

## RESOLUTION 17-14

### **A RESOLUTION OF THE CITY OF SPRING HILL, TENNESSEE, AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF MAURY COUNTY, TENNESSEE, TO NEGOTIATE AND ACCEPT PAYMENTS IN LIEU OF AD VALOREM TAXES FOR A FACILITY EXPANSION FOR PROJECT DRAGON**

WHEREAS, The Industrial Development Board of Maury County, Tennessee (the "Issuer") is authorized under the provisions of Chapter 53, Title 7, of Tennessee Code Annotated, as amended from time to time (the "Act"), to issue, sell, and deliver revenue bonds and revenue notes, and to use the proceeds therefrom for, among other things, the purpose of financing, acquiring, improving, constructing, equipping, owning, leasing, and disposing of properties in order to promote industry, trade, commerce, tourism and recreation, and thereby maintain and increase employment opportunities and further the use of natural resources in the State of Tennessee, by inducing manufacturing, industrial, governmental, educational, financial, service, commercial, and recreational enterprises to locate in or remain in the State of Tennessee; and

WHEREAS, in order to implement the public purposes enumerated in the Act and in furtherance thereof to induce SPRING HILL 56 BUILDING I, LLC, or its assignee (the "Company"), to expand its manufacturing facility located at 701 Beechcroft Road in the City of Spring Hill, Tennessee (the "City"), the land and building for which (the "Facility"), having been acquired by the Issuer and leased to the Company pursuant to a certain Facility Lease Agreement, dated as of November 19, 2014 (the "Facility Lease"), which Facility the Company subleased to a manufacturing company ("Project Dragon"); and

WHEREAS, the Issuer and the Company entered into a certain Tax Agreement (Facility), dated as of November 19, 2014 (the "Facility Tax Agreement"), pursuant to which the Company agreed to make certain "In Lieu of Tax Payments," as defined therein, in connection with the Facility; and

WHEREAS, the Issuer and Project Dragon entered into a certain Equipment Lease, dated as November 19, 2014 (the "Equipment Lease"), pursuant to which the Issuer leases certain equipment (the "Equipment"), used by Project Dragon in the Facility to Project Dragon, and the Issuer has secured its obligations under the Equipment Lease pursuant to a certain Security Agreement (the "Security Agreement"), dated as of November 19, 2014, for the benefit of Project Dragon; and

WHEREAS, the Issuer and Project Dragon entered into a certain Tax Agreement (Equipment), dated as of November 19, 2014, pursuant to which Project Dragon agreed to make certain "In Lieu of Tax Payments" with respect to the Equipment (the "Equipment Tax Agreement"); and

WHEREAS, the Issuer desires to enter into a proposed Amendment to Documents (Facility) (the "Facility Documents Amendment"), amending the Facility Lease, the Deed of Trust, Assignment of Leases and Security Agreement, dated as of the date of the Facility Lease, the Collateral Assignment of Facility Lease, dated as of the date of the Facility Lease, and the Facility Tax Agreement, among other things, to induce the Company to expand the Facility (the "Expansion"), at a cost of approximately \$6,400,000.00, which Expansion area of the Facility will be subleased to Project Dragon, for its manufacturing and assembly operations, and the Issuer desires to enter into a proposed Amendment to Documents (Equipment) (the "Equipment Documents Amendment"), amending the Equipment Lease, the Equipment Tax Agreement and

the Security Agreement, of even date with the Equipment Lease, to induce Project Dragon to make an additional investment of approximately \$14,000,000.00 to enable the purchase and installation of additional Equipment for the expanded Facility, and which additional Equipment will be leased by the Issuer to Project Dragon pursuant to the Equipment Lease, as amended by the Equipment Documents Amendment; and

WHEREAS, the Board of Directors of the Issuer, pursuant to Section 7-53-102 of the Act, has found and determined that the agreement by the Issuer to undertake the Expansion of such manufacturing and assembly facility and the equipping thereof will develop trade and commerce in and adjacent to the City of Spring Hill, Tennessee (the "City") and Maury County, Tennessee (the "County"), will contribute to the general welfare, will alleviate conditions of unemployment and has induced or will induce the Company to undertake the Expansion of the Facility and to lease the Expansion to Project Dragon, and has induced or will induce Project Dragon to equip and operate the Facility as expanded by the Expansion, thereby increasing employment opportunities in the, thereby increasing employment opportunities in the City and the County; and

WHEREAS, the Issuer is authorized by law and has deemed it necessary to borrow money for the purpose of constructing the Expansion and to that end has duly authorized and directed the amendment of its not exceeding Six Million Five Hundred Thousand and No/100 Dollars (\$6,500,000.00) Industrial Development Revenue Note, Series A (the "Series A Note"), dated as of November 19, 2014, pursuant to a proposed Amendment to Series A Note (the "Amendment to Series A Note"), increasing the principal amount thereof to not exceeding Twelve Million Nine Hundred Thousand and No/100 Dollars (\$12,900,000.00), the increased proceeds of which shall be used for, among other things, the payment of the costs of the Expansion of the Facility under and pursuant to the Facility Lease, as amended by the Facility Documents Amendment; and

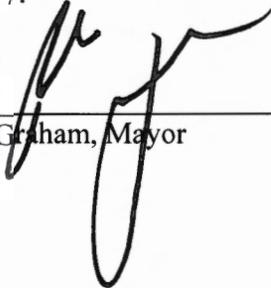
WHEREAS, the Issuer is authorized by law and has deemed it necessary to provide the Expansion and acquire the Equipment as aforesaid, and has approved the Amendment to Series A Note, the Facility Documents Amendment, and the Equipment Documents Amendment; and

WHEREAS, the Spring Hill Board of Mayor and Alderman desires to confirm its approval of the terms of the payment in lieu of tax incentive for the Expansion and the equipping thereof as set forth on **Exhibit A** attached hereto and incorporated herein by this reference (the "PILOT Incentive"), which provisions are to be reflected in the Facility Documents Amendment and the Equipment Documents Amendment, to be entered into by and between the Company, the Issuer and Project Dragon, as applicable.

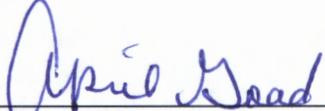
NOW THEREFORE, BE IT RESOLVED by the Spring Hill Board of Mayor and Alderman, as follows:

1. That, pursuant to T.C.A. Section 7-53-305(b), the Spring Hill Board of Mayor and Alderman, hereby affirms the delegation to the Issuer of authority to negotiate and accept from the corporation's lessees payments in lieu of ad valorem taxes, and finds that such authorization is deemed to be in furtherance of the Issuer's public purposes as defined in the Act; and
2. The PILOT Incentive is hereby approved.
3. The Mayor, the City Manager and all departments and agencies of the City of Spring Hill, Tennessee, are hereby authorized and directed to take such further actions as are deemed necessary or advisable to carry out the intent and purposes this Resolution.

Adopted this 21st day of February, 2017.

  
\_\_\_\_\_  
Rick Graham, Mayor

ATTEST:

  
\_\_\_\_\_  
April Goad, City Recorder

LEGAL FORM APPROVED:

  
\_\_\_\_\_  
Patrick Carter, City Attorney

**Exhibit A**  
**PILOT Incentive**

1. **Facility.** The Company shall make in Lieu of Tax Payments with respect to the Facility in accordance with the Facility Tax Agreement, as amended by the Facility Documents Amendment as follows:

(a) The Jobs Expectation set forth in Section 4 of the Tax Agreement shall be applicable from the Effective Date as defined in said Tax Agreement, through December 31, 2018, and from and after December 31, 2018, the “Jobs Expectation shall be 440, being eighty percent (80%) of the 550 jobs anticipated to be at the Facility by December 31, 2018.

(b) From and after December 31, 2018, if the number of Reported Jobs in any given year is lower than said revised 440 Jobs Expectation, then the Company’s In Lieu of Tax Payments for the following year shall be increased by an amount of the Applicable Ad Valorem Taxes proportionate to the amount by which the Jobs Expectation exceeds the number of Reported Jobs, rounded to the nearest percentage point. Specifically, the In Lieu of Tax Payment shall be calculated as the Percentage of Applicable Ad Valorem Taxes set forth in Section 1 of the Tax Agreement, multiplied by the Applicable Ad Valorem Taxes, plus the Additional Payment. The “Additional Payment” shall be the amount determined by subtracting (i) the quotient obtained by dividing the number of Reported Jobs by the Jobs Expectation from (ii) 1, rounded to the nearest percentage point, multiplied by the Applicable Ad Valorem Taxes. By way of example, if the number of Reported Jobs is 374, the Additional Payment would be 15% of the Applicable Ad Valorem Taxes [ $1-(374/440)=0.15$  or 15%]. In no event shall the In Lieu of Tax Payment exceed 100% of the Applicable Ad Valorem Taxes.

2. **Equipment.** The Company shall make in Lieu of Tax Payments with respect to the Equipment in accordance with the Equipment Tax Agreement, as amended by the Equipment Documents Amendment as follows:

(a) The table in Section 2 is deleted and the following substituted in its place and stead:

<b><u>Applicable Year</u></b>	<b><u>Percentage of Applicable Ad Valorem Taxes:</u></b>
Effective Date until Operations Year 1	0%
Operations Year 1	0%
Operations Year 2	20%
Operations Year 3	40%
Operations Year 4	60%
Operations Year 5	80%
Operations Year 6 and thereafter	100%
Notwithstanding the foregoing, for all Equipment first placed in service during calendar year 2016 and for all Equipment placed in service on or after January 1, 2020	100%

(b) The Jobs Expectation set forth in Section 5 of the Tax Agreement shall be applicable from the Effective Date as defined in said Tax Agreement, through December 31, 2018, and from and after December 31, 2018, the “Jobs Expectation shall

be 440, being eighty percent (80%) of the 550 jobs anticipated to be at the Facility by December 31, 2018.

(c) From and after December 31, 2018, if the number of Reported Jobs in any given year is lower than said revised 440 Jobs Expectation, then the Company's In Lieu of Tax Payments for the following year shall be increased by an amount of the Applicable Ad Valorem Taxes proportionate to the amount by which the Jobs Expectation exceeds the number of Reported Jobs, rounded to the nearest percentage point. Specifically, the In Lieu of Tax Payment shall be calculated as the Percentage of Applicable Ad Valorem Taxes set forth in Section 1 of the Tax Agreement, multiplied by the Applicable Ad Valorem Taxes, plus the Additional Payment. The "Additional Payment" shall be the amount determined by subtracting (i) the quotient obtained by dividing the number of Reported Jobs by the Jobs Expectation from (ii) 1, rounded to the nearest percentage point, multiplied by the Applicable Ad Valorem Taxes. By way of example, if the number of Reported Jobs is 374, the Additional Payment would be 15% of the Applicable Ad Valorem Taxes [ $1-(374/440)=0.15$  or 15%]. In no event shall the In Lieu of Tax Payment exceed 100% of the Applicable Ad Valorem Taxes.