



New River Valley Commerce Park Participation Committee

6580 Valley Center Drive, Suite 124

Radford, VA 24141

Phone (540) 639-9313 FAX (540) 831-6093

Bland County

Lace (Nick) Asbury, IV

Craig County

Jay Polen

Giles County

Chris McKlarney

Montgomery County

Craig Meadows

Pulaski County

Andy McCready

Roanoke County

Jill Loope

City of Radford

Michael Turk

City of Roanoke

Brian Townsend

Town of Dublin

Doug Irvin

Town of Pearisburg

Kenneth F. Vittum

Town of Pulaski

Joseph K. Goodman

Executive Committee:

Basil Edwards, Chair

City of Radford

Chris McKlarney, Vice-Chair

Giles County

Shawn Utt,

Secretary-Treasurer

Town of Pulaski

Jay Polen

Craig County

Brian Hamilton

Montgomery County

NRV Commerce Park Participation Committee Meeting Agenda

March 11, 2015 at 12:00pm (Noon)

Location: New River Valley Business Center- New River Room (6580 Valley Center Drive, Radford, VA 24141)

1. Roll Call
2. Approval of Agenda
3. Public Comment
4. Approval of Previous Meeting Minutes
5. Consent Items/ Administrative Updates
 - a. 2015 Meeting Calendar
 - b. International Boulevard Right-of-Way Project Agreement
 - c. Natural Gas Users
 - d. AEP QSP Status
6. Old Business
 - a. FY2014 Audit Report
 - b. Mebane Manor Lease and Five C Road Maintenance Agreement
7. New Business
 - a. VML-VACO Excess Dues and Shares Valuation
 - b. Treasurer's Report
 - c. Agricultural Lease Updates
 - d. Mid-Year Budget Review
 - e. Authorization for Check Approval
8. Closed Session (if needed)
9. Other Business
10. Adjournment- Next Meeting: **June 10, 2015**

NRV Commerce Park Participation Committee

Meeting Staff Report

1. Roll Call

2. Approval of Agenda

3. Public Comment

4. Approval of Previous Meeting Minutes

Attached are the meeting minutes from the November 12, 2014 meeting (*Attachment #1*). Staff recommends approval of the minutes as written.

5. Consent Items/ Administrative Updates

5. a. 2015 Meeting Calendar

In order to provide advanced notice of meeting dates, an annual meeting calendar has been proposed for use. Please see the attached 2015 Meeting Calendar (*Attachment #2*). Unless there are conflicts with the proposed meeting schedule, staff will schedule meetings according to this calendar.

5.b. International Boulevard Right-of-Way Project Agreement

During the November 2014 meeting, the Commerce Park Participation Committee authorized the sale of 100 Commerce Park shares to the Town of Pulaski for \$40.00 per share. The Project Agreement for this sale has been fully executed and is attached to this report (*Attachment #3*). Staff has a meeting scheduled with V-DOT on March 6, 2015 to review International Boulevard before authorizing survey work. As this meeting is occurring after this report is sent out, but before the meeting, an update will be provided during the meeting.

5.c. Natural Gas Users

As detailed in the Agreement for Extension of Distribution Main that extended the 6" steel natural gas main to the NRV Commerce Park, if any user other than Red Sun Farms taps onto the gas main, ATMOS will provide VFRIFA with a refund based on usage. It appears that several residences and one business (Appalachian Machine Shop) are connecting to the gas main. Attached is a letter

from ATMOS outlining the process to begin calculating refunds owed to VFRIFA (*Attachment #4*).

5.d. AEP QSP Status

Attached, please find a response letter from McCallum Sweeney regarding the Phase 3 QSP submittal (*Attachment #5*). Staff is working through each item and will have answers/ updated documentation to resubmit to McCallum Sweeney before the April 7, 2015 deadline.

6. Old Business

6.a. FY2014 Audit Report

Attached, please find the final FY2014 Audit Report that was sent out to each of the member localities (*Attachment #6*). Corbin Stone with Robinson, Farmer, Cox Associates will be in attendance during the meeting to present the Final Audit and answer any questions. Staff recommends acceptance of the Final Audit as presented.

6.b. Mebane Manor Lease and Five C Road Maintenance Agreement

Mebane Manor, LLC has signed a lease for 27.0 acres of property just north of the Five C Road right-of-way and south of the Red Sun Farms property, as well as a road maintenance agreement to maintain Five C Road to ensure all weather access is available to the Mebane House (*Attachment #7*). Both of these items were discussed and authorized by the VFRIFA Board of Directors and the CPPC at previous meetings. These documents have been reviewed by the VFRIFA attorney. Staff recommends approval of the lease and road maintenance agreement as written.

7. New Business

7.a. VML-VACO Excess Dues and Shares Valuation

As previously authorized by the VFRIFA Board of Directors and the CPPC, VML-VACO reviewed VFRIFA and CPPC financial records to determine the amount of any excess VFRIFA dues and the value of NRV Commerce Park shares. Attached, please find VML-VACO's findings regarding excess VFRIFA dues, the current value of CP Shares, and options for how to approach future share valuations (*Attachment #8*). Bob Lauterberg with VML-VACO is planning on being in

attendance during the meeting to present this report and answer any questions. Staff recommends approval of the Report.

7.b. Treasurer's Report

Attached, please find the Treasurer's Report detailing the financial transactions and information from the past quarter, which was between October 1, 2014 and December 31, 2014 (*Attachment #9*). For future meetings, this Report will be simplified to make review easier; however, a Report in the attached format will always be available for review. Staff recommends approval of the Report.

7.c. Agricultural Lease Updates

The current Agricultural Lease being used to lease NRV Commerce Park property contains very limited provisions regarding lease terms and almost no protection for VFRIFA/ CPPC. Attached, please find a proposed updated agricultural lease to use for leasing property in future years (*Attachment #10*). This lease has been reviewed by the VFRIFA attorney. Staff recommends approval of the lease as written.

7.d. Mid-Year Budget Review

Attached, please find the budget comparing year-to-date income and expenditures with the adopted budget (*Attachment #11*). The CP expenses for FY15 appear to be coming in under budget; however, some modifications of specific line item allocations are requested, as follows:

- Planning District Commission: Increase by \$10,875
- Executive Director: Reduce by \$10,560
- Marketing: Increase by \$1,362

During the November 12, 2014 meeting, staff recommended only paying the fee for the Executive Director's services from VFRIFA; however, due to how the budget is working out this year, staff is recommending that the fee for the Executive Director's services be split evenly between VFRIFA and CP for this fiscal year (\$5,000 charged to each).

The savings mostly appear to be in the Professional Services category. Staff is recommending that any savings at the end of the fiscal year be set aside to eventually stop deferring the debt payment that is due in June of each year. This would require payment of two debt payments in one fiscal year, which is an extra \$148,925. Currently, the budget has been crafted to defer the June debt service payment until July, which is the next fiscal year. Staff recommends approval of the modifications to the adopted FY2015 Budget as presented and

authorize staff to save excess CP income to get back on track with the scheduled debt service payments.

7.e. Authorization for Check Approval

In order to streamline how invoices are paid and ensure proper procedures are being followed, staff is recommending that the Executive Director be authorized to approved checks to be printed to pay invoices, with the condition that the invoice does not exceed the budgeted and contracted amount for that service. A list of checks that have been printed will be provided in the Treasurer's Report for each CPPC and VFRIFA Board of Directors meeting. In addition, each check requires two signatures before it is valid, so a VFRIFA officer will be reviewing each check. This has been discussed with the VFRIFA attorney. Staff recommends approval to allow the Executive Director to authorize the printing of checks for invoices as detailed in this report.

Virginia's First REGIONAL INDUSTRIAL FACILITY AUTHORITY
New River Valley Commerce Park Participation Committee
Meeting Minutes

November 12, 2014

NRV Business Center, Fairlawn, VA

1. Roll Call

A meeting of the New River Valley Commerce Park Participation Committee (CPPC) was held on Wednesday, August 13, 2014 at the New River Business Center in Fairlawn. Mr. Utt, Secretary/Treasurer, called the CPPC meeting to order at 12:00 pm.

Roll call by member jurisdiction was taken and a quorum determined with seven of eleven member governments represented: Craig, Montgomery, and Pulaski counties, City of Radford, and Dublin, Pearisburg and Pulaski towns. No representatives from Bland, Giles, and Roanoke County or City of Roanoke were present.

2. Approval of Agenda

Mr. Utt recommended adding two items to the agenda: under 6.b. the Red Sun Farms Memorandum of Lease and Deed of Trust and the NRV Economic Development Alliance marketing report under 9. Other Business.

Motion: Mr. Meadows moved the committee approve the additions the agenda. Mr. Solomon seconded the motion.

Action: The motion passed unanimously, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

3. Public Comment

No public comment was made.

4. Approval of the August 13, 2014 Participation Committee Minutes

Meeting minutes from the August 13, 2014 meeting were included in the agenda packet. Staff recommended approval of the minutes as written.

Motion: Mr. McCready moved the committee approve minutes of the August 13, 2014 meeting. Mr. Vittum seconded the motion.

Action: The motion passed unanimously, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

5. Consent Items/ Administrative Updates

a. Mebane House Sale

The Mebane House and associated property (31.1 acre and 1.8 acre parcels) sold on October 29, 2014. The property is being renovated and Mebane Manor, LLC is moving

forward with the private business club concept after the Pulaski County Board of Supervisors approved the Special Use Permit on October 27, 2014.

b. Red Sun Farms Subdivision

The Red Sun Farms subdivision plat has been finalized and recorded at the Pulaski County Courthouse; it is included in the agenda packet. The subdivision includes 95 acres of land and has enabled Pulaski County to begin assessing taxes.

c. Red Sun Farms Ribbon Cutting

The Red Sun Farms Ribbon Cutting will be held on November 17, 2014 from 3 to 5 pm, as described in the invitation included in the agenda packet.

d. AEP QSP Status

All items needed for the Phase 3 portion of the AEP QSP application have been completed, with the exception of the cultural resources study being completed by Timmons Group. The cultural resources study is expected within the next couple of weeks. Staff will work on assembling the documents and making sure everything is updated and accurate before submitting the package. The complete package is due to McCallum Sweeney Consulting by December 6, 2014.

e. Airport Maintenance Agreement

The agreement put in place in 2010 stating that the NRV Airport would provide property maintenance for the Commerce Park is still valid and will continue as it has for the past several years. VFRIFA and NRV Airport staff discussed the impacts to maintenance with the Mebane House sale and verified that both parties are comfortable continuing the same level of maintenance that has been provided since 2010.

6. Old Business

a. Gas Line Loan Agreement

A draft agreement that will finalize the \$420,000 loan provided to VFRIFA for the installation of the 6-inch steel gas main is included in the agenda packet. The \$420,000 has already been paid to ATMOS by VFRIFA for the gas main installation; however, money from Pulaski County has not been received, as the loan agreement was not finalized. As this Agreement impacts both the CPPC and VFRIFA, both organizations were asked to review and approve the Agreement. This Agreement has been reviewed by the VFRIFA attorney. Staff recommended approval of the draft agreement.

Mr. Wilson reviewed the ownership of shares in the Commerce Park in light of the additional shares being provided to Pulaski County as collateral for the loan (spreadsheet of the shares were provided at the meeting). Mr. McCready clarified that the shares will be redeemed upon payment of the loan. There was further discussion about the gas line and revenue from other users tapping the main.

Motion: Mr. Vittum moved the committee approve the draft agreement for the \$420,000 loan from Pulaski County for the 6-inch steel gas main. Mr. Parker seconded the motion.

Action: The motion passed unanimously on a roll call vote, with 37.05% in the affirmative, 0.0% opposed, 42.53% abstaining (Pulaski County) and 20.43% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

b. Red Sun Farms Memorandum of Lease and Deed of Trust

The Red Sun Farms memorandum of lease and deed of trust are to be finalized and the deed of trust recorded. A lease was entered into, but not finalized, in early 2013. Virginia's First is a grantor, but not liable for debts, under the deed of trust for Red Sun Farms.

Motion: Mr. Meadows moved the committee to authorize the chairperson to execute the lease, deed of trust, and all other documents necessary to finalize the transaction with Red Sun Farms. Mr. Solomon seconded the motion.

Action: The motion passed unanimously, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

7. New Business

a. Treasurer's Report

The treasurer's report, included in the agenda packet, detailed the financial transactions and information from the past quarter, which was between July 1, 2014 and September 30, 2014. For future meetings, this report will be simplified to make review easier. Staff recommended approval of the report.

Motion: Mr. Meadows moved the committee accept the treasurer's report. Mr. Parker seconded the motion.

Action: The motion passed unanimously, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

b. International Boulevard Survey

In order for VDOT to consider accepting International Boulevard into the VDOT road system, a right-of-way survey will need to be completed that shows the entire right-of-way for International Boulevard. As a right-of-way survey for International Boulevard was never done, and technically, the entire right-of-way has never been established, staff recommended that the work described in the quote from Anderson and Associates included in the agenda packet be authorized. Once a right-of-way plat is completed, discussions can move forward with VDOT for International Boulevard to become a VDOT road.

Funding for the \$3,900 would come from reserves, as all of money has been accounted for this fiscal year. Another source of funds could come from re-allocation of money from the Lot 3 design by Draper Aden Associates, which will cost \$11,200 (and estimate was included in the agenda packet). This design was originally authorized; however, Mr. Morgan put it on hold in order to focus on finishing the AEP QSP requirements before addressing this design. The design is intended to assist with marketing purposes; however, is not critical to the functioning of the CPPC. As having VDOT take over International Boulevard is critical to prevent the CPPC from having to pay for maintenance, repairs, and snow removal, staff recommended prioritizing the International Boulevard right-of-way survey over the design of Lot 3. As this impacts both the CPPC and VFRIFA, both organizations were asked to review and approve moving forward with the right-of-way plat.

Mr. Utt noted the Town of Pulaski has \$4,000 in undesignated Virginia's First excess funds that could be applied to the costs of preparing a right-of-way plat and would be willing to purchase shares with the proceeds to be applied to this work.

Motion: Mr. McCready moved the committee accept Town of Pulaski's request to purchase 100 Commerce Park shares, equal to \$4,000, with undesignated Virginia's First excess funds, applying the funds to preparing a right-of-way plat needed to submit International Boulevard to VDOT for acceptance into their road system and authorize execution of documents to complete this work. Mr. Vittum seconded the motion.

Action: The motion passed unanimously on a roll call vote, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

8. Closed Session Pursuant to 1950 Code of Virginia, Section 2.2-3712, If Needed

No closed session was held.

9. Other Business

a. NRV Economic Development Alliance Marketing Report

Mr. Bopp reported Project Sunshine (another international greenhouse operation) has visited the area looking for 10-20 acres. The prospect is not as specific in production as Red Farm; they are meeting with local grocers to discuss produce delivery contracts.

Mr. Bopp requested the participation committee commit funds to purchase a Gigapark sign for \$800 at the Commerce Park. Citizens can provide a temporary sign for the Red Sun Farms ribbon cutting on Monday. The sign recognizes that the Commerce Park has fiber broadband on-site for tenants.

10. Adjournment

Motion: Mr. McCready moved the committee adjourn. Mr. Edwards seconded the motion.

Action: The motion passed unanimously, with 70.94% in the affirmative, 0.0% opposed, 0.0% abstaining and 20.96% absent (Bland, Giles and Roanoke Counties, City of Roanoke).

The next scheduled regular CPPC meeting is March 11, 2015 at noon. Tentative dates and locations for called special meetings will be monthly on the second Wednesday at noon.

Respectfully Submitted,

Approved by,

Danny Wilson, Executive Director

Shawn Utt, Secretary / Treasurer

**New River Valley Commerce Park
Participation Committee**

Attendance
November 12, 2014
NRV Business Center, Fairlawn, VA

Jurisdiction	Member	Alternate
Bland County	<input type="checkbox"/> Nick Asbury <input type="checkbox"/> Henry M. Blessing	<input type="checkbox"/> Eric Workman
Craig County	<input checked="" type="checkbox"/> Jay Polen	
Giles County	<input type="checkbox"/> Chris McKlarney <input type="checkbox"/> Paul Baker	
Montgomery	<input checked="" type="checkbox"/> Craig Meadows <input checked="" type="checkbox"/> Mary Biggs	<input type="checkbox"/> Carol Edmonds <input checked="" type="checkbox"/> Brian Hamilton
Pulaski County	<input checked="" type="checkbox"/> Andy McCready <input checked="" type="checkbox"/> Michael Solomon	<input type="checkbox"/> Joe Sheffey <input type="checkbox"/> Jared Linkous
Roanoke County	<input type="checkbox"/> Charlotte Moore <input type="checkbox"/> Jill Loope	<input type="checkbox"/> Joseph "Butch" Church
City of Radford	<input checked="" type="checkbox"/> Michael Turk <input checked="" type="checkbox"/> Basil Edwards (at 12:45)	
City of Roanoke	<input type="checkbox"/> Bill Bestpitch <input type="checkbox"/> Brian Townsend	<input type="checkbox"/> Anita Price
Town of Dublin	<input checked="" type="checkbox"/> Bill Parker <input type="checkbox"/> Doug Irvin	
Town of Pearisburg	<input checked="" type="checkbox"/> Rick Tawney <input checked="" type="checkbox"/> Ken Vittum	
Town of Pulaski	<input checked="" type="checkbox"/> Joseph Goodman <input checked="" type="checkbox"/> Shawn Utt	<input checked="" type="checkbox"/> John White

Others Present: Theresa Fontana (Authority Counsel), Peter Huber (Pulaski County), Aric Bopp (NRVEDA)

Staff Present: Danny Wilson, Kevin Byrd, Christy Straight



Virginia's First Regional Industrial Facility Authority
Board of Directors
and
Commerce Park Participation Committee

2015 Meeting Schedule

Meeting Dates
March 11, 2015
June 10, 2015
September 9, 2015
December 9, 2015

Meetings will be held in the New River Room of the NRV Business Center, located at 6580 Valley Center Drive, Radford, VA 24141.

Meetings will begin at 12:00pm (noon) and lunch will be provided.

Meeting agendas and packets will be sent out a week before the meeting.

INTERNATIONAL BOULEVARD RIGHT-OF-WAY PROJECT AGREEMENT

THIS INTERNATIONAL BOULEVARD RIGHT-OF-WAY PROJECT AGREEMENT (“Agreement”) is dated this 3 day of February, 2015, by and between VIRGINIA’S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY (“VFRIFA”), the NEW RIVER VALLEY COMMERCE PARK PARTICIPATION COMMITTEE (“CPPC”), and TOWN OF PULASKI, VIRGINIA (“Town”).

WITNESSETH:

WHEREAS, VFRIFA is a regional authority focused on economic development for the greater New River Valley; and

WHEREAS, VFRIFA owns the New River Valley Commerce Park located in Pulaski County, Virginia; and

WHEREAS, the CPPC has responsibility for the overall management and development of the Commerce Park, with its members potentially benefitting from tax revenues received from companies locating within the Commerce Park; and

WHEREAS, International Boulevard is the main access to the Commerce Park; and

WHEREAS, creating a right-of-way dedication plat for International Boulevard is necessary to integrate the road into the V-DOT secondary road system; and

WHEREAS, both VFRIFA and the CPPC were interested in having a right-of-way dedication plat for International Boulevard created (“Project”), but lacked sufficient funding; and

WHEREAS, Anderson and Associates provided a quote dated September 19, 2014 to provide a right-of-way dedication plat for International Boulevard at a cost of \$3,900, attached hereto as Exhibit “A”; and

WHEREAS, the Town of Pulaski volunteered to purchase one hundred (100) Commerce Park shares at Forty Dollars (\$40.00) per share to pay for the Project; and

WHEREAS, the CPPC voted to authorize VFRIFA to issue and approve the sale of one hundred (100) Commerce Park shares to the Town of Pulaski in order to pay for the Project during their November 12, 2014 meeting; and

WHEREAS, the VFRIFA Board of Directors voted to approve the issuance and sale of one hundred (100) Commerce Park shares to the Town of Pulaski in order to pay for the Project during their November 12, 2014 meeting; and

WHEREAS, the parties desire to ratify the actions needed to officially distribute shares and fund the Project;

NOW, THEREFORE, the Town of Pulaski, VFRIFA, and the CPPC agree as follows:

Project Purpose

The purpose of the Project is to provide a right-of-way dedication plat for International Boulevard that accesses the New River Valley Commerce Park.

Project Participants:

The participants for this Project include the VFRIFA, CPPC, and Town of Pulaski, Virginia.

Share Purchase Terms:

1. Upon execution of this Agreement, the Town of Pulaski shall pay \$4,000.00 to VFRIFA within thirty (30) days.
2. The Town of Pulaski will be issued one hundred (100) Commerce Park shares at forty dollars (\$40.00) per share within ten (10) days of funds being received by VFRIFA.
3. Other than the Town of Pulaski as set forth herein, no CPPC participant or VFRIFA member locality shall be responsible for purchasing additional Commerce Park shares or making monetary contributions in excess of the current annual dues in support of this Project. In addition, no contribution or expenditure made for this Project by any party shall constitute a debt or pledge of the faith and credit of a party making such contribution or expenditure within the meaning of any constitutional or statutory debt limitation, and shall be subject to and dependent upon annual appropriations being made from time to time by the respective governing body of each party.

Notice:

Any correspondence with respect to this Agreement shall be sent to the following:

VFRIFA and CPPC: Danny Wilson, Executive Director
6580 Valley Center Drive, Suite 124
Radford, Virginia 24141
(540) 639-9313
dwilson@pulaskicounty.org

Town of Pulaski: Shawn Utt, Town Manager
42 First Street
Pulaski, Virginia 24301
(540) 994-8696
sutt@pulaskitown.org

Entire Agreement:

This Agreement constitutes the entire understanding between the parties with respect to the subject matter of this Agreement and supersedes all other agreements, whether written or oral, between the parties.

Counterparts:


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

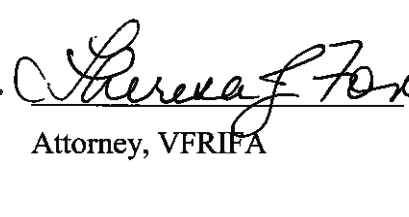
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written, in one or more counterpart signature pages.


VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY

Attest:

Approved as to form:


 Secretary of the Authority Board



 Attorney, VFRIFA

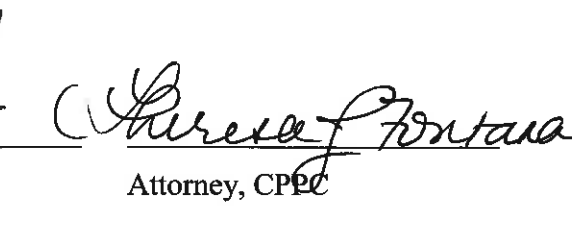

 Chair, Authority Board

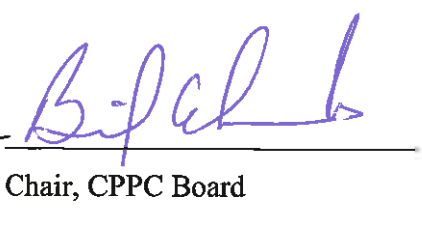
NEW RIVER VALLEY COMMERCE PARK PARTICIPATION COMMITTEE

Attest:

Approved as to form:


 Secretary of the CPPC Board

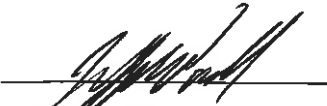

 Attorney, CPPC


 Chair, CPPC Board


TOWN OF PULASKI, VIRGINIA

Attest:

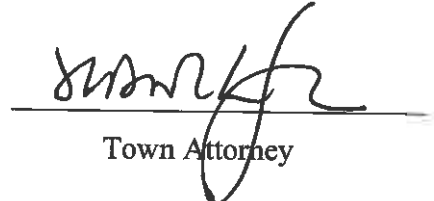
Approved as to form:



Mayor, Town of Pulaski



Clerk, Town Council



Town Attorney

RECEIVED

JAN 24 2015

NRV PDC



January 19, 2015

Executive Director Joseph N. Morgan
Virginia's First Regional Industrial Facility Authority
6580 Valley Center Drive, Suite 124
Radford, VA 24141

Dear Mr. Morgan:

In accordance with the Agreement for Extension of Distribution Main (the "Agreement") made and entered into on January 10, 2014 between Atmos Energy and Virginia's First Regional Industrial Facility Authority (the "Authority"), Atmos Energy has begun the process of calculating any refunds potentially due to the Authority as contemplated by the Agreement. Green Faircloth, Sales Representative for Atmos Energy, will provide to the Authority the refund calculations for the prior year, and will continue to do so for the term of the Agreement. Mr. Faircloth should be contacting the Authority shortly to deliver the refund calculation results. If you would like to contact Mr. Faircloth, you may reach him at 423-722-2823.

Sincerely,

A handwritten signature in black ink, appearing to read "BCT", written over a white rectangular area.

Brannon C. Taylor
Sr. Rate Analyst – Kentucky/Mid-States Division

cc: Mr. Green Faircloth
Mr. Perry Patterson



January 7, 2015

Danny Wilson
Executive Director
Virginia's First Regional Industrial Facility Authority
6580 Valley Center Drive, Suite 124
Radford, VA 24141

Dear Mr. Wilson:

Thank you for your participation in AEP's Quality Site Program. McCallum Sweeney Consulting has reviewed your certification application for the New River Valley Commerce Park. We have some additional questions/clarifications regarding the materials. These items will need to be addressed in order to complete certification.

1. In the Invitation to Proceed letter dated December 6, 2013, we invited 420 acres of the New River Valley Commerce Park to proceed with certification as a Large Park. As this was a reduction of the acreage submitted during the evaluation phase, we asked that the questionnaire and the maps be updated to reflect the revised acreage of 420 acres. The questionnaire was updated, but the maps were not. Please update maps to reflect only the 420 acres being proposed for certification.
2. Title Commitment lists an easement granted to the use of the private farm road (Schedule B, item 6). Confirm that this road is on the 420 acres being proposed for certification, and if so, provide documentation that the road can be closed and/or relocated.
3. Title Commitment lists one oil, gas, and surfaces lease (Schedule B, item 14). Clarify if this lease is still in place and/or active.
4. A Phase I Cultural Resources Survey was conducted on only 280 acres, but 420 acres are being proposed for certification. Letter from Department of Historic Resources dated May 27, 2014 also notes 420 acres. In addition, the Master Development Plan shows 385 acres as developable, so it is unclear why only 280 acres were studied. Please clarify.
5. Provide updated letter from Virginia Department of Historical Resources commenting on the November 2014 study.
6. Clarify the location of Site 4. Phase I Cultural Resources Survey dated November 14 states, "The brick ruin is outside of the project area" and that "the site has good research potential and is recommended as eligible for the national Register of Historic Places. Confirm that Site 4 from the archaeological survey is not included in the park's 420 acres being proposed for certification and will not be impacted by the park's development.

7. An engineer's cost estimate was provided for the clearing, grubbing, and grading of a building pad on the 100+ acre site. Provide an engineer's schedule estimate for the clearing, grubbing, and grading of a building pad on the 100+ acre site.
8. Update infrastructure map to identify the following:
 - The voltage of the nearest electric infrastructure serving the park.
 - The size of the nearest natural gas line(s) serving the park.
 - The size of the nearest water line(s) serving the park.
 - The size of the nearest wastewater line(s) serving the park.
9. For the 2013 AEP QSP, we are allowing any properties to meet the 2014 electric criteria in the event transmission-level service can not be provided in the allotted timeframe. Therefore, the New River Valley Commerce Park must be able to meet 10 MW within nine months. The letter from David Bennett dated September 25, 2013 states that 5,000-10,000 kW can be provided by the 34.5 kV distribution line in 6-9 months by upgrading facilities. Please update letter to provide more information (route, cost, and schedule) on this upgrade.

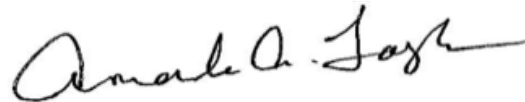
The deadline for completing the items listed above is **April 7, 2015**. If the items are not completed by the deadline, you will have to reapply for certification starting at Phase 1. We encourage you to complete the items as quickly as possible to ensure expedited review.

If you have any questions or concerns, please do not hesitate to contact us at (864) 672-1600. We look forward to receiving your response and certifying the New River Valley Commerce Park as an AEP Quality Site.

Sincerely,



Lindsey M. Myers
Senior Consultant



Amanda Taylor
Senior Consultant

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

December 18, 2014

To the Board of Directors
Virginia's First Regional Industrial Facility Authority

We have audited the financial statements of the business-type activities of Virginia's First Regional Industrial Facility Authority for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Virginia's First Regional Industrial Facility Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Virginia's First Regional Industrial Facility Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the value of inventory held for resale is based on the estimated market value of same. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole. The amount received upon the sale of inventory will differ from the estimated value.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements for presentation in the audited financial statements. The audit adjustments for the Authority are attached hereto.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 18, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Virginia's First Regional Industrial Facility Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Virginia's First Regional Industrial Facility Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of Virginia's First Regional Industrial Facility Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Robinson, Faucher, Cox Associates

December 18, 2014

**VIRGINIA'S FIRST REGIONAL INDUSTRIAL
FACILITY AUTHORITY**

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY

Financial Report
Year Ended June 30, 2014

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FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Board
Virginia's First Regional Industrial Facility Authority
Radford, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Virginia's First Regional Industrial Facility Authority, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Virginia's First Regional Industrial Facility Authority, as of June 30, 2014, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters**Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of Virginia's First Regional Industrial Facility Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Virginia's First Regional Industrial Facility Authority's internal control over financial reporting and compliance.

Robinson, Fauser, Cox Associates

Blacksburg, Virginia
December 18, 2014

Basic Financial Statements

Virginia's First Regional Industrial Facility Authority

Exhibit 1

Statement of Net Position
As of June 30, 2014

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 194,888
Accounts receivable	35,000
Prepaid items	1,608
Interest receivable	611
Due from participants (current portion)	755,972
Loan receivable	<u>1,079</u>
Total current assets	<u>\$ 989,158</u>
Noncurrent assets:	
Inventory held for resale	\$ 5,492,217
Loan receivable	15,056
Due from participants	153,330
Restricted assets:	
Cash & cash equivalents	507,726
Capital assets (net of accumulated depreciation):	
Water and sewer rights	1,377,860
Buildings and structures	<u>148,584</u>
Total noncurrent assets	<u>\$ 7,694,773</u>
Total assets	<u>\$ 8,683,931</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,584
Due to Pulaski County	372,146
Accrued interest payable	36,115
Unearned revenue	12,728
Due to Pulaski County PSA (amount due in one year)	22,542
Bond payable (amount due in one year)	<u>219,610</u>
Total current liabilities	<u>\$ 676,725</u>
Noncurrent liabilities:	
Due to Pulaski County PSA (amount due in more than one year)	\$ 1,344,108
Bond payable (amount due in more than one year)	<u>6,350,647</u>
Total noncurrent liabilities	<u>\$ 7,694,755</u>
Total liabilities	<u>\$ 8,371,480</u>
NET POSITION	
Unrestricted	<u>\$ 312,451</u>
Total net position	<u><u>\$ 312,451</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Virginia's First Regional Industrial Facility Authority

Exhibit 2

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014

Operating revenues:		
Annual dues	\$	60,000
Rental income		22,437
Participant share - Commerce Park		1,233,370
Commerce Park Grant		35,000
		<hr/>
Total operating revenues	\$	<u>1,350,807</u>
Operating expenses:		
Commerce Park:		
Contracted management	\$	6,370
Staff services		18,000
Miscellaneous		419
Transportation/travel		233
Marketing		2,281
Engineering		69,540
Maintenance		1,110
Utilities		120
Economic incentive payments (expenses)		820,000
Office supplies		58
Insurance		583
Depreciation		56,286
Virginia's First Regional IFA:		
Contracted management		12,630
Staff services		6,544
Bank fees		332
Miscellaneous		1,742
Telecommunications		1,662
Website maintenance		1,782
Transportation/travel		498
Insurance		1,123
Audit expense		5,500
Legal fees		11,466
		<hr/>
Total operating expenses	\$	<u>1,018,279</u>
Operating income (loss)	\$	<u>332,528</u>
Nonoperating revenues (expenses):		
Interest earned	\$	720
Interest expense		<u>(316,485)</u>
Total nonoperating revenues (expenses)	\$	<u>(315,765)</u>
Change in net position	\$	16,763
Net position, beginning of year, as restated		<u>295,688</u>
Net position, end of year	\$	<u><u>312,451</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Virginia's First Regional Industrial Facility Authority

Exhibit 3

Statement of Cash Flows
Year Ended June 30, 2014

Cash flows from operating activities:	
Receipts from operating grants and participating jurisdictions	\$ 892,209
Payments to suppliers and corporations	<u>(2,630,769)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,738,560)</u>
Cash flows from noncapital financing activities:	
Principal payments on notes payable*	\$ 95,606
Interest payments	<u>(282,349)</u>
Net cash provided by (used for) noncapital financing activities	<u>\$ (186,743)</u>
Cash flows from investing activities:	
Interest received	<u>\$ 109</u>
Net cash provided by (used for) investing activities	<u>\$ 109</u>
Increase (decrease) in cash and cash equivalents	\$ (1,925,194)
Cash and cash equivalents at beginning of year (Includes restricted cash amount of \$2,186,357)	<u>\$ 2,627,808</u>
Cash and cash equivalents at end of year (Includes restricted cash amount of \$507,726)	<u><u>\$ 702,614</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 332,528
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	56,286
Changes in operating assets and liabilities:	
(Increase) decrease in prepaid items	98
(Increase) decrease in accounts receivable	(458,598)
Increase (decrease) in economic incentive payables	(1,600,000)
Increase (decrease) in payables and accrued expenses	<u>(68,874)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (1,738,560)</u></u>

*On June 15, 2014, the Pulaski County Industrial Development Authority paid debt services on behalf of the Authority in the amount of \$372,146.

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Authority conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant policies:

A. Financial Reporting Entity

Virginia's First Regional Industrial Facility Authority was created as a governmental subdivision of the Commonwealth of Virginia by concurrent resolutions of the Board of Supervisors of Bland, Craig, Giles, Montgomery, Pulaski, Roanoke and Wythe Counties; the City Councils of Roanoke, Radford, and Salem; and the Town Councils of Christiansburg, Dublin, Narrows, Pearisburg, and Pulaski on September 1st 1998. The Authority was created pursuant to the provisions of the Virginia Regional Industrial Facilities Act (Chapter 64 of Title 15.2 of the Code of Virginia, 1950 as amended). The City of Salem and Town of Narrows withdrew from the Authority in 2011. The Authority is governed by up to twenty-six directors appointed by the participating localities. Each member government may appoint two members for a total of twenty-six members of the Board of Directors. The purpose of the Authority is to enhance the economic base for the member localities by developing, owning, and operating one or more facilities on a cooperative basis. As such, the Authority is authorized to expend such funds as may be available to it for the purpose of developing facilities, including but not limited to (i) purchasing real estate; (ii) grading sites; (iii) improving, replacing, and extending water, sewer, natural gas, electrical, and other utility lines; (iv) constructing, rehabilitating, and expanding buildings; (v) constructing parking facilities; (vi) constructing access roads, streets, and rail lines; (vii) purchasing or leasing machinery and tools; and (viii) making any other improvements deemed necessary by the Authority to meet its objectives. "Facility" means any structure or park, including real estate and improvements as applicable, for manufacturing, warehousing, distribution, office, or other industrial, residential, recreational or commercial purposes.

B. Basis of Accounting

The Authority operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are contributions, revenue sharing payments and land sale proceeds. Operating expenses include the cost of administrative expenses, economic incentive payments, and host fee payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Inventory Valuation

Inventory held for resale consists of land in the Commerce Industrial Park and is valued at the lower of cost or market.

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources as of June 30, 2014.

E. Cash and Cash Equivalents

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

F. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

I. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. The Authority's debt was issued for the purchase of capital assets and inventory held for resale. The Authority does not allocate debt between the two classes of assets purchased with same. Currently, outstanding debt exceeds the carrying value of inventory and capital assets.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year. Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and sewer rights	40
Buildings and structures	20-40
Equipment and machinery	10

Note 2-Cash and Securities:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 2-Cash and Securities: (continued)

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The Authority has not adopted an investment policy for credit risk. The Authority's rated debt investments as of June 30, 2014 were rated by Standard and Poor's rating scale and the ratings are presented below.

Authority's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Fidelity Institutional Treasury Portfolio CI II	<u>\$ 507,726</u>

Interest Rate Risk

The Authority did not hold any investments during the fiscal year or at year end that were subject to interest rate risk.

Custodial Credit Risk

At year end, the Authority was not exposed to any custodial credit risk for deposits or investments. The Authority limits deposits to those banks fully collateralized under the Commonwealth's Security for Public Deposits Act. The Authority's policy in regards to investments requires that all investments be held in the Authority's name.

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VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (continued)

Note 3-Long-term Obligations:

Changes in long-term obligations are as follows:

	Balance July 1, 2013	Issuances	Retirements	Balance June 30, 2014
Due to Pulaski County PSA ¹	1,413,190	-	(46,540)	1,366,650
Bond Payable ²	6,810,000	-	(230,000)	6,580,000
Less: Bond Payable Discount	(10,133)	-	390	(9,743)
Total	\$ 8,213,057	\$ -	\$ (276,150)	\$ 7,936,907

¹ Represents amounts due to the Pulaski County Public Service Authority for reimbursements related to debt service issued to provide water/sewer service to Commerce Park.

² Represents amounts due to the Pulaski County Industrial Development Authority for reimbursements related to debt service issued on behalf of the Industrial Facility Authority.

Annual requirements to amortize long-term debt and related interest are as follows:

For the Year Ended June 30,	Bond Payable		Due Pulaski PSA	
	Principal	Interest	Principal	Interest
2015	\$ 220,000	\$ 274,815	\$ 22,542	\$ 8,460
2016	225,000	282,520	23,077	31,923
2017	225,000	280,226	23,625	31,375
2018	230,000	276,884	24,186	30,814
2019	235,000	272,443	24,761	30,239
2020-2024	1,305,000	1,257,139	132,911	142,089
2025-2029	1,445,000	990,713	149,462	125,538
2030-2034	1,170,000	664,888	168,074	106,926
2035-2039	1,525,000	331,906	189,003	85,997
2040-2044	-	18,006	212,539	62,461
2045-2049	-	-	239,006	35,994
2050-2052	-	-	157,464	62,536
Totals	\$ 6,580,000	\$ 4,649,540	\$ 1,366,650	\$ 754,352

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 3-Long-term Obligations (Continued):

<u>Details of long-term obligations</u>	Total Amount	Amount Due Within One Year
\$6,810,000 bond issued on June 27, 2013 bearing interest at rates varying from 0.77% to 5.375%. Interest payments are due on June 15th and December 15th annually. Principal payments ranging from \$230,000 to \$335,000 are due annually on June 15th through 2039.	\$ 6,580,000	\$ 220,000
Original issue discount	(9,743)	(390)
\$2,145,000 loan payable to the Pulaski County PSA in annual installments of \$55,000 dated April 13, 2010. The loan became due and payable upon completion of the PSA water and sewer expansion project, with such project placed in service on June 30, 2013. The loan is non-interest bearing; however interest has been imputed at a rate of 2.375% based on market conditions. The discounted original value of the loan is \$1,413,190.	<u>1,366,650</u>	<u>22,542</u>
Total long-term obligations	<u>\$ 7,936,907</u>	<u>\$ 242,152</u>

On June 27, 2013, the Industrial Development Authority of Pulaski County issued \$6,810,000 in revenue bonds. The proceeds from this bond issuance were used to refinance debts of Virginia's First Regional Industrial Facility Authority (IFA) and provide capital for improvements to an industrial development park (Commerce Park) owned by the IFA. Virginia's First Regional Industrial Facility Authority has agreed to reimburse the Industrial Development Authority of Pulaski County for all payments made under the bonds. As a result, Virginia's Regional First Industrial Facility Authority has reported all transactions related to the bonds in these financial statements and reports amounts due to the Industrial Development Authority of Pulaski County as bonds payable at year end.

Note 4-Assets Held for Resale:

Assets held for resale totaling \$5,492,217 represent the estimated value of land in the New River Commerce Park owned by the Authority. This inventory is valued at the lower of cost or estimated market as based on an appraisal of the property in 2009. Such appraisal has not been updated since the date of preparation.

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VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 5-Due from Participating Jurisdictions:

The Authority sells shares to participating jurisdictions in industrial development projects initiated by the Authority. Participating jurisdictions are entitled to profits generated by these industrial development projects, as presented in their participation agreements, to the extent taxes (real estate, business and personal property, and machinery and tools) generated by the projects exceed expenses related to the projects. Under terms of these agreements, the host locality shall remit to the Authority taxes (less a 5% host fee) generated from an industry locating on a project site in the host locality. The revenue sharing agreements further require the participating jurisdictions to contribute amounts necessary to cover all expenses of the projects, to the extent that taxes generated by the project do not cover these expenses. The amount reported in the statement of net position as due from participants represents the amount necessary to cover the net liabilities of the Commerce Park Project at year end. A portion of this amount is reported as a current asset as same will be necessary to cover current liabilities of the Project in the upcoming fiscal year.

Note 6-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Water and sewer rights	\$ 1,413,190	\$ -	\$ -	\$ 1,413,190
Buildings and structures	416,850	-	-	416,850
Total capital assets being depreciated	<u>\$ 1,830,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,040</u>
Accumulated depreciation:				
Water and sewer rights	\$ -	\$ (35,330)	\$ -	\$ (35,330)
Buildings and structures	(247,310)	(20,956)	-	(268,266)
Total accumulated depreciation	<u>\$ (247,310)</u>	<u>\$ (56,286)</u>	<u>\$ -</u>	<u>\$ (303,596)</u>
Total capital assets, net	<u>\$ 1,582,730</u>	<u>\$ (56,286)</u>	<u>\$ -</u>	<u>\$ 1,526,444</u>

Note 7-Note Receivable:

The IFA sold 3.5855 acres of land in Commerce Industrial Park for \$16,135 under terms of a note receivable dated May 9, 2013. The note requires annual principal and interest payments of \$1,122.96. The payments were due to begin on June 1, 2014 and continue for twenty years. Interest on the note accrues at 3.5% annually. The amount due at year end was \$16,135.

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VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 8-Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents consist of the following:

Debt service reserves	\$ <u>507,726</u>
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Note 9-Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority participates with other entities in a public entity risk pool for their coverage of property, general liability, automobile liability, and public officials insurance with VACO. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Authority makes contributions and assessments into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note 10-Economic Incentive Agreement:

On March 15, 2013, the Industrial Facility Authority (IFA) and the County of Pulaski, Virginia entered into a performance agreement with Red Sun Farms Holdings LLC (the Company). Under the agreement, the IFA will lease certain industrial property (approximately 100 acres in the NRV Commerce Park) to the Company for \$1/year and such property may transfer to the Company at the end of the lease agreement if all obligations under the performance agreement are met. Terms of the agreement require the IFA to make certain land improvements to the property in an amount not to exceed \$2,000,000. Of the \$2 million total, the IFA will provide funding of \$1.6 million through the Pulaski County IDA bond issue of June 2013. The balance is a contribution pledge of \$400,000 from Pulaski County. The Company has agreed to pay a \$0.10 surcharge per 1000/gallons of water delivered to the Company by the Pulaski County Public Service Authority. The Company has also agreed to invest \$30,000,000 in the project, which consists of construction of a greenhouse structure, machinery, and related assets used in their production facility. The Company has further committed to employ at least 205 employees at the facility and has further agreed to meet certain minimum wage requirements. Tax revenues generated by the agreement will be remitted to the IFA under terms of the Commerce Park Participation Agreement.

Note 11-Due to Pulaski County:

On approximately June 15, 2014, Pulaski County paid debt service on behalf of the Industrial Facility Authority in the amount of \$372,146. This amount (due to Pulaski County) has been recorded as an accounts payable in the accompanying financial statements. Terms of the repayment have not been finalized as of the date of this report.

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 (continued)

Note 12-Intra-agency Advances:

The Authority has advanced funds to the Commerce Park Project. To date, the Authority has advanced funds totaling \$217,000 for use by the project participants. In addition, the Authority has covered certain expenses of the Commerce Park Project that are not included within these advances.

Note 13-Intangible Asset and Related Liability:

Virginia's First Regional Industrial Facility Authority (IFA) entered into a support agreement with the Pulaski County Public Service Authority (PSA) on April 13, 2010. The agreement stipulates that the IFA will make annual payments to the PSA in an amount not to exceed \$55,000 for a period not to exceed 40 years. The payments are to provide capital support for the PSA to provide water and sewer service to an industrial park (Commerce Park) owned by the IFA. The agreement further stipulates that the IFA may collect a surcharge of \$1 per 1000 gallons of water provided to and/or sewer treated from Commerce Park businesses. The IFA has recorded an intangible asset (water and sewer rights) in the financial statements in the amount of \$1,377,860, which represents the net book value of the IFA's commitment to the PSA at a discount rate of 2.375%.

Note 14-Restatement of Beginning Balance:

	<u>Total Amount</u>
Net Position, July 1, 2013, as previously reported	\$ 45,679
Adjustment:	
Additional amount due from participants in the Commerce Park Project	<u>250,009</u>
Net Position, July 1, 2013, as restated	<u>\$ 295,688</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board
Virginia's First Regional Industrial Facility Authority
Radford, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Virginia's First Regional Industrial Facility Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Virginia's First Regional Industrial Facility Authority's basic financial statements and have issued our report thereon dated December 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia's First Regional Industrial Facility Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia's First Regional Industrial Facility Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Virginia's First Regional Industrial Facility Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (ref. 2014-001 and 2014-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Virginia's First Regional Industrial Facility Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of no noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Virginia's First Regional Industrial Facility Authority's Response to Findings

Virginia's First Regional Industrial Facility Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Virginia's First Regional Industrial Facility Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Fauser, Cox Associates

Blacksburg, Virginia
December 18, 2014

Virginia's First Regional Industrial Facility Authority

Schedule of Findings and Responses
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

Finding 2014-001

Criteria:	Per Statement on Auditing Standards 115, an auditee should have sufficient expertise in the selection and application of accounting principles used in the preparation of the annual financial report.
Condition:	The Authority does not possess sufficient expertise in the selection and application of accounting principles to ensure the annual financial report (and interim financial statements) meet all applicable standards promulgated by Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB).
Effect:	The financial statements required material adjustments to be presented in accordance with current financial reporting standards.
Cause:	The Authority entered into complex financial transactions and did not evaluate these transactions in a financial reporting context.
Recommendation:	The Authority should hire a consultant to review contracts and prepare the financial statements in accordance with applicable financial reporting requirements.
Management's Response:	The Authority's Treasurer, Mr. Meadows, has an extensive background in finance and accounting. Mr. Meadows will begin reviewing financial records on a quarterly basis to ensure proper accounting principles are being followed and records are properly organized.

Virginia's First Regional Industrial Facility Authority

Schedule of Findings and Responses
Year Ended June 30, 2014

Section II - Financial Statement Findings (continued)

Finding 2014-002

- Criteria: Financial records should be maintained on-site during the audit process and available for review by the auditor(s).
- Condition: Financial information key to the audit was not available on-site during our scheduled audit fieldwork.
- Effect: Without financial records, the auditor could miss material transactions that should be reported in the financial statements of the Authority.
- Cause: The Authority has not established a central repository for all files.
- Recommendation: The Authority should maintain complete financial records and related agreements in one location and should make all of these files available to their financial consultant (responsible for financial reporting) and their auditor.
- Management's Response: The Authority has created a single holder of all records - the New River Valley Planning District Commission (NRV PDC). The NRV PDC will retain all financial records in one location, which will be available for future audits.

MEBANE MANOR LAND LEASE AGREEMENT

THIS LAND LEASE AGREEMENT (“Agreement”), is made this ____ day of _____, 2015, by and between VIRGINIA’S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY (“VFRIFA”) located at 6580 Valley Center Drive, Suite 124, Radford, Virginia 24141, hereinafter designated LESSOR and MEBANE MANOR, LLC, with an address of 5395 Five C Road, Dublin, Virginia 24084, hereinafter designated LESSEE. The LESSOR and LESSEE may be referred to hereinafter as the “Parties” or individually as the “Party.”

1. PREMISES. LESSOR hereby leases to LESSEE that certain parcel of property consisting of approximately 27.0 acres located in the Cloyd Magisterial District of Pulaski County, Virginia, and beginning approximately 50 feet north of the Five C Road right-of-way directly across from the western property line of tax parcel # 047-48-11 where it abuts Five C Road, then east 780 feet, then northeast to the southeastern corner of tax parcel # 036-5-5 and along the eastern property line of tax parcel # 036-5-5 for a total of 710 feet, then southeast 950 feet to the southeastern property line of tax parcel # 036-5-3, then east 490 feet to the southeastern corner of tax parcel # 047-48-10, then southeast 890 feet along the property line of tax parcel # 047-48-6, then northwest along the northern boundary of the Five C Road right –of-way and back to the beginning; said property including portions of tax parcel #s 047-48-10 and 036-5-3 and being substantially as depicted herein as Exhibit “A”, the “Mebane Manor Lease Area,” dated January 2015, attached hereto and made a part hereof (the “Premises”).

2. TERM AND LEASE PAYMENTS. This Agreement shall be effective as of the date of execution by both Parties, and shall commence on _____ (“Commencement Date”). The term of this lease shall be five (5) years (“Lease Term”), unless terminated earlier as set forth herein. This lease may be renewed or renegotiated at the end of the five year term upon such terms as the Parties agree to at that time. Rental payments shall commence on the Commencement Date in the amount of twenty (\$20.00) per acre annually or the sublease rate for agricultural use, whichever is greater, during the lease term (“Rent”). Rent shall be due in full to the LESSOR by December 31st of each year for the upcoming year. LESSEE shall be responsible for all maintenance, taxes, insurance, utility, and other costs associated with its use of the Premises during the Lease Term.

3. USE; GOVERNMENTAL APPROVALS. LESSEE shall use the Premises for the purpose of recreation, and uses incidental thereto. Hunting is prohibited on the Premises in the vicinity of tax parcel # 036-5-5 (Red Sun Farms property) and if hunting takes place elsewhere on the Premises safety measures shall be taken to ensure the safety of the hunters and persons and property on adjoining parcels. Any plant material planted on the Premises must be reviewed and approved by LESSOR to ensure that it does not cause an insect and disease risk to Red Sun Farms. No buildings or other structures shall be erected on the Premises, other than development required for outdoor recreational purposes, such as trails, viewing platforms, and other low-impact development. All improvements shall be at LESSEE's expense. LESSEE shall be responsible for obtaining any certificates, permits and other approvals (collectively the "Governmental Approvals") that may be required by any Federal, State or Local authorities in connection with its use of the Premises.

4. INSURANCE/INDEMNIFICATION. LESSEE shall, at its sole expense, obtain and maintain during the life of this Agreement the insurance policies required by this Section. All required insurance policies shall be in force and effective prior to the Commencement Date. The following is required:

- A. Commercial General Liability/Property Damage. Primary Commercial General Liability/Bodily Injury and Property Damage insurance shall insure against all claims, loss, cost, damage, expense or liability from loss of life or damage or injury to persons or property arising out of the LESSEE'S use of the Premises. The minimum limits of liability for this coverage shall be \$1,000,000.00 combined single limit for any one occurrence. Broad form Contractual Liability insurance shall include the indemnification obligation set forth in this Agreement. LESSEE shall be solely responsible for insuring LESSEE's improvements to the Premises.
- B. Workers' Compensation/Employer's Liability. Workers' Compensation insurance covering LESSEE'S statutory obligation under the laws of the Commonwealth of Virginia shall be maintained for all LESSEE'S employees, if any, with limits and benefits at least as required by statute.

- C. Evidence of Insurance. All insurance shall be written on an occurrence basis. In addition, the following requirements shall be met:
- 1) LESSEE shall furnish LESSOR a certificate or certificates of insurance showing the type, amount, effective dates and date of expiration of the policies. Certificates of insurance shall include any insurance deductibles.
 - 2) The required certificate or certificates of insurance shall include substantially the following statement: "The insurance covered by this certificate shall not be canceled or materially altered, except after thirty (30) days written notice has been provided to "Virginia's First Regional Industrial Facility Authority."
 - 3) The required certificate or certificates of insurance, excluding Workers Compensation, shall name Virginia's First Regional Industrial Facility Authority, its officers, employees, agents, and members as additional loss payees.
 - 4) Insurance coverage shall be in a form and with an insurance company approved by LESSOR which approval shall not be withheld unreasonably. Any insurance company providing coverage shall be authorized to do business in the Commonwealth of Virginia.
- E. Insurance not to be Limit on Liability. LESSEE covenants and agrees that the insurance coverage required herein shall in no way be considered a limit or cap of any kind on any obligation or liability that LESSEE may otherwise have, including, without limitation, liability under the indemnification provisions contained herein.
- F. LESSEE agrees to and shall defend, indemnify, and hold harmless LESSOR and its officers, agents, employees and members against any and all liability, losses, damages, claims, causes of action, suits of any nature, cost, and expenses, including reasonable attorney's fees, resulting from or arising out of LESSEE'S activities or omissions on or near any of LESSOR'S property or arising out of or resulting from LESSEE'S

negligence in connection with the use of the Premises, including, without limitation, fines and penalties, violations of federal, state, or local laws, or regulations promulgated thereunder, or any personal injury, wrongful death, or property damage claims of any type. LESSEE acknowledges and agrees that LESSOR shall have no liability whatsoever for any damage or destruction to LESSEE's improvements and personal property located on the Premises.

5. QUIET ENJOYMENT. LESSOR covenants that LESSEE, on paying the rent and performing the covenants herein, shall peaceably and quietly have, hold, and enjoy the Premises. LESSOR shall provide a minimum of one day's notice to LESSEE before entering the Premises.

6. TITLE. LESSOR represents and warrants to LESSEE as of the commencement date of this Agreement, and covenants during the Lease Term that LESSOR is seized of good and sufficient title and interest to the Premises and has full authority to enter into and execute this Agreement.

7. ABANDONMENT - Should LESSEE, at any time during the term of this Agreement, abandon the Premises, LESSOR, at its option, shall obtain possession of the Premises in the manner provided by law, may re-let the Premises, receive and collect rents for the Premises, without becoming liable to LESSEE for damages or for any payment of any kind whatever, as well as hold LESSEE liable for any difference between the rent that would have been payable under this Agreement during the balance of the unexpired term. If the right of reentry by LESSOR is exercised following abandonment of the Premises by the LESSEE, LESSOR shall consider any personal property belonging to LESSEE and left on the Premises to be abandoned, in which case LESSOR may dispose of all such personal property in any manner LESSOR shall deem proper and LESSOR is hereby relieved of all liability for doing so.

8. GOVERNING LAW/VENUE. This Agreement and the performance thereof shall be governed, interpreted, construed and regulated by the Laws of the Commonwealth of Virginia and venue for any court proceedings shall be in the appropriate court in Pulaski County, Virginia.

9. ASSIGNMENT. This Agreement may not be sold, assigned or transferred by the LESSEE without the approval or consent of the LESSOR. Any sale, assignment, transfer or

sublease that is entered into by LESSEE shall be subject to the provisions of this Agreement and shall be binding upon the successors, assigns, heirs and legal representatives of the respective Parties hereto.

10. NOTICES. All notices hereunder must be in writing and shall be deemed validly given if sent by certified mail, return receipt requested or by commercial courier, provided the courier's regular business is delivery service and the notice is addressed as follows (or any other address that the Party to be notified may have designated to the sender by like notice):

LESSOR: Virginia's First Regional Industrial Facility Authority
c/o Executive Director
6580 Valley Center Drive, Suite 124
Radford, Virginia 24141

LESSEE: Mebane Manor, LLC
c/o Ann Letta Smets, Manager
5395 Five C Road
Dublin, Virginia 24084

Notice shall be effective upon actual receipt or refusal as shown on the receipt obtained pursuant to the foregoing.

11. SUCCESSORS. This Agreement shall extend to and bind the heirs, personal representative, successors and assigns of the Parties hereto.

12. DEFAULT/TERMINATION OF LEASE. In the event there is a breach by LESSEE with respect to any of the provisions of this Agreement, including but not limited to, the payment of Rent or the failure to maintain the insurance coverage required herein, LESSOR shall give LESSEE written notice of such breach. After receipt of such written notice, LESSEE shall have fifteen (15) days in which to cure any monetary breach and thirty (30) days in which to cure any non-monetary breach. LESSOR may not maintain any action or effect any remedies for default against LESSEE unless and until LESSEE has failed to cure the breach within the time periods provided in this Paragraph. If LESSEE defaults under the terms of this Agreement, LESSOR may terminate this Agreement at the end of any applicable cure period and require the LESSEE to remove any or all of LESSEE's personal property on the Premises.

13. REMEDIES. Upon a default, the non-defaulting Party may at its option (but without obligation to do so), perform the defaulting Party's duty or obligation on the defaulting Party's behalf, including but not limited to the obtaining of reasonably required insurance policies. The costs and expenses of any such performance by the non-defaulting Party shall be due and payable by the defaulting Party upon invoice therefore. In the event of a default by either Party with respect to a material provision of this Agreement, without limiting the non-defaulting Party in the exercise of any right or remedy which the non-defaulting Party may have by reason of such default, the non-defaulting Party may terminate the Agreement and/or pursue any remedy now or hereafter available to the non-defaulting Party under the Laws or judicial decisions of the Commonwealth of Virginia. If litigation ensues to enforce the terms of this agreement, the prevailing Party shall be entitled to its attorneys' fees and costs.

14. ENVIRONMENTAL.

a. LESSEE shall be responsible for all obligations of compliance with any and all environmental and industrial hygiene laws, including any regulations, guidelines, standards, or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene conditions or concerns as may now or at any time hereafter be in effect, that are or in any way related to LESSEE'S activity on the Premises, unless such conditions or concerns are caused by the specific activities of LESSOR prior to LESSEE'S occupation of the Premises. LESSEE acknowledges that the Premises is intended to be used as a park in the future and LESSEE shall not create any type of environmental hazard on the property. Should LESSEE create an environmental hazard on the Premises, LESSEE shall be strictly liable to LESSOR for any and all costs, losses, or damages to the Premises and remediation of same.

b. LESSEE shall hold LESSOR harmless and indemnify LESSOR from and assume all duties, responsibility and liability at LESSEE'S sole cost and expense, for all duties, responsibilities, and liability (for payment of penalties, sanctions, forfeitures, losses, costs, or damages) and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding which is in any way related to LESSEE's failure to comply with any environmental or industrial hygiene law, including without limitation any regulations,

guidelines, standards, or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene concerns or conditions as may now or at any time hereafter be in effect, unless such non-compliance results from conditions caused by LESSOR or conditions present as of the date of this Agreement.

15. APPLICABLE LAWS. During the Term, LESSEE shall maintain the Premises in compliance with all applicable laws, rules, regulations, ordinances, directives, covenants, easements, zoning and land use regulations, etc., now in effect or which may hereafter come into effect (including, without limitation, the Americans with Disabilities Act and laws regulating hazardous substances) (collectively “Laws”). LESSEE shall, in respect to the condition of the Premises and at LESSEE’s sole cost and expense, comply with all Laws relating to LESSEE’s use of the Premises.

16. SURVIVAL. The provisions of the Agreement relating to indemnification shall survive any termination or expiration of this Agreement. Additionally, any provisions of this Agreement which require performance subsequent to the termination or expiration of this Agreement shall also survive such termination or expiration.

17. CAPTIONS. The captions contained in this Agreement are inserted for convenience only and are not intended to be part of the Agreement. They shall not affect or be utilized in the construction or interpretation of the Agreement.

IN WITNESS WHEREOF, the Parties hereto have set their hands and affixed their respective seals the day and year first above written.

LESSOR:

**VIRGINIA'S FIRST REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

Mary W. Biggs, Chair

COMMONWEALTH OF VIRGINIA
COUNTY OF MONTGOMERY

The foregoing instrument was acknowledged before me this ___ day of _____,
2015, by Mary W. Biggs, Chair, on behalf of Virginia's First Regional Industrial Facility
Authority.

Notary Public

My commission expires: _____
Registration No.: _____

LESSEE:

MEBANE MANOR, LLC

Ann Letta Smets, Manager

COMMONWEALTH OF VIRGINIA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ___ day of _____,
_____, 2015, by _____ on behalf of Mebane Manor, LLC.

Notary Public

My commission expires: _____
Registration No.: _____

Prepared by:
Theresa J. Fontana
Gynn & Dillon, P.C.
415 S. College Avenue
Salem, VA 24153
Tel. (540) 387-2320
Fax: (540) 389-2350

Tax Map Reference Nos.: 047-048-0000-0004 and 047-048-0000-0011

Five C Road Maintenance Agreement

THIS ROAD MAINTENANCE AGREEMENT is made and entered into this _____ day of _____, 2015, by and between **VIRGINIA’S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY (“VFRIFA”)**, a public body and corporate created pursuant to the Virginia Regional Industrial Facilities Act, ”Grantor,” and **MEBANE MANOR, LLC**, a Virginia limited liability company, with an address of 5395 Five C Road, Dublin, VA 24084, ”Grantee.”

WITNESSETH:

WHEREAS, Mebane Manor, LLC, is the owner of certain real property identified as Tax Map Parcels 047-48-4 and 047-48-11, which abut and are served by a right-of-way known as Five C Road as shown on the plat entitled “Plat of Boundary Line Adjustment and Subdivision of Tax Parcel 047-48-4 for Virginia’s First Regional Industrial Facility Authority” dated July 19, 2010, document number 27838004, prepared by Neil Avery Martin, L.S., of Anderson & Associates, Inc., recorded in Plat Book 137, Page 7 in the Clerk’s Office of the Circuit Court of Pulaski County, Virginia;” and

WHEREAS, Five C Road is not owned or maintained by the Virginia Department of Transportation; and

WHEREAS, Mebane Manor’s property is accessed via the non-maintained Five C Road; and

WHEREAS, VFRIFA, as owner of the property on which Five C Road is located and as title holder of the New River Valley Commerce Park (“Park”), desires to ensure that Five C Road is sufficiently maintained at no cost to VFRIFA; and

WHEREAS, the parties desire to enter into agreement in order to provide for the maintenance, repair, and upkeep of the portion of Five C Road, which is used to access Mebane Manor’s property.

NOW, THEREFORE, in consideration of the premises and mutual covenants provided herein, the parties agree as follows:

(1) Mebane Manor, LLC, agrees on behalf of itself, its successors, and assigns, to maintain Five C Road, located in the Cloyd Magisterial District of Pulaski County, Virginia, from the point where state maintenance ends to the eastern property line of Tax Map Parcel 047-48-4 and to perform repairs so as to maintain the road, at all times, in good and safe condition in accordance with standards set forth below. Mebane Manor, LLC, agrees that such maintenance and repair shall be at its sole cost and expense.

(2) The terms "maintenance" and "repair" shall include, but not be limited to, repairing the road surface, cleaning or recutting ditches as necessary, trimming brush along the roadside, removing snow, unplugging or opening culverts or drainpipes, and performing any and all other necessary work required to maintain the road in a condition that will allow for reasonable and safe access of standard passenger vehicles.

(3) Mebane Manor, LLC, may landscape, beautify, and erect entrance signage along the portion of the Five C Road right-of-way it maintains, subject to any applicable laws and ordinances. Any plant material must be reviewed and approved by VFRIFA prior to planting to minimize the risk of insects and disease to greenhouse crops in the Park.

(4) The covenants set forth in this road maintenance agreement shall run with Tax Map Parcels 047-048-0000-0004 and 047-048-0000-0011 and shall be binding on Mebane Manor, LLC, its heirs, personal representatives, successors, and assigns and future owners of said Parcels.

(4) This road maintenance agreement contains the entire agreement between the parties hereto and shall be construed and interpreted according to the laws of the Commonwealth of Virginia.

WITNESS the following signatures and seals:

MEBANE MANOR, LLC

By: _____
Ann Letta Smets, Manager

COMMONWEALTH OF VIRGINIA)
_____ OF _____), To-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 2015 by Ann Letta Smets, Manager, on behalf of Mebane Manor, LLC.

Notary Public
Registration No.: _____
My Commission expires: _____

VIRGINIA'S FIRST REGIONAL
INDUSTRIAL FACILITY AUTHORITY

By: _____
Mary W. Biggs, Chair

COMMONWEALTH OF VIRGINIA)
_____ OF _____) To-wit:

The foregoing instrument was acknowledged before me this _____ day of _____, 2015 by Mary W. Biggs, Chair of Virginia's First Regional Industrial Facility Authority.

Notary Public
Registration No.: _____
My Commission expires: _____



919 E. Main Street, Suite 1100
 Richmond, Virginia 23219
 (804) 648-0635

Robert W. Lauterberg
 Managing Director

February 6, 2015

MEMORANDUM

To: Board of Directors of Commerce Park &
 Virginia's First Regional Industrial Facility Authority

From: Robert W. Lauterberg

Re: Distribution of Excess Dues – Virginia's First

We have concluded our assignment that the Board of Directors has tasked us with and are pleased to present our findings and analysis. The Board asked us to determine an equitable distribution of the remaining excess net dues paid since July 1, 2009 by members of Virginia's First RIFA.

Virginia's First RIFA – Excess Dues Distribution: It is our understanding that members of Virginia's First contribute \$5000 annually to cover operating expenses. Furthermore, in February 2011 there was a \$600,000 distribution to members, each receiving its pro rata share, based on the cumulative excess net dues as of June 30, 2009. (Excess Distribution Plan adopted by the Board on January 12, 2011.) The net balance after the distribution was \$150,000.

The attached schedule (Table 1) provides the following details regarding members' dues paid in each fiscal year from FY2010 to FY2014, inclusive:

- Member locality
- Date of payment
- Amount of payment

Table 2 provides the annual and cumulative excess revenues over expenses for FY2010 to FY2014. With a starting balance of \$150,000 as of July 1, 2009, the cumulative excess revenues over expenses as of June 30, 2014, totals \$45,105.66. The \$150,000 starting balance is the net amount of cumulative excess revenues over expenses less the \$600,000 distribution in February 2011 to Virginia's First members.

Virginia's First Dues Distribution

February 6, 2015

Page 2

To determine an equitable distribution of the net excess amount, we calculated the pro rata share of the total dues contributed by each member during the period in question. Based on this analysis, each member would be paid its pro rata share of the cumulative net excess dues as follows:

Member	Total Dues Paid 7/1/2009 – 6/30/2014	% of Total Dues Paid	Allocation of Excess*
Bland County	\$ 25,000	7.58%	\$ 3,417.10
Craig County	25,000	7.58%	3,417.10
Giles County	25,000	7.58%	3,417.10
Montgomery County	25,000	7.58%	3,417.10
Pulaski County	25,000	7.58%	3,417.10
Roanoke County	25,000	7.58%	3,417.10
Wythe County	5,000	1.52%	683.42
Radford, City of	25,000	7.58%	3,417.10
Roanoke, City of	25,000	7.58%	3,417.10
Salem, City of	15,000	4.55%	2,050.26
Christiansburg, Town of	25,000	7.58%	3,417.10
Dublin, Town of	25,000	7.58%	3,417.10
Narrows, Town of	10,000	3.03%	1,366.84
Pearisburg, Town of	25,000	7.58%	3,417.10
Pulaski, Town of	<u>25,000</u>	<u>7.58%</u>	<u>3,417.10</u>
Total	\$ 330,000	100.00%	\$45,105.72

* Additional 6 cents due to rounding.

If you have any questions or would like to discuss this analysis, please don't hesitate to let us know.

Thank you.

Attachments

Cc: Steven C. Mulroy, VML/VACo Finance
Ken Mulkey, VML/VACo Finance

TABLE 1

**Virginia's First Regional Industrial Facility Authority
Dues Paid by Members, FY2010 to FY2014**

	30-Jun-10		30-Jun-11		30-Jun-12		30-Jun-13		30-Jun-14		Total	%	Excess Payout
	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.			
Bland County	7/23/2009	5,000.00	7/30/2010	5,000.00	7/21/2011	5,000.00	8/1/2012	5,000.00	8/1/2013	5,000.00	25,000.00	7.58%	3,417.10
Craig County	7/8/2009	5,000.00	7/23/2010	5,000.00	8/2/2011	5,000.00	7/10/2012	5,000.00	8/19/2013	5,000.00	25,000.00	7.58%	3,417.10
Giles	8/10/2009	5,000.00	8/9/2010	5,000.00	6/6/2011	5,000.00	7/3/2012	5,000.00	7/22/2013	5,000.00	25,000.00	7.58%	3,417.10
Montgomery	7/16/2009	5,000.00	8/2/2010	5,000.00	8/2/2011	5,000.00	8/1/2012	5,000.00	7/22/2013	5,000.00	25,000.00	7.58%	3,417.10
Pulaski County	7/9/2009	5,000.00	7/30/2010	5,000.00	7/7/2011	5,000.00	7/10/2012	5,000.00	8/1/2013	5,000.00	25,000.00	7.58%	3,417.10
Roanoke County	12/11/2009	5,000.00	8/13/2010	5,000.00	8/15/2011	5,000.00	8/27/2012	5,000.00	7/22/2013	5,000.00	25,000.00	7.58%	3,417.10
Wythe County	7/28/2009	5,000.00	-	-	-	-	-	-	-	-	5,000.00	1.52%	683.42
Radford, City of	7/9/2009	5,000.00	7/19/2010	5,000.00	7/15/2011	5,000.00	7/10/2012	5,000.00	7/5/2013	5,000.00	25,000.00	7.58%	3,417.10
Roanoke, City of	7/9/2009	5,000.00	8/9/2010	5,000.00	5/9/2011	5,000.00	10/10/2012	5,000.00	6/25/2013	5,000.00	25,000.00	7.58%	3,417.10
Salem, City of	8/31/2009	5,000.00	2/25/2011	5,000.00	5/9/2011	5,000.00	-	-	-	-	15,000.00	4.55%	2,050.26
Christiansburg, Town of	8/11/2009	5,000.00	8/13/2010	5,000.00	7/6/2011	5,000.00	7/3/2012	5,000.00	8/13/2013	5,000.00	25,000.00	7.58%	3,417.10
Dublin, Town of	7/7/2009	5,000.00	7/19/2010	5,000.00	8/22/2011	5,000.00	7/2/2012	5,000.00	8/13/2013	5,000.00	25,000.00	7.58%	3,417.10
Narrows, Town of	7/1/2009	5,000.00	8/13/2010	5,000.00	-	-	-	-	-	-	10,000.00	3.03%	1,366.84
Pearisburg, Town of	7/23/2009	5,000.00	7/23/2010	5,000.00	7/21/2011	5,000.00	7/2/2012	5,000.00	7/22/2013	5,000.00	25,000.00	7.58%	3,417.10
Pulaski, Town of	7/9/2009	5,000.00	7/19/2010	5,000.00	7/11/2011	5,000.00	7/10/2012	5,000.00	7/11/2013	5,000.00	25,000.00	7.58%	3,417.10
Totals		75,000.00		70,000.00		65,000.00		60,000.00		60,000.00	330,000.00	100.00%	45,105.72

Cumulative Excess Revenues over Expenses (FY2010 - FY2014) 45,105.66

TABLE 2

Virginia's First Regional Industrial Facility Authority
Excess Revenues over Expenses, FY2010 to FY2014

	<u>30-Jun-10</u>	<u>30-Jun-11</u>	<u>30-Jun-12</u>	<u>30-Jun-13</u>	<u>30-Jun-14</u>
Member Dues	75,000.00	70,000.00	65,000.00	60,000.00	60,000.00
Operating Expenses	<u>18,738.89</u>	<u>19,823.89</u>	<u>24,060.54</u>	<u>93,778.95</u> (2)	<u>78,492.07</u>
Annual Excess / (Deficit)	56,261.11	50,176.11	40,939.46	(33,778.95)	(18,492.07)
Beginning Cumulative Excess	150,000.00 (1)	206,261.11	256,437.22	297,376.68	263,597.73
Ending Cumulative Excess	206,261.11	256,437.22	297,376.68	263,597.73	245,105.66
Repayment of Commerce Park Loan					<u>(200,000.00)</u>
Cumulative Net Excess Revenues over Expenses					45,105.66

(1) Net of \$600,000 of excess dues distributed in February 2011 (Excess Distribution Plan adopted 1/12/2011 based on 6/30/2009).

(2) Includes \$57,000 for Commerce Park website.



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 Richmond, Virginia 23219
 (804) 648-0635

Robert W. Lauterberg
 Managing Director

February 6, 2015

MEMORANDUM

To: Board of Directors of Commerce Park &
 Virginia's First Regional Industrial Facility Authority

From: Robert W. Lauterberg

Re: Fair Market Value of Commerce Park Units

We have concluded our assignment that the Board of Directors has tasked us with and are pleased to present our findings and analysis. The Board asked us to determine the per share fair market value of the equity units held by the members in Commerce Park.

Commerce Park – Fair Market Value of Shares: A common approach to determining fair market value is to use a discounted cash flow model. In order to use this approach, the business being valued must be a going concern that generates free cash flow and profits. The concept behind the discounted cash flow model is to calculate the present value of future earnings at a discount rate. The discount rate generally is the rate of return required by an investor to purchase equity in a business. In essence, the investor is buying shares in a business today for the right to receive income in the future.

Commerce Park's FY2015 budget is as follows:

Total Expenses (including Deferred Debt Pymt.)	\$661,189.00
Sources of Funds/Revenues to cover expenses	
Member Contributions (@ \$2.75 per sh.)	\$412,500.00
Miscellaneous / Grants	35,000.00
Reserve Funds	22,822.60
Property Lease, Taxes, Water Surcharge	41,941.40
Total Sources / Revenues	\$512,264.00

CP Fair Market Value Calculation

February 6, 2015

Page 2

Plus Deferred Debt Service Payment	<u>\$148,925.00</u>
Total Funds to Cover Expenses	<u>\$661,189.00</u>

Commerce Park's FY2015 budget is as follows:

It is our understanding that tax revenues and water surcharges generated from the Greenhouse business in Commerce Park, which opened July 2014, will produce approximately \$140,000 per year over the next ten years. This represents an increase of approximately \$117,250 (\$140,000 less current revenues of \$22,750) over the FY2015 budget.

The FY2015 budget includes property lease revenues of \$19,191.40. It is our understanding that lease revenues going forward will be \$22,500 per year, an increase of about \$3,300. The lease revenues going forward are comprised of a private business club lease at \$2,500 per year and vacant farm land rental at \$20,000 per year.

An adjusted budget incorporating these additional revenues would be as follows:

Total Expenses (including Deferred Debt Pymt.)	\$661,189.00
FY 2015 Budgeted Revenues / Sources of Funds *	\$512,264.00
Plus Additional Revenues (\$117,250 + \$3,300)	<u>\$120,550.00</u>
Total Adjusted Revenues / Sources of Funds	<u>\$632,814.00</u>
Excess Revenues over Expenses (Before deferral of Debt Payment)	(\$28,375.00)

* Excludes Deferred Debt Payment.

As the adjusted budget indicates, Commerce Park's revenues are not yet sufficient to cover expenses, when including the debt payment that has been deferred. Commerce Park's anticipated shortfall of \$28,375 factors in Member contributions of \$412,500 and the use of reserve funds of \$23,000. Unless the members are reasonably confident that additional tax and lease revenues will be realized over the near to intermediate term, an appropriate valuation approach would be to assume liquidation. If the members are confident that Commerce Park will generate positive cash flows and income, without relying on member contributions and reserve funds, and the forgiveness of debt payments, then the discounted cash flow model described in greater detail in the attached memo would be an appropriate approach to value the shares in Commerce Park.

CP Fair Market Value Calculation

February 6, 2015

Page 3

That being said, the per share liquidation value of Commerce Park's units is calculated as follows:

Net Asset Value per Share, as of June 30, 2014

Net Asset Value as of 6/30/2014:	\$312,451
Shares Outstanding as of 6/30/2014:	166,408.98
Net Asset Value per Share	\$1.88

Please refer to Table 1 for a detail listing of the shareholders' ownership allocation.

If you have any questions or would like to discuss this analysis, please don't hesitate to let us know.

Thank you.

Attachments

Cc: Steven C. Mulroy, VML/VACo Finance
Ken Mulkey, VML/VACo Finance

TABLE 1

Commerce Park
Shareholder Ownership Register

A. As of June 30, 2014

	Original Issuances			Reallocate Wythe withdrawal			Excess Dues offering (2/2011)			RSF Grading Agreement			CP Ownership as of 6/30/2014	
	Shares	Price	\$	Shares	Price	\$	Shares	Price	\$	Shares	Price	\$	Shares	%
1 Bland County	2,000.00	2.75	5,500.00	145.53	2.75	400.21	681.82	40.00	27,272.80	-	40.00	-	2,827.35	1.70%
2 Craig County	2,000.00	2.75	5,500.00	125.00	2.75	343.75	-	40.00	-	-	40.00	-	2,125.00	1.28%
3 Giles County	18,932.00	2.75	52,063.00	1,377.60	2.75	3,788.40	999.96	40.00	39,998.40	-	40.00	-	21,309.56	12.81%
4 Montgomery County	18,932.00	2.75	52,063.00	1,377.60	2.75	3,788.40	-	40.00	-	-	40.00	-	20,309.60	12.20%
5 Pulaski County	60,907.00	2.75	167,494.25	4,609.80	2.75	12,676.95	999.96	40.00	39,998.40	10,000.00	40.00	400,000.00	76,516.76	45.98%
6 Roanoke County	10,000.00	2.75	27,500.00	638.30	2.75	1,755.33	-	40.00	-	-	40.00	-	10,638.30	6.39%
7 Wythe County	9,000.00	2.75	24,750.00	(9,000.00)	2.75	(24,750.00)	-	40.00	-	-	40.00	-	-	0.00%
8 City of Radford	7,950.00	2.75	21,862.50	507.44	2.75	1,395.46	681.82	40.00	27,272.80	-	40.00	-	9,139.26	5.49%
9 City of Roanoke	10,000.00	2.75	27,500.00	-	2.75	-	681.82	40.00	27,272.80	-	40.00	-	10,681.82	6.42%
10 Town of Dublin	1,006.00	2.75	2,766.50	73.20	2.75	201.30	999.96	40.00	39,998.40	-	40.00	-	2,079.16	1.25%
11 Town of Pearisburg	2,000.00	2.75	5,500.00	145.53	2.75	400.21	681.82	40.00	27,272.80	-	40.00	-	2,827.35	1.70%
12 Town of Pulaski	7,273.00	2.75	20,000.75	-	2.75	-	681.82	40.00	27,272.80	-	40.00	-	7,954.82	4.78%
Total	150,000.00		412,500.00	(0.00)		0.00	6,408.98		256,359.20	10,000.00		400,000.00	166,408.98	100.00%

B. After of June 30, 2014

	CP Ownership as of 6/30/2014		After 6/30/2014			After 6/30/2014			CP Ownership after 6/30/2014	
	Shares	%	Shares	Price	\$	Shares	Price	\$	Shares	%
1 Bland County	2,827.35	1.70%	-	40.00	-	-	40.00	-	2,827.35	1.60%
2 Craig County	2,125.00	1.28%	-	40.00	-	-	40.00	-	2,125.00	1.20%
3 Giles County	21,309.56	12.81%	-	40.00	-	-	40.00	-	21,309.56	12.04%
4 Montgomery County	20,309.60	12.20%	-	40.00	-	-	40.00	-	20,309.60	11.47%
5 Pulaski County	76,516.76	45.98%	10,500.00	40.00	420,000.00	-	40.00	-	87,016.76	49.16%
6 Roanoke County	10,638.30	6.39%	-	40.00	-	-	40.00	-	10,638.30	6.01%
7 Wythe County	-	0.00%	-	40.00	-	-	40.00	-	-	0.00%
8 City of Radford	9,139.26	5.49%	-	40.00	-	-	40.00	-	9,139.26	5.16%
9 City of Roanoke	10,681.82	6.42%	-	40.00	-	-	40.00	-	10,681.82	6.03%
10 Town of Dublin	2,079.16	1.25%	-	40.00	-	-	40.00	-	2,079.16	1.17%
11 Town of Pearisburg	2,827.35	1.70%	-	40.00	-	-	40.00	-	2,827.35	1.60%
12 Town of Pulaski	7,954.82	4.78%	-	40.00	-	100.00	40.00	4,000.00	8,054.82	4.55%
Total	166,408.98	100.00%	10,500.00		420,000.00	100.00		4,000.00	177,008.98	100.00%

Note: The owners of the shares purchased at \$40 per share are not required to pay annual dues of \$2.75 per share, as the owners of the original shares issued are. Also, the owners of these shares are not responsible for additional debt and expenses.



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Steven C. Mulroy
Deputy Director

February 6, 2015

MEMORANDUM

To: Virginia's First Regional Industrial Facility Authority
From: Steven C. Mulroy
Re: Fair Market Value Calculation

A common approach to determining the fair market value (FMV) of an entity is to use the discounted cash flow (DCF) model. A fundamental assumption of the DCF model is that the business / enterprise is a going concern and that it will either operate in perpetuity or will be sold at some point in the future. The assumption of a DCF model is that you are calculating the present value of future cash flows, or earnings, generated by the business. If the prospects of generating positive cash flows are not good, then using the DCF approach is not appropriate for obvious reasons. If a business is not generating free cash flow, or profits, then a more appropriate valuation method would be to use the current net asset value or stockholders' equity, which is essentially the liquidation value of the business.

The DCF model is, as its name suggests, a present value calculation of future cash flows generated by a business / enterprise plus the present value of a terminal value of the business, i.e., its value at the end of the forecast period. If a company has debt, then the present value figure represents an enterprise value. To arrive at the equity value, you would subtract the amount of the outstanding debt from the enterprise value.

Highlighted below are several key elements of the discounted cash flow FMV model.

- A. The forecast period. In deciding what forecast period to use, factors such as consistency of earnings, a company's market position, and barriers to entry should be considered. For companies in a highly competitive industry and that do not have consistent earnings, a shorter period, such as one year, is appropriate. For

companies in industries with high barriers to entry and with consistent and growing earnings, a longer period, such as ten years, is appropriate.

For businesses which are not on either extreme, five years is an appropriate and common forecast period. This is the forecast period used in the attached sample DCF analysis for Virginia's First.

B. Discount rate. The discount rate in a DCF model takes into account: 1) the time value of money; and, 2) the risk or uncertainty of future cash flows. The greater the risk or uncertainty, the higher the discount rate that should be used. There are many approaches to determining a discount rate. One such method is the weighted average cost of capital.

a. Weighted Average Cost of Capital (WACC). The weighted average cost of capital considers both debt and equity of a corporation / enterprise and is determined as follows:

i. Cost of Debt: Interest Rate (i) X (1 – Tax Rate)

ii. Cost of Equity as determined by the capital asset pricing model (CAPM), which uses the following formula:

Risk-Free Rate + Beta X (Risk Premium)

1. Risk-Free Rate: US Treasury Bond, typically the 10-year Treasury Bond

2. Beta: A measure of how much a company's share price moves vis-à-vis the market as a whole.

3. Risk Premium, which is the Market Rate – Risk-Free Rate. It is a measure of how much additional return an investor demands over and above the Risk-Free Rate for taking on the additional risk of investing in the company.

iii. $WACC = \% \text{ of Capital Structure as Debt} \times [\text{Interest Rate} \times (1 - \text{Tax Rate})] + \% \text{ of Capital Structure as Equity} \times [\text{Risk-Free Rate} + (\text{Beta} \times \text{Risk Premium})]$

C. Free Cash Flow. In determining future free cash flows, it is appropriate to use an historical average, unless information dictates otherwise (such as a new business line is started, or an existing business unit is shut down).

D. Terminal Value. In addition to the annual free cash flow used in determining the FMV, the value of an asset at the future valuation date, i.e., the end of the forecast period, is also used. The concept is that the asset will either continue to earn a profit in perpetuity, or the business will be sold for some multiple of the annual

income. If the business continues to generate income or free cash flow in perpetuity, it is reasonable to assign a terminal value for that potential, future income. If the business will be sold, a common approach to determining its terminal value, or sales price, is to use a multiple of the past 12 months' earnings.

a. As a point of reference, the stock market, as measured by the S&P 500 index, generally trades at a price-to-earnings (P/E) ratio of roughly 15X the previous 12 months' earnings. This varies over time, of course, and has been as low as 5.3X (December 1917) to as high as 123.7X (May 2009). Many factors affect a company's PE ratio, for example, the company's growth rate, so the PE ratio may be higher, or lower, than this market average.

b. There are two common approaches to determining termination value:

i. Perpetuity Growth Model:

[Final projected year cash flow X (1 + Long-term cash flow growth rate)] / (Discount Rate – Growth Rate)

1. In considering what growth rate to use, it is useful to know that the U.S. economy (as measured by GDP) has grown an average of 2.2% over the last five years. The question, then, is whether the company is growing faster or slower than, or the same as, the U.S. economy.
2. The formula assumes a constant growth rate over the forecast period.
3. The Discount Rate is the rate that an investor would require to invest in the business. For example, an equity investor may require a 10% annual return in order to purchase shares of a company.

ii. Exit Approach: Assumes the business is sold at the end of the forecast period for a multiple of earnings, such as 15 times.

Sample Fair Market Value Calculation: The attached FMV calculation uses the DCF model to estimate a per share value of Virginia's First. Key assumptions are as follows:

1. Five year forecast period;
2. Free cash flow for previous five years (2010 – 2014) is used to calculate an average annual free cash flow per share amount;
3. For purposes of this analysis, it is assumed that annual member contributions less operating expenses of Virginia's First represent free cash flow. It is assumed that Commerce Park's budget breaks even. However, net contributions from

current owners do not truly represent earnings or free cash flow;

4. For the perpetuity growth model used in calculating the terminal value, we assume
 - a. A Growth rate of 2%;
 - b. A Discount rate of 8.0%.
5. For the exit approach in calculating the Terminal Value, we assume a PE multiplier of 15.
6. Debt obligation of \$200,000 (\$1.13 per share) is subtracted from the Enterprise Value to determine the FMV of the shareholders' equity.
7. Total shares outstanding equal 177,009.

Attachment (Sample FMV Calculation)

VML/VACo Finance
 Commerce Park / Virginia's First Regional Industrial Facility Authority
 SAMPLE Fair Market Value Calculation

Historical, Average 5-Year Free Cash Flows (FCF) *

Year Ended	Contributions less Operating Exp.	Per Share	Avg FCF / 12/31/14 NAV
2010	\$ 56,261.11	0.34	
2011	\$ 50,176.11	0.30	
2012	\$ 40,939.46	0.25	
2013	\$ (33,778.95)	(0.20)	
2014	\$ (18,492.07)	(0.11)	
5-Year Average	\$ 19,021.13	0.11	2.58%

* For purposes of this sample FMV calculation, we have assumed that contributions to Virginia's First less operating expenses represents free cash flow. This also assumes that Commerce Park's budget breaks even. However, net contributions from current owners to cover expenses do not truly represent earnings.

A. Discounted Cash Flow Analysis - Assumes Perpetuity Growth Model in determining Terminal Value

Future 5-Year Free Cash Flow

Year Ended	Per Share	
2015	0.11	0.11
2016	0.11	0.11
2017	0.11	0.11
2018	0.11	0.11
2019	0.11	0.11
Terminal Value	\$ 343,956.74	1.94

Enterprise Value: Net Present Value @ 8.00% **\$1.78**
 Less current debt per share **(\$1.13)**
 Equity Per Share **\$0.65**

a.	Year 5 Expected Cash Flow	\$ 0.11
b.	Growth rate (+1)	1.02
c.	Discount Rate	8.00%
d.	Growth rate	2.00%
		[(a x b) / (c - d)]
	Terminal Value per Share	\$ 1.94
	# of Shares	177,009
	Terminal Value	\$ 343,956.74
	Current Debt Outstanding	\$ 200,000.00

B. Discounted Cash Flow Analysis - Assumes Exit Approach in determining Terminal Value

Future 5-Year Free Cash Flow

Year Ended	Per Share	
2015	0.11	0.11
2016	0.11	0.11
2017	0.11	0.11
2018	0.11	0.11
2019	0.11	0.11
Terminal Value	\$ 303,491.24	1.71

Enterprise Value: Net Present Value @ 8.00% **\$1.62**
 Less current debt per share **(\$1.13)**
 Equity Per Share **\$0.49**

a.	Year 5 Expected Cash Flow	\$ 0.11
b.	Sale - Multiplier	15
		[a x b]
	Terminal Value per Share	\$ 1.71
	# of Shares	177,009
	Terminal Value	\$ 303,491.24
	Current Debt Outstanding	\$ 200,000.00

	VA First	Commerce Park	Total Funds
9/30/2014 Designated Balance	\$ 72,882.13	\$ 522,258.34	\$ 595,140.47
Quarterly Income			
Dues/Shares	\$ 5,000.00	\$ 2,968.00	
Leases			
Misc - Grants/Easement Fees			
Add'l Shares - W/S Expansion			
an payments land sale - new Dublin Presbyterian church			
mebane house sale		\$ 10.00	
Total Income	\$ 5,000.00	\$ 2,978.00	
Quarterly Expense			
Admin Contracted	\$ 2,832.62	\$ 2,722.31	
Admin Exp	\$ 299.51		
Project Development		\$ 41.60	
Contractual Service			
Debt Service			
Participation Committee		\$ 271.37	
Professional	\$ 7,416.54	\$ 48,236.00	
Site Maintenance			
Revenue Refund			
Misc/reserve used for debt service			
Total Expense	\$ 10,548.67	\$ 51,271.28	
12/31/2014 Designated Balance	\$ 67,333.46	\$ 473,965.06	\$ 541,298.52
VA 1st includes deferred revenue @		12/31/14 ledger balance	\$ 541,298.52
\$12,727.00			\$ -
		\$ 473,965.06	Commerce Pk Qtr Balance
		\$ (192,203.94)	designated for W/S expansion
		\$ -	designated for RD Loan reserve
		\$ 281,761.12	

These financial statements have not been prepared in accordance with General Accepted Accounting Principles (GAAP) and are intended for internal use only

VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY Attachment 9
Quarter Ending December 31, 2014

Ledger Balance Forward September 30, 2014		595,140.47
Dues/Shares/Rents Received 10/1/2014 -12/31/2014	7,968.00	
Interest Earned October - December 2014		
Loan payments for land sale		
Lmebane Sale	10.00	
Total Receivables (less fees)	7,978.00	7,978.00

October 2014 Payables

Verizon Wireless	99.75
NRV Planning District Commission	1,709.01
Guyann, Memmer & Dillon	1,904.00
Draper Aden Associates	3,680.00
Anderson and Associates	3,154.00
Danny Wilson - Reimbursement	41.60

November 2014 Payables

Verizon Wireless	99.76
Guyann, Memmer & Dillon	3,424.00
Fidelity National Title Company	1,660.00
Anderson & Associates	5,842.00
NRV Development Corporation	100.00

December 2014 Payables

Verizon Wireless	
Timmons Group	33,900.00
NRV Planning District Commission	4,117.29
Guyann, Memmer & Dillon	2,088.54

Total Accounts Payable

61,819.95
(61,819.95)

Ledger Balance December 31, 2014 **541,298.52**

Available Funds		
Virginia's First Designated Balance	67,333.46	
Virginia's First Deferred Excess Funds	(12,727.00)	
Virginia First Available Balance	54,606.46	54,606.46
Commerce Park Designated Balance	473,965.06	
Commerce Park Water/Sewer Expansion Reserve	(192,203.94)	
Commerce Park Available Balance	281,761.12	281,761.12
Total Available Funds		336,367.58

Long-term Obligations - principal balance as of June 30, 2013		
Pulaski County IDA June 2013 Bond Issue Average Interest 5.15% through 2028	\$	1,660,000.00
Pulaski County IDA June 2013 Bond Issue Average Interest 5.15% through 2039	\$	4,950,000.00
Pulaski County IDA June 2013 Bond Issue Original Issue Discount	\$	(10,133.00)
VFRIFA Loan to Commerce Park for Site Improvements	\$	200,000.00
Pulaski County PSA April 2010 Loan Imputed Interest 2.375% through 2050	\$	1,413,190.00
Total Long Term Obligations	\$	8,213,057.00

These financial statements have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are intended for internal use only

3:06 PM

01/14/15

Cash Basis

**Virginia's First Regional Industrial Facility Authority
Combined Profit & Loss Budget vs. Actual**

July 2014 through June 2015

	Jul '14 - Jun 15	Budget	% of Budget
Income			
Commerce Park Income			
Commerce Park - Use of Reserve Easement Fee	0.00	22,822.60	0.0%
Grants - Commerce Park	35,000.00	35,000.00	100.0%
LandSale- NewPresbyterianChurch	1,122.96		
Lease Income - Commerce Park			
Residence - Double Wide	1,848.90	3,500.00	52.8%
Lease Income - Commerce Park - Other	0.00	15,691.40	0.0%
Total Lease Income - Commerce Park	1,848.90	19,191.40	9.6%
Mebane House Sale	10.00		
Property Taxes from Red Sun Far	0.00	20,750.00	0.0%
Shares - Commerce Park			
Shares - Bland County	5,900.00	5,900.00	100.0%
Shares - City of Radford	23,258.00	23,258.00	100.0%
Shares - City of Roanoke	27,500.00	27,500.00	100.0%
Shares - Craig County	5,884.00	5,844.00	100.7%
Shares - Giles County	55,851.00	55,851.00	100.0%
Shares - Montgomery County	55,851.00	55,851.00	100.0%
Shares - Pulaski County	180,172.00	180,172.00	100.0%
Shares - Roanoke County	29,255.00	29,255.00	100.0%
Shares - Town of Dublin	2,968.00	2,968.00	100.0%
Shares - Town of Pearisburg	5,900.00	5,900.00	100.0%
Shares - Town of Pulaski	20,001.00	20,001.00	100.0%
Total Shares - Commerce Park	412,540.00	412,500.00	100.0%
Water Surcharge	0.00	2,000.00	0.0%
Total Commerce Park Income	450,523.86	512,264.00	87.9%
Virginia First's Income			
Member Dues - VA First			
Dues - Bland County	5,000.00	5,000.00	100.0%
Dues - City of Radford	5,000.00	5,000.00	100.0%
Dues - City of Roanoke	5,000.00	5,000.00	100.0%
Dues - Craig County	5,000.00	5,000.00	100.0%
Dues - Giles County	5,000.00	5,000.00	100.0%
Dues - Montgomery County	5,000.00	5,000.00	100.0%
Dues - Pulaski County	5,000.00	5,000.00	100.0%
Dues - Roanoke County	5,000.00	5,000.00	100.0%
Dues - Town of Christiansburg	5,000.00		
Dues - Town of Dublin	5,000.00	5,000.00	100.0%
Dues - Town of Pearisburg	5,000.00	5,000.00	100.0%
Dues - Town of Pulaski	5,000.00	5,000.00	100.0%
Dues - Wythe County	0.00	5,000.00	0.0%
Total Member Dues - VA First	60,000.00	60,000.00	100.0%
VA 1st Use of Reserve	0.00	1,500.00	0.0%
Total Virginia First's Income	60,000.00	61,500.00	97.6%
Total Income	510,523.86	573,764.00	89.0%
Gross Profit	510,523.86	573,764.00	89.0%
Expense			
Commerce Park Expenses			
Administration Contracted - CP			
Contracted Management	940.00		
PDC Staff Services	3,380.71		
Administration Contracted - CP - Other	0.00	18,625.00	0.0%
Total Administration Contracted - CP	4,320.71	18,625.00	23.2%
Debt Service-Commerce Park			
Pulaski Co PSA - 2050	38,000.00	38,000.00	100.0%
Debt Service-Commerce Park - Other	0.00	353,595.00	0.0%
Total Debt Service-Commerce Park	38,000.00	391,595.00	9.7%
Participation Committee-Comm Pk	271.37	1,500.00	18.1%
Professional Services-Comm Pk			
Engineering	40,868.75		
Other Professional Fees	37,520.00		
Professional Services-Comm Pk - Other	0.00	96,164.00	0.0%
Total Professional Services-Comm Pk	78,388.75	96,164.00	81.5%
Project Development-Commerce Pk			
Site Development/Marketing			
Website	1,782.00		
Site Development/Marketing - Other	0.00	1,500.00	0.0%
Total Site Development/Marketing	1,782.00	1,500.00	118.8%
Project Development-Commerce Pk - Other	41.60		
Total Project Development-Commerce Pk	1,823.60	1,500.00	121.6%
Site Maintenance-Commerce Park			
Utilities	20.04		
Site Maintenance-Commerce Park - Other	0.00	2,880.00	0.0%
Total Site Maintenance-Commerce Park	20.04	2,880.00	0.7%
Total Commerce Park Expenses	122,824.47	512,264.00	24.0%
Virginia's First Expenses			

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01/14/15
Cash Basis

Virginia's First Regional Industrial Facility Authority
Combined Profit & Loss Budget vs. Actual
July 2014 through June 2015

	Jul '14 - Jun 15	Budget	% of Budget
Administration Contracted -VF			
Contracted Management	2,060.00		
PDC Staff Services	8,189.36		
Administration Contracted -VF - Other	0.00	18,625.00	0.0%
Total Administration Contracted -VF	10,249.36	18,625.00	55.0%
Administration Expenses - VA1st			
Miscellaneous			
Other	286.37		
Miscellaneous - Other	200.00		
Total Miscellaneous	486.37		
Telecommunications	533.08		
Administration Expenses - VA1st - Other	0.00	3,425.00	0.0%
Total Administration Expenses - VA1st	1,019.45	3,425.00	29.8%
Professional Services- VA First			
Audit Fee	2,263.13		
Legal	10,791.62		
Professional Services- VA First - Other	0.00	19,950.00	0.0%
Total Professional Services- VA First	13,054.75	19,950.00	65.4%
Regional Marketing	0.00	2,500.00	0.0%
Water & Sewer Capacity Debt	17,000.00	17,000.00	100.0%
Total Virginia's First Expenses	41,323.56	61,500.00	67.2%
Total Expense	164,148.03	573,764.00	28.6%
Net Income	346,375.83	0.00	100.0%

These financial statements have not been prepared in accordance with General Accepted Accounting Principals (GAAP) and are intended for internal use only

**VIRGINIA’S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY
LAND LEASE AGREEMENT**

THIS LAND LEASE AGREEMENT (“Agreement”), made this ____ day of _____, 2015, between **VIRGINIA’S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY** located at 6580 Valley Center Drive, Suite 124, Radford, Virginia 24141, hereinafter designated LESSOR and _____, with an address of _____, hereinafter designated LESSEE. The LESSOR and LESSEE may be referred to hereinafter as the “Parties” or individually as the “Party.”

1. PREMISES. LESSOR hereby leases to LESSEE a portion of that certain parcel of property known as:

being a portion of the New River Valley Commerce Park located off Cleburne Boulevard, Route 100, Dublin, Virginia, 24084, said portion being described as approximately _____ (____) acres which includes portions of Parcel Numbers _____, located on _____ being substantially as described herein in Exhibit "A" (“Premises”) attached hereto and made a part hereof.

2. TERM AND LEASE PAYMENTS. This Agreement shall be effective as of the date of execution by both Parties, and shall commence on _____ (“Commencement Date”). The term of this lease shall be _____ (____) years (“Lease Term”), unless terminated earlier as set forth herein. Rental payments shall commence on the Commencement Date in the amount of _____ per year during the lease term or the sublease rate, whichever is greater, during the lease term (“Rent”). Rent shall be due in full to the LESSOR by December 31st of each year for the upcoming year. LESSEE shall be responsible for all maintenance, taxes, insurance, utility, and other costs associated with the Premises during the Lease Term, including any and all tenant improvements to the property that LESSEE desires or requires.

3. USE; GOVERNMENTAL APPROVALS.

- A. LESSEE shall use the Premises for the purpose of _____.
All improvements shall be at LESSEE's expense. LESSEE shall be responsible for obtaining any certificates, permits and other approvals (collectively the "Governmental Approvals") that may be required by any Federal, State or Local authorities in connection with its use of the Premises. LESSOR shall cooperate with LESSEE in its effort to obtain such approvals and shall take no action which would adversely affect the status of the Premises with respect to the proposed use thereof by LESSEE.
- B. Neither LESSEE, nor LESSEE's guests or invitees, shall hunt on the Premises in the vicinity of the Red Sun Farms property nor shall shots or other projectiles be fired toward the Red Sun Farms property or other inhabited property.
- C. LESSEE shall not erect any building or other structure on the Premises.
- D. LESSEE shall not dispose of refuse, garbage, inoperable vehicles, dead animal carcasses, or the like on the Premises at any time.
- E. LESSEE shall not commit waste or allow destruction of the Premises.

4. INSURANCE/INDEMNIFICATION. LESSEE shall, at its sole expense, obtain and maintain during the life of this Agreement the insurance policies required by this Section. All required insurance policies shall be in force and effective prior to the Commencement Date. The following is required:

- A. General Liability/Property Damage. Primary General Liability/Bodily Injury and Property Damage insurance shall insure against all claims, loss, cost, damage, expense or liability from loss of life or damage or injury to persons or property arising out of the LESSEE'S use of the Premises. The minimum limits of liability for this coverage shall be \$1,000,000.00 combined single limit for any one occurrence. Liability insurance shall include the indemnification obligation set forth in this Agreement. LESSEE shall be solely responsible for insuring LESSEE's improvements to the Premises.
- B. Workers' Compensation/Employer's Liability. Workers' Compensation insurance covering LESSEE'S statutory obligation under the laws of the Commonwealth of

Virginia shall be maintained for all LESSEE'S employees, if any, with limits and benefits at least as required by statute.

- C. Evidence of Insurance. All insurance shall be written on an occurrence basis. In addition, the following requirements shall be met:
- 1) LESSEE shall furnish LESSOR a certificate or certificates of insurance showing the type, amount, effective dates and date of expiration of the policies. Certificates of insurance shall include any insurance deductibles.
 - 2) The required certificate or certificates of insurance shall include substantially the following statement: "The insurance covered by this certificate shall not be canceled or materially altered, except after thirty (30) days written notice has been provided to "Virginia's First Regional Industrial Facility Authority."
 - 3) The required certificate or certificates of insurance, excluding Workers Compensation, shall name Virginia's First Regional Industrial Facility Authority, its officers, employees, agents, and members as additional loss payees.
 - 4) Insurance coverage shall be in a form and with an insurance company approved by LESSOR which approval shall not be withheld unreasonably. Any insurance company providing coverage shall be authorized to do business in the Commonwealth of Virginia.
- D. Insurance not to be Limit on Liability. LESSEE covenants and agrees that the insurance coverage required herein shall in no way be considered a limit or cap of any kind on any obligation or liability that LESSEE may otherwise have, including, without limitation, liability under the indemnification provisions contained herein.
- E. Indemnification Clause. LESSEE agrees to and shall defend, indemnify, and hold harmless LESSOR and its officers, agents, employees and members against any and all liability, losses, damages, claims, causes of action, suits of any nature, cost, and expenses, including reasonable attorney's fees, resulting from or arising out of LESSEE'S activities or omissions on or near any of LESSOR'S property or arising out of or resulting from LESSEE'S negligence in connection with the use of the

Premises, including, without limitation, fines and penalties, violations of federal, state, or local laws, or regulations promulgated thereunder, or any personal injury, wrongful death, or property damage claims of any type. LESSEE acknowledges and agrees that LESSOR shall have no liability whatsoever for any damage or destruction to LESSEE's improvements and personal property located on the Premises.

5. QUIET ENJOYMENT; INSPECTION. LESSOR covenants that LESSEE, on paying the rent and performing the covenants herein, shall peaceably and quietly have, hold, and enjoy the Premises. However, at least annually, LESSOR may inspect the Premises for compliance with this Lease. If and when LESSOR enters onto the property for inspections, studies, marketing, or other purposes, effort will be made to minimize any negative impact to LESSEE's use of the property. LESSOR will notify LESSEE if extended time is needed on the property to minimize any inconvenience to the LESSEE.

6. TITLE. LESSOR represents and warrants to LESSEE as of the execution date of this Agreement, and covenants during the Lease Term that LESSOR is seized of good and sufficient title and interest to the Premises and has full authority to enter into and execute this Agreement.

7. TERMINATION. As the purpose of the NRV Commerce Park is industrial development, the LESSOR reserves the right to terminate this lease with 60 days notice in order to development any and all portions of the property for industrial uses or uses needed to encourage industrial development, such as, but not limited to, road construction, utility installation, grading, and stormwater system construction. LESSOR will refund any partial year payment due to LESSEE in the event this lease is terminated due to industrial development or uses needed to encourage industrial development.

8. ABANDONMENT. Should LESSEE, at any time during the term of this Agreement, abandon the Premises, LESSOR, at its option, shall obtain possession of the Premises in the manner provided by law, may re-let the Premises, receive and collect rents for the Premises, without becoming liable to LESSEE for damages or for any payment of any kind whatever, as well as hold LESSEE liable for any difference between the rent that would have been payable under this Agreement during the balance of the unexpired term. If the right of

reentry by LESSOR is exercised following abandonment of the Premises by the LESSEE, LESSOR shall consider any personal property belonging to LESSEE and left on the Premises to be abandoned, in which case LESSOR may dispose of all such personal property in any manner LESSOR shall deem proper and LESSOR is hereby relieved of all liability for doing so.

9. GOVERNING LAW/VENUE. This Agreement and the performance thereof shall be governed, interpreted, construed and regulated by the Laws of the Commonwealth of Virginia and venue for any court proceedings shall be in the appropriate court in Pulaski County, Virginia.

10. ASSIGNMENT/ SUBLEASING. This Agreement may not be sold, assigned or transferred by the LESSEE without the approval or consent of the LESSOR. Any sale, assignment, transfer or sublease that is entered into by LESSEE shall be subject to the provisions of this Agreement and shall be binding upon the successors, assigns, heirs and legal representatives of the respective Parties hereto.

11. NOTICES. All notices hereunder must be in writing and shall be deemed validly given if sent by certified mail, return receipt requested or by commercial courier, provided the courier's regular business is delivery service and the notice is addressed as follows (or any other address that the Party to be notified may have designated to the sender by like notice):

LESSOR: Virginia's First Regional Industrial Facility Authority
c/o Executive Director
6580 Valley Center Drive, Suite 124
Radford, Virginia 24141

LESSEE:

Notice shall be effective upon actual receipt or refusal as shown on the receipt obtained pursuant to the foregoing.

12. SUCCESSORS. This Agreement shall extend to and bind the heirs, personal representative, successors and assigns of the Parties hereto.

13. RECORDING. At the option of LESSOR, the Parties agree to execute a memorandum of this Agreement which may be recorded with the appropriate recording officer. The date set forth in the Memorandum of Lease is for recording purposes only and bears no reference to commencement of either the Term or rent payments.

14. DEFAULT/TERMINATION OF LEASE. In the event there is a breach by LESSEE with respect to any of the provisions of this Agreement, including but not limited to, the payment of Rent or the failure to maintain the insurance coverage required herein, LESSOR shall give LESSEE written notice of such breach. After receipt of such written notice, LESSEE shall have fifteen (15) days in which to cure any monetary breach and thirty (30) days in which to cure any non-monetary breach. LESSOR may not maintain any action or effect any remedies for default against LESSEE unless and until LESSEE has failed to cure the breach within the time periods provided in this Paragraph. If LESSEE defaults under the terms of this Agreement, LESSOR may terminate this Agreement at the end of any applicable cure period and require the LESSEE to remove any or all of LESSEE's personal property on the Premises.

15. REMEDIES. Upon a default, the non-defaulting Party may at its option (but without obligation to do so), perform the defaulting Party's duty or obligation on the defaulting Party's behalf, including but not limited to the obtaining of reasonably required insurance policies. The costs and expenses of any such performance by the non-defaulting Party shall be due and payable by the defaulting Party upon invoice therefore. In the event of a default by either Party with respect to a material provision of this Agreement, without limiting the non-defaulting Party in the exercise of any right or remedy which the non-defaulting Party may have by reason of such default, the non-defaulting Party may terminate the Agreement and/or pursue any remedy now or hereafter available to the non-defaulting Party under the Laws or judicial decisions of the Commonwealth of Virginia. In the event of any litigation related to or arising out of the enforcement of this Lease, if LESSOR is the prevailing party, LESSOR shall be entitled to recovery of all costs, including, but not limited to, reasonable attorneys' fees.

16. ENVIRONMENTAL.

- A. LESSEE shall be responsible for all obligations of compliance with any and all environmental and industrial hygiene laws, including any regulations, guidelines, standards, or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene conditions or concerns as may now or at any time hereafter be in effect, that are or in any way related to LESSEE'S activity on the Premises,

unless such conditions or concerns are caused by the specific activities of LESSOR prior to LESSEE'S occupation of the Premises.

- B. LESSEE shall hold LESSOR harmless and indemnify LESSOR from and assume all duties, responsibility and liability at LESSEE'S sole cost and expense, for all duties, responsibilities, and liability (for payment of penalties, sanctions, forfeitures, losses, costs, or damages) and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding which is in any way related to: a) failure to comply with any environmental or industrial hygiene law, including without limitation any regulations, guidelines, standards, or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene concerns or conditions as may now or at any time hereafter be in effect, unless such non-compliance results from conditions caused by LESSOR.

17. APPLICABLE LAWS. During the Term, LESSEE shall maintain the Premises in compliance with all applicable laws, rules, regulations, ordinances, directives, covenants, easements, zoning and land use regulations, and restrictions of record or provided to LESSEE (collectively "Laws") relating to LESSEE's use of the Premises.

18. SURVIVAL. The provisions of the Agreement relating to indemnification shall survive any termination or expiration of this Agreement. Additionally, any provisions of this Agreement which require performance subsequent to the termination or expiration of this Agreement shall also survive such termination or expiration.

19. CAPTIONS. The captions contained in this Agreement are inserted for convenience only and are not intended to be part of the Agreement. They shall not affect or be utilized in the construction or interpretation of the Agreement.

IN WITNESS WHEREOF, the Parties hereto have set their hands and affixed their respective seals the day and year first above written.

LESSOR:

**VIRGINIA’S FIRST REGIONAL
INDUSTRIAL FACILITY AUTHORITY**

Chair or Vice-Chair

COMMONWEALTH OF VIRGINIA

COUNTY OF PULASKI

The foregoing instrument was acknowledged before me this ___ day of _____ ,
2015, _____, on behalf of the Virginia’s First Regional Industrial Facility
Authority, a political subdivision of the Commonwealth of Virginia.

Notary Public

My commission expires: _____

Registration No. _____

LESSEE:

Name: _____

Title: _____

STATE OF _____

COUNTY/CITY OF _____

The foregoing instrument was acknowledged before me this ___ day of _____, 2015, by _____.

Notary Public

My commission expires: _____

Registration No. _____

Exhibit "A"

Parcel Numbers:

All of that certain tract or parcel of land consisting of approximately _____ acres as depicted in the "Sketch of Premises" dated _____, attached hereto, lying and being in the Cloyd Magisterial District in Pulaski County, Virginia and located on the _____ side of International Boulevard, about _____ from Route 100, Cleburne Boulevard, and extending to _____, and _____, all within the boundaries of the New River Valley Commerce Park.

FY 2015 Commerce Park Income			
Budget & Actual			
CP Income			
	Budget	YTD Actual	Difference
Water Surcharge			
Red Sun Farms	\$ 2,000.00	\$ -	\$ (2,000.00)
Red Sun Taxes			
Real Estate	\$ 20,750.00	\$ 22,423.60	\$ 1,673.60
Property Leases			
Mebane Manor	\$ -	\$ 405.00	\$ 405.00
Flory	\$ 4,521.45	\$ 2,065.80	\$ (2,455.65)
Guthrie	\$ 2,062.95	\$ 4,069.95	\$ 2,007.00
Dalton	\$ 9,107.00	\$ 9,107.00	\$ -
Melton/Gardner	\$ 3,500.00	\$ 1,848.90	\$ (1,651.10)
Member Shares			\$ -
Bland County	\$ 5,900.00	\$ 5,900.00	\$ -
Craig County	\$ 5,844.00	\$ 5,844.00	\$ -
Giles County	\$ 55,851.00	\$ 55,851.00	\$ -
Montgomery County	\$ 55,851.00	\$ 55,851.00	\$ -
Pulaski County	\$ 180,172.00	\$ 180,172.00	\$ -
Roanoke County	\$ 29,255.00	\$ 29,255.00	\$ -
City of Radford	\$ 23,258.00	\$ 23,258.00	\$ -
City of Roanoke	\$ 27,500.00	\$ 27,500.00	\$ -
Town of Dublin	\$ 2,968.00	\$ 2,968.00	\$ -
Town of Pearisburg	\$ 5,900.00	\$ 5,900.00	\$ -
Town of Pulaski	\$ 20,001.00	\$ 20,001.00	\$ -
Grants	\$ 35,000.00	\$ 35,000.00	
Easement Payments (AEP)	\$ -	\$ 2.00	\$ 2.00
Miscellaneous			
1st Presbyterian- Loan			
Repayment	\$ -	\$ 1,122.96	\$ 1,122.96
Property Sale- Mebane	\$ -	\$ 10.00	\$ 10.00
Reserve Funds	\$ 22,822.60	\$ 22,822.60	\$ -
<i>(reserve for debt service payment)</i>			
TOTAL	\$ 512,264.00	\$ 511,377.81	\$ (886.19)

Revised Total **\$ 511,377.81**

Plus Melton/Gardner: \$632.60

FY 2015 Commerce Park Expenses					
Budget & Actual					
CP Expenses					
	Adopted Budget	YTD Actual	Proposed	Difference	
Staffing					
PDC	\$ 2,125.00	\$ 6,561.11	\$ 13,000.00	\$	10,875.00
Executive Director	\$ 16,500.00	\$ 940.00	\$ 5,940.00	\$	(10,560.00)
PSA Debt Service	\$ 38,000.00	\$ 38,000.00	\$ 38,000.00	\$	-
2013 Refinancing	\$ 353,595.00	\$ -	\$ 353,595.00	\$	-
2013 Red Sun Grading Financing	\$ 148,925.00	\$ -	\$ 148,925.00	\$	-
Professional Services	\$ 96,164.00	\$ 79,308.75	\$ 79,500.00	\$	(16,664.00)
Site Marketing (website)	\$ 1,500.00	\$ 2,862.00	\$ 2,862.00	\$	1,362.00
Property Maintenance	\$ 500.00	\$ -	\$ 500.00	\$	-
Property Insurance	\$ 200.00	\$ -	\$ 200.00	\$	-
Materials/ Supplies	\$ 2,000.00	\$ 417.92	\$ 1,500.00	\$	(500.00)
Miscellaneous	\$ 150.00	\$ 41.60	\$ 150.00	\$	-
Utilities	\$ 30.00	\$ 20.04	\$ 30.00	\$	-
CPPC (meeting costs, food)	\$ 1,500.00	\$ 832.74	\$ 1,500.00	\$	-
Deferred Debt Payment (7/2015)	\$ (148,925.00)	\$ -	\$ (148,925.00)	\$	-
TOTAL	\$ 512,264.00	\$ 128,984.16	\$ 496,777.00	\$	(15,487.00) Savings