

A/P Check Listing

Vendor Range - 1 & 1 INTERNET INC' - XEROX CORPORATION
Date From - 8/15/2014 Date To - 9/11/2014

Grayson County
09/05/2014 02:39 PM

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Check Number	Bank	Vendor	Date	Amount
26234	1	- AFLAC	08/29/2014	\$1,358.70
26235	1	- AMERICAN HERITAGE LIFE INS CO	08/29/2014	\$155.12
26236	1	- ANTHEM BLUE CROSS/BLUE SHIELD	08/29/2014	\$19,053.82
26237	1	- ANTHEM BLUE CROSS/BLUE SHIELD	08/29/2014	\$14,466.33
26238	1	- ANTHEM BLUE CROSS/BLUE SHIELD	08/29/2014	\$1,484.91
26239	1	- ANTHEM BLUE CROSS/BLUE SHIELD	08/29/2014	\$494.97
26240	1	- ASSURANT EMPLOYEE BENEFITS	08/29/2014	\$3,603.27
26241	1	- BOSTON MUTUAL LIFE INS CO	08/29/2014	\$586.61
26242	1	- GRAYSON CO TREASURER'S OFFICE	08/29/2014	\$1,402.14
26243	1	- ing	08/29/2014	\$400.00
26244	1	- MINNESOTA LIFE	08/29/2014	\$433.67
26245	1	- UNITED WAY VIRGINIA HIGHLANDS	08/29/2014	\$41.70
26246	1	- Va Assoc of Counties	08/29/2014	\$24.49
26247	1	- VALIC	08/29/2014	\$2,200.00
26249	1	- GRAYSON CO TREASURER'S OFFICE	08/29/2014	\$37.40
26250	1	- APPALACHIAN POWER	08/27/2014	\$76.69
26251	1	- AMERICAN EXPRESS	08/27/2014	\$59.01
26252	1	- ANDERSON & ASSOCIATES, INC	08/27/2014	\$425.00
26253	1	- Aqua Treatment	08/27/2014	\$844.95
26254	1	- ATWELL CONSTRUCTION COMPANY	08/27/2014	\$560.00
26255	1	- BKT UNIFORMS	08/27/2014	\$114.62
26256	1	- CARROLL-GRAYSON-GALAX SOLID WASTE AUTHORITY	08/27/2014	\$29,939.50
26257	1	- CINTAS CORP, #532	08/27/2014	\$308.75
26258	1	- CENTURY LINK	08/27/2014	\$1,402.28
26259	1	- COM TEC	08/27/2014	\$5,381.00
26260	1	- COPPERHEAD GRAPHICS	08/27/2014	\$550.00
26261	1	- COX SNAX SALES, LLC	08/27/2014	\$332.40
26262	1	- THE DECLARATION	08/27/2014	\$415.55
26263	1	- DISTRICT III GOVERNMENTAL COOP	08/27/2014	\$1,293.25
26264	1	- VA DEPT OF MOTOR VEHICLES	08/27/2014	\$430.00
26265	1	- FLORES & ASSOCIATES, LLC	08/27/2014	\$1,550.31

Check Number	Bank	Vendor	Date	Amount
26266	1	- Food City, Store #866	08/27/2014	\$470.69
26267	1	- CITY OF GALAX	08/27/2014	\$953.04
26268	1	- GALLS, LLC	08/27/2014	\$27.00
26269	1	- GALAX GAZETTE	08/27/2014	\$315.00
26270	1	- GAZETTE PRESS, INC	08/27/2014	\$450.00
26271	1	- GRAYSON CO SCHOOL BOARD	08/27/2014	\$261.60
26272	1	- GRAYSON CO SHERIFF'S OFFICE	08/27/2014	\$5,049.57
26273	1	- GRAYSON FLORIST & GIFTS	08/27/2014	\$35.28
26274	1	- GRAINGER	08/27/2014	\$92.44
26275	1	- GRAYSON EXPRESS	08/27/2014	\$88.30
26276	1	- WILLIAM JASON HARRIS	08/27/2014	\$300.00
26277	1	- HICOK,FERN,BROWN & GARCIA CPAS	08/27/2014	\$6,000.00
26278	1	- SUSAN HODGES	08/27/2014	\$463.68
26279	1	- INDEPENDENCE TIRE CO	08/27/2014	\$96.01
26280	1	- TOWN OF INDEPENDENCE	08/27/2014	\$2,104.00
26281	1	- LEONARD'S COPY SYSTEMS, INC	08/27/2014	\$90.00
26282	1	- LINEBERRY'S GARAGE & WRECKER	08/27/2014	\$75.00
26283	1	- Lingo Networks	08/27/2014	\$57.82
26284	1	- Main Street Tire & Collision, LLC	08/27/2014	\$146.79
26285	1	- MANSFIELD OIL COMPANY	08/27/2014	\$30,940.96
26286	1	- ANTONINA MARINO	08/27/2014	\$82.35
26287	1	- MEADE TRACTOR	08/27/2014	\$1,214.58
26288	1	- MERCER DAY REPORT CENTER	08/27/2014	\$20.00
26289	1	- NADA USED CAR GUIDE	08/27/2014	\$105.00
26290	1	- NEW RIVER VALLEY REG JAIL	08/27/2014	\$54,291.20
26291	1	- NWCD, INC	08/27/2014	\$562.15
26292	1	- LINDA OSBORNE	08/27/2014	\$10.18
26293	1	- Paper Clip	08/27/2014	\$1,725.51
26294	1	- PITNEY BOWES	08/27/2014	\$196.00
26295	1	- QUALITY AUTO PARTS	08/27/2014	\$20.37
26296	1	- ROBINSON, FARMER, COX ASSOC	08/27/2014	\$3,500.00
26297	1	- STATE ELECTRIC SUPPLY CO	08/27/2014	\$40.40
26298	1	- SPRING VALLEY GRAPHICS	08/27/2014	\$168.00
26299	1	- TREASURERS' ASSOCIATION OF VA	08/27/2014	\$375.00
26300	1	- TWIN COUNTY COMPUTERS LLC	08/27/2014	\$45.00
26301	1	- UniFirst Corporation	08/27/2014	\$158.58
26302	1	- US CELLULAR	08/27/2014	\$2,119.11
26303	1	- WELDON COOPER CENTER	08/27/2014	\$75.00

26304	1	- MT ROGERS COMMUNITY IMPROVEMENT CLUB, INC	08/27/2014	\$8,000.00
26305	1	- CODY L WINGATE	08/27/2014	\$30.00
26306	1	- XEROX CORPORATION	08/27/2014	\$108.77
26307	1	- HILL STUDIO PC	09/11/2014	\$4,414.08
26308	1	- ADAMS BUILDING SUPPLY	09/11/2014	\$91.17
26309	1	- APPALACHIAN POWER	09/11/2014	\$5,365.45
26310	1	- AMERICAN EXPRESS	09/11/2014	\$90.00
26311	1	- ANDERSON & ASSOCIATES, INC	09/11/2014	\$420.00
26312	1	- THE ARTS COUNCIL	09/11/2014	\$4,000.00
26313	1	- BERT'S GARAGE INC	09/11/2014	\$224.01
26314	1	- CARQUEST OF ALLEGHANY	09/11/2014	\$1,699.28
26315	1	- CARDINAL REALTY VIRGINIA LLC	09/11/2014	\$170.72
26316	1	- CARDINAL CRIMINAL JUSTICE ACADEMY	09/11/2014	\$600.00
26317	1	- CAVALIER EQUIPMENT CORP	09/11/2014	\$1,573.34
26318	1	- CARROLL-GRAYSON-GALAX SOLID WASTE AUTHORITY	09/11/2014	\$27,793.50
26319	1	- CINTAS CORP, #532	09/11/2014	\$783.93
26320	1	- CENTURY LINK	09/11/2014	\$387.39
26321	1	- COMPRESSED AIR SYSTEMS, INC.	09/11/2014	\$4,197.95
26322	1	- COOKE RENTALS	09/11/2014	\$285.00
26323	1	- COPPERHEAD GRAPHICS	09/11/2014	\$598.32
26324	1	- CORE HEALTH & FITNESS, LLC	09/11/2014	\$1,395,000.00
26325	1	- STEPHEN DAVIS	09/11/2014	\$40.00
26326	1	- DEPT OF ENVIORNMETAL QUALITY	09/11/2014	\$1,067.00
26327	1	- TREASURER OF VA - DEPT GEN SER	09/11/2014	\$151.00
26328	1	- DLP TWIN CO REG HOSPITAL, LLC	09/11/2014	\$60.00
26329	1	- DODSON PEST CONTROL	09/11/2014	\$35.00
26330	1	- ELECTRONIC SYSTEMS	09/11/2014	\$57.60
26331	1	- FEEDING AMERICAN SOUTHWEST VA	09/11/2014	\$20,000.00
26332	1	- FLORES & ASSOCIATES, LLC	09/11/2014	\$324.30
26333	1	- FRIES RECREATION CENTER	09/11/2014	\$9,730.00
26334	1	- CITY OF GALAX	09/11/2014	\$15,486.10
26335	1	- LEESA GAYHEART	09/11/2014	\$15.19
26336	1	- GAZETTE PRESS, INC	09/11/2014	\$700.00
26337	1	- GRAYSON CO HEALTH DEPT	09/11/2014	\$425.00
26338	1	- HASH CONSTRUCTION & REPAIR, LLC	09/11/2014	\$2,020.00
26339	1	- HAYNES PORTABLE TOILETS & SEPTIC	09/11/2014	\$75.00
26340	1	- HIGH COUNTRY SPRINGS, LLC	09/11/2014	\$49.50
26341	1	- HILL STUDIO PC	09/11/2014	\$5,405.00
26342	1	- HOLTZ INDUSTRIES INC	09/11/2014	\$13.60
26343	1	- ID NETWORKS	09/11/2014	\$1,541.00
26344	1	- INDEPENDENCE TIRE CO	09/11/2014	\$110.71
26345	1	- TOWN OF INDEPENDENCE	09/11/2014	\$83.84

26346	1	- JAMES KOHL	09/11/2014	\$250.00
26347	1	- MATTHEW BENDER & CO, INC	09/11/2014	\$123.30
26348	1	- LINEBERRY'S GARAGE & WRECKER	09/11/2014	\$4,465.75
26349	1	- LOWE'S HOME CENTERS	09/11/2014	\$7,216.24
26350	1	- INDEPENDENCE LUMBER CO	09/11/2014	\$250,000.00
26351	1	- MANSFIELD OIL COMPANY	09/11/2014	\$10,583.33
26352	1	- TAMARA McPHERSON	09/11/2014	\$103.76
26353	1	- TREASURER OF VIRGINIA	09/11/2014	\$20.00
26354	1	- MODERN IMPRESSIONS	09/11/2014	\$230.00
26355	1	- MPH INDUSTRIES, INC	09/11/2014	\$5,506.00
26356	1	- MT VALE VINEYARDS	09/11/2014	\$138.00
26357	1	- NTA, INC.	09/11/2014	\$112.50
26358	1	- NWCD, INC	09/11/2014	\$329.97
26359	1	- Paper Clip	09/11/2014	\$958.79
26360	1	- PARTS CENTRAL	09/11/2014	\$129.20
26361	1	- PEACE OF MIND COUNSELING	09/11/2014	\$480.00
26362	1	- PIEDMONT TRUCK CENTER, INC	09/11/2014	\$7,280.27
26363	1	- PLUMMASTER, INC	09/11/2014	\$234.54
26364	1	- QUALITY AUTO PARTS	09/11/2014	\$120.42
26365	1	- CENTURY LINK	09/11/2014	\$180.05
26366	1	- REI CONSULTANTS, INC	09/11/2014	\$2,160.00
26367	1	- Sherwood R. Richardson	09/11/2014	\$600.00
26368	1	- SANDS ANDERSON PC	09/11/2014	\$12,168.15
26369	1	- SIBLEY COMMUNICATIONS, LLC	09/11/2014	\$280.00
26370	1	- DANNY SMITH	09/11/2014	\$3.97
26371	1	- SNAP-ON - MATTHEW TURMAN	09/11/2014	\$163.25
26372	1	- STATE ELECTRIC SUPPLY CO	09/11/2014	\$244.00
26373	1	- STRICKLAND'S AUTO & TRUCK REPA	09/11/2014	\$1,500.00
26374	1	- SUNTRUST BANK	09/11/2014	\$5,978.55
26375	1	- SPRING VALLEY GRAPHICS	09/11/2014	\$240.00
26376	1	- TWIN COUNTY E-911 REG. COMM.	09/11/2014	\$15,260.48
26377	1	- TOWN OF TROUTDALE	09/11/2014	\$285.00
26378	1	- TWO WAY RADIO, INC.	09/11/2014	\$30.10
26379	1	- ULINE	09/11/2014	\$96.92
26380	1	- VIRGINIANS FOR THE ARTS	09/11/2014	\$50.00
26381	1	- VA DEPT OF AG & CONSUMER SERV	09/11/2014	\$201.16
26382	1	- VERIZON WIRELESS	09/11/2014	\$320.08
26383	1	- VA INFORMATION TECH ASSOC	09/11/2014	\$87.22
26384	1	- WALKERS WELDING & MUFFLER SHOP	09/11/2014	\$135.00

26385	1	- THE WIRED ROAD	09/11/2014	\$79.42
26386	1	- XEROX CORPORATION	09/11/2014	\$696.87
26387	1	- JERRY YOUNG	09/11/2014	\$40.00
26388	1	- A & B PRINTING	09/11/2014	\$101.00
26389	1	- APPALACHIAN POWER	09/11/2014	\$150.00
26390	1	- BANK OF MARION - VISA	09/11/2014	\$1,501.54
26391	1	- BRISTOL OFFICE SUPPLY, INC	09/11/2014	\$63.98
26392	1	- CHARLES BROWN	09/11/2014	\$110.85
26393	1	- CENTURY LINK	09/11/2014	\$51.94
26394	1	- MARIAN COMBS	09/11/2014	\$130.65
26395	1	- FLORES & ASSOCIATES, LLC	09/11/2014	\$557.74
26396	1	- HIGHLANDS COMMUNITY SERIVCES BOARD	09/11/2014	\$600.00
26397	1	- TOWN OF MARION	09/11/2014	\$60.00
26398	1	- OFFICE DEPOT	09/11/2014	\$34.34
26399	1	- RALPH PRICE	09/11/2014	\$1,800.00
26400	1	- J.L. REEDY	09/11/2014	\$256.99
26401	1	- ROOFTOP OF VIRGINIA CAP	09/11/2014	\$7,500.00
26402	1	- USDA RURAL DEVELOPMENT	09/11/2014	\$830,843.86
26403	1	- SUNTRUST BANK	09/11/2014	\$1,254.97
26404	1	- SOUTHWEST SHREDDING	09/11/2014	\$120.94
26405	1	- GARY UMBERGER	09/11/2014	\$52.20
26406	1	- COMMISSION ON VASAP	09/11/2014	\$985.44
26407	1	- Walmart Community	09/11/2014	\$43.92
26408	1	- WYTHEVILLE OFFICE SUPPLY	09/11/2014	\$765.45
174		Checks Totaling -		\$2,891,442.90

Totals By Fund

	Checks	Voids	Total
02	\$420.00		\$420.00
07	\$123.30		\$123.30
08	\$2,256,609.12		\$2,256,609.12
14	\$9,743.90		\$9,743.90
22	\$9,856.52		\$9,856.52
25	\$144.43		\$144.43
29	\$321,877.93		\$321,877.93
48	\$5,978.55		\$5,978.55
51	\$2,782.35		\$2,782.35
52	\$2,432.35		\$2,432.35
53	\$280,378.74		\$280,378.74
70	\$1,095.71		\$1,095.71
Totals:	\$2,891,442.90		\$2,891,442.90

Grayson County Board of Supervisors
Regular Meeting
September 11, 2014

Members attending were: John K. Brewer, Brenda Sutherland, David M. Sexton, Glen E. Rosenbaum and Kenneth R. Belton.

IN RE: CONSENT AGENDA

John K. Brewer noted that a board appointment for Virginia-Carolina Water Authority needs to be added to the consent agenda along with closed session pursuant to the Code of Virginia § 2.2-3711(A)(5) relating to prospective business or industry or the expansion of an existing business or industry. Kenneth R. Belton made the motion to approve the agenda/consent agenda with the added changes; duly seconded by Brenda Sutherland. Motion carried 5-0.

IN RE: REPORTS, PRESENTATIONS OR REPORTS

None

IN RE: OLD BUSINESS – FY-15 DEBT REDUCTION PLAN – REVISE AND IMPLEMENT

Jonathan D. Sweet presented the plan listed below for paying off four (4) notes.

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FY-15 DEBT REDUCTION PLAN

Adopted: June 23rd, 2014

Revised: September 11th, 2014

Purpose:

The purpose of this plan is to identify certain debt obligations being held and serviced by the county that harbor less than favorable interest rates in the context of today's current market rates and effectively retire and/or refinance said debt. As of the end of July 1st, 2014, the county had a General Fund

Balance of \$5,669,278.14 with a Local Government Investment Pool interest yield of only .102%. The County feels that it may be advantageous and prudent to apply a portion of the county's low interest yielding Fund Balance to retire a portion of the debt that possess interest rates of 5.0% or greater. Additionally, the County will logically look at and evaluate the benefit of retiring other financially advantageous debt holdings, as well as refinancing any remaining debt obligations that are not structured for or conducive to early retirement that would return a reasonable savings.

Target:

The County's current debt obligations we intend to target for payoff are as follows:

<u>Obligation</u>	<u>Original Par</u>	<u>Est. Par</u>	<u>Maturity</u>	<u>Rate</u>
1994 USDA – RD (1)	\$409,900.00	*\$264,150.00	2031	5.0%
1994 USDA – RD (2)	\$81,700.00	*\$42,322.00	2031	5.0%
2012 USDA – RD (1)	\$250,000.00	*\$241,387.00	2051	3.5%
2012 USDA – RD (2)	\$290,000.00	<u>*\$280,133.00</u>	2052	2.625%
	Total:	*\$827,992.00		

(*Amounts subject to adjustment once exact payoff amount is confirmed by USDA)

Strategy:

The County will utilize a portion of existing Fund Balance to retire four (4) United States Department of Agriculture (USDA) Rural Development Loans in the aggregate amount of \$827,992.00 effectively saving the amortized interest attached to servicing the debts through the year 2031 (2), 2051 (1) and 2052 (1) respectively. The transfer of funds will still allow the County to maintain a balance in our General Fund equal to or greater than 10% of expenditures/operating revenues to continue compliance with our Fund Balance Policy adopted Sept. 8th, 2011.

Execution:

The county will strategically budget for a transfer from the County's General Fund in the amount equal to the aggregate payoff amount of the three USDA-RD bonds. This transfer will have a one-time negative effect to our Fund Balance and show a one-time increase to our FY-15 County Budget of the same amount.

Benefit:

The benefits of executing this plan will yield an estimated savings of **\$510,000.00 in interest payments over the remaining life of the loans. It will additionally free up approximately **\$52,000.00 in principal and interest payments within the County's annual operating budgets over the remaining life of the loans.

*(**amounts are rounded to the nearest thousand and are subject to adjustment based on actual payoff amounts at the time of payoff)*

Glen E. Rosenbaum made the motion to accept the new FY-15 Debt Reduction Plan and authorize staff to proceed with the plan; duly seconded by David M. Sexton. Motion carried 5-0.

IN RE: NEW BUSINESS - BOARD APPOINTMENT(S)

VIRGINIA CAROLINA WATHER AUTHORITY – Kenneth R. Belton made the motion to reappoint Chris Morton; duly seconded by David M. Sexton. Motion carried 5-0.

IN RE: NEW BUSINESS – PROJECT INTERVAL – PERFORMANCE AGREEMENTS

Jonathan D. Sweet covered the *Governor's Development Opportunity Fund Grant (GOF) Performance Agreement* and the *Virginia Tobacco Indemnification and Community Revitalization Commission (TROF) Performance Agreement*, both listed below, with Core Health & Fitness LLC, along with a letter of credit and a forgiveness loan if terms are met. Presently the company is at 100 employees with a goal of 250 within eighteen (18) months. Brenda Sutherland motioned to approve; duly seconded by David M. Sexton. Motion carried 5-0.

GOVERNOR'S DEVELOPMENT OPPORTUNITY FUND GRANT

PERFORMANCE AGREEMENT

This **PERFORMANCE AGREEMENT** made and entered this 1st day of August, 2014, by and among the **COUNTY OF GRAYSON, VIRGINIA** (the "Locality"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), **CORE HEALTH & FITNESS, LLC** (the "Company"), a Nevada limited liability company authorized to transact business in the Commonwealth, and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF GRAYSON COUNTY, VIRGINIA** (the "Authority"), a political subdivision of the Commonwealth.

WITNESSETH:

WHEREAS, the Locality has been awarded a grant of and expects to receive \$350,000 from the Governor's Development Opportunity Fund (a "GOF Grant") through the Virginia Economic Development Partnership Authority ("VEDP") for the purpose of inducing the Company to acquire, improve, equip, and operate a manufacturing and distribution facility in the Locality (the "Facility"), thereby making a significant Capital Investment, as hereinafter defined, and creating and maintaining a significant number of New Jobs, as hereinafter defined;

WHEREAS, the Locality is willing to provide the funds from the GOF Grant to the Authority with the expectation that the Authority will provide the funds to or for the use of the Company, provided that the Company promises to meet certain criteria relating to Capital Investment and New Jobs;

WHEREAS, the Locality, the Authority and the Company desire to set forth their understanding and agreement as to the payout of the GOF Grant, the use of the proceeds of the GOF Grant, the obligations of the Company regarding Capital Investment and New Jobs, and the repayment by the Company of all or part of the GOF Grant under certain circumstances;

WHEREAS, the acquisition, improvement, equipping and operation of the Facility will entail a capital expenditure of approximately \$2,000,000, of which approximately \$1,500,000 will be invested in machinery and equipment and approximately \$500,000 will be invested in the up-fit and improvement of an existing building;

WHEREAS, the acquisition, improvement, equipping and operation of the Facility will further entail the creation and Maintenance, as defined below, of 250 New Jobs at the Facility; and

WHEREAS, the stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment and New Jobs constitutes a valid public purpose for the expenditure of public funds and is the animating purpose for the GOF Grant:

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits, promises and undertakings of the parties to this Agreement, and other good and valuable consideration, the

receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows.

Section 1. Definitions.

For the purposes of this Agreement, the following terms shall have the following definitions:

"Capital Investment" means a capital expenditure by, or on behalf of, the Company in taxable real property, taxable tangible personal property, or both, at the Facility, excluding land and existing real property improvements. The Capital Investment must be in addition to the capital improvements at the Facility as of July 15, 2014. The total expected capital expenditure of \$2,000,000 is referred to in this Agreement as the "Capital Investment." The purchase or lease of furniture, fixtures, machinery and equipment, including under an operating lease, and expected building up-fit by or on behalf of the Company will qualify as Capital Investment.

“Initial Performance Date” means September 30, 2017. If the Locality, in consultation with the Authority and VEDP, deems that good faith and reasonable efforts have been made and are being made by the Company to achieve the Targets, the Locality may agree to extend the Initial Performance Date by up to 15 months. If the Initial Performance Date is extended, the Locality shall send written notice of the extension to the Authority, the Company and VEDP and the date to which the Initial Performance Date has been extended shall be the “Initial Performance Date” for the purposes of this Agreement.

“Maintain” means that the New Jobs created pursuant to the GOF Grant will continue without interruption from the date of creation through the Subsequent Performance Date. Positions for the New Jobs will be treated as Maintained during periods in which such positions are not filled due to (i) temporary reductions in the Company’s employment levels (so long as there is active recruitment for open positions), (ii) strikes and (iii) other temporary work stoppages.

“New Job” means new permanent full-time employment of an indefinite duration at the Facility for which the standard fringe benefits are paid by the Company for the employee, and for which the Company pays an average annual wage of at least \$30,000. Each New Job must require a minimum of either (i) 35 hours of an employee’s time per week for the entire normal year of the Company’s operations, which “normal year” must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions, positions created when a job function is shifted from an existing location in the Commonwealth, and positions with construction contractors, vendors, suppliers and similar multiplier or spin-off jobs shall not qualify as New Jobs.

“Subsequent Performance Date” means September 30, 2021, unless the Initial Performance Date has been extended. If the Initial Performance Date has been extended, the Subsequent Performance Date shall be four years after the new Initial Performance Date. Except as so noted, the Subsequent Performance Date is not subject to extension.

“Targets” means the Company’s obligations to make or cause to be made Capital Investments at the Facility of at least \$2,000,000 and to create and Maintain at least 250 New Jobs at the Facility, all as of the Initial Performance Date. Further, “Targets” includes the Company’s obligation to Maintain at least 250 New Jobs at the Facility as of the Subsequent Performance Date.

“Virginia Code” means the Code of Virginia of 1950, as amended.

Section 2. Targets.

The Company will expand, improve, equip, and operate the Facility in the Locality, make a Capital Investment of at least \$2,000,000, and create and Maintain at least 250 New Jobs at the Facility, all as of the Initial Performance Date. Further, the Company will Maintain at least 250 New Jobs at the Facility as of the Subsequent Performance Date.

The Locality and the Authority hereby strongly encourage the Company to ensure that at least 30% of the New Jobs are offered to “Residents” of the Commonwealth, as defined in Virginia Code Section 58.1-302. In pertinent part, that definition includes natural persons domiciled in Virginia or natural persons who, for an aggregate of more than 183 days of the year, maintained a place of abode within the Commonwealth, whether domiciled in the Commonwealth or not.

The average annual wage of the New Jobs of at least \$30,000 is more than the prevailing average annual wage in the Locality of \$27,335. The Locality is a high-unemployment locality, with an unemployment rate for 2013, which is the last year for which such data is available, of 9.7% as compared to the 2013 statewide unemployment rate of 5.5%. The Locality is a high-poverty locality, with a poverty rate for 2012, which is the last year for which such data is available, of 19.4% as compared to the 2012 statewide poverty rate of 11.8%.

Section 3. Disbursement of GOF Grant.

By no later than September 30, 2014, the Locality will request the disbursement to it of the GOF Grant. If not so requested by the Locality by September 30, 2014, this Agreement will terminate. The Locality and the Company will be entitled to reapply for a GOF Grant thereafter, based upon the terms, conditions and availability of funds at that time.

The GOF Grant in the amount of \$350,000 will be paid to the Locality, upon its request. Within 30 days of its receipt of the GOF Grant proceeds, the Locality will disburse the GOF Grant proceeds to the Authority. Within 30 days of its receipt of the GOF Grant proceeds, the Authority will disburse the GOF Grant proceeds to the Company as an inducement to the Company to achieve the Targets at the Facility. The Company will use the GOF Grant proceeds for a training program and for construction or build out of the Facility, as permitted by Section 2.2-115(D) of the Virginia Code.

The Company agrees that it shall deliver to the Authority by or before the disbursement of the GOF Grant to the Company a letter of credit in form and from a financial institution

acceptable to the Authority in the amount of \$350,000 and expiring no earlier than September 30, 2017, which letter of credit may be drawn by the Authority in the event a repayment is required under Section 5 hereof.

Section 4. Break-Even Point; State and Local Incentives.

(a) *Break-Even Point and State Incentives:* VEDP has estimated that the Commonwealth will reach its “break-even point” by the Subsequent Performance Date. The break-even point compares new revenues realized as a result of the Capital Investment and New Jobs at the Facility with the Commonwealth’s expenditures on incentives, including but not limited to the GOF Grant. With regard to the Facility, the Commonwealth expects to provide incentives in the following amounts:

<u>Category of Incentive:</u>	<u>Total Amount</u>
GOF Grant	\$ 350,000
Virginia Jobs Investment Program (“VJIP”) (Estimated)	175,000
Tobacco Region Opportunity Fund Grant (“TROF”) (Estimated)	1,045,000
Enterprise Zone Job Creation Grant (“EZJCG”) (Estimated)	783,200
Enterprise Zone Real Property Improvement Grant (“EZRPIG”) (Estimated)	80,000

The proceeds of the GOF Grant shall be used for the purposes described in Section 3. The VJIP grant proceeds shall be used by the Company to pay or reimburse itself for recruitment and training costs. The proceeds of the TROF Grant, the EZJCG and the EZRPIG may be used by the Company for any lawful purpose.

(b) *Local Incentives:* The Locality expects to provide the following incentives, as matching grants or otherwise, for the Facility:

<u>Category of Incentive:</u>	<u>Total Amount</u>
Forgiveness of an Existing \$225,000 Loan to a Former Owner, Which was Assumed by the Company	\$225,000

The Locality has elected to allocate \$175,000 from the TROF as 50% of the Locality’s local match for the GOF Grant. The forgiveness of the existing loan will reflect cost savings to the Company.

If, by the Initial Performance Date, the funds disbursed or committed to be disbursed by the Locality to the Company total less than the \$350,000 GOF Grant local match requirement, the Locality, subject to appropriation, will make an additional grant to the Company of the difference at the Initial Performance Date, so long as the Company has met its Targets.

Section 5. Repayment Obligation.

(a) *If Statutory Minimum Eligibility Requirements are Not Met:* Section 2.2-115 of the Virginia Code requires that the Company make a Capital Investment of at least \$1,500,000 in the Facility and create and Maintain at least 15 New Jobs at the Facility in order to be eligible for the GOF Grant. Failure by the Company to meet either of these statutory minimum eligibility requirements by the Initial Performance Date shall constitute a breach of this Agreement and the entire GOF Grant must be repaid by the Company to the Authority.

(b) *If Statutory Minimum Eligibility Requirements are Met:* For purposes of repayment, the GOF Grant is to be allocated as \$175,000 (50%) for the Company’s Capital Investment Target and \$175,000 (50%) for its New Jobs Target. Except as noted in subsection (c) below, if the Company has met at least ninety percent (90%) of both of the Targets at the Initial Performance Date, then and thereafter the Company is no longer obligated to repay any portion the GOF Grant. If the Company has not met at least ninety percent (90%) of either or

both of its Targets at the Initial Performance Date, the Company shall repay to the Authority that part of the GOF Grant that is proportional to the Target or Targets for which there is a shortfall. For example, if at the Initial Performance Date, the Capital Investment is only \$1,600,000 (reflecting achievement of 80% of the Capital Investment Target) and only 150 New Jobs have been created and Maintained (reflecting achievement of 60% of the New Jobs Target), the Company shall repay to the Authority 20% of the moneys allocated to the Capital Investment Target (\$35,000) and 40% of the moneys allocated to the New Jobs Target (\$70,000).

(c) *Further Performance Target for the Maintenance of the New Jobs:* If the Company had no repayment obligation under subsection (a) above or under subsection (b) above as to the New Jobs Target, the Company may still have a repayment obligation if it has not Maintained the New Jobs from the Initial Performance Date through the Subsequent Performance Date. If the Company has not Maintained at least 225 New Jobs (90% of 250 New Jobs) through the Subsequent Performance Date, the Company shall repay to the Authority that part of GOF Grant that is proportional to the shortfall from the 250 New Jobs. For example, if at the Subsequent Performance Date, only 175 New Jobs have been Maintained (reflecting achievement of 70% of the New Jobs Target), the Company shall repay to the Authority 30% of the moneys allocated to New Jobs (\$52,500).

(d) *Determination of Inability to Comply:* If the Locality or VEDP shall determine at any time prior to the Initial Performance Date (a "Determination Date") that the Company is unable or unwilling to meet and Maintain its Targets by and through the Initial Performance Date, and if the Locality, the Authority or VEDP shall have promptly notified the Company of such determination, the Company must repay the entire GOF Grant to the Authority. Such a determination will be based on such circumstances as a filing by or on behalf of the Company under Chapter 7 of the U.S. Bankruptcy Code, the liquidation of the Company, an abandonment of the Facility by the Company or other similar significant event that demonstrates that the Company will be unable or is unwilling to satisfy the Targets for the GOF Grant.

(e) *Repayment Dates:* ***Such repayment shall be due from the Company to the Authority within ninety days after the Initial Performance Date, the Subsequent Performance***

Date or the Determination Date, as applicable. Any moneys repaid by the Company to the Authority hereunder shall be repaid by the Authority to VEDP. It is expected that the GOF Grant repayment shall be redeposited by VEDP into the Governor's Development Opportunity Fund. The Locality and the Authority shall use their best efforts to recover such funds, including legal action for breach of this Agreement. Neither the Locality nor the Authority shall have any responsibility for the repayment of any sums hereunder unless said sums have been received by the Authority from the Company. Any attorney's fees shall be paid by the party incurring such fees.

Section 6. Company Reporting.

The Company shall provide, at the Company's expense, detailed verification reasonably satisfactory to the Locality, the Authority and VEDP of the Company's progress on the Targets.

Such progress reports will be provided annually, starting at January 1, 2015 and covering the period through the prior September 30. Further, the Company shall provide progress reports at such other times as the Locality, the Authority or VEDP may reasonably require.

With each such progress report, the Company shall report to VEDP the amount paid by the Company in the prior calendar year in Virginia corporate income tax. VEDP has represented to the Company that it considers such information to be confidential proprietary information that is exempt from public disclosure under the Virginia Freedom of Information Act and that such information will be used by VEDP solely in calculating aggregate return on invested capital analyses for purposes of gauging the overall effectiveness of economic development incentives.

Section 7. Notices.

Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail or overnight courier package not accepted by the addressee):

if to the Company, to:

Core Health & Fitness, LLC
4400 NE 77th Avenue, Suite 300
Vancouver, WA 98662
Attention: Jason Leone

with a copy to:

Core Health & Fitness, LLC
4400 NE 77th Avenue, Suite 300
Vancouver, WA 98662
Attention: Reed Brown

if to the Locality, to:

County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: County Administrator

with a copy to:

Sands Anderson PC
P.O. Box 2009
Christiansburg, VA 24068
Attention: James E. Cornwell, Jr.

Core Health & Fitness GOF Performance Agreement 073014

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if to the Authority, to:

Industrial Development Authority
of Grayson County, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: Authority Chair

with a copy to:

Sands Anderson PC
P.O. Box 1998
Richmond, VA 23218-1998
Attention: Daniel M. Siegel, Esq.

if to VEDP, to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: President and CEO

with a copy to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: General Counsel

Section 8. Miscellaneous.

(a) *Entire Agreement; Amendments:* This Agreement constitutes the entire agreement among the parties hereto as to the GOF Grant and may not be amended or modified, except in writing, signed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Company may not assign its rights and obligations under this Agreement without the prior written consent of the Locality, the Authority and VEDP.

(b) *Governing Law; Venue:* This Agreement is made, and is intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of the Commonwealth. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court of the City of Richmond, and such litigation shall be brought only in such court.

(c) *Counterparts:* This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument.

(d) *Severability:* If any provision of this Agreement is determined to be unenforceable, invalid or illegal, then the enforceability, validity and legality of the remaining provisions will not in any way be affected or impaired, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with applicable law.

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IN WITNESS WHEREOF, the parties hereto have executed this Performance Agreement as of the date first written above.

COUNTY OF GRAYSON, VIRGINIA

By 
Name: John K. Brewer
Title: Chair
Date: 8-6-14

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

By Ricky Anderson
Name: Ricky Anderson
Title: Chair
Date: 8-5-2014

CORE HEALTH & FITNESS, LLC

By Jason Leone
Name: Jason Leone
Title: CFO
Date: 8/1/2014

PERFORMANCE AGREEMENT

This Performance Agreement (the "Agreement") is made and entered into this 8th day of July, 2014, by and among the Virginia Tobacco Indemnification and Community Revitalization Commission (the "Commission"), a political subdivision of the Commonwealth, the Industrial Development Authority of Grayson County, Virginia (the "Grantee"), a political subdivision of the Commonwealth, and Core Health & Fitness, LLC, (the "Company"), a Washington limited liability company whose Federal Employer Identification Number is 45-287-2763.

WITNESSETH:

WHEREAS the Grantee has been selected to receive a grant in the amount of \$1,045,000 (the "Grant") from the Commission for its use in inducing the Company to construct or locate taxable assets and employ persons in Grayson County (the "Locality");

WHEREAS the Grantee has indicated its desire to tender the Grant to the Company for its use and benefit, provided that the Company commits to the achievement of certain goals relating to employment and the construction or location of taxable assets in compliance with the terms hereof;

WHEREAS the Commission, the Grantee and the Company desire to set forth their understanding and agreement as to the use of the Grant, the obligations of each party hereto, the conditions under which the Grant must be repaid, and the obligations of each party hereto in the event of default;

WHEREAS the Commission finds that the Grant serves a valid public purpose and is consistent with the Commission's mission as outlined in Section 3.2-3100, et. seq. of the Code of Virginia.

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits and promises of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

Section 1. Disbursement of the Grant

The deadline for this Agreement to be executed by all parties hereto is 90 days after the date first written above. If this Agreement has not been executed by all parties hereto on or before that date, Grantee's right to the Grant shall automatically terminate. The Commission shall disburse the Grant to the Grantee within 30 days of the Commission's receipt of (i) this Agreement, executed by all parties hereto, and (ii) a written request for disbursement from the Grantee, PROVIDED that the Grantee is not in default on its obligations to the Commission as of the date first written above. In the event that the Grantee is in default on its obligations to the Commission as of the date first written above, disbursement of the Grant shall be withheld until such default is cured.

If disbursement to the Grantee has not occurred within one hundred twenty (120) days from the date of this Agreement, the Grant shall be automatically rescinded. Unless otherwise agreed in writing by the parties hereto, Grantee shall disburse the Grant to the Company, or for the Company's benefit, within 30 days of receipt of the Grant from the Commission or return the money to the Commission.

Section 2. Use of the Grant

Under this Agreement, the Commission places no restriction on the use of the Grant proceeds by the Company. Should there be any such restrictions imposed by the Grantee, the same shall be described in Exhibit A, which shall be attached hereto and made a part hereof, but which shall be binding upon the Company only if signed thereon by an authorized Company representative, and not by reference herein. The Grantee shall be responsible for enforcement of any restrictions described in said Exhibit A.

Section 3. Employment Obligation

The Company shall employ* at least 250 persons in the Locality with a quarterly aggregate payroll of at least \$2,145,000. Said employment and payroll will be in addition to those already employed in the Locality by the Company and paid during the calendar quarter ending on *June 30, 2014*, hereinafter called the "Base Quarter." Persons employed by the Company in the Locality shall be counted as employment hereunder only to the extent that they (a) exceed the aggregate number of employees at all Company locations within the Commonwealth of Virginia during the Base Quarter, and (b) are not counted as fulfillment of any other employment obligation made to the Commission by the Company under any other agreement.

** for purposes of this Agreement the number of persons "employed" means the number of persons who received pay in any given quarter and is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).*

Section 4. Obligations Regarding Taxable Assets

The Company shall locate or construct taxable assets in the Locality having an assessed value of at least \$2,000,000, as determined by the locality's Commissioner of Revenue ("COR"). If the locality elects to arrange for reimbursement to the Company of all, or any portion of, the tax paid by Company for said taxable assets, or elects to waive all or any portion of such tax liability, Company's

aforementioned obligation to locate or construct taxable assets in the Locality shall not be waived or reduced. Company shall receive credit for the value of all taxable assets so determined by the COR, notwithstanding the local taxing authority's election to waive or refund the taxes so levied. Said taxable assets will be in addition to those counted in fulfillment of any other taxable asset or capital investment obligation made to the Commission by the Company under any other agreement. If the Company is exempt from the payment of property taxes on certain assets by state law, the Company shall not be entitled to receive or keep any portion of the Grant allocated to its investment in those certain assets.

Section 5. Determination of Performance - Employment

To earn the Grant, the Company must meet its employment obligations hereunder not later than thirty six (36) months after the end of the Base Quarter. The Company's employment obligations will be deemed to have been fully met when it can document any three (3) consecutive calendar quarters after the Base Quarter in which:

- (i) the average number of employees who received pay from the Company during each of those three (3) consecutive quarters* exceeds the average number of employees who received pay in the Base Quarter by at least the number promised in Section 3 above, AND
- (ii) the total wages paid by the Company to employees in each of those three quarters exceed the wages paid by the Company to employees in the Base Quarter by at least the amount promised in Section 3 above, AND
- (iii) all such employees worked in the Locality, AND
- (iv) all Company employees in Virginia have been reported to the Virginia Employment Commission ("VEC") in accordance with VEC regulations. Company's failure to satisfy such requirements shall be a breach hereof, and shall constitute a default hereunder by Company. Employment gains by the Company in the Locality that are offset by employment losses elsewhere in Virginia shall not be counted as employment hereunder.

The foregoing shall be based upon reports made by, or on behalf of, the Company to the VEC including but not limited to *VEC Form FC-20 Employer's Quarterly Tax Report* and *O.M.B. Form No 1220-0134 Multiple Worksite Report - BLS 3020* (or any successor forms designated by VEC, or accepted by VEC in lieu thereof). If such tax filings include Company employees who did not work in the Locality, it shall be the duty of the Company to provide additional information sufficient to identify those employees who did work in the Locality. Employees of subsidiary companies, related entities, entities under common ownership or control, or employees of independent contractors hired by the Company shall not be counted as employees of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the Commission in writing, AND such entities supply the Commission with the same employment documentation as described herein. Employees of temporary employment agencies ("temps") who are assigned to work for the Company in the Locality shall not be counted UNLESS evidenced by letter from the temp agency setting forth the number of man-hours so assigned within the 36 months immediately following the Base Quarter. Such man hours shall be credited to the Company's job-creation obligation at the rate of one job for one quarter for every 520 man hours evidenced by the letter.

* the number of persons who received pay in any given quarter is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).

Section 6 **Intentionally Blank**

Section 7. **Determination of Performance – Taxable Assets**

For purposes of this Agreement, the calendar year that includes the Base Quarter shall be called the "Base Year." The Company agrees to meet its taxable asset obligations hereunder not later than thirty-six (36) months thereafter and agrees that all such assets will be owned or leased by the Company, located in the Locality, subject to taxation, and of record with the COR, all during the aforementioned 36-month period. Company assets located or constructed in the Locality prior to or during the Base Year will not be counted in fulfillment of the Company's taxable asset obligation.

The Company's achievement toward meeting its taxable asset obligation shall be based on asset values assessed by the COR for the Locality and shall be the sum of the following:

- a. the highest real property assessed value of record for any one of the three years following the Base Year, less and except the assessed value for the Base Year, plus
- b. the first personal property assessed value for each asset first appearing of record in the Company name during the three calendar years following the Base Year.

The Commission shall rely upon the information described above as the same is reported to the Commission by the COR in writing, without exception.

For purposes of this Agreement, leased assets are defined as those for which the Company is contractually obligated to pay the property taxes thereon during the term of the lease, and evidence of the Company's obligation to pay such property taxes is presented to the Commission.

The Company hereby expressly grants its consent for (a) the COR for the Locality to release to the Tobacco Commission or the Grantee records necessary to disclose the information required in Section 7 hereof, and (b) the Virginia Employment Commission to release to the Tobacco Commission all Company employment records of any kind held by the Virginia Employment Commission.

Taxable assets owned by subsidiary companies, related entities, entities under common ownership or control, shall not be counted as taxable assets of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the Commission in writing, AND such entities supply the Commission with the same taxable assets documentation as described in this Section.

Section 8. **Repayment Obligation**

In the event that the Company does not meet its obligations hereunder within thirty six (36) months after the end of the Base Quarter, it shall repay to the Grantee the unearned portion of the Grant, which is calculated as follows:

- a. A minimum increase in taxable assets is required before **any** portion of the Grant is earned by the Company, hereinafter called the Minimum Investment Requirement. The Minimum Investment Requirement is the greater of (a) \$1.0 million or (b) one-half of the taxable asset obligation described in Section 4 hereof.
- b. For purposes of repayment, fifty percent (50%) of the Grant is allocated for the Company's taxable assets obligation and fifty percent (50%) for its employment obligation.

- ~~percentage shall be 100 percent (100%) for its employment obligation.~~
- c. Subject to the terms of Section 8.d. below, after exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to employment that is earned by the Company is determined by dividing the average number of employees receiving pay during the three consecutive quarters as determined in Section 5 above with the highest employee count by the number of jobs promised in Section 3.
 - d. The method of computation set forth in Paragraph 8.c. above will be used only if the quarterly aggregate payroll for the three consecutive quarters described in Section 5 equals or exceeds that promised in Section 3. If that quarterly aggregate payroll is less than that promised in Section 3, the number of qualifying employees shall be reduced in proportion to the shortfall in quarterly aggregate payroll and the reduced number of employees shall be used to determine whether Company has satisfied its employment obligation hereunder.
 - d. After exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to taxable assets that is earned by the Company is determined by dividing the greatest value of assets attested to by the COR under Section 7 above by the taxable assets promised in Section 4 above.
 - e. All unearned portions of the Grant shall be repaid by the Company to the Grantee not later than thirty days after the date on which the Company is notified of the unearned amount. The Grantee agrees to remit the same to the Commission. Any refund owed by the Company to the Grantee hereunder shall immediately constitute an obligation of the Grantee to repay the Commission and such Grantee's obligation shall **not** be contingent upon successful collection of any amount from the Company. **The Grantee shall be liable for repayment to the Commission that portion of the Grant determined by the Commission to be due under the terms of this Section and hereby agrees to make such repayment without regard to whether Grantee has received repayment from the Company.**
 - f. Interest shall accrue on unpaid balances at the rate of 3% per annum beginning on the 31st day after the Company is notified of the amount due.
 - g. Monies due to the Locality pursuant to this agreement, if any, shall be considered to be owed to the Treasurer for the Locality and subject to the Treasurer's statutory powers provided for in the Code of Virginia.
 - h. If the Company does not meet its employment obligations or taxable asset obligations hereunder by the date which is 36 months after the end of the Base Quarter because of an "Event of Force Majeure" (as defined herein), the date by which a requirement to meet such commitments shall be extended day-for-day for a period equal to the time elapsed during the Event of Force Majeure. "Event of Force Majeure" means without limitation any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or any kind of the government of the United States of America or of the Commonwealth of Virginia or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; draughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals not caused by the

Company; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company.

Section 9. Letter of Credit

The Company agrees that it shall deliver to the Authority by or before the disbursement of the Grant to the Company a letter of credit in form and from a financial institution acceptable to the Authority in the amount of \$1,045,000 and expiring no earlier than September 30, 2017, which letter of credit may be drawn by the Authority in the event a repayment is required under Section 8 hereof.

Section 10. Events of Default

If any of the following should occur within the thirty six (36) month period after the end of the Base Quarter, it shall constitute an event of default and the Commission may, at its election, accelerate the Company's obligation to repay the portion of the Grant that has not been earned as of the date of the event of default:

- a. The Company applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition of bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Company as bankrupt or insolvent or approving a petition seeking reorganization of the Company or appointing a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets which remains undismissed, undischarged or unstayed for a period of forty-five (45) days.
- b. The Company ceases to be of record and in good standing with the Virginia State Corporation Commission, and such failure is not cured within 60 days from notice thereof, unless Company obligations hereunder have been assumed by another entity and that assumption approved by the Commission and the Grantee.
- c. The Company fails, for reasons other than an Event of Force Majeure, to fulfill at least twenty five percent (25%) of either its employment obligation described in Section 3 above or its taxable asset obligation described in Section 4 above within eighteen (18) months after the end of the Base Quarter.
- d. Failure to provide verification to the Commission as described in Section 10, below, within 60 days from a written request from the Commission.
- e. The Company closes its business in the Locality for a period of more than 30 days.

Section 11. Verification of Performance

If the Commission is unable to verify the Company's progress towards meeting its taxable asset and employment obligations herein using the information available pursuant to Sections 5 and 6, the Company shall provide, at the Company's expense, detailed verification to the Commission and the Grantee, of the Company's progress toward meeting its taxable asset and employment obligations. Such verification shall be limited to the Company's payroll tax filings and property tax filings, together with such other supporting documentation about the payroll and property tax filings as the Commission may request, but any such request shall be no more often than annually.

If any of the taxable assets described in Section 4 have been made on behalf of the Company by a lessor, the Company shall be responsible for gathering and reporting to the Commission information regarding the taxable assets made by the lessor on behalf of the Company.

Section 12. Acknowledgment and Notice

The Company and the Grantee each acknowledge and agree to its respective repayment obligation in accordance with Section 7 of this Agreement. Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail, undelivered) and addressed as follows:

if to the Company, to:

NAME: Core Health & Fitness, LLC.
ADDRESS: Jason Leone
Attention: Jason Leone, CFO

if to the Grantee, to:

NAME: Grayson County IDA
ADDRESS: 129 Davis Street
Independence, VA 24348
Attention: Jonathan Sweet, Secretary

if to the Commission, to:

NAME: Tobacco Indemnification and Community Revitalization Commission
ADDRESS: 701 East Franklin Street, Suite 501
Richmond, Virginia 23219
Attention: Tim Pfohl, Interim Executive Director

This Agreement constitutes the entire agreement between the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

The Company may not assign its rights or obligations under this Agreement without the prior written consent of the Grantee and the Commission; provided that the Company shall have the right, without the consent of the Grantee or the Commission, to assign its rights (not its obligations) under this Agreement to any entity that controls, is controlled by, or is under common control with, the Company.

This Agreement is made, and intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of that state. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court located nearest to the Locality and such litigation shall be brought only in such court.

This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

If any provision of this Agreement is determined to be unenforceable, then the remaining provisions of this Agreement shall, in the sole discretion of the Commission, be voidable by the Commission or interpreted as in effect as if such unenforceable provisions were not included therein.

The Company hereby warrants that from the date of this agreement until all obligations hereunder have been satisfied that it is, and will remain, registered and in good standing with the Virginia State Corporation Commission and that the Company is, and will remain, legally authorized to conduct business in the Commonwealth of Virginia.

The provisions of this Agreement are intended to and shall survive closing, the delivery of any deed or other instrument, and any other event.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to become effective as of the date first written above.

TOBACCO INDEMNIFICATION AND
COMMUNITY REVITALIZATION
COMMISSION

By: _____
Interim Executive Director

Date: _____

GRANTEE

By: Kary D. Osborne

Title: IDA, Vice Chair

Date: 7-31-14

COMPANY

By: Jason Leore

Title: CFO

Date: 7/30/2014

IN RE: PROJECT TURBO

Jonathan D. Sweet covered the *Virginia Tobacco Indemnification and Community Revitalization Commission (TROF) Performance Agreement and the Governor's Development Opportunity Fund Grant Performance Agreement* (listed below) for Falcone Turbine Inc. This is a 2.5 Million capital investment and will create 25 new jobs. Kenneth R. Belton motioned to approve; duly seconded by Brenda Sutherland. Motion carried 5-0.

PERFORMANCE AGREEMENT

This Performance Agreement (the "Agreement") is made and entered into this 20th day of March, 2014, by and among the Virginia Tobacco Indemnification and Community Revitalization Commission (the "Commission"), a political subdivision of the Commonwealth, Grayson County Industrial Development Authority, Virginia (the "Grantee"), a political subdivision of the Commonwealth, and Falcon Turbine, Inc. (the "Company"), a North Carolina corporation whose Federal Employer Identification Number is 62-1442018 .

WITNESSETH:

WHEREAS the Grantee has been selected to receive a grant in the amount of \$105,000 (the "Grant") from the Commission for its use in inducing the Company to construct or locate taxable assets and employ persons in Grayson County (the "Locality");

WHEREAS the Grantee has indicated its desire to tender the Grant to the Company for its use and benefit, provided that the Company commits to the achievement of certain goals relating to employment and the construction or location of taxable assets in compliance with the terms hereof;

WHEREAS the Commission, the Grantee and the Company desire to set forth their understanding and agreement as to the use of the Grant, the obligations of each party hereto, the conditions under which the Grant must be repaid, and the obligations of each party hereto in the event of default;

WHEREAS the Commission finds that the Grant serves a valid public purpose and is consistent with the Commission's mission as outlined in Section 3.2-3100, et. seq. of the Code of Virginia.

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits and promises of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

Section 1. Disbursement of the Grant

The deadline for this Agreement to be executed by all parties hereto is 90 days after the date first written above. If this Agreement has not been executed by all parties hereto on or before that date, Grantee's right to the Grant shall automatically terminate. The Commission shall disburse the Grant to the Grantee within 30 days of the Commission's receipt of (i) this Agreement, executed by all parties

hereto, and (ii) a written request for disbursement from the Grantee, PROVIDED that the Grantee is not in default on its obligations to the Commission as of the date first written above. In the event that the Grantee is in default on its obligations to the Commission as of the date first written above, disbursement of the Grant shall be withheld until such default is cured.

If disbursement to the Grantee has not occurred within one hundred twenty (120) days from the date of this Agreement, the Grant shall be automatically rescinded. Unless otherwise agreed in writing by the parties hereto, Grantee shall disburse the Grant to the Company, or for the Company's benefit, within 30 days of receipt of the Grant from the Commission or return the money to the Commission.

Section 2. Use of the Grant

Under this Agreement, the Commission places no restriction on the use of the Grant proceeds by the Company. Should there be any such restrictions imposed by the Grantee, the same shall be described in Exhibit A, which shall be attached hereto and made a part hereof, but which shall be binding upon the Company only if signed thereon by an authorized Company representative, and not by reference herein. The Grantee shall be responsible for enforcement of any restrictions described in said Exhibit A.

Section 3. Employment Obligation

The Company shall employ* at least 25 persons in the Locality with a quarterly aggregate payroll of at least \$182,000. Said employment and payroll will be in addition to those already employed in the Locality by the Company and paid during the calendar quarter ending on *December 31, 2013*, hereinafter called the "Base Quarter." Persons employed by the Company in the Locality shall be counted as employment hereunder only to the extent that they (a) exceed the aggregate number of employees at all Company locations within the Commonwealth of Virginia during the Base Quarter, and (b) are not counted as fulfillment of any other employment obligation made to the Commission by the Company under any other agreement.

**for purposes of this Agreement the number of persons "employed" means the number of persons who received pay in any given quarter and is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).*

Section 4. Obligations Regarding Taxable Assets

The Company shall locate or construct taxable assets in the Locality having an assessed value of at least \$2,500,000, as determined by the locality's Commissioner of Revenue ("COR"). If the locality elects to arrange for reimbursement to the Company of all, or any portion of, the tax paid by Company for said taxable assets, or elects to waive all or any portion of such tax liability, Company's aforementioned obligation to locate or construct taxable assets in the Locality shall not be waived or reduced. Company shall receive credit for the value of all taxable assets so determined by the COR, notwithstanding the local taxing authority's election to waive or refund the taxes so levied. Said taxable assets will be in addition to those counted in fulfillment of any other taxable asset or capital investment obligation made to the Commission by the Company under any other agreement. If the Company is exempt from the payment of property taxes on certain assets by state law, the Company shall not be entitled to receive or keep any portion of the Grant allocated to its investment in those certain assets.

Section 5. Determination of Performance - Employment

To earn the Grant, the Company must meet its employment obligations hereunder not later than thirty six (36) months after the end of the Base Quarter. The Company's employment obligations will

be deemed to have been fully met when it can document any three (3) consecutive calendar quarters after the Base Quarter in which:

- (i) the average number of employees who received pay from the Company during each of those three (3) consecutive quarters* exceeds the average number of employees who received pay in the Base Quarter by at least the number promised in Section 3 above, AND
- (ii) the total wages paid by the Company to employees in each of those three quarters exceed the wages paid by the Company to employees in the Base Quarter by at least the amount promised in Section 3 above, AND
- (iii) all such employees worked in the Locality, AND
- (iv) all Company employees in Virginia have been reported to the Virginia Employment Commission (“VEC”) in accordance with VEC regulations. Company’s failure to satisfy such requirements shall be a breach hereof, and shall constitute a default hereunder by Company. Employment gains by the Company in the Locality that are offset by employment losses elsewhere in Virginia shall not be counted as employment hereunder.

The foregoing shall be based upon reports made by, or on behalf of, the Company to the VEC including but not limited to *VEC Form FC-20 Employer’s Quarterly Tax Report* and *O.M.B. Form No 1220-0134 Multiple Worksite Report – BLS 3020* (or any successor forms designated by VEC, or accepted by VEC in lieu thereof). If such tax filings include Company employees who did not work in the Locality, it shall be the duty of the Company to provide additional information sufficient to identify those employees who did work in the Locality. Employees of subsidiary companies, related entities, entities under common ownership or control, or employees of independent contractors hired by the Company shall not be counted as employees of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the Commission in writing, AND such entities supply the Commission with the same employment documentation as described herein. Employees of temporary employment agencies (“temps”) who are assigned to work for the Company in the Locality shall not be counted UNLESS evidenced by letter from the temp agency setting forth the number of man-hours so assigned within the 36 months immediately following the Base Quarter. Such man hours shall be credited to the Company’s job-creation obligation at the rate of one job for one quarter for every 520 man hours evidenced by the letter.

** the number of persons who received pay in any given quarter is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).*

Section 6 Intentionally Blank

Section 7. Determination of Performance – Taxable Assets

For purposes of this Agreement, the calendar year that includes the Base Quarter shall be called the “Base Year.” The Company agrees to meet its taxable asset obligations hereunder not later than thirty-six (36) months thereafter and agrees that all such assets will be owned or leased by the Company, located in the Locality, subject to taxation, and of record with the COR, all during the aforementioned 36-month period. Company assets located or constructed in the Locality prior to or during the Base Year will not be counted in fulfillment of the Company’s taxable asset obligation.

The Company’s achievement toward meeting its taxable asset obligation shall be based on asset values assessed by the COR for the Locality and shall be the sum of the following:

- a. the highest real property assessed value of record for any one of the three years following the Base Year, less and except the assessed value for the Base Year, plus
- b. the first personal property assessed value for each asset first appearing of record in the Company name during the three calendar years following the Base Year.

The Commission shall rely upon the information described above as the same is reported to the Commission by the COR in writing, without exception.

For purposes of this Agreement, leased assets are defined as those for which the Company is contractually obligated to pay the property taxes thereon during the term of the lease, and evidence of the Company's obligation to pay such property taxes is presented to the Commission.

The Company hereby expressly grants its consent for (a) the COR for the Locality to release to the Tobacco Commission or the Grantee records necessary to disclose the information required in Section 7 hereof, and (b) the Virginia Employment Commission to release to the Tobacco Commission all Company employment records of any kind held by the Virginia Employment Commission.

Taxable assets owned by subsidiary companies, related entities, entities under common ownership or control, shall not be counted as taxable assets of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the Commission in writing, AND such entities supply the Commission with the same taxable assets documentation as described in this Section.

Section 8. Repayment Obligation

In the event that the Company does not meet its obligations hereunder within thirty six (36) months after the end of the Base Quarter, it shall repay to the Grantee the unearned portion of the Grant, which is calculated as follows:

- a. A minimum increase in taxable assets is required before **any** portion of the Grant is earned by the Company, hereinafter called the Minimum Investment Requirement. The Minimum Investment Requirement is the greater of (a) \$1.0 million or (b) one-half of the taxable asset obligation described in Section 4 hereof.
- b. For purposes of repayment, fifty percent (50%) of the Grant is allocated for the Company's taxable assets obligation and fifty percent (50%) for its employment obligation.
- c. Subject to the terms of Section 8.d. below, after exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to employment that is earned by the Company is determined by dividing the average number of employees receiving pay during the three consecutive quarters as determined in Section 5 above with the highest employee count by the number of jobs promised in Section 3.
- d. The method of computation set forth in Paragraph 8.c. above will be used only if the quarterly aggregate payroll for the three consecutive quarters described in Section 5 equals or exceeds that promised in Section 3. If that quarterly aggregate payroll is less than that promised in Section 3, the number of qualifying employees shall be reduced in proportion to the shortfall in quarterly aggregate payroll and the reduced number of employees shall be used to determine whether Company has satisfied its employment obligation hereunder.
- d. After exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to taxable assets that is earned by the Company is determined by dividing the greatest value of assets attested to by the COR under Section 7 above by the taxable assets promised in Section 4 above.
- e. All unearned portions of the Grant shall be repaid by the Company to the Grantee not later than thirty days after the date on which the Company is notified of the unearned amount. The Grantee agrees to remit the same to the Commission. Any refund owed by the Company to the Grantee hereunder shall immediately constitute an obligation of the

Grantee to repay the Commission and such Grantee's obligation shall **not** be contingent upon successful collection of any amount from the Company. **The Grantee shall be liable for repayment to the Commission that portion of the Grant determined by the Commission to be due under the terms of this Section and hereby agrees to make such repayment without regard to whether Grantee has received repayment from the Company.**

- f. Interest shall accrue on unpaid balances at the rate of 3% per annum beginning on the 31st day after the Company is notified of the amount due.
- g. Monies due to the Locality pursuant to this agreement, if any, shall be considered to be owed to the Treasurer for the Locality and subject to the Treasurer's statutory powers provided for in the Code of Virginia.
- h. If the Company does not meet its employment obligations or taxable asset obligations hereunder by the date which is 36 months after the end of the Base Quarter because of an "Event of Force Majeure" (as defined herein), the date by which a requirement to meet such commitments shall be extended day-for-day for a period equal to the time elapsed during the Event of Force Majeure. "Event of Force Majeure" means without limitation any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or any kind of the government of the United States of America or of the Commonwealth of Virginia or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; draughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals not caused by the

Company; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company.

Section 9. Events of Default

If any of the following should occur within the thirty six (36) month period after the end of the Base Quarter, it shall constitute an event of default and the Commission may, at its election, accelerate the Company's obligation to repay the portion of the Grant that has not been earned as of the date of the event of default:

- a. the Company applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition of bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Company as bankrupt or insolvent or approving a petition seeking reorganization of the Company or appointing a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets which remains undismissed, undischarged or unstayed for a period of forty-five (45) days.
- b. the Company ceases to be of record and in good standing with the Virginia State Corporation Commission, and such failure is not cured within 60 days from notice thereof, unless Company obligations hereunder have been assumed by another entity and that assumption approved by the Commission and the Grantee.
- c. the Company fails, for reasons other than an Event of Force Majeure, to fulfill at least twenty five percent (25%) of either its employment obligation described in Section 3 above or its taxable asset obligation described in Section 4 above within eighteen (18) months after the end of the Base Quarter.

- d. Failure to provide verification to the Commission as described in Section 10, below, within 60 days from a written request from the Commission.
- e. The Company closes its business in the Locality for a period of more than 30 days.

Section 10. Verification of Performance

If the Commission is unable to verify the Company's progress towards meeting its taxable asset and employment obligations herein using the information available pursuant to Sections 5 and 6, the Company shall provide, at the Company's expense, detailed verification to the Commission and the Grantee, of the Company's progress toward meeting its taxable asset and employment obligations. Such verification shall be limited to the Company's payroll tax filings and property tax filings, together with such other supporting documentation about the payroll and property tax filings as the Commission may request, but any such request shall be no more often than annually

If any of the taxable assets described in Section 4 have been made on behalf of the Company by a lessor, the Company shall be responsible for gathering and reporting to the Commission information regarding the taxable assets made by the lessor on behalf of the Company.

Section 11. Acknowledgment and Notice

The Company and the Grantee each acknowledge and agree to its respective repayment obligation in accordance with Section 7 of this Agreement. Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail, undelivered) and addressed as follows:

if to the Company, to:

NAME: Falcon Turbine, Inc.
ADDRESS: 1056 Edmonds Rd Cape Va 24333
Real Estate Manager _____
Attention: Kevin Card, General Manager

if to the Grantee, to:

NAME: Grayson County Industrial Development Authority
ADDRESS: 129 Davis Street
Independence, VA 24348
Attention: Jonathan Sweet, County Administrator

if to the Commission, to:

NAME: Tobacco Indemnification and Community Revitalization Commission
ADDRESS: 701 East Franklin Street, Suite 501
Richmond, Virginia 23219
Attention: Tim Pfohl, Interim Executive Director

This Agreement constitutes the entire agreement between the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Company may not assign its rights or obligations under this Agreement without the prior written consent of the Grantee and the Commission; provided that the Company shall have the right, without the consent of the Grantee or the Commission, to assign its rights (not its obligations) under this Agreement to any entity that controls, is controlled by, or is under common control with, the Company.

This Agreement is made, and intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of that state. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court located nearest to the Locality and such litigation shall be brought only in such court.

This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. If any provision of this Agreement is determined to be unenforceable, then the remaining provisions of this Agreement shall, in the sole discretion of the Commission, be voidable by the Commission or interpreted as in effect as if such unenforceable provisions were not included therein.

The Company hereby warrants that from the date of this agreement until all obligations hereunder have been satisfied that it is, and will remain, registered and in good standing with the Virginia State Corporation Commission and that the Company is, and will remain, legally authorized to conduct business in the Commonwealth of Virginia.

The provisions of this Agreement are intended to and shall survive closing, the delivery of any deed or other instrument, and any other event.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to become effective as of the date first written above.

TOBACCO INDEMNIFICATION AND
COMMUNITY REVITALIZATION
COMMISSION

By: 
Interim Executive Director

Date: 6.16.14

GRAYSON COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

By: 

Title: Chair

Date: 6-10-14

FALCON TURBINE, INC.

By: 

Title: General Manager

Date: 4-24-2014

**GOVERNOR'S DEVELOPMENT OPPORTUNITY FUND GRANT
GRAYSON COUNTY ECONOMIC DEVELOPMENT GRANT**

PERFORMANCE AGREEMENT

This **PERFORMANCE AGREEMENT** made and entered this 1st day of May, 2014, by and among the **COUNTY OF GRAYSON, VIRGINIA** (the "Locality"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), **HANSEN TURBINE ASSEMBLIES CORPORATION** and its affiliates (the "Company"), a Virginia corporation, and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF GRAYSON, VIRGINIA** (the "Authority"), a political subdivision of the Commonwealth.

WITNESSETH:

WHEREAS, the Locality has been awarded a grant of and expects to receive \$50,000 from the Governor's Development Opportunity Fund (a "GOF Grant") through the Virginia Economic Development Partnership Authority ("VEDP") for the purpose of inducing the Company to expand, improve, equip, and operate its manufacturing facility in the Locality (the "Facility"), thereby making a significant Capital Investment, as hereinafter defined, and creating and maintaining a significant number of New Jobs, as hereinafter defined;

WHEREAS, the County wishes to make a grant in the amount of up to \$25,000 (the "Locality Grant") for the purpose of inducing the Company to expand, improve, equip and operate the Facility, thereby making a significant Capital Investment, and creating and maintaining a significant number of New Jobs;

WHEREAS, the Locality is willing to provide the funds from the GOF Grant and the Locality Grant (together, the "Grants") to the Authority with the expectation that the Authority will provide the funds to or for the use of the Company, provided that the Company promises to meet certain criteria relating to Capital Investment and New Jobs;

WHEREAS, the Locality, the Authority and the Company desire to set forth their understanding and agreement as to the payout of the Grants, the use of the proceeds of the Grants, the obligations of the Company regarding Capital Investment and New Jobs, and the repayment by the Company of all or part of the Grants under certain circumstances;

WHEREAS, the expansion, improvement, equipping and operation of the Facility will entail a capital expenditure of approximately \$2,100,000, of which approximately \$1,900,000 will be invested in machinery and equipment and approximately \$200,000 will be invested in the expansion and improvement of an existing building;

WHEREAS, the expansion, improvement, equipping and operation of the Facility will further entail the creation and Maintenance, as defined below, of 25 New Jobs at the Facility; and

WHEREAS, the stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment and New Jobs constitutes a valid public purpose for the expenditure of public funds and is the animating purpose for the Grants:

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits, promises and undertakings of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows.

Section 1. Definitions.

For the purposes of this Agreement, the following terms shall have the following definitions:

“Capital Investment” means a capital expenditure by, or on behalf of, the Company in taxable real property, taxable tangible personal property, or both, at the Facility, excluding existing real property improvements. The Capital Investment must be in addition to the capital improvements at the Facility as of April 1, 2014. The total expected capital expenditure of \$2,100,000 is referred to in this Agreement as the “Capital Investment.” The purchase or lease of furniture, fixtures, machinery and equipment, including under an operating lease, and expected building up-fit by or on behalf of the Company will qualify as Capital Investment.

“Initial Performance Date” means March 31, 2017. If the Locality, in consultation with the Authority and VEDP, deems that good faith and reasonable efforts have been made and are being made by the Company to achieve the Targets, the Locality may agree to extend the Initial Performance Date by up to 15 months. If the Initial Performance Date is extended, the Locality shall send written notice of the extension to the Authority, the Company and VEDP and the date to which the Initial Performance Date has been extended shall be the “Initial Performance Date” for the purposes of this Agreement.

“Maintain” means that the New Jobs created pursuant to the GOF Grant will continue without interruption from the date of creation through the Subsequent Performance Date. Positions for the New Jobs will be treated as Maintained during periods in which such positions are not filled due to (i) temporary reductions in the Company’s employment levels (so long as there is active recruitment for open positions), (ii) strikes and (iii) other temporary work stoppages.

“New Job” means new permanent full-time employment of an indefinite duration at the Facility for which the standard fringe benefits are paid by the Company for the employee, and for which the Company pays an average annual wage of at least \$29,120. Each New Job must require a minimum of either (i) 35 hours of an employee’s time per week for the entire normal year of the Company’s operations, which “normal year” must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions, positions created when a job function is shifted from an existing location in the Commonwealth, and positions with construction contractors, vendors, suppliers and similar multiplier or spin-off jobs shall not qualify as New

Jobs. The New Jobs must be in addition to the 25 full-time jobs at the Facility as of April 1, 2014.

“Subsequent Performance Date” means March 31, 2018, unless the Initial Performance Date has been extended. If the Initial Performance Date has been extended, the Subsequent Performance Date shall be one year after the new Initial Performance Date. Except as so noted, the Subsequent Performance Date is not subject to extension.

“Targets” means the Company’s obligations to make or cause to be made Capital Investments at the Facility of at least \$2,100,000 and to create and Maintain at least 25 New Jobs at the Facility, all as of the Initial Performance Date. Further, “Targets” includes the Company’s obligation to Maintain at least 25 New Jobs at the Facility as of the Subsequent Performance Date.

“Virginia Code” means the Code of Virginia of 1950, as amended.

Section 2. Targets.

The Company will expand, improve, equip, and operate the Facility in the Locality, make a Capital Investment of at least \$2,100,000, and create and Maintain at least 25 New Jobs at the Facility, all as of the Initial Performance Date. Further, the Company will Maintain at least 25 New Jobs at the Facility as of the Subsequent Performance Date.

The Locality and the Authority hereby strongly encourage the Company to ensure that at least 30% of the New Jobs are offered to “Residents” of the Commonwealth, as defined in Virginia Code Section 58.1-302. In pertinent part, that definition includes natural persons domiciled in Virginia or natural persons who, for an aggregate of more than 183 days of the year, maintained a place of abode within the Commonwealth, whether domiciled in the Commonwealth or not.

The average annual wage of the New Jobs of at least \$29,120 is more than the prevailing average annual wage in the Locality of \$26,882. The Locality is a high-unemployment locality, with an unemployment rate for 2013, which is the last year for which such data is available, of 9.7% as compared to the 2013 statewide unemployment rate of 5.5%. The Locality is a high-poverty locality, with a poverty rate for 2012, which is the last year for which such data is available, of 19.4% as compared to the 2012 statewide poverty rate of 11.8%.

Section 3. Disbursement of Grants.

(a) *GOF Grant*: By no later than June 30, 2014, the Locality will request the disbursement to it of the GOF Grant. If not so requested by the Locality by June 30, 2014, this Agreement will terminate. The Locality and the Company will be entitled to reapply for a GOF Grant thereafter, based upon the terms, conditions and availability of funds at that time.

The GOF Grant in the amount of \$50,000 will be paid to the Locality, upon its request. Within 30 days of its receipt of the GOF Grant proceeds, the Locality will disburse the GOF

Grant proceeds to the Authority. Within 30 days of its receipt of the GOF Grant proceeds, the Authority will disburse the GOF Grant proceeds to the Company as an inducement to the Company to achieve the Targets at the Facility. The Company will use the GOF Grant proceeds for a training program and for construction or build out of the Facility, as permitted by Section 2.2-115(D) of the Virginia Code.

(b) *Locality Grant*: The Locality Grant is in the aggregate amount of up to \$25,000, and is expected to be paid in three (3) installments, subject to appropriation by the Locality’s Board of Supervisors, as follows:

- (i) On or before May 1, in the years 2015, 2016 and 2017, the Company shall report to the Locality and the Authority the number of New Jobs created from April 1, 2014 through the March 31 preceding the report. On or before June 30 in the years 2015, 2016 and 2017, the Locality shall award to the Company, through the Authority, a portion of the Locality Grant valued at \$1,000 per New Job created in the prior April 1 – March 31 period, up to an aggregate of \$25,000. The Locality Grant will be paid to the Company as an inducement to the Company to achieve the Targets at the Facility.
- (ii) The Locality Grant shall be paid by the Locality to the Authority and will subsequently be paid by the Authority to the Company.

The Company may use the Locality Grant proceeds for the same use and purposes as the proceeds of the GOF Grant described in Section 3(a).

Section 4. Break-Even Point; State and Local Incentives.

(a) *Break-Even Point and State Incentives:* VEDP has estimated that the Commonwealth will reach its “break-even point” by the Subsequent Performance Date. The break-even point compares new revenues realized as a result of the Capital Investment and New Jobs at the Facility with the Commonwealth’s expenditures on incentives, including but not limited to the GOF Grant. With regard to the Facility, the Commonwealth expects to provide incentives in the following amounts:

<u>Category of Incentive:</u>	<u>Total Amount</u>
GOF Grant	\$50,000
Virginia Jobs Investment Program (“VJIP”) (Estimated)	\$20,000
Tobacco Region Opportunity Fund Grant (“TROF”) (Estimated)	\$105,000

The proceeds of the GOF Grant shall be used for the purposes described in Section 3(a). The VJIP grant proceeds shall be used by the Company to pay or reimburse itself for recruitment and training costs. The proceeds of the TROF Grant may be used for any lawful purpose.

(b) *Local Incentives:* The Locality expects to provide the following incentives, as matching grants or otherwise, for the Facility:

<u>Category of Incentive:</u>	<u>Total Amount</u>
Locality Grant	\$25,000

The Locality has elected to allocate \$25,000 from the TROF as 50% of the Locality’s local match for the GOF Grant. The proceeds of the Locality Grant shall be used for the purposes described in Section 3(b).

If, by the Initial Performance Date, the funds disbursed or committed to be disbursed by the Locality to the Company total less than the \$50,000 GOF Grant local match requirement, the Locality, subject to appropriation, will make an additional grant to the Company of the difference at the Initial Performance Date, so long as the Company has met its Targets.

Section 5. Repayment Obligation.

(a) *If Statutory Minimum Eligibility Requirements are Not Met:* Section 2.2-115 of the Virginia Code requires that the Company make a Capital Investment of at least \$1,500,000 in the Facility and create and Maintain at least 15 New Jobs at the Facility in order to be eligible for the GOF Grant. Failure by the Company to meet either of these statutory minimum eligibility requirements by the Initial Performance Date shall constitute a breach of this Agreement and the entire GOF Grant and Local Grant must be repaid by the Company to the Authority.

(b) *GOF Grant -- If Statutory Minimum Eligibility Requirements are Met:* For purposes of repayment, the GOF Grant is to be allocated as \$25,000 (50%) for the Company's Capital Investment Target and \$25,000 (50%) for its New Jobs Target. Except as noted in subsection (d) below, if the Company has met at least ninety percent (90%) of both of the Targets at the Initial Performance Date, then and thereafter the Company is no longer obligated to repay any portion the GOF Grant. If the Company has not met at least ninety percent (90%) of either or both of its Targets at the Initial Performance Date, the Company shall repay to the Authority that part of the GOF Grant that is proportional to the Target or Targets for which there is a shortfall. For example, if at the Initial Performance Date, the Capital Investment is only \$1,575,000 and only 20 New Jobs have been created and Maintained, the Company shall repay to the Authority 25% of the moneys allocated to the Capital Investment Target (\$6,250) and 20% of the moneys allocated to the New Jobs Target (\$5,000).

(c) *Locality Grant -- If Statutory Minimum Eligibility Requirements are Met:* For purposes of repayment, the Locality Grant is to be allocated as \$25,000 (100%) for the New Jobs Target. Except as noted in subsection (d) below, if the Company has met at least ninety percent (90%) of the New Jobs Target at the Initial Performance Date, then and thereafter the Company is no longer obligated to repay any portion the Locality Grant. If the Company has not met at least ninety percent (90%) of the New Jobs Target at the Initial Performance Date, the Company shall repay to the Authority that part of the Locality Grant that is proportional to the shortfall in the New Jobs Target. For example, if at the Initial Performance Date, only 20 New Jobs have been created and Maintained, the Company shall repay to the Authority an amount to pay down to \$20,000 the amount of Locality Grant proceeds previously disbursed.

(d) *Further Performance Target for the Maintenance of the New Jobs:* If the Company had no repayment obligation under subsection (a) above or under subsection (b) or (c) above as to the New Jobs Target, the Company may still have a repayment obligation if it has not Maintained the New Jobs from the Initial Performance Date through the Subsequent Performance Date. If the Company has not Maintained at least 23 New Jobs (90% of 25 New Jobs) through the Subsequent Performance Date, the Company shall repay to the Authority that part of Grants that is proportional to the shortfall from the 25 New Jobs. For example, if at the Subsequent Performance Date, only 20 New Jobs have been Maintained, the Company shall repay to the Authority 20% of the moneys allocated to New Jobs (GOF: \$5,000; Locality Grant: \$5,000 (if the full Locality Grant has been disbursed)).

(e) *Determination of Inability to Comply:* If the Locality or VEDP shall determine at any time prior to the Initial Performance Date (a "Determination Date") that the Company is unable or unwilling to meet and Maintain its Targets by and through the Initial Performance Date, and if the Locality, the Authority or VEDP shall have promptly notified the Company of such determination, the Company must repay the entire GOF Grant and Locality Grant to the

Authority. Such a determination will be based on such circumstances as a filing by or on behalf of the Company under Chapter 7 of the U.S. Bankruptcy Code, the liquidation of the Company, an abandonment of the Facility by the Company or other similar significant event that demonstrates the Company will be unable or is unwilling to satisfy the Targets for the GOF Grant.

(f) *Repayment Dates: Such repayment shall be due from the Company to the Authority within ninety days after the Initial Performance Date, the Subsequent Performance Date or the Determination Date, as applicable.* Any moneys repaid by the Company to the Authority hereunder allocable to the GOF Grant or the Locality Grant shall be repaid by the Authority to VEDP or the Locality, respectively. It is expected that the GOF Grant repayment shall be redeposited by VEDP into the Governor's Development Opportunity Fund. The Locality and the Authority shall use their best efforts to recover such funds, including legal action for breach of this Agreement. Neither the Locality nor the Authority shall have any responsibility for the repayment of any sums hereunder unless said sums have been received by the Authority from the Company.

Section 6. Company Reporting.

The Company shall provide, at the Company's expense, detailed verification reasonably satisfactory to the Locality, the Authority and VEDP of the Company's progress on the Targets. Such progress reports will be provided annually, starting at May 1, 2015 and covering the period through the prior March 31. Further, the Company shall provide progress reports at such other times as the Locality, the Authority or VEDP may reasonably require.

With each such progress report, the Company shall report to VEDP the amount paid by the Company in the prior calendar year in Virginia corporate income tax. VEDP has represented to the Company that it considers such information to be confidential proprietary information that is exempt from public disclosure under the Virginia Freedom of Information Act and that such

information will be used by VEDP solely in calculating aggregate return on invested capital analyses for purposes of gauging the overall effectiveness of economic development incentives.

Section 7. Notices.

Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail or overnight courier package not accepted by the addressee):

if to the Company, to:

Hansen Turbine Assemblies Corporation
1056 Edmonds Road
Galax, VA 24333
Attention: Kevin Card

with a copy to:

Hansen Turbine Assemblies Corporation
1056 Edmonds Road
Galax, VA 24333
Attention: Kevin Card

if to the Locality, to:

County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: County Administrator

with a copy to:

County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: County Administrator

if to the Authority, to:

Industrial Development Authority
of the County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: Authority Chair

with a copy to:

Industrial Development Authority
of the County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: Authority Attorney

if to VEDP, to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: President and CEO

with a copy to:

Virginia Economic Development Partnership
901 East Byrd Street, 19th Floor
Post Office Box 798 (zip: 23218-0798)
Richmond, Virginia 23219
Attention: General Counsel

Section 8. Miscellaneous.

(a) *Entire Agreement; Amendments:* This Agreement constitutes the entire agreement among the parties hereto as to the GOF Grant and the Locality Grant and may not be amended or

modified, except in writing, signed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Company may not assign its rights and obligations under this Agreement without the prior written consent of the Locality, the Authority and VEDP.

(b) *Governing Law; Venue:* This Agreement is made, and is intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of the Commonwealth. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court of the City of Richmond, and such litigation shall be brought only in such court.

(c) *Counterparts:* This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument.

(d) *Severability:* If any provision of this Agreement is determined to be unenforceable, invalid or illegal, then the enforceability, validity and legality of the remaining provisions will not in any way be affected or impaired, and such provision will be deemed to be

restated to reflect the original intentions of the parties as nearly as possible in accordance with applicable law.

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IN WITNESS WHEREOF, the parties hereto have executed this Performance Agreement as of the date first written above.

COUNTY OF GRAYSON, VIRGINIA

By 
Name: John K. Brewer
Title: Board of Supervisors Chair
Date: June 12, 2014

**INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE COUNTY OF
GRAYSON, VIRGINIA**

By 
Name: Ricky Anderson
Title: Chair
Date: 6-10-14

**HANSEN TURBINE ASSEMBLIES
CORPORATION**

By 
Name: Helmar Neilsen
Title: Owner
Date: May 5, 2014

IN RE: PROJECT REBUILD – PERFORMANCE AGREEMENTS

Jonathan D. Sweet presented the *Governor's Agriculture & Forestry Industries Development Fund (AFID)*, the *Performance Grant Agreement* and the *Virginia Tobacco Indemnification and Community Revitalization Commission (TROF)* (listed below) with Independence Lumber, Inc. Mr. Sweet also explained the depreciation schedule for Independence Lumber, Inc. on the new equipment. David M. Sexton motioned to approve; duly seconded by Glen E. Rosenbaum. Motion carried 5-0.

GOVERNOR'S AGRICULTURE & FORESTRY INDUSTRIES DEVELOPMENT FUND

PERFORMANCE AGREEMENT

This **PERFORMANCE AGREEMENT** made and entered this 9th day of July, 2014, by and among the **COUNTY OF GRAYSON, VIRGINIA** (the "Locality"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), **INDEPENDENCE LUMBER, INC.** and its affiliates (the "Company"), a Virginia corporation, and the **INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF GRAYSON, VIRGINIA** (the "Authority"), a political subdivision of the Commonwealth.

WITNESSETH:

WHEREAS, the Locality has been awarded a grant of and expects to receive \$100,000 from the Governor's Agriculture & Forestry Industries Development Fund (an "AFID Grant") through the Virginia Department of Agriculture and Consumer Services ("VDACS") for the purpose of inducing the Company to construct and improve an agriculture and/or forestry processing/value-added facility using Virginia-grown products in the Locality (the "Facility"), thereby making a significant Capital Investment, as hereinafter defined, creating a significant number of New Jobs and FTEs, as hereinafter defined; and purchasing a significant amount of Virginia-grown agricultural and forestal products, as hereinafter defined.

WHEREAS, the Locality is willing to provide the funds to the Authority with the expectation that the Authority will provide the funds to or for the use of the Company, provided that the Company promises to meet certain criteria relating to Capital Investment, New Jobs and FTEs, and purchase of Virginia-grown agricultural and forestal products;

WHEREAS, the Locality, the Authority and the Company desire to set forth their understanding and agreement as to the payout of the AFID Grant, the use of the AFID Grant proceeds, the obligations of the Company regarding Capital Investment, New Job creation, purchase of Virginia-grown agricultural and forestal products, and the repayment by the Company of all or part of the AFID Grant under certain circumstances;

WHEREAS, the construction and operation of the Facility will entail a capital expenditure of approximately \$5,050,000, of which approximately \$4,500,000 will be invested in machinery and equipment, and approximately \$550,000 will be invested in the construction and up-fit of buildings;

WHEREAS, the construction and operation of the Facility will further entail the creation of 25 New Jobs at the Facility;

WHEREAS, the construction] and operation of the Facility will further lead to the purchase of Virginia-grown agricultural and forestal products in following amount: 60 million board feet over the performance period (see Appendix A for details); and

WHEREAS, the stimulation of the additional tax revenue and economic activity to be generated by the Capital Investment, New Jobs, and purchase of Virginia-grown agricultural and forestal products constitutes a valid public purpose for the expenditure of public funds and is the animating purpose for the AFID Grant:

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits, promises and undertakings of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties covenant and agree as follows.

Section 1. Definitions.

For the purposes of this Agreement, the following terms shall have the following definitions:

“Capital Investment” means a capital expenditure by [or on behalf of] the Company in taxable real property, taxable tangible personal property, or both, at the Facility. The Capital Investment must be in addition to the capital improvements at the Facility as of the date of the Grant award: May 19, 2014. The total capital expenditure of \$5,050,000, is referred to in this Agreement as the “Capital Investment.”

“Maintain” means that the New Jobs created pursuant to the AFID Grant will continue without interruption from the date of creation through the Subsequent Performance Date. Positions for the New Jobs will be treated as Maintained during periods in which such positions are not filled due to temporary reductions in the Company’s employment levels in connection with recruitment for open positions or strikes and other work stoppages.

“New Job” means new permanent full-time employment of an indefinite duration at the Facility for which the standard fringe benefits are paid by the Company for the employee, and for which the Company pays an average annual wage of at least \$31,200. Each New Job must require a minimum of either (i) 35 hours of an employee’s time per week for the entire normal year of the Company’s operations, which “normal year” must consist of at least 48 weeks, or (ii) 1,680 hours per year. Seasonal or temporary positions, positions created when a job function is shifted from an existing location in the Commonwealth, and positions with construction contractors, vendors, suppliers and similar multiplier or spin-off jobs shall not qualify as New Jobs. The New Jobs must be in addition to the 57 full-time jobs at the Facility as of May 19, 2014.

Full-Time Equivalent positions (FTE’s), are part-time and seasonal positions created by the project on a predictable, annual basis, that do not meet the definition of New Job. For the purposes of the AFID Grant, these positions should be converted into full-time equivalent (FTE) positions based on one FTE equaling 1,680 hours per year.

“Initial Performance Date” means June 30, 2017. If the Locality, in consultation with the Authority and the Secretary of Agriculture and Forestry, deems that good faith and reasonable efforts have been made and are being made by the Company to achieve the Targets, the Locality may agree to extend the Initial Performance Date by up to 15 months. If the Initial Performance Date is extended, the Locality shall send written notice of the extension to the Authority, the Company and the Secretary of Agriculture and Forestry and the date to which the Initial Performance Date has been extended shall be the “Initial Performance Date” for the purposes of this Agreement.

“Targets” means the Company’s obligations to make Capital Investments at the Facility of at least \$5,050,000, to create and Maintain at least 25 New Jobs at the Facility, and to purchase at least 60 mbf of Virginia-grown agricultural and forestal products as defined in Appendix A, all as of the Initial Performance Date. Further, “Targets” includes the Company’s obligation to Maintain at least 25 New Jobs at the Facility as of the Subsequent Performance Date.

“Virginia Code” means the Code of Virginia of 1950, as amended.

“Subsequent Performance Date” means June 30, 2020__, unless the Initial Performance Date has been extended. If the Initial Performance Date has been extended, the Subsequent Performance shall be six years after the new Initial Performance Date. Except as so noted, the Subsequent Performance Date is not subject to extension.

Section 2. Targets.

The Company will develop and operate the Facility in the Locality, make a Capital Investment of at least \$5,050,000, create and Maintain at least 25 New Jobs, and purchase 60 mbf of Virginia-grown agricultural and forestal products (see Appendix A), at the Facility, all as of the Initial Performance Date. Further, the Company will Maintain at least 25 New Jobs at the Facility as of the Subsequent Performance Date.

The average annual wage of the New Jobs will be at least \$31,200.

The average prevailing wage in the locality in 2014 is \$26,664.

Section 3. Disbursement of AFID Grant.

By no later than September 1, 2014, the Locality will request the disbursement to it of the AFID Grant. If not so requested by the Locality by September 1, 2014, this Agreement will terminate. The Locality and the Company will be entitled to reapply for an AFID Grant thereafter, based upon the terms, conditions and availability of funds at that time.

The AFID Grant in the amount of \$100,000 will be paid to the Locality, upon its request. Within 30 days of its receipt of the AFID Grant proceeds, the Locality will disburse the AFID Grant proceeds to the Authority. Within 30 days of its receipt of the AFID Grant proceeds, the Authority will disburse the AFID Grant proceeds to the Company as an inducement to the Company to achieve the Targets at the Facility. The Company will use the AFID Grant proceeds to upgrade its existing facilities, as permitted by Section 3.2-304(C) of the Virginia Code.

Section 4. Break-Even Point; State and Local Incentives.

VDACS has estimated that the Commonwealth will reach its “break-even point” by the Subsequent Performance Date. The break-even point compares new revenues realized as a result of the Capital Investment and New Jobs at the Facility with the Commonwealth’s expenditures on incentives, including but not limited to the AFID Grant. With regard to the Facility, the Commonwealth expects to provide incentives in the following amounts:

<u>Category of Incentive:</u>	<u>Total Amount</u>
AFID Grant	\$100,000
Virginia Jobs Investment Program (“VJIP”) (Estimated)	\$20,000
Tobacco Region Opportunity Fund Grant (“TROF”)	\$150,000

The Locality expects to provide the following incentives, as matching grants or otherwise, for the Facility:

<u>Category of Incentive:</u>	<u>Total Amount</u>
Grayson County Performance Grant	\$175,000

The break-even point and Subsequent Performance Date may be revised upon comparison of actual revenues realized as a result of Capital Investment and New Jobs at the Facility with the Commonwealth’s expenditures on incentives, including but not limited to the AFID Grant, as of the Initial Performance Date.

If, by the Initial Performance Date, the \$175,000 in County Performance Grant funds disbursed or committed to be disbursed by the Locality to the Company total less than the \$100,000 AFID Grant local match requirement, the Locality, subject to appropriation, will make an additional

grant to the Company of the difference at the Initial Performance Date, so long as the Company has met its Targets.

The proceeds of the AFID Grant shall be used for the purposes described in Section 3. The VJIP grant proceeds shall be used by the Company to pay or reimburse itself for recruitment and training costs. The proceeds of the TROF Grant shall be used for building improvements. The proceeds of the Locality's \$175,000 Performance Grant may be used by the Company for any lawful purpose.

Section 5. Repayment Obligation.

(a) An impending failure by the Company, as determined by the Locality or the Secretary of Agriculture and Forestry, to meet at least half of its target for either Capital Investment of at least \$2,525,000 in the Facility, to create and Maintain at least 12 New Jobs at the Facility, or to purchase 30 mbf of Virginia-grown agricultural and forestal products by the Initial Performance Date shall constitute a breach of this Agreement and the entire AFID Grant must be repaid by the Company to the Authority. Such a determination by the Locality or the Secretary of Agriculture & Forestry will be based on such circumstances as a filing by or on behalf of the Company under Chapter 7 of the U.S. Bankruptcy Code, the liquidation of the Company, an abandonment of the Facility by the Company or other similar significant event that demonstrates the Company will be unable or is unwilling to satisfy the Targets for the AFID Grant.

(b) For purposes of repayment, the AFID Grant is to be allocated as \$33,334 (33%) for the Company's Capital Investment Target, \$33,333 (33%) for its New Jobs and FTE's Target, and \$33,333 (33%) for its purchase of Virginia-grown agricultural and forestal products. If the Company has met at least ninety percent (90%) of the three Targets at the Initial Performance Date, then and thereafter the Company is no longer obligated to repay any portion of the AFID Grant. If the Company has not met at least ninety percent (90%) of all three of its Targets at the Initial

Performance Date, the Company shall repay to the Authority that part of the AFID Grant that is proportional to the Target or Targets for which there is a shortfall. For example, if at the Initial Performance Date, the Capital Investment is only \$3,787,500, only 18 New Jobs have been created and Maintained, and only 45 mbf of Virginia-grown agricultural and forestal products have been purchased, the Company shall repay to the Authority twenty-five percent (25%) of the moneys allocated to the Capital Investment Target (\$8,333.50), twenty-five percent (25%) of the moneys allocated to the New Jobs Target (\$8,333.25), and twenty-five percent (25%) of the moneys allocated to the purchase of Virginia-grown agricultural and forestal products Target (\$8,333.25). Whether the New Jobs has been met will be determined by comparing the anticipated payroll (57 New Jobs and FTE's at an average annual wage of at least \$31,200) to the actual number of New Jobs and the actual average annual wage reported at the Initial Performance Date.

(c) *Further Performance Target for the Maintenance of the New Jobs:* If the Company had no repayment obligation under subsection (a) above or under subsection (b) above as to the New Jobs and FTE's Target, the Company may still have a repayment obligation if it has not Maintained the New Jobs from the Initial Performance Date through the Subsequent Performance Date. If the Company has not Maintained at least 22 New Jobs and FTE's (ninety percent (90%) of 25 New Jobs) through the Subsequent Performance Date, the Company shall repay to the Authority that part of AFID Grant that is proportional to the shortfall from the 25 New Jobs. For example, if at the Subsequent Performance Date, only 18 New Jobs have been Maintained, the Company shall repay to the Authority twenty-five percent (25%) of the moneys allocated to New Jobs (\$_8,333.25).]

(d) *Repayment Dates:* **Such repayment shall be due from the Company to the Authority within thirty days of the Initial Performance Date, the Subsequent Performance Date or the Determination Date, as applicable.** Any moneys repaid by the Company to the

Authority hereunder shall be repaid by the Authority to the Locality and shall be repaid by the Locality promptly to VDACS for redeposit into the AFID. The Locality and the Authority shall use their best efforts to recover such funds, including legal action for breach of this Agreement. Neither the Locality nor the Authority shall have any responsibility for the repayment of any sums hereunder unless said sums have been received by the Authority from the Company.

Section 6. Company Reporting.

The Company shall provide, at the Company's expense, detailed verification reasonably satisfactory to the Locality, the Authority and VDACS of the Company's progress on the Targets. Such progress reports will be provided annually, starting at July 1, 2015 and covering the period through the prior year, and at such other times as the Locality, the Authority or VDACS may reasonably require.

With each such progress report, the Company shall report to VDACS the amount paid by the Company in the prior calendar year in Virginia corporate income tax. VDACS has represented to the Company that it considers such information to be confidential proprietary information that is exempt from public disclosure under the Virginia Freedom of Information Act and that such information will be used by VDACS solely in calculating aggregate return on invested capital analyses for purposes of gauging the overall effectiveness of economic development incentives.

With each progress report, the Company shall also report to VDACS the amount purchased and the purchase price paid by the Company, or the fair market value of the Virginia-Grown Agricultural or Forestal Products utilized, through the prior year.

The Locality and Company agree to retain all books, records, data and other documents relative to this agreement for a period of three (3) years after the end of this agreement, or until audited by the Commonwealth of Virginia, whichever is sooner. VDACS and its authorized agents, and/or state auditors (both the Auditor of Public Accounts and/or VDACS Internal Auditor) shall have full access to and the right to examine any of said materials and records relating to this agreement during this period.

Section 7. Notices.

Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail or overnight courier package not accepted by the addressee):

if to the Company, to:
Independence Lumber
407 Lumber Ln
Independence, VA 24348
Attention: J Randall Eller

with a copy to:

if to the Locality, to:
County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: County Administrator

with a copy to:

if to the Authority, to:
Industrial Development Authority
of the County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: Authority Chair

with a copy to:
Industrial Development Authority
of the County of Grayson, Virginia
129 Davis Street
P.O. Box 217
Independence, VA 24348
Attention: Authority Attorney

if to VDACS, to:
Secretary of Agriculture and Forestry
Office of Governor Terence R. McAuliffe
Commonwealth of Virginia
1111 East Broad Street
Richmond, Virginia 23219
Attention: AFID

with a copy to:
Stephen G. Versen
AFID Fund Coordinator
Va Dept. of Agriculture & Consumer Services
102 Governor St.
Richmond, Virginia 23219
Attention: AFID

Section 8. Miscellaneous.

(a) *Entire Agreement; Amendments.* This Agreement constitutes the entire agreement [between][among] the parties hereto as to the AFID Grant and may not be amended or modified, except in writing, signed by each of the parties hereto. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Company may not assign its rights and obligations under this Agreement without the prior written consent of the Locality, the Authority and the Secretary of Agriculture and Forestry.

(b) *Governing Law; Venue.* This Agreement is made, and is intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of the Commonwealth. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court of the City of Richmond, and such litigation shall be brought only in such court.

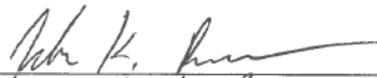
(c) *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument.

(d) *Severability.* If any provision of this Agreement is determined to be unenforceable, invalid or illegal, then the enforceability, validity and legality of the remaining provisions will not in any way be affected or impaired, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with applicable law.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Performance Agreement as of the date first written above.

COUNTY OF GRAYSON, VIRGINIA

By 
Name: John K Brewer
Title: Chair
Date: 07/25/14

INDUSTRIAL DEVELOPMENT
 AUTHORITY OF THE COUNTY OF
 GRAYSON, VIRGINIA

By Ricky Anderson
 Name: Ricky Anderson
 Title: Chair
 Date: 07/23/14

INDEPENDENCE LUMBER, INC.

By J. Randall Eller
 Name: J. Randall Eller
 Title: President
 Date: 07-09-14

APPENDIX A

Total Timber Purchases	Year 1	Year 2	Year 3	Total - Yrs 1-3
Hardwood (mbf)	19	19	19	56
White Pine (mbf)	3	3	3	10
Total	22	22	22	66
Va Timber Purchases				
Hardwood (mbf)	17	17	17	51
White Pine (mbf)	3	3	3	9
Total	20	20	20	60
% of Timber from VA	90%	90%	90%	90%

PERFORMANCE GRANT AGREEMENT

This Performance Grant Agreement (the "Agreement") is made and entered this 1st day of MAY, 2014, by and between the County of Grayson, Virginia (the "County"), a political subdivision of the Commonwealth, and Independence Lumber Inc., (the "Company"), a Virginia corporation whose Federal Tax Identification Number is 54-1233188.

WITNESSETH:

WHEREAS the Company has been selected to receive a five (5) year Performance Grant (the "Grant"), to commence January 1st, 2015, from the County for its use in assisting the Company to construct new facilities, invest in new machinery and equipment, retain current jobs and potentially create new jobs in Grayson County; and

WHEREAS the County has indicated its desire to tender the Grant to the Company for its use and benefit, provided that the Company commits to the achievement of certain goals relating to employment and capital investment as described herein; and

WHEREAS the County and the Company desire to set forth their understanding and agreement as to the use of the Grant, the obligations of each party hereto, the conditions under which the Grant is to be dispersed, and the liability of each party hereto in the event of default.

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits and promises of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and hereby covenant and agree as follows:

Section 1. Disbursement of the Grant

The County shall disburse the Grant to the Company, once this Agreement has been fully executed, within 60 days of the County's receipt of the Company's full payment of all of that calendar year's county taxes and fees, and following a written request for disbursement from the Company, PROVIDED that the company is not in default on its obligations to the County. In the event that the Company is deficient in its obligations to the County, any disbursement shall be withheld until such deficiency is remedied. In the event that the Company is in default of its obligations to the County, any disbursement shall be discontinued.

Section 2. Use of the Grant

The Company shall use the Grant for either (1) site improvements to real estate located in Grayson County and improvements to the buildings located thereon (e.g. utility extensions, road construction, grading, drainage, paving, demolition of outbuildings, removal of unnecessary interior improvements, environmental cleaning and remediation, interior build-out and exterior construction, landscaping, parking lot improvement, painting or any other site improvement required to prepare the site for occupancy by the Company in pursuit of the goals stated herein), or (2) workforce related expenses incurred by the Company to create jobs and/or sustain employment in fulfillment of this Agreement.

Section 3. Employment Commitment

The company known as Independence Lumber Inc. (Tax ID No.: 54-1233188), shall continue to employ at least 57 full-time persons in Grayson County. Said

employment will be consistent with the established watermark number of the Company's employees having been paid during the calendar quarter ending on December 31st, 2013, hereinafter called the "Base Period".

Section 4. Capital Investment Commitment

The Company agrees to and shall make capital investments over the next five (5) years of not less than \$5,000,000.00 in new machinery, tools, equipment and improvements to real property within Grayson County, Virginia. Capital investment shall only mean those assets and improvements subject to local tax levies.

Section 5. Determination of Performance - Employment

The Company shall meet its employment obligations hereunder each calendar year. The Company's employment obligation will be deemed to have been fully met when the Company can document that the average of three (3) consecutive calendar quarters for that calendar year average out to be at least ninety percent (90%) of 57 full-time employees or 51 full-time employees. The foregoing shall be based upon payroll tax filings made by, or on behalf of, each of the Company to the Virginia Employment Commission (now/formerly made on Form VEC FC-20 or facsimile thereof). Employees of subsidiary companies, related entities, or employees of independent contractors hired by the Company shall not be counted as employees in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company is disclosed to and approved by the County in writing, AND such entities supply the County with the same employment documentation as described herein.

Section 6. Determination of Performance – Capital Investment

The Company's capital investment obligation shall be deemed to have been fully met when

(1) the Company submits to the County a letter from the Commissioner of Revenue attesting to:

(a) the highest assessed value of all real property acquired or leased by the Company and owned or leased without interruption during each calendar year, and

(b) the assessed value of all personal property subject to taxation and acquired or leased by the Company and owned or leased without interruption during each calendar year.

(2) the sum of items 1(a) and (b) above equals or exceeds the amount of the 2012 calendar year assessed value as promised per Section 4.

Section 7. Disbursement Obligation

In the event that the Company does not fully meet its obligations hereunder by the end of each calendar year, the Grant shall not be provided to the Company as outlined in Section 1. In the event that the Company meets all other obligations but falls short on employment obligation within the allowable threshold of default per Section 9.b., the amount of the Grant will be pro rata adjusted, which shall be calculated as follows:

Once the amount of the Grant has been established as per Section 8., and once the employment performance has been determined per Section 5., the same percentage of the Grant amount will be disbursed based on the percentage of full-time jobs achieved for that calendar year. Example:

If the Grant amount is derived to be X per Sec. 8., and the employment determination per Sec. 5. is only 42 full-time employees at the end of the calendar year, then the 42 is calculated to be only 75% of the base period 57 full-time employees. Thus, only 75% of the derived Grant amount shall be disbursed for that calendar year.

Section 8. Amount of the Grant

The County shall provide to the Company a grant each year for five (5) years in the amount not to exceed the difference between portions of that calendar year's tax liability and the tax liability established by the 2012 calendar year assessed value (attached to this Agreement). The methodology the County shall use to determine the

amount of the grant will be based solely on an actual comparison of that calendar year's Machinery and Tools (M&T) Tax bill against that of the 2012 calendar year's Machinery and Tools Tax bill and shall be the responsibility of the Commissioner of Revenue and the County to make said calculations. Example:

If the difference in a calendar years' applicable tax liability (M&T) is \$25,000 over that of 2012 calendar year's applicable tax liability, then the amount of the Grant shall be \$25,000 for that calendar year subject to the provisions as set forth in this Agreement.

Section 9. Events of Default

If any of the following should occur within the calendar year, the Performance Grant for that calendar year and any subsequent years shall not be appropriated:

- a. the Company applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition of bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or

arrangement with creditors, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Company as bankrupt or insolvent or approving a petition seeking reorganization of the Company or appointing a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets which remains undismised, undischarged or unstayed for a period of forty-five (45) days.

- b. the number of employees in any calendar quarter is less than 60% (34 employees) of the number of employees established at the end of the Base Period.

Section 10. Verification of Performance

The Determining Companies shall provide, at their expense, detailed verification satisfactory to the County, of the Determining Companies' applicable progress toward meeting the capital investment and employment goals stated herein. Such verification includes, but is not limited to, Determining Companies' payroll tax filings, property tax filings, and internal documents in support thereof. Such progress reports will be provided at such time(s) as the County may require and failure to provide the same shall constitute default under this Agreement and that year's grant and all subsequent years' grants shall be discontinued.

Section 11. Acknowledgment and Notice

Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail not accepted by the addressee) and addressed as follows:

if to the Company, to:

NAME: Independence Lumber, Inc.
ADDRESS: 407 Lumber Lane
Independence, VA 24348
Attention: Nelson Weaver
Executive Vice President

if to the Grantee, to:

NAME: Grayson County
ADDRESS: P.O. Box 217
Independence, Virginia 24348
Attention: Jonathan D. Sweet, ICMA-CM
County Administrator

This Agreement constitutes the entire agreement between the parties hereto as to the subject matter contained herein and may not be amended or modified, except in writing, signed by each of the parties hereto. This agreement is made, and intended to be

performed, in the Commonwealth and shall be construed and enforced by the laws of that state. Jurisdiction and venue for any litigation arising out of or involving this agreement shall lie in the Circuit Court located nearest to Grayson County and such litigation shall be brought only in such court.

This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. If any provision of this Agreement is determined to be unenforceable, then the remaining provisions of this Agreement shall, in the sole discretion of the County, be voidable by the County or interpreted as in effect as if such unenforceable provisions were not included therein.

The provisions of this Agreement are intended to and shall survive closing, the delivery of any deed or other instrument, and any other event.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to become effective as of the date first written above.

GRAYSON COUNTY, VIRGINIA

By: 

Title: John K. Brewer ^{Chair}

Date: 07/25/14

INDEPENDENCE LUMBER, INC.

By: 
Randall Eller

Title: President

Date: May 13, 2014

PERFORMANCE AGREEMENT

This Performance Agreement (the "Agreement") is made and entered into this 24th day of April, 2014, by and among the Virginia Tobacco Indemnification and Community Revitalization Commission (the "Commission"), a political subdivision of the Commonwealth, Grayson County Industrial Development Authority, Virginia (the "Grantee"), a political subdivision of the Commonwealth, and Independence Lumber, Inc. (the "Company"), a Virginia corporation whose Federal Employer Identification Number is 54-1233188.

WITNESSETH:

WHEREAS the Grantee has been selected to receive a grant in the amount of \$150,000 (the "Grant") from the Commission for its use in inducing the Company to construct or locate taxable assets and employ persons in Grayson County (the "Locality");

WHEREAS the Grantee has indicated its desire to tender the Grant to the Company for its use and benefit, provided that the Company commits to the achievement of certain goals relating to employment and the construction or location of taxable assets in compliance with the terms hereof;

WHEREAS the Commission, the Grantee and the Company desire to set forth their understanding and agreement as to the use of the Grant, the obligations of each party hereto, the conditions under which the Grant must be repaid, and the obligations of each party hereto in the event of default;

WHEREAS the Commission finds that the Grant serves a valid public purpose and is consistent with the Commission's mission as outlined in Section 3.2-3100, et. seq. of the Code of Virginia.

NOW, THEREFORE, in consideration of the foregoing, the mutual benefits and promises of the parties to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

Section 1. Disbursement of the Grant

The deadline for this Agreement to be executed by all parties hereto is 90 days after the date first written above. If this Agreement has not been executed by all parties hereto on or before that date, Grantee's right to the Grant shall automatically terminate. The Commission shall disburse the Grant to the Grantee within 30 days of the Commission's receipt of (i) this Agreement, executed by all parties hereto, and (ii) a written request for disbursement from the Grantee, PROVIDED that the Grantee is not in default on its obligations to the Commission as of the date first written above. In the event that the Grantee is in default on its obligations to the Commission as of the date first written above, disbursement of the Grant shall be withheld until such default is cured.

If disbursement to the Grantee has not occurred within one hundred twenty (120) days from the date of this Agreement, the Grant shall be automatically rescinded. Unless otherwise agreed in writing by the parties hereto, Grantee shall disburse the Grant to the Company, or for the Company's benefit, within 30 days of receipt of the Grant from the Commission or return the money to the Commission.

Section 2. Use of the Grant

Under this Agreement, the Commission places no restriction on the use of the Grant proceeds by the Company. Should there be any such restrictions imposed by the Grantee, the same shall be described in Exhibit A, which shall be attached hereto and made a part hereof, but which shall be binding upon the Company only if signed thereon by an authorized Company representative, and not by reference herein. The Grantee shall be responsible for enforcement of any restrictions described in said Exhibit A.

Section 3. Employment Obligation

The Company shall employ* at least 25 persons in the Locality with a quarterly aggregate payroll of at least \$195,000. Said employment and payroll will be in addition to those already employed in the Locality by the Company and paid during the calendar quarter ending on March 31, 2014, hereinafter called the "Base Quarter." Persons employed by the Company in the Locality shall

be counted as employment hereunder only to the extent that they (a) exceed the aggregate number of employees at all Company locations within the Commonwealth of Virginia during the Base Quarter, and (b) are not counted as fulfillment of any other employment obligation made to the Commission by the Company under any other agreement.

** for purposes of this Agreement the number of persons "employed" means the number of persons who received pay in any given quarter and is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).*

Section 4. Obligations Regarding Taxable Assets

The Company shall locate or construct taxable assets in the Locality having an assessed value of at least \$5,000,000, as determined by the locality's Commissioner of Revenue ("COR"). If the locality elects to arrange for reimbursement to the Company of all, or any portion of, the tax paid by Company for said taxable assets, or elects to waive all or any portion of such tax liability, Company's aforementioned obligation to locate or construct taxable assets in the Locality shall not be waived or reduced. Company shall receive credit for the value of all taxable assets so determined by the COR, notwithstanding the local taxing authority's election to waive or refund the taxes so levied. Said taxable assets will be in addition to those counted in fulfillment of any other taxable asset or capital investment obligation made to the Commission by the Company under any other agreement. If the Company is exempt from the payment of property taxes on certain assets by state law, the Company shall not be entitled to receive or keep any portion of the Grant allocated to its investment in those certain assets.

Section 5. Determination of Performance - Employment

To earn the Grant, the Company must meet its employment obligations hereunder not later than thirty six (36) months after the end of the Base Quarter. The Company's employment obligations will be deemed to have been fully met when it can document any three (3) consecutive calendar quarters after the Base Quarter in which:

- (i) the average number of employees who received pay from the Company during each of those three (3) consecutive quarters* exceeds the average number of employees who received pay in the Base Quarter by at least the number promised in Section 3 above, AND
- (ii) the total wages paid by the Company to employees in each of those three quarters exceed the wages paid by the Company to employees in the Base Quarter by at least the amount promised in Section 3 above, AND
- (iii) all such employees worked in the Locality, AND
- (iv) all Company employees in Virginia have been reported to the Virginia Employment Commission ("VEC") in accordance with VEC regulations. Company's failure to satisfy such requirements shall be a breach hereof, and shall constitute a default hereunder by Company. Employment gains by the Company in the Locality that are offset by employment losses elsewhere in Virginia shall not be counted as employment hereunder.

The foregoing shall be based upon reports made by, or on behalf of, the Company to the VEC including but not limited to *VEC Form FC-20 Employer's Quarterly Tax Report* and *O.M.B. Form No 1220-0134 Multiple Worksite Report – BLS 3020* (or any successor forms designated by VEC, or accepted by VEC in lieu thereof). If such tax filings include Company employees who did not work in the Locality, it shall be the duty of the Company to provide additional information sufficient to identify those employees who did work in the Locality. Employees of subsidiary companies, related entities, entities under common ownership or control, or employees of independent contractors hired by the Company shall not be counted as employees of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the

Commission in writing, AND such entities supply the Commission with the same employment documentation as described herein. Employees of temporary employment agencies (“temps”) who are assigned to work for the Company in the Locality shall not be counted UNLESS evidenced by letter from the temp agency setting forth the number of man-hours so assigned within the 36 months immediately following the Base Quarter. Such man hours shall be credited to the Company’s job-creation obligation at the rate of one job for one quarter for every 520 man hours evidenced by the letter.

** the number of persons who received pay in any given quarter is calculated by adding together the number of persons who received pay in each month of the quarter and dividing that sum by three (3).*

Section 6 **Intentionally Blank**

Section 7. **Determination of Performance – Taxable Assets**

For purposes of this Agreement, the calendar year that includes the Base Quarter shall be called the “Base Year.” The Company agrees to meet its taxable asset obligations hereunder not later than thirty-six (36) months thereafter and agrees that all such assets will be owned or leased by the Company, located in the Locality, subject to taxation, and of record with the COR, all during the aforementioned 36-month period. Company assets located or constructed in the Locality prior to or during the Base Year will not be counted in fulfillment of the Company’s taxable asset obligation.

The Company’s achievement toward meeting its taxable asset obligation shall be based on asset values assessed by the COR for the Locality and shall be the sum of the following:

- a. the highest real property assessed value of record for any one of the three years following the Base Year, less and except the assessed value for the Base Year, plus
- b. the first personal property assessed value for each asset first appearing of record in the Company name during the three calendar years following the Base Year.

The Commission shall rely upon the information described above as the same is reported to the Commission by the COR in writing, without exception.

For purposes of this Agreement, leased assets are defined as those for which the Company is contractually obligated to pay the property taxes thereon during the term of the lease, and evidence of the Company’s obligation to pay such property taxes is presented to the Commission.

The Company hereby expressly grants its consent for (a) the COR for the Locality to release to the Tobacco Commission or the Grantee records necessary to disclose the information required in Section 7 hereof, and (b) the Virginia Employment Commission to release to the Tobacco Commission all Company employment records of any kind held by the Virginia Employment Commission.

Taxable assets owned by subsidiary companies, related entities, entities under common ownership or control, shall not be counted as taxable assets of the Company in fulfillment of its promise hereunder UNLESS such entities and their relationship to the Company are disclosed to and approved by the Commission in writing, AND such entities supply the Commission with the same taxable assets documentation as described in this Section.

Section 8. **Repayment Obligation**

In the event that the Company does not meet its obligations hereunder within thirty six (36) months after the end of the Base Quarter, it shall repay to the Grantee the unearned portion of the Grant, which is calculated as follows:

- a. A minimum increase in taxable assets is required before **any** portion of the Grant is earned by the Company, hereinafter called the Minimum Investment Requirement. The Minimum Investment Requirement is the greater of (a) \$1.0 million or (b) one-half of the taxable asset obligation described in Section 4 hereof.
- b. For purposes of repayment, fifty percent (50%) of the Grant is allocated for the Company's taxable assets obligation and fifty percent (50%) for its employment obligation.
- c. Subject to the terms of Section 8.d. below, after exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to employment that is earned by the Company is determined by dividing the average number of employees receiving pay during the three consecutive quarters as determined in Section 5 above with the highest employee count by the number of jobs promised in Section 3.
- d. The method of computation set forth in Paragraph 8.c. above will be used only if the quarterly aggregate payroll for the three consecutive quarters described in Section 5 equals or exceeds that promised in Section 3. If that quarterly aggregate payroll is less than that promised in Section 3, the number of qualifying employees shall be reduced in proportion to the shortfall in quarterly aggregate payroll and the reduced number of employees shall be used to determine whether Company has satisfied its employment obligation hereunder.
- d. After exceeding the Minimum Investment Requirement, the fraction of the Grant allocated to taxable assets that is earned by the Company is determined by dividing the greatest value of assets attested to by the COR under Section 7 above by the taxable assets promised in Section 4 above.
- e. All unearned portions of the Grant shall be repaid by the Company to the Grantee not later than thirty days after the date on which the Company is notified of the unearned amount. The Grantee agrees to remit the same to the Commission. Any refund owed by the Company to the Grantee hereunder shall immediately constitute an obligation of the Grantee to repay the Commission and such Grantee's obligation shall **not** be contingent upon successful collection of any amount from the Company. **The Grantee shall be liable for repayment to the Commission that portion of the Grant determined by the Commission to be due under the terms of this Section and hereby agrees to make such repayment without regard to whether Grantee has received repayment from the Company.**
- f. Interest shall accrue on unpaid balances at the rate of 3% per annum beginning on the 31st day after the Company is notified of the amount due.
- g. Monies due to the Locality pursuant to this agreement, if any, shall be considered to be owed to the Treasurer for the Locality and subject to the Treasurer's statutory powers provided for in the Code of Virginia.
- h. If the Company does not meet its employment obligations or taxable asset obligations hereunder by the date which is 36 months after the end of the Base Quarter because of an "Event of Force Majeure" (as defined herein), the date by which a requirement to meet such commitments shall be extended day-for-day for a period equal to the time elapsed during the Event of Force Majeure. "Event of Force Majeure" means without limitation any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or any kind of the government of the United States of America or of the Commonwealth of Virginia or any of their respective departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; draughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals not caused by the

Company; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company.

Section 9. Events of Default

If any of the following should occur within the thirty six (36) month period after the end of the Base Quarter, it shall constitute an event of default and the Commission may, at its election, accelerate the Company's obligation to repay the portion of the Grant that has not been earned as of the date of the event of default:

- a. the Company applies for or consents to the appointment of a receiver, trustee or liquidator of all or a substantial part of its assets, files a voluntary petition of bankruptcy, makes a general assignment for the benefit of creditors, files a petition or an answer seeking reorganization or arrangement with creditors, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating the Company as bankrupt or insolvent or approving a petition seeking reorganization of the Company or appointing a receiver, trustee or liquidator of the Company or of all or a substantial part of its assets which remains undismissed, undischarged or unstayed for a period of forty-five (45) days.
- b. the Company ceases to be of record and in good standing with the Virginia State Corporation Commission, and such failure is not cured within 60 days from notice thereof, unless Company obligations hereunder have been assumed by another entity and that assumption approved by the Commission and the Grantee.
- c. the Company fails, for reasons other than an Event of Force Majeure, to fulfill at least twenty five percent (25%) of either its employment obligation described in Section 3 above or its taxable asset obligation described in Section 4 above within eighteen (18) months after the end of the Base Quarter.
- d. Failure to provide verification to the Commission as described in Section 10, below, within 60 days from a written request from the Commission.
- e. The Company closes its business in the Locality for a period of more than 30 days.

Section 10. Verification of Performance

If the Commission is unable to verify the Company's progress towards meeting its taxable asset and employment obligations herein using the information available pursuant to Sections 5 and 6, the Company shall provide, at the Company's expense, detailed verification to the Commission and the Grantee, of the Company's progress toward meeting its taxable asset and employment obligations. Such verification shall be limited to the Company's payroll tax filings and property tax filings, together with such other supporting documentation about the payroll and property tax filings as the Commission may request, but any such request shall be no more often than annually

If any of the taxable assets described in Section 4 have been made on behalf of the Company by a lessor, the Company shall be responsible for gathering and reporting to the Commission information regarding the taxable assets made by the lessor on behalf of the Company.

Section 11. Acknowledgment and Notice

The Company and the Grantee each acknowledge and agree to its respective repayment obligation in accordance with Section 7 of this Agreement. Any notices required or permitted under this Agreement shall be given in writing, and shall be deemed to be received upon receipt or refusal after mailing of the same in the United States Mail by certified mail, postage fully pre-paid or by overnight courier (refusal shall mean return of certified mail, undelivered) and addressed as follows:

if to the Company, to:

NAME: Independence Lumber, Inc.
ADDRESS: 407 Lumber Lane, Independence, VA 24348
Real Estate Manager Dave Williams
Attention: Randall Eller, Owner & General Manager

if to the Grantee, to:

NAME: Grayson County Industrial Development Authority
ADDRESS: 129 Davis Street
Independence, VA 24348
Attention: Jonathan Sweet, County Administrator

if to the Commission, to:

NAME: Tobacco Indemnification and Community Revitalization Commission
ADDRESS: 701 East Franklin Street, Suite 501
Richmond, Virginia 23219
Attention: Tim Pfohl, Interim Executive Director

This Agreement constitutes the entire agreement between the parties hereto and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Company may not assign its rights or obligations under this Agreement without the prior written consent of the Grantee and the Commission; provided that the Company shall have the right, without the consent of the Grantee or the Commission, to assign its rights (not its obligations) under this Agreement to any entity that controls, is controlled by, or is under common control with, the Company.

This Agreement is made, and intended to be performed, in the Commonwealth and shall be construed and enforced by the laws of that state. Jurisdiction and venue for any litigation arising out of or involving this Agreement shall lie in the Circuit Court located nearest to the Locality and such litigation shall be brought only in such court.

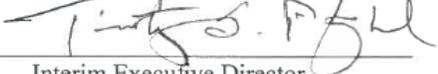
This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall be one and the same instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. If any provision of this Agreement is determined to be unenforceable, then the remaining provisions of this Agreement shall, in the sole discretion of the Commission, be voidable by the Commission or interpreted as in effect as if such unenforceable provisions were not included therein.

The Company hereby warrants that from the date of this agreement until all obligations hereunder have been satisfied that it is, and will remain, registered and in good standing with the Virginia State Corporation Commission and that the Company is, and will remain, legally authorized to conduct business in the Commonwealth of Virginia.

The provisions of this Agreement are intended to and shall survive closing, the delivery of any deed or other instrument, and any other event.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to become effective as of the date first written above.

TOBACCO INDEMNIFICATION AND
COMMUNITY REVITALIZATION
COMMISSION

By: 
Interim Executive Director

Date: 6.16.14

GRAYSON COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY

By: 
Title: Chair

Date: 6-10-14

INDEPENDENCE LUMBER, INC.

By: 
Title: President

Date: 5/9/14

IN RE: GRANT COMPUTING CENTER LEASE AGREEMENT – GRANT GRANGE

Jonathan D. Sweet covered the lease agreement (listed below) for the Goodwill Grange on the Computing Center along with using the equipment for five (5) years for \$250.00 on signing along with the possibility to renew. Mr. James L. Parks, Master Granger, also spoke and gave an update on how things are going thus far with minimal problems:

- (1) an average of 65 people using at this time;
- (2) there are currently eleven (11) volunteers working at this time;
- (3) providing an average of 35 hours per week.

Glen E. Rosenbaum made the motion to approve; duly seconded by David M. Sexton. Motion carried 5-0.

Grant Computing Center

LEASE AGREEMENT

This lease, made and entered into on _____ by and between the Grayson County Board of Supervisors, hereinafter known as the Lessor party of the first part, and The Goodwill Grange #959, hereinafter known as the Lessee, party of the second part.

AGREE

That the Lessor lease to the said Lessee all equipment and assets that comprise the Grant Computing Center, currently housed and operated out of the building and grounds known as the Grant Computing Center within the Goodwill Grange #959, located at 840 Grange Hall Road; Troutdale, VA 24378, and to further include but not limited to all the items as reflected on the attached inventory list and referenced as Exhibit A.

TERM AND RATE

The term of this lease shall be for five (5) years beginning, October 1st, 2014 and concluding September 30th, 2019 for the sum of TWO HUNDRED AND FIFTY DOLLARS (\$250.00) payable in full at the signing of the lease agreement. If neither party submits a written notice to the other as set forth within this agreement, it shall be determined that both parties agree to a one-time automatic lease renewal for a term of five (5) years.

PROPERTY AND EQUIPMENT

The use of the property and equipment shall be delegated to current members of the Goodwill Grange #959, and at their discretion as an assembly. Use of the property shall be consistent with rights, privileges, and welfare of the surrounding community, within applicable laws and as guided by the terms and conditions of this lease.

Maintenance, insurance, utilities, service fees, upkeep, and replacement of the equipment and the facility used to house and operate said equipment is the responsibility of the Lessee (Goodwill Grange #959). This shall include, but is not limited to: Payment of property insurance premiums (to include contents), repairs to building, grounds keeping, heating/cooling, seasonal maintenance as needed, equipment hardware, software, upgrades, service fees, materials, etc. The Goodwill Grange, in executing this lease, does hereby agree to keep and maintain the Grant Computing Center equipment as referenced under Exhibit A in proper working order for use by the general public.

TECHNICAL SUPPORT

When practicable, the Lessor agrees to make available from time to time to the Lessee, technical support through the County's IT department for technical guidance and major repairs to said equipment.

PUBLIC ACCESS

The Lessee shall, at its sole expense, operate the Grant Computing Center and provide to the general public access, at minimum, eighteen (18) hours per week with these hours divided into not less than three (3) days per week. These hours shall be determined by the assembly known as Goodwill Grange Members following the

completion of preference and utilization survey. Said results of the survey and any set times of operations or changes to set times in operations established by the Goodwill Grange shall be provided to the Lessor in a timely fashion for informational purposes.

In addition to general public access, the Lessee shall provide the public access to the Computer Center for formal instruction, classes, trainings and programs that require the equipment or services offered by the Computer Center. The Lessee shall afford the County full access and use of the Computer Center for purposes of conducting official county business, functions, services, and/or trainings.

The Lessee shall provide reasonable access and space to the Wired Road Authority for the housing of equipment and assets utilized for the purpose of deploying broadband services to the citizens of the Grant community and the County of Grayson.

FUND RAISING

Any funds raised specifically from the Computer Center shall be directed back into the Goodwill Grange account for the maintenance, upkeep, repairs and replacement of the Grant Computer Center equipment and the facility used to house and operate said equipment.

LEASE

This lease shall be constructed, interpreted, and applied according to applicable laws effective in the Commonwealth of Virginia.

NOTICE

Any notice under this agreement shall be given in writing delivered either in person, by overnight courier service or by certified mail, postage prepaid and return receipt requested to the parties as follows:

TO GOODWILL GRANGE: Grange Master #959
840 Grange Hall Road
Troutdale, VA 24378

TO COUNTY: County Administrator
Grayson County
P. O. Box 217
Independence, VA 24348
Tel: 276-773-2471

Notice given as required above shall be effective immediately if personally delivered, one (1) business day after being deposited with an overnight courier service and three (3) days after mailing if mailed by certified mail.

WARRANTIES

The Lessor warrants that it is the sole owner of the furniture, fixtures, equipment and assets to be leased as referenced under Exhibit A.

The Lessee warrants that it will be the sole operator of and responsible for the equipment and will not sub-lease, sell, damage or destroy any of the equipment listed under Exhibit A without the expressed written permission of the County.

DEFAULT

In the event that the Lessee defaults with regard to any of the terms set forth in this lease agreement, payment received at signing is non-refundable. Furthermore, the Lessor reserves the right to terminate the lease immediately upon any violation of this lease. These conditions shall apply for the duration of the lease agreement.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures as of the day and year first above written. This Agreement has been duly approved and authorized by the Grayson County Board of Supervisors.

Lessor/Representative – Grayson County, VA

Date

James L. Parks

Lessee/Grange Master

8-26-2014

Date

Witness/Notary

Date

IN RE: DECLARATION OF SURPLUS PROPERTY

Glen E. Rosenbaum made the motion to approve 53 Youth/Adult Soccer shorts and 21 pairs of socks for surplus for the Recreation Department; duly seconded by David M. Sexton. Motion carried 5-0.

IN RE: COUNTY ADMINISTRATOR'S REPORT

Jonathan D. Sweet presented the following report:

Economic Development Recap:

- **12 months – 655 Qualified New Jobs Announced** (Prison Event Sept. 25th, 2013)
- Mentioned in **Virginia Business Three (3) times in the past 12 months**
- This translates into four (4) projects [(**Diversification in size, scope and sector**) 3-private sector 1 public with: Two- 25 job projects; One 250 job project; and One 355 job Project] - representing the public sector, agriculture industry and advanced manufacturing.
- We project that the payroll derived from the four (4) projects will infuse approximately **\$30-MM in new payroll to the county**
- We further project that the '**NEW**' **capital investments** from the three (3) private sector projects will generate approximately **\$150-175K in new revenues** to the county primarily through new M&T and real estate taxes or as *it translates a 'Penny' on the levy...*
- **\$1.8MM in secured grant dollars** (primarily through the Tobacco Commission) for the three (3) projects
- No longer the Red-Headed step child of VA leading from behind, but leading the region in economic development performance percapita...

Tourism Numbers:

GRAYSON COUNTY (September 9, 2014) - Data released by the United States Travel Association ([U.S. Travel Association](#)) reveals that Grayson County experienced the **second**

largest percentage increase out of the 15 localities that comprise the Blue Ridge Highlands Region of the Commonwealth, with tourism expenditures increasing by 3.6% and tourism employment payroll increasing by 6.0% in 2013. According to the US Travel Association, Grayson County employs 140 persons in the tourism sector with a reported payroll of \$3,111,309.96, local tax receipts of \$403,368.71 and a total annual expenditure of \$13,953,845.18.

“This growth may reflect the recent focus placed on supporting the tourism business community through our Department of Planning and Community Development”, stated Jonathan D. Sweet, County Administrator. **“Elaine Holeton has been working with our business owners to diligently write grants, embark on an array of new print and digital marketing campaigns, creatively leverage all of our available resources, forge public and private partnerships, and employ other imaginative approaches to better position our tourism assets in the marketplace.”**

The Grayson County Tourism website www.graysoncountyva.com connects visitors to events, places to stay, attractions and other assets of the county. Recent you tube videos highlight the beauty of Grayson County and can be viewed at the county website and Grayson County Virginia You Tube Channel.

This winter a series of workshops are planned to assist tourism related businesses with marketing topics such as; identifying the target audience, marketing plans, digital media and websites, search engine optimization, print media, tourism partnerships and networking. Co-sponsored with Carroll County Tourism the workshops will take place at Crossroads Institute and are planned for November 4th, December 8th and January 13th, at 5:30 p.m. The workshops are free to the public and more information can be found at www.graysoncountyva.com/community-development

Antidotal:

We are seeing upticks in our:

- Real estate market (according to local real estate
- Local business commerce
- Property Values – **98.7% median ratio**
- Local building permits [Commercial permits – Fell off in 2009 and 2010 - **Steady positive increase since 2010** (5); 2011 (16); 2012 (26); 2013 (28); 2014 (36 w/ ¼ to go)]
(Note: All time low in 2009 and 2010 and rebounding in 2011 and increased by Approx. 30% in 2012 and have held steady since (*The second home construction market has rebounded)

*And we suspect to see our unemployment rate further drop **8.6% in June** (Last reported)
We saw numbers as high as **10.1% in March of 2014**

NOTE:

Our economic eggs in the basket:

-
- A. Small Business and Entrepreneurial Development**
 - B. Tourism**

- C. Existing Industry Advancement
- D. Regionalism
- E. New Business Recruitment
- F. Product Development
- G. Infrastructure
- H. Workforce Development

- I. ****All of the Above...**

IN RE: DEPARTMENT HEAD REPORTS

As presented.

IN RE: PUBLIC HEARING(S)

None

IN RE: REGISTERED SPEAKERS AND PUBLIC COMMENT

None

IN RE: CLOSED SESSION

David M. Sexton made the motion to go into closed session pursuant to §2.2-3711(A)(5) of the Code of Virginia, regarding prospective business or industry or the expansion of an existing business or industry; duly seconded by Brenda Sutherland. Motion carried 5-0.

Brenda Sutherland made the motion to come out of closed session; duly seconded by David M. Sexton. Motion carried 5-0.

Whereas, the Grayson County Board of Supervisors has convened a closed session on this 11th, day of September, 2014, pursuant to an affirmative recorded vote and in accordance with provision of the Virginia Freedom of Information Act; and

Whereas, Section §2.2-3711 of the Code of Virginia requires a certification by this Board of Supervisors that such closed session was conducted in conformity with Virginia law;

Now, Therefore Be It Resolved that the Board of Supervisors hereby certifies that, to the best of each member's knowledge, (I) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session to

which this certification resolution applies, and (II) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Board of Supervisors with recorded confirmation from members as follows: David M. Sexton – I so certify; Glen E. Rosenbaum – I so certify; Kenneth R. Belton – I so certify; Brenda Sutherland – I so certify; John K. Brewer – I so certify.

IN RE: ADJOURN

Kenneth R. Belton made the motion to adjourn; duly seconded by David M. Sexton. Motion carried 5-0.