occupy the Property or permit it to be used or occupied (1) contrary to any law or regulation in effect now or in the future (and without regard to any change of government policy) or (2) in any manner which will (A) cause structural injury to any part of the Property, (B) cause the value or the usefulness of the Property to diminish (ordinary wear and tear excepted), (C) constitute a public or private nuisance or (D) result in waste to the Property; nor will it do or permit anything to be done on or about the Property that will affect, impair or contravene any policies of insurance that may be carried on the Property or with respect to its use.

## ARTICLE V EVENTS OF DEFAULT AND REMEDIES

### Section 5.1. Events of Default.

(a) Subject to the provisions of Section 5.1(c), the following shall be "Events of Default" under this Lease Agreement, and the terms "Event of Default" or "Default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events:

(1) Failure of the County to pay when due any payment required to be paid under Section 2.2;

(2) Failure of the County to pay when due any payment due under this Lease Agreement, other than payments under Sections 2.2, or to observe and perform any covenant, condition or agreement on its part to be observed or performed, which failure shall continue for a period of 30 days after notice is given, or in the case of any such default that cannot with due diligence be cured within such 30 day period but can be cured within the succeeding 60 days, failure of the County to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence; or

(3) Bankruptcy or insolvency of the County, or failure by the County to lift any execution or attachment on the Property or any portion thereof, which failure shall continue for a period of 60 days after written notice is given, or in the case of any

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such default that cannot with due diligence be cured within such 60 day period but can be cured within the succeeding 60 days, failure of the County to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence.

(4) The occurrence of an event of default or default under the Financing Instruments.

(b) The provisions of the foregoing subparagraph (a)(2) are subject to the limitation that if by reason of force majeure the County is unable in whole or in part to perform any of its covenants, conditions or agreements under Section 1.2, the County shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall include without limitation acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the Commonwealth of Virginia or any political subdivision thereof or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the County. The County shall remedy with all reasonable dispatch the cause or causes preventing the County from carrying out its covenants, conditions and agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the County, and the County shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of any opposing party when such course is in the judgment of the County not in its best interests.

(c) Notwithstanding anything contained in this Section to the contrary, failure by the County to pay when due any payment required to be made under this Lease Agreement or failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease Agreement resulting from failure of the County to appropriate moneys for such purposes, as described in Section 2.5, shall not constitute an Event of Default. Upon any such failure to appropriate, the provisions of Article VI shall be applicable.

#### **Section 5.2. Remedies.**

Whenever any Event of Default shall have happened and is continuing, the Authority may take any one or more of the following remedial steps, without further demand or notice: (a) declare immediately due and payable the entire unpaid principal balance of Basic Rent due and thereafter to become due through and including December 31, 2055; (b) reenter and take possession of all or any portion of the Property, with or without terminating this Lease Agreement, exclude the County from possession, and sell or lease the County's leasehold estate in all or any portion of the Property for the account of the County, holding the County liable for all Basic Rent and Additional Rent due up to the effective date of such sale or lease and for the difference between the purchase price, rent and other amounts paid by the purchaser or lessee pursuant to such sale or lease and the rents, and the Basic Rent and the Additional Rent and other amounts payable by the County hereunder; or (c) take whatever action at law or in equity may

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appear necessary or desirable to collect the Basic Rent and the Additional Rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the County under this Lease Agreement.

In any of such cases, all rights and interests created or then existing in favor of the County as against the Authority hereunder shall cease and terminate, and the right to the possession of the Property and all other rights acquired by the County hereunder shall revert to and revest in the Authority without any act of re-entry, or any other act of the Authority to be performed and without any right of the County of return, reclamation or compensation for moneys paid under this Lease Agreement as absolutely, fully and perfectly as if this Lease Agreement and such payments had never been made; and in case of such default all payments theretofore made on this Lease Agreement are to be retained by and belong to the Authority as the agreed and reasonable rent of the Property up to the time of such default. Any amounts received by the Authority pursuant to the foregoing provisions shall be applied first to costs, then to any unpaid interest and then to repayment of principal, and upon payment in full of all amounts due such excess shall be credited to the next required payment of Basic Rent.

#### **Section 5.3. Reinstatement after Event of Default.**

Notwithstanding the exercise by the Authority of any remedy granted by Section 5.2, unless the Authority or its assignee shall have sold its interest in all or any portion of the Property or shall have entered into an agreement providing for the reletting of the Property for at least one year, if the balance of Basic Rent shall not have been accelerated pursuant to Section 5.2(a) and all overdue Basic Rent, together with any interest thereon, and all Additional Rent shall have been paid, then the County's default under this Lease Agreement shall be waived without further action by the Authority. Upon such payment and waiver, this Lease Agreement shall be fully reinstated and all Basic Rent payments will be due and payable, and the County shall be restored to the use, occupancy and possession of the Property; provided, however, if all or any portion of the Project has been relet for less than one year, the County shall not be restored to the use, occupancy and possession thereof until the end of such lease.

#### **Section 5.4. No Remedy Exclusive.**

No remedy conferred by this Lease Agreement upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof or acquiescence therein, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

**Section 5.5. No Additional Waiver Implied by One Waiver.**

Failure by the Authority at any time to require performance by the County of any provision hereof shall in no way affect the Authority's right hereunder to enforce the same, nor shall any waiver by the Authority of any breach of any provision hereof be held to be a waiver of any succeeding breach of any such provision, or as a waiver of the provision itself.

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**Section 5.6. Attorney's Fees and Other Expenses.**

Subject to Section 2.5, the County shall on demand pay to the Authority the reasonable fees of attorneys and other reasonable expenses incurred by it in the collection of appropriated, but unpaid, Basic Rent or Additional Rent, or the enforcement of any other obligation of the County, or its agents, upon an Event of Default.

**ARTICLE VI  
TERMINATION RIGHTS**

**Section 6.1. Right to Terminate.**

If by July 1 of any year the Board fails to appropriate moneys for the payment of Basic Rent or estimated Additional Rent for the following Fiscal Year (an "Event of Non-Appropriation"), the County Administrator shall give notice to the Authority of such failure to appropriate within five (5) business days thereafter, and if no such appropriation has been made by July 20 of such year, the County and the Authority each shall have the right to terminate this Lease Agreement by giving notice of the exercise of its rights pursuant to this Section to the other party.

**Section 6.2. Rights upon Termination.**

Upon termination of this Lease Agreement, the Authority may exclude the County from possession of the Project and sell or lease the County's leasehold estate in the Project, in the manner provided by Section 5.2(b). In the event the County does not so deliver possession, the County shall be liable, but only from legally available funds, for payment of a pro-rata portion of the Basic Rent payments and Additional Rent attributable to the number of days during which the County fails to so deliver possession.

**Section 6.3. Reinstatement after Termination.**

Notwithstanding any termination of this Lease Agreement in accordance with Section 6.1, this Lease Agreement shall be fully reinstated, and the County shall be restored to the use, occupancy and possession of the Property provided that the conditions set forth in Section 5.3 are satisfied.

**ARTICLE VII  
FINANCING; ASSIGNMENT; AND AMENDMENTS**

**Section 7.1. Financing.**

The Authority has undertaken, or will undertake, the Financing and entered into, or will enter into, instruments evidencing, securing and relating thereto (the "Financing Instruments") by which, among other things, the Authority may assign all of its rights as lessor in and to this Lease Agreement (except its rights to receive payment of its fees and expenses, to receive indemnification, to receive notices and to give consents) as security for the Financing. The County hereby (a) consents to such assignment, (b) agrees to execute and deliver such further

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acknowledgments, agreements and other instruments as may be reasonably requested by the Authority or its lender to effect such assignment, (c) agrees to make all payments of Basic Rent due to the Authority under this Lease Agreement directly to the lender (excepting, without limitation, the Authority's rights to receive payment of its fees and expenses, to receive any Net

Proceeds, to receive indemnification, to receive notices and to give consents), subject to Section 2.5, and (d) agrees to comply fully with the terms of such assignment so long as such assignment is not inconsistent with the provisions hereof.

**Section 7.2. No Merger.**

The reversionary and leasehold estates in and to the Property created by this Lease Agreement shall not merge but shall always remain separate and distinct, notwithstanding the union of such estates by purchase or otherwise in the Authority, the County, any lessee or any third party, unless the person holding both of such estates shall expressly elect in writing for them to merge.

**ARTICLE VIII  
MISCELLANEOUS**

**Section 8.1. Notices.**

Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the County, to P.O. Box 217, 129 Davis St., Independence, VA 24315 (Attention: County Administrator), or (b) if to the Authority, to P.O. Box 217, 129 Davis St., Independence, VA 24315 (Attention: Chairman). The County and the Authority may, by notice given hereunder, designate any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

**Section 8.2. Severability.**

If any provision of this Lease Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

**Section 8.3. Liability of Authority.**

Notwithstanding any provision of the Financing or this Lease Agreement to the contrary, the obligations of the Authority under the Financing and this Lease Agreement are not general obligations of the Authority, but are limited obligations payable solely from payments of Basic Rent or Additional Rent. No director or officer of the Authority shall be personally liable on the Authority's obligations hereunder. The Authority shall not be liable under any circumstances for the actions or omissions of the County, as agent for the Authority, for any actions or omissions of the County under this Lease Agreement. In any instance in which the County is or may act as agent for the Authority hereunder, the County shall at all times comply with any applicable laws, rules or regulations pertaining to any such actions, and it is expressly understood and agreed that

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the County shall have no authority to create or incur any liability or obligation of the Authority except to the extent limited to the Project and the revenues derived therefrom.

**Section 8.4. Successors and Assigns.**

This Lease Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties, their respective successors and assigns.

**Section 8.5. Counterparts.**

This Lease Agreement may be executed in any number of counterparts, each of which shall be an original, all of which together shall constitute but one and the same instrument.

**Section 8.6. Entire Agreement.**

This Lease Agreement express the entire understanding and all agreements between the parties and may not be modified except in writing signed by the parties.

**Section 8.7. Governing Law.**

This Lease Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

**Section 8.8. Rules of Construction.**

The following rules shall apply to the construction of this Lease Agreement unless the context otherwise requires:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Unless otherwise indicated, all references herein to particular Articles or Sections are references to Articles or Sections of this Lease Agreement.

(c) The headings herein are solely for convenience of reference and shall not constitute a part of this Lease Agreement nor shall they affect its meaning, construction or effect.

(Signatures Appear on Following Pages)

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**IN WITNESS WHEREOF**, the parties have caused this Lease Agreement to be duly executed and effective as of the date first set forth above, by their duly authorized representatives.

**ECONOMIC DEVELOPMENT  
AUTHORITY OF GRAYSON  
COUNTY, VIRGINIA**

**BOARD OF SUPERVISORS OF  
GRAYSON COUNTY, VIRGINIA,  
ON BEHALF OF GRAYSON COUNTY,  
VIRGINIA**

By \_\_\_\_\_

By \_\_\_\_\_

Its: **Chairman**

Its: **County Administrator**

COMMONWEALTH OF VIRGINIA )  
 )  
COUNTY OF GRAYSON )

The foregoing instrument was acknowledged before me in Grayson County, Virginia, this \_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, Chairman, Economic Development Authority of Grayson County, Virginia.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

COMMONWEALTH OF VIRGINIA )  
 )  
COUNTY OF GRAYSON )

The foregoing instrument was acknowledged before me in Grayson County, Virginia, this \_\_\_\_ day of \_\_\_\_\_, 2016, by \_\_\_\_\_, the County Administrator of Grayson County, Virginia.

My commission expires: \_\_\_\_\_.

\_\_\_\_\_  
Notary Public



**Exhibit A**

**Tax Map No. 73A2-A-41C**

ALL the following described real estate lying and being in the Town of Independence, Elk Creek Magisterial District of Grayson County, Virginia, also known as Tax Map Parcel 73A2-A-41C, and more particularly described as follows:

BEGINNING at an iron pipe in the South line of Secondary Road T-1101 (Davis Street), corner to the land of Grayson Farm Bureau; thence, with the South line of said Secondary Road, N. 85-40-00 E. 182.27 feet to an iron pipe, corner to the lands of Shirley C. Gordon, et al.; thence, S. 00-34-00 E. 99.50 feet to an iron pin, corner to the lands of Susie & Phillip Pickett; thence, S. 84-06-45 W. 168.42 feet to an iron pin in the line of Grayson Farm Bureau; thence N. 08-24-00 W. 104.11 feet to the BEGINNING; containing 0.409 of an Acre, as shown on a plat of survey by D.B. Dudley and Associates, Licensed Land Surveyors, dated August 3, 2000, entitled "Plat of Survey for Dr. Stephen A. Grubb," recorded in the Clerk's Office of the Circuit Court of Grayson County, Virginia, (the "Clerk's Office") in Deed Book 364, Page 385, and incorporated herein by reference.

BEING part of property conveyed to the Grayson County Economic Development Authority from Chicaro, Inc. by deed dated December 21, 2015, recorded in the Clerk's Office as Instrument No. 150002217.

**Tax Map No. 73A2-2-6A**

ALL of that certain tract or parcel of land, and all appurtenances thereto, lying and being located in the Elk Creek Magisterial District of Grayson County, Town of Independence, Virginia, and more fully described as follows:

CONTAINING 0.095 of an Acre, more or less, as shown on a plat of survey by D.B. Dudley and Associates, Licensed Land Surveyors, dated August 3, 2000, entitled "Plat of Survey for Dr. Stephen A. Grubb," recorded in the Clerk's Office of the Circuit Court of Grayson County, Virginia, (the "Clerk's Office") in Deed Book 364, at Page 399, and incorporated herein by reference.

REFERENCE IS MADE to the aforesaid deed and plat of survey for a more complete description of the property hereby conveyed and for chain of title.

BEING part of property conveyed to the Grayson County Economic Development Authority from Chicaro, Inc. by deed dated December 21, 2015, recorded in the Clerk's Office as Instrument No. 150002217.

**Tax Map No. 73A2-2-11C**

ALL of that certain tract or parcel of land, and all appurtenances thereto, lying and being located in the Elk Creek Magisterial District of Grayson County, Town of Independence, Virginia, and more fully described as follows:

CONTAINING 0.3174 of an Acre, more or less, as shown on a plat of survey by D.B. Dudley and Associates, Licensed Land Surveyors, dated February 18, 2004, entitled "To Be Conveyed to Chicaro, Inc. from Janie Y. Sutherland," recorded in

the Clerk's Office of the Circuit Court of Grayson County, Virginia, (the "Clerk's Office") in Deed Book 424, at Page 790, and incorporated herein by reference.

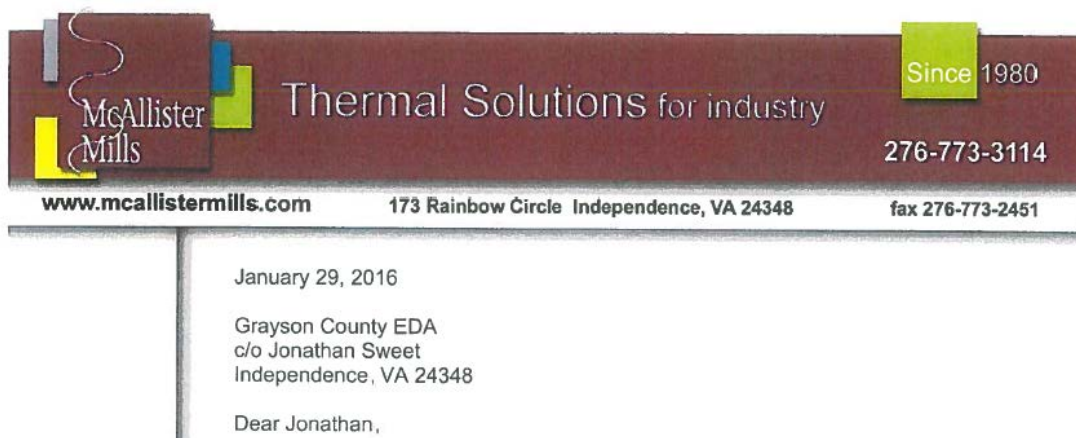
REFERENCE IS MADE to the aforesaid deed and plat of survey for a more complete description of the property hereby conveyed and for chain of title.

BEING part of property conveyed to the Grayson County Economic Development Authority from Chicaro, Inc. by deed dated December 21, 2015, recorded in the Clerk's Office as Instrument No. 150002217.

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▪ **MCALLISTER MILLS, INC.'S REQUEST TO PARTIALLY REMOVE SLOC (PROJECT SILICA)**

Jonathan D. Sweet explained the letter (listed below) from McAllister Mills and how they have exceeded the required capital investment of \$1.05 million in taxable assets and no longer requiring a stand-by Letter of Credit to Grayson National Bank (GNB). Tony M. Shaffner made the motion to approve the request to remove the Stand-by Letter of Credit (SLOC); duly seconded by Gregory M. Webb. Motion carried 4-0. Larry D. Osborne abstained from voting.



Please accept this letter as a request for the Grayson County Economic Development Authority to allow for the removing of the Standby Letter of Credit (SLOC) requirement as security for 50% of the state incentives associated with our recent expansion project and referenced as Project Silica. The SLOC was put in place to insure that the required capital investment of \$1.05 million in taxable assets was made within the 36 month performance period. Although we have not reached the end of our 36 month performance period, we are pleased to inform the EDA that we have achieved and exceed the target of \$1.05 million. Since the commencement of the project, McAllister Mills has effectively invested \$1.11 million in new taxable investment. These new taxable assets have been confirmed added to our tax rolls by the Grayson County Commissioner of Revenue.

We seek this consideration so that we may remove the encumbered liability of the SLOC and avoid the reissuance expense, as the SLOC is slated to expire and be renewed. This action will give McAllister Mills better accesses to capital needed to continue to fulfill the remaining components of the project. It

is our intention to continue to exceed the investment target as projected by making the planned machinery and equipment purchases slated in years two and three of the project performance period. Please acknowledge that we fully intend to renew and keep in place the SLOC for the jobs component (remaining 50%) of the Performance Agreement.

Thank you for your consideration and please do not hesitate to contact me with any questions you may have regarding this request

Best Regards,

*William A. McAllister*

William A. McAllister  
President

## **EXECUTIVE SESSION**

None

## **INFORMATION AND UPDATES**

Jonathan D. Sweet updated the Board on the following:

- A check was cut for Independence Lumber for \$13,013.58 per the performance grant based upon the Machinery & Tools tax they pay - in 2012 (before the fire) they paid \$52,184.16 and post 2015 (after the fire) they paid \$65,197.74. Per the Commissioner of Revenue, they have invested more than the \$5 Million required. Independence Lumber is the top tax payer in Grayson County. They slated to create 25 new jobs but actually created 53 new jobs above the 25 which is a total of 78 new jobs created. They have a total of 135 employees now.
- Noted that Oak Hall Cap & Gown is now up to 35 employees.
- Went over the Regional Economic Development Strategy and asked for the EDA members blessing to continue to beta test this concept and seek some grant dollars/funding, etc.

Tony M. Shaffner made the motion to authorize staff to work on Phase II; duly seconded by Robert E. Williams. Motion carried 5-0.

## **GRAYSON COUNTY ECONOMIC DEVELOPMENT SUMMARY**

Jonathan covered the summary and also pointed out the mission statement which is *"The Grayson County Economic Development Authority is dedicated to utilizing every resource available to provide the highest level of assistance to new and existing businesses and industries in order to encourage capital investment, diversity and stabilize the economy, retain and foster new employment opportunities, and support an environment conducive for citizen prosperity"*. Mr. Sweet also pointed out the priority focuses for the EDA as well, which is *"Business Retention and Expansion-Existing Industry Advancement Program, Business and Industrial Recruitment, Small Business Development, Tourism, Product Development and Regional ED"*. Mr. Sweet also advised the EDA that he would work on revising the EDA's Mission Statement and share with the EDA by the next meeting.

## **ADJOURN**

William F. Halsey made the motion to adjourn; duly seconded by Gregory M. Webb. Motion carried 5-0.