Virginia's **First Regional Industrial Facility Authority**
6580 Valley Center Drive, Suite 124
Radford, VA 24141
Phone (540) 639-9313 FAX (540) 831-6093

VFRIFA Board of Directors 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)

** Lunch will be provided, please RSVP to Christy Straight at 639-9313

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. Resolution to Support Renewal of Enterprise Zone 40
   d. Legal Restructuring
   e. VFRIFA Dues and CP Shares Invoicing
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. Christiansburg Withdrawal Request – Excess Dues
   f. Authorization for Check Approval
   g. Procurement Policy
8. Closed Session (if needed)
9. Other Business
10. Adjournment- Next Meeting: **June 10, 2015**

Virginia's First Regional Industrial Facility Authority

Board of Directors 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. Resolution to Support Renewal of Enterprise Zone 40

Attached, please find a resolution to support Pulaski County's renewal application for Enterprise Zone 40 *(Attachment #4)*. The NRV Commerce Park is within Enterprise Zone 40, which provides financial incentives to our current tenant, as well as strengthens the marketability of the Park.

5.d. Legal Restructuring Update

The subcommittee working to assist in the legal restructuring of VFRIFA and the CPPC has held a couple of meetings and a potential solution has been drafted by the VFRIFA attorney. A more in depth update will be provided from the VFRIFA attorney during the meeting.

5.e. VFRIFA Dues and CP Shares Invoicing

Annual invoices for VFRIFA Dues and CP Shares will be sent to member localities at the end of April 2015. Please let either Danny Wilson or Christy Straight know if you have any questions about the invoices.

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 #5)*. 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 #6)*. 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 #7). 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 #8)*. 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 #9)*. 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 #10)*. The VFRIFA expenses for FY15 will exceed the budgeted amount due to the following reasons:

- Planning District Commission was billed solely to VFRIFA for the first 2 months of the fiscal year, as they were only funded for temporary services
- Legal expenses have been increased this year over previous years due to the sale of the Mebane House property, Red Sun Farms beginning operation, AEP QSP certification title research, legal restructuring, and other projects/ documents that necessitate legal review

The following modifications of specific line item allocations are requested, as follows:

- Planning District Commission: Increase by $9,875
- Executive Director: Reduce by $9,440
- Legal: Increase by $7,000
- Marketing: Reduce by $2,500
- Telecommunications: Reduce by $966.92
- Increase use of Reserve Funds (excess dues) by $4,000

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

Staff recommends approval of the modifications to the adopted FY2015 Budget as presented.

7.e. Christiansburg Withdrawal Request- Excess Dues

During the June 3, 2014 VFRIFA Board of Directors meeting, Christiansburg requested to withdraw from VFRIFA and receive any excess dues that had been paid into VFRIFA. The withdrawal request was granted; however, the request for repayment of excess dues required research, which has been completed by VML-VACO and is included in this report as item 7.a. Specific language from the Code of Virginia regarding member withdrawal is as follows, with the most pertinent text highlighted:

§ 15.2-6415. Dissolution of authority.

A member locality of an authority may withdraw from the authority only (i) upon dissolution of the authority as set forth herein, or (ii) with the majority approval of all other members of such authority, upon a resolution adopted by the governing body of a member locality and after satisfaction of such member locality's legal obligations, including repayment of its portion of any debt incurred, with regard to the authority, or after making contractual provisions for the repayment of its portion of any debt incurred, with regard to the authority, as well as pledging to pay general dues for operation of the authority for the current and succeeding fiscal year following the effective date of withdrawal. No member seeking withdrawal shall retain, without the consent of a majority of the remaining members, any rights to contributions made by such member, to any property held by such authority or to any revenue sharing as allowed by §§ 15.2-6406 and 15.2-6407. Upon withdrawal, the withdrawing member shall also return to the authority any dues or other contributions refunded to such member during its membership in the authority. Whenever the board determines that the purpose for which the authority was created has been substantially fulfilled or is impractical or impossible to accomplish and that all obligations incurred by the authority have been paid or that cash or a sufficient amount of United States government securities has been deposited for their payment, or provisions satisfactory for the timely payment of all its outstanding obligations have been arranged, the board may adopt resolutions declaring and finding that the authority shall be dissolved. Appropriate attested copies of such resolutions shall be delivered to the Governor so that legislation dissolving such authority may be introduced in the General Assembly. The dissolution of an authority shall become effective according to the terms of such legislation. The title to all funds and other property owned by such authority at the time of such dissolution shall vest in the member localities which have contributed to the authority in proportion to their respective contributions.

Staff is recommending that the excess dues currently being held by VFRIFA be kept to cover administrative expenses, such as increasing the legal budget for this fiscal year to pay for additional legal expenses that were needed (as outlined in item 7.d. above) and that excess dues not be paid out to the Town of Christiansburg.

7.f. 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.

7.g. Procurement Policy

In an effort to provide transparency and consistency with procuring goods and services, the attached procurement policy is being proposed for adoption *(Attachment #11)*. The intent of this policy is to provide assurances that goods and services are being procured in accordance with the Virginia Public Procurement Act. At the same time, the VFRIFA attorney and staff worked to ensure the allowed flexibility was built into this policy, which preserves our ability to streamline the procurement process when needed. Insurance requirements have been verified with VFRIFA's insurance agent to ensure adequate coverage. This policy has been reviewed by the VFRIFA attorney. Staff recommends approval of the procurement policy as written.

Virginia's First REGIONAL INDUSTRIAL FACILITY AUTHORITY

Meeting Minutes

November 12, 2014

NRV Business Center, Fairlawn, VA

1. **Roll Call**

A meeting of the Virginia's First Regional Industrial Facility Authority (VFRIFA) was held on Wednesday, November 12, 2014 at the New River Valley Business Center in Fairlawn. Ms. Biggs, chairman, called the VFRIFA meeting to order at 1:10 pm.

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

2. **Approval of Agenda**

Ms. Biggs noted the agenda should be amended to include the Red Sun Farms Memorandum of Lease and Deed of Trust item under Old Business.

Motion: Mr. Utt moved the board approve the agenda as amended. Mr. McCready seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

3. **Public Comments**

No public comments were made.

4. **Approval of Previous Meeting 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. Meadows moved the committee approve minutes of the August 13, 2014 meeting. Mr. McCready seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

5. **Consent Items/ Administrative Updates**

a. **General Information**

Some background and general information about VFRIFA and the CPPC were included in the agenda packet. As there are several new members of the Board of Directors, as well as a new Executive Director, staff thought it would be useful to put together some general information about VFRIFA and the CPPC.

Ms. Biggs commended Mr. Wilson on putting the information together and noted it is valuable for even long-term board members to have the information in an accessible format for reference.

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 is not finalized. This Agreement has been reviewed by the VFRIFA attorney. Staff recommended approval of the draft agreement.

Motion: Mr. Utt moved the board 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 Mr. Edwards, Mr. Solomon, and Mr. McCready abstaining and Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

b. **Staffing MOU- Planning District Commission**

During the August 13, 2014 meeting, staff services from the Planning District Commission was approved in an amount of $25,000 per year. The MOU included in the agenda packet outlined that approval and specifics related to the services being provided by the Planning District Commission. This MOU was reviewed by the VFRIFA attorney. Staff recommended approval of the MOU.

Motion: Mr. McCready moved the board approve the staffing MOU with the NRV Planning District Commission. Mr. Vittum seconded the motion.

Action: The motion passed unanimously on a roll call vote, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

c. **Staffing MOU- Pulaski County**

During the August 13, 2014 meeting, executive director services from Pulaski County was approved in an amount of $10,000 per year. The MOU included in the agenda packet outlined that approval and specifics related to the services being provided by Pulaski County. This MOU was reviewed by the VFRIFA attorney. Staff recommended approval of the MOU.

Motion: Mr. Parker moved the board approve the staffing MOU with Pulaski County. Mr. Tawney seconded the motion.

Action: The motion passed unanimously on a roll call vote, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

d. **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. VFRIFA is a grantor, but not liable for debts, under the deed of trust for Red Sun Farms.

Motion: Mr. Solomon moved the board 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. Parker seconded the motion.

Action: The motion passed unanimously on a roll call vote, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

7. **New Business**

a. **Commerce Park Participation Committee Actions**

Review and concurrence of actions taken by the CPPC requiring approval by the VFRIFA Board of Directors were discussed in separate agenda items included in these minutes.

b. **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 board approve the treasurer's report. Mr. Parker seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

c. **Draft Audit Report**

The draft audit report and auditor comments from Robinson, Farmer, Cox Associates were included in the agenda packet. Mr. Meadows noted the board should consider acknowledging receipt of the audit rather than approval. He also noted several findings identified by the auditor. There were two findings noted in the draft audit:

1. Lack of sufficient financial expertise
2. Records consolidation into one location

A plan of action has been formulated to address these items moving forward by having the VFRIFA Treasurer review financial transactions and recording of those transactions on a quarterly basis to ensure proper accounting principles are being followed and by ensuring that the NRV Planning District Commission is the single holder of all documents related to VFRIFA and the CPPC.

Staff clarified that they work with the auditor during the year to ensure understanding of transactions at the time of audit; this did not happen during the major financial activities this past year. They will also work to improve procedures and recordkeeping in advance of the auditor's visit.

In addition to the draft audit findings, the auditor comments contained several items that are being addressed through a thorough review and documentation of financial records, as well as action requested during the meeting.

Staff recommended approval of the draft audit report and auditor comments, so the auditor can move forward with the final audit. The auditor will present and explain the audit to the VFRIFA Board of Directors once it has been finalized.

Motion: Mr. McCready moved the board authorize the executive director to draft a letter to the auditor acknowledging receipt and naming steps to be taken for next year's financial activities. Mr. Parker seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

d. **Legal Fees and Executive Director Billing**

In order to clarify and simplify the billing and financial tracking of expenses that could be related to either VFRIFA or the CPPC, staff requested that the board of directors approve having legal fees and the executive director costs billed to VFRIFA only and not to CPPC.

Motion: Mr. Parker moved the board approve the executive director and legal fees be charged wholly to VFRIFA. Mr. McCready seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

e. **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 the Town of Pulaski in exchange for shares.

Motion: Mr. Meadows moved the board approve the purchase of 100 Commerce Park shares in exchange for $4,000 to complete the right-of-way plat for International Boulevard. Mr. Utt seconded the motion.

Action: The motion passed unanimously on a roll call vote, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

f. **Joe Morgan Resolution of Appreciation**

In order to thank Joe Morgan for his years of service as the VFRIFA Executive Director, a Resolution of Appreciation was drafted and a Commerce Park rock acquired to be signed by the Board of Directors.

A. RESOLUTION OF THE VIRGINIA'S FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY IN APPRECIATION OF THE SERVICE OF MR. JOSEPH N. (JOE) MORGAN

b. WHEREAS, Mr. Joseph N. (Joe) Morgan served faithfully as Executive Director of the Virginia's First Regional Industrial Facility Authority from 2009 to 2014; and

c. WHEREAS, Mr. Morgan has been an effective liaison between the Authority and its member governments; and

d. WHEREAS, during his tenure the Authority and the New River Valley Commerce Park Participation Committee has undergone strategic planning and infrastructure development that will benefit the current and future citizens of the extended region covered by the VFRIFA member governments; and

e. WHEREAS, Mr. Morgan has undertaken the difficult task of encouraging member governments to do together what is not easily done acting individually;

f. NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Virginia's First Industrial Facility Authority does hereby express its appreciation for the service of Mr. Morgan; and

NOW THEREFORE BE IT FURTHER RESOLVED, that the Board of Directors of Virginia's First Regional Industrial Facility Authority does commend the service of Mr. Morgan to the almost one-half million citizens of its member local governments, as well as the benefit that will accrue to those citizens and regional businesses in the future; and

g. NOW THEREFORE BE IT FURTHER RESOLVED, that the text of this resolution be spread upon the minutes of the Authority this twelfth day of November, 2014 in permanent testimony of this commendation.

Adopted unanimously [date] ___, on motion of [member name] , seconded by [member name]

WITNESS my hand as Secretary of the Virginia's First Regional Industrial Facility Authority

Secretary, Virginia's First Regional Industrial Facility Authority

Motion: Mr. Edwards moved the board adopt the resolution as presented. Mr. Vittum seconded the motion.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

8. **Closed Session (if needed)**

No closed session was held.

9. **Other Business**

Mr. McCready brought the organization task force item to the board's attention, requesting a meeting in December for the legal review needed to proceed. Ms. Fontana noted the VML-VACO financial review is needed before proceeding and anticipates this being done after CPPC items have been cleared. Mr. McCready asked when a meeting could be set and Mr. Wilson stated this could be completed before the March board meeting, probably in February.

10. **Adjournment**

With no further business to discuss, Ms. Biggs adjourned the meeting at 1:40 pm.

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

Motion: On motion of Mr. McCready, seconded by Mr. Parker and carried unanimously, the meeting was adjourned with the next scheduled meeting to be held on March 11, 2015 at noon, with advance notice to all Board members; and, by signature of the Chair and Secretary-Treasurer, representing the required two member localities, a special meeting of the Authority Board of Directors shall be held immediately following each regular or called meeting of the CPPC, for the purpose of receiving and acting on requests from the CPPC regarding Commerce Park projects and properties; with the next such CPPC to be held at noon on Wednesday, March 11, 2015.

Action: The motion passed unanimously, with Bland, Giles and Roanoke Counties, City of Roanoke representatives absent.

Respectfully Submitted, Approved by,

Danny Wilson, Executive Director Mary Biggs, Chair and

Craig Meadows, Secretary / Treasurer

Virginia's FIRST REGIONAL INDUSTRIAL FACILITY AUTHORITY

Attendance

November 12, 2014

NRV Business Center, Fairlawn, VA

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

<u>Others Present:</u> Theresa Fontana (Authority Counsel), Peter Huber (Pulaski County), Aric Bopp (NRVEDA), Deborah Flippo (Draper Aden)

<u>Staff Present</u>: 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").

W I T N E S S E T H:

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:

H. Craig Meadows | Theresa J. Fontana | Mary W. Biggs

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

Virginia's First Regional Industrial Facility Authority Resolution Supporting Virginia Enterprise Zone 40 Renewal

WHEREAS, Virginia's First Regional Industrial Facility Authority (Hereinafter referred to as "VFRIFA"), is a body politic, as set forth in Chapter 64 of the Code of Virginia 1950, as amended; and

WHEREAS, VFRIFA owns an industrial park that is approximately 1,000 acres known as the New River Valley (NRV) Commerce Park; and

WHEREAS, the NRV Commerce Park is located in Pulaski County, VA; and

WHEREAS, The NRV Commerce Park is more specifically located in Virginia Enterprise Zone 40; and

WHEREAS, VFRIFA believes that having the NRV Commerce Park in a Virginia Enterprise Zone is critical to retain the current tenant, as well as attract future tenants; and

WHEREAS, Virginia Enterprise Zone 40 is scheduled to expire in the coming year; and

WHEREAS, VFRIFA understands that Pulaski County plans to submit a renewal application for Virginia Enterprise Zone 40; and

WHEREAS, VFRIFA wishes to support Pulaski County's application to renew Virginia Enterprise Zone 40; and

NOW, THEREFORE, BE IT RESOLVED that this resolution support Pulaski County's application to renew Virginia Enterprise Zone 40 to keep the NRV Commerce Park a competitive site for attracting new industries and creating jobs:

Approved: **March 11, 2015**

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, Farmer, 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

Table of Contents

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, Farmer, 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		1,079
Total current assets	$	989,158
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		148,584
Total noncurrent assets	$	7,694,773
Total assets	$	8,683,931
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)		219,610
Total current liabilities	$	676,725
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)		6,350,647
Total noncurrent liabilities	$	7,694,755
Total liabilities	$	8,371,480
NET POSITION		
Unrestricted	$	312,451
Total net position	$	312,451

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
Total operating revenues	$	1,350,807
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
Total operating expenses	$	1,018,279
Operating income (loss)	$	332,528
Nonoperating revenues (expenses):		
Interest earned	$	720
Interest expense		(316,485)
Total nonoperating revenues (expenses)	$	(315,765)
Change in net position	$	16,763
Net position, beginning of year, as restated		295,688
Net position, end of year	$	312,451

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		(2,630,769)
Net cash provided by (used for) operating activities	$	(1,738,560)
Cash flows from noncapital financing activities:		
Principal payments on notes payable*	$	95,606
Interest payments		(282,349)
Net cash provided by (used for) noncapital financing activities	$	(186,743)
Cash flows from investing activities:		
Interest received	$	109
Net cash provided by (used for) investing activities	$	109
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)	$	2,627,808
Cash and cash equivalents at end of year (Includes restricted cash amount of $507,726)	$	702,614
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		(68,874)
Net cash provided by (used for) operating activities	$	(1,738,560)

*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 Title15.2 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 venders 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:

Assets	Years
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.

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

Rated Debt Investments	Fair Quality Ratings
	AAAm
Fidelity Institutional Treasury Portfolio Cl II	$ 507,726

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 Principal	Bond Payable Interest	Due Pulaski PSA Principal	Due Pulaski PSA 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):

Details of long-term obligations	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.	1,366,650	22,542
Total long-term obligations	$ 7,936,907	$ 242,152

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	$ 1,830,040	$ -	$ -	$ 1,830,040
Accumulated depreciation:				
Water and sewer rights	$ -	$ (35,330)	$ -	$ (35,330)
Buildings and structures	(247,310)	(20,956)	-	(268,266)
Total accumulated depreciation	$ (247,310)	$ (56,286)	$ -	$ (303,596)
Total capital assets, net	$ 1,582,730	$ (56,286)	$ -	$ 1,526,444

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	$	507,726

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:

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

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, Farmer, 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
Guynn & 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."

W I T N E S S E T H:

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.

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	25,000	7.58%	3,417.10
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				
	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.	Payment Date	Amt.	Total	%	Excess Payout
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
Montomery	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

	30-Jun-10		30-Jun-11	30-Jun-12	30-Jun-13		30-Jun-14
Member Dues	75,000.00		70,000.00	65,000.00	60,000.00		60,000.00
Operating Expenses	18,738.89		19,823.89	24,060.54	93,778.95	(2)	78,492.07
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							(200,000.00)
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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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

Plus Deferred Debt Service Payment	$148,925.00
Total Funds to Cover Expenses	$661,189.00

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)	$120,550.00
Total Adjusted Revenues / Sources of Funds	$632,814.00
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.

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 Roanke 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* Gas Line Extension			*After 6/30/2014* International Blvd ROW Survey			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 Roanke 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 = % of Capital Structure as Debt X [Interest Rate X (1 – Tax Rate)] + % of Capital Structure as Equity X [Risk-Free Rate + (Beta X 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	2.06
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	1.83
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

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	
Guynn, Memmer & Dillon	1,904.00	
Draper Aden Assosiates	3,680.00	
Anderson and Associates	3,154.00	
Danny Wilson - Reimbursement	41.60	
November 2014 Payables		
Verizon Wireless	99.76	
Guynn, 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	
Guynn, 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	0.00	22,822.60	0.0%
Easement Fee	2.00		
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			

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
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 VFRIFA Income
Budget & Actual

VFRIFA Income

	Adopted Budget	YTD Actual	Difference
Member Dues			
Bland County	$ 5,000.00	$ 5,000.00	$ -
Craig County	$ 5,000.00	$ 5,000.00	$ -
Giles County	$ 5,000.00	$ 5,000.00	$ -
Montgomery County	$ 5,000.00	$ 5,000.00	$ -
Pulaski County	$ 5,000.00	$ 5,000.00	$ -
Roanoke County	$ 5,000.00	$ 5,000.00	$ -
City of Radford	$ 5,000.00	$ 5,000.00	$ -
City of Roanoke	$ 5,000.00	$ 5,000.00	$ -
Town of Christiansburg	$ 5,000.00	$ 5,000.00	$ -
Town of Dublin	$ 5,000.00	$ 5,000.00	$ -
Town of Pearisburg	$ 5,000.00	$ 5,000.00	$ -
Town of Pulaski	$ 5,000.00	$ 5,000.00	$ -
Wythe County	$ -	$ -	$ -
Reserve Funds	$ 1,500.00	$ 5,500.00	$ 4,000.00
(excess dues)			$ -
TOTAL	**$ 61,500.00**	$ 65,500.00	**$ 4,000.00**
		Revised Total	**$ 65,500.00**

FY 2015 VFRIFA Expenses

Budget & Actual

VFRIFA Expenses

	Adopted Budget	YTD Actual	Proposed	Difference
Staffing				
PDC	$ 2,125.00	$ 9,200.21	$ 12,000.00	$ 9,875.00
Executive Director	$ 16,500.00	$ 2,060.00	$ 7,060.00	$ (9,440.00)
Insurance- Public Officials	$ 1,400.00	$ -	$ 1,400.00	$ -
Miscellaneous	$ -	$ -	$ -	$ -
Bank Fees	$ 300.00	$ -	$ 300.00	$ -
Other Misc.	$ 225.00	$ -	$ 225.00	$ -
Professional Services	$ -	$ -	$ -	$ -
Audit Fee	$ 3,950.00	$ 2,263.13	$ 3,950.00	$ -
Accounting	$ 6,000.00	$ -	$ 6,000.00	$ -
Legal	$ 10,000.00	$ 11,319.62	$ 17,000.00	$ 7,000.00
Debt Service (w/s capacity)	$ 17,000.00	$ 17,000.00	$ 17,000.00	$ -
Marketing (website main.)	$ 2,500.00	$ -	$ -	$ (2,500.00)
Telecommunications	$ 1,500.00	$ 533.08	$ 533.08	$ (966.92)
TOTAL	**$ 61,500.00**	$ 42,376.04	**$ 65,468.08**	**$ 3,968.08 Overage**

A Resolution Adopting Virginia's First Regional Industrial Facility Authority Procurement Policy

WHEREAS, Virginia's First Regional Industrial Facility Authority ("VFRIFA" or "Authority"), is a body politic, as set forth in Chapter 64 of the Code of Virginia, 1950, as amended; and

WHEREAS, § 15.2-4343 of the Code of Virginia, 1950, as amended, allows implementation of the Virginia Public Procurement Act ("Act") by ordinance, resolution, or regulations consistent with the Act by a public body empowered by law to undertake the activities described by the Act; and

WHEREAS, pursuant to § 2.2-4344 of the Act, regional industrial facility authorities are specifically provided an exemption from the Act's competitive procurement requirements for procurement related to the authority's facilities; and

WHEREAS, VFRIFA believes it is in the best interest of the Authority, the regional citizens, stakeholders, and companies doing business with the Authority that a procurement policy and procedure be adopted to clearly identify how goods and services are procured; and

WHEREAS, VFRIFA is dedicated to securing high quality goods and services at a reasonable cost; ensuring that all purchasing actions be conducted in a fair and impartial manner with no impropriety or appearance thereof; providing all qualified vendors access to VFRIFA business so that no offeror is arbitrarily or capriciously excluded; conducting procurement procedures transparently, efficiently, and with the maximum feasible degree of competition where practical; and

WHEREAS, VFRIFA understands that certain contracts may need to be entered into without competition in order to timely achieve the goals of the Authority; however, this practice will be as limited as practical in order to achieve competition for goods and services as required by the Act.

WHEREAS, VFRIFA believes the Executive Director should be delegated certain authority to enter into contracts on behalf of VFRIFA for goods and services budgeted by the Authority in an amount not to exceed five thousand dollars ($5,000) per contract without the Board of Directors pre-approval.

NOW, THEREFORE, BE IT RESOLVED that the attached Procurement Policy is hereby adopted and shall take effect immediately upon passage.

Approved: March 11, 2015

Virginia's First Regional Industrial Facility Authority
Procurement Policy
Adopted _______

Section 1: Title

This Policy shall be known as the Virginia's First Regional Industrial Facility Authority Procurement Policy.

Section 2: Organization

A. The Executive Director shall be the procurement agent for Virginia's First Regional Industrial Facility Authority ("VFRIFA") and shall have the following power and authority, as it relates to procurement:
   a. Initiate and advertise requests for proposals and invitations for bids to procure goods or services required by VFRIFA for which funding has been included in VFRIFA's adopted annual budget or otherwise appropriated by the VFRIFA Board of Directors ("Board");
   b. Provided that budgeted or specially appropriated funds are available, to negotiate, award and execute contracts or purchase orders with the winning offerors or bidders, as practicable, not to exceed $5,000.00, and to forward recommendations to the Board for the award of contracts exceeding such limits; and
   c. Make timely payments of invoices or bills for goods or services rendered to VFRIFA provided that:
      i. Funds have previously been approved in the VFRIFA's adopted annual budget or otherwise appropriated for the purposes for which such goods or services are required; and
      ii. A list of all such payments is provided to the Board at its next regular meeting and placed on the agenda for ratification.

B. Correspondence related to procurement shall be sent to:

   Virginia's First Regional Industrial Facility Authority
   Attn: Executive Director
   1580 Valley Center Drive, Suite 124
   Radford, VA 24141

Section 3: Insurance Requirements

A. Minimum insurance requirements of all contractors or consultants performing work on property owned by VFRIFA or doing work on behalf of VFRIFA shall be as follows (as applicable):
   - General Liability: $1 million per occurrence; $2 million aggregate
   - Worker's Compensation: Coverage A: Statutory; Coverage B: $100,000
   - Automobile: $ 1 million per occurrence; $2 million aggregate
   - Professional Liability: $1 million per occurrence; $2 million aggregate
   - Umbrella Coverage: can be used in lieu of any of a specific insurance above, as determined by the Executive Director

B. VFRIFA shall be an additional insured by Endorsement and on the insurance certificate for General Liability, Automobile, and any Umbrella Coverage before entering into a contract with any contractor or consultant.

Section 4: Business License Requirements

A. Any contractor or consultant performing work on property owned by VFRIFA or doing work on behalf of VFRIFA shall have a valid business license from the location in which the work is being performed.
B. A copy of the business license shall be provided to VFRIFA before entering into a contract with any contractor or consultant.

Section 5: Procurement Process

A. Whenever practical, or as required by the Virginia Public Procurement Act ("VPPA" or "Act"), the Executive Director shall use competitive procurement methods to solicit quotes/ proposals/ bids from multiple contractors or consultants.
B. Small Purchases: The VPPA permits the Authority to establish small purchase procedures, if adopted in writing, not requiring the use of competitive sealed bidding or competitive negotiation for single or term contracts for professional services if the aggregate or sum of all phases is not expected to exceed $60,000 and for goods and services other than professional services if the aggregate or sum of all phases is not expected to exceed $100,000; however, such small purchase procedures shall provide for competition wherever practicable. Small purchase procedures shall include but are not limited to the following:
   i. Purchases from non-governmental sources where the estimated total cost of the goods or services are $30,000 or greater but less than $100,000 may be made after soliciting a minimum of four (4) written quotations.
   ii. Purchases from non-governmental sources where the estimated total cost of the goods or services is $5,000 or greater but less than $30,000 may be made after soliciting a minimum of three (3) written or documented verbal/telephone quotations. Written quotes are preferable.
   iii. Purchases where the estimated total cost of the goods or services is less than $5,000 may be made upon receipt of one quote that is shown to be fair and reasonable price. An effort shall be made to solicit more than one quotation when practicable.
   iv. Purchase of used equipment, defined as equipment which has been previously owned and used where the estimated total cost is $5,000 or greater but less than $30,000 may be made after soliciting a minimum of two (2) written quotations; award shall be based on the offer deemed to be in the best interest of the Authority. A written determination must be provided and kept in the procurement file if only one source is practicably available and the Authority must negotiate a fair and reasonable price. Prior to the award of a contract for used equipment, a person technically knowledgeable of the type of equipment sought shall document the condition of the equipment stating that this purchase would be in the best interest of the Authority; price reasonableness shall be considered in determining the award.
   v. Procedures may be established for the use of unsealed Request for Proposals for

goods and non-professional services when the estimated total cost of the goods or services is less than $100,000.

vi. Nothing in this section shall preclude requiring more stringent procedures for purchases made under the small purchase method.

C. Other Purchases: refer to VPPA process for competitive negotiations and bidding, unless otherwise exempted by the VPPA.

Section 6: Contract Execution

A. Small Purchases (less than $5,000)
   a. The Executive Director may execute contracts for goods and services up to Five Thousand Dollars ($5,000) without pre-approval of the Board of Directors, with the condition that any contract entered into without pre-approval shall be ratified by the Board of Directors at the next regularly scheduled Board Meeting.
   b. The standard VFRIFA Small Purchase Contract may be used to enter into any contracts for less than or equal to $5,000.

B. Medium Purchases (contracts between $5,001 and $100,000)
   a. Any Medium Purchase contracts shall require Board of Directors pre-authorization prior to execution.
   b. The standard VFRIFA Small Purchase Contract may be used to enter into any contracts that exceed $5,000 but do not exceed $100,000.

C. Large Purchases (over $100,000)
   a. Any Large Purchase contracts shall require Board of Directors pre-authorization prior to execution.
   b. An AIA or EJCDC contract, as modified by VFRIFA's attorney, may be used for design and construction contracts that exceed $100,000, unless a different contract is more appropriate and determined to be in VFRIFA's best interest.

Section 7: Payment

A. VFRIFA shall not prepay for any services provided, including, but not limited to, deposits for work to be done.
B. Payment shall be authorized only after goods are received or work is completed. Payment can be made on a completion percentage basis, as long as such payment method is defined in the executed contract.
C. VFRIFA shall process all payments in a timely fashion, with checks being printed on, at least, a monthly basis.
D. No late fees shall be paid by VFRIFA for late payments; however, VFRFIA will make every effort to pay all bills on time.

Section 8: Debarment of Contractors/ Consultants

A. VFRIFA may choose to debar any contractor or consultant from providing particular goods or services for specified periods of time. Any contractor or consultant who is debarred shall be so notified in writing stating the specific reason, specific services that are debarred, and the time frame for which the debarment shall apply. Debarment may occur if unsatisfactory performance has been reported to VFRIFA by any of the member localities or VFRIFA has experienced unsatisfactory performance for goods or services directly provided.

Section 9: Non-Discrimination

A. VFRIFA does not and will not discriminate against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, status as a service disabled veteran, or any other basis prohibited by state law relating to discrimination in employment in the performance of its procurement activity.
B. Every effort will be made to actively and diligently promote the procurement of goods and services from small, minority-owned, women-owned, and service disabled veteran-owned businesses in all aspects of procurement to the maximum extent feasible.
C. Every contract shall include language regarding non-discrimination as specifically defined in the VPPA.

Section 10: Miscellaneous

A. Bonds
   a. VFRIFA retains the right to require bonds for construction, payment, or any other purpose allowed under the VPPA.
B. Insurance and Electric Utility Services
   a. As provided in the VPPA, VFRIFA can enter into contracts without competitive sealed bidding or competitive negotiation for insurance or electric utility services if purchase through an association of which it is a member if the association was formed and is maintained for the purposes of promoting the interest and welfare of and developing close relationships with similar public bodies, provided such association has procured the insurance or electric utility services by use of competitive principles.
   b. Upon a written determination in advance by the VFRIFA Executive Director that competitive negotiation is either not practicable or not fiscally advantageous, insurance may be provided through a licensed agent or broker selected in the manner provided for in the procurement of things other than professional services in the VPPA.
C. Legal Services
   a. VFRIFA may enter into contracts without competition for legal services, expert witnesses, and/or other services associated with litigation or regulatory proceedings.
D. Staffing Services
   a. VFRIFA may enter into contracts for staffing services for Executive Director and other staffing needs without competition, as long as contracts do not exceed $50,000 per fiscal year.
E. Conflict of Interest
   a. If the Executive Director feels there is a real or perceived conflict of interest in entering into a contract, the Executive Director has the authority to and may request that an officer of the VFRIFA Board of Directors act as the procurement agent for that specific contract.
F. Rights Retained
   a. VFRIFA retains the right to implement any and all measures provided under the VPPA, even if not specifically mentioned or referenced in this VFRIFA Procurement Policy.