

**MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE COUNTY OF CAMPBELL, VIRGINIA**

March 22, 2007

The regular meeting of the Board of Directors of the Industrial Development Authority of Campbell County, Virginia, was held in the Community & Economic Development Conference Room, County Office Building, Rustburg, Virginia, on March 22, 2007.

The Directors present were:

George Rosser, Chairman  
Malcolm Morris  
Robert Kennedy  
Lewis Robertson

The Directors absent were:

John Yates  
Darryl Whitesell  
Vance Driskill

Also Present:

J. Michael Davidson, Economic Development Director  
Frank Wright, Jr., Overby, Hawkins, Selz & Wright  
Rebecca Schwarz, Assistant Secretary-Treasurer

Mr. Rosser called the meeting to order at 7:39pm. He asked to IDA members if they had any additions or corrections to be made to the January 22, 2007 minutes. With no changes to be made, upon a motion by Mr. Morris, seconded by Mr. Robertson, and duly adopted by unanimous vote, the minutes stood approved as read. Mr. Rosser then turned the meeting over to Mr. Davidson.

**Matters from Economic Development Director**

// Mr. Davidson began by discussing the IDA 3/22/07 Financial Statement. He noted that not much activity has taken place since the last meeting. The loan for the Sanfacon building has been changed to an auto-draft payment to First National Bank of Altavista, though the payment plan remains the same, with a variable payment. With no questions from the board members, Mr. Davidson moved to the next item on the agenda.

// Mr. Davidson reviewed the Project Updates. Mr. Rosser asked about the status of the Banker Steel land erosion problem. Mr. Davidson said that the problem is significant. We have put in place on our property a diversion berm so that none of the ground water from the top of our land goes down to the channel again. Mr. Tweedy, an engineer, said that a lot of the erosion on our property is being caused by the airport. Someone cut a hole in a large culvert pipe that goes under a road the airport built, in order to allow drainage from the road into that pipe. This is what created the problem. Mr. Rosser asked if we need to talk with Banker Steel about this. Mr. Davidson explained that we have already told them that we put in the diversion berm. He has a meeting with Mark Courtney later this month and may mention that we have corrected the problem of water off our property, but there remains a problem created by airport land. As far as the IDA is concerned, the worst of the erosion is coming from the airport property, and as far as our role in the matter goes, we have done everything we need to. General discussion followed.

// Next he updated the IDA on the Value-Added Beef Initiative Expansion Project. He said that applications have been put in for project money. If there are enough applicants left over that cannot be funded, we will likely be eligible for another round of funding after this project.

// Mr. Rosser next asked about Airport East. Mr. Davidson said the project is moving forward. We are currently dealing with closing some of the Mountain Lake Road right of way. We are offering property owners that live beyond the right of way point revenue to offset any problems they experience while the road is being built. Nobody has a deeded right of way to the section of road that we are closing. In the end, we are providing a better access out to US 29, so we do not anticipate problems with this.

// Mr. Rosser next asked if any clients are interested in Seneca Commerce Park. Contracts have not yet been signed or announced, but we are close to selling one of the lots. If that company comes in, it may help set a nice tone for the park atmosphere. Mr. Morris asked what type of industry the company is in, and Mr. Davidson said it is a utility provider, though part of the business will be a customer service center or call center. This will be a central office for Virginia and North Carolina. It will hire 125 folks initially, and it will build a two-story building visible from US 29 on the 6 acre lot. General discussion followed regarding the Recreation land in Seneca Commerce Park.

// Mr. Davidson gave an update on the Centra Health Bond. Centra Health has been unable to move things as quickly as hoped and is requesting the IDA re-adopt the resolution with changed dates. Mr. Wright explained that it is essentially the same resolution as was adopted in December, with only three changes. There is an extension of the date until April 30<sup>th</sup>. Also, it is noted that the project was already approved by the City and County, which had not been done in December. The third change is the addition of a provision which allows for a one-time adjustment of the interest rate on the twelfth anniversary of the date of the issuance of the bond. None of this affects the IDA, since the IDA acts as a conduit for funds. Mr. Wright gave a brief recap of the stipulations of the bond and what will happen upon adoption of the resolution. The resolution authorizes the issuance of \$7.5 million in bank-qualified industrial revenue bond funds to finance the construction of a cancer center. The IDA will be authorizing the Chair and Vice-Chair to sign the document to issue the bond, subject to Mr. Wright's review. We have an indemnity provision, which says if a problem occurs with the bond, Centra Health will indemnify us of any cost, leaving very little risk to the IDA. With no questions, and upon a motion by Mr. Robertson, seconded by Mr. Morris, and duly adopted by unanimous vote, the IDA adopted the Centra Health bond resolution.

// The IDA next discussed the Georgia Pacific bond issued through the IDA in 1994. The IDA served as a conduit for the bond. The bond proceeds went towards financing construction and improvements at the Georgia Pacific facility in Naruna. The IRS has called into question the tax-exempt status of the facility. It was proceeding under solid waste facility status, under which it was certified and qualified. The facility generated wood, some parts which were not used in manufacturing, and GP said it would incinerate those parts as waste, which would be solid waste bi-product. To be waste according to IRS standards, materials must meet proper criteria, one criteria being that it should yield no benefit or value. If a market exists to buy the product, it cannot be considered waste. Also, 65% of recycled waste bi-product must be solid, versus liquid.

The IRS began an audit of this particular bond and looked at 3 issues. First, Georgia-Pacific, according to the IRS, actually sold the product to other companies, which brings into question whether or not this product was waste. Also, since 1996, according to the IRS, the plant in Hurt purchased product which met essentially the same specifications as the product GP considered waste, so the IRS says there obviously was a market for the product. Secondly, the IRS asserts the waste had value because GP incinerates the waste. Incineration generates energy for the plant, which benefits Georgia Pacific. The third issue is that the IRS could not produce any documentation that GP had been meeting the proper 65% solid waste requirements all the way back to 1994. As a result, the IRS says the bond is taxable, though it was

originally issued as a tax exempt bond. Wright and the GP attorney have requested an informal conference with the IRS supervisor. Next comes the appeal process. We cannot say what the outcome will be, and we do not know if the IRS is correct in its assertions. We are not particularly concerned about the impact of this situation on the IDA. In the worst case scenario, what will likely happen is the IRS will make a final adverse determination, and the bond must be redeemed within 160 days of the determination. The loan agreement contains an indemnity provision that says if penalty or cost is required of the IDA, including attorneys' fees, we are indemnified by Georgia Pacific. GP has no questions or problems with that. We do not foresee significant long-term liability for the IDA. Mr. Wright will monitor the process. Mr. Robertson asked what this does to the IDA regarding future bond issuance and if it could put more scrutiny on us from the IRS. Mr. Wright said this could be a possibility, but in large part the IRS recognizes the IDA as a conduit not involved in whether or not these projects meet the proper criteria. He does not envision this having a major long-term effect.

// Next on the agenda came the IDA Annual Report 2006. Mr. Davidson noted the changes made since the last meeting. Today we sent a request to be on the BOS agenda for the April 2<sup>nd</sup> night meeting at 7pm. We assume we will present the report that evening but will call members if anything changes.

// Mr. Davidson next discussed the educational One Programs, which the Lynchburg Economic Development office has put together. Lynchburg is attempting to make these educational programs regional and held a meeting with Mr. Davidson and the Campbell County school system to discuss Campbell's involvement. Campbell County expressed some interest since our county is faced with a lack of educated workers. General discussion of the programs followed. Of the One programs, a program we are interested in is the Grow One program, which goes into middle schools and chooses kids with tendencies towards entrepreneurship or business. It places them in a week-long, overnight camp at Lynchburg College and exposes them to a national training curriculum. The program also takes them on business visits, exposes them to educational speakers, and ultimately tries to help kids develop leadership skills and an interest in business. Right now in Campbell County, due to funding, the program is only available to one student from each middle school. We have various sources which have provided grant funding, but we still need a little more and will be asking certain area businesses for their support. Mr. Robertson asked if the children earn any credit hours. They do not, but they do have the opportunity to apply for certain educational grants up to \$5000 after completing the Grow One program. General discussion followed.

// Mr. Davidson last discussed an item not on the agenda. The Virginia Industrial Development Authorities Institute will be held at the Hotel Roanoke. This provides intensive training on the IDA's purpose and function. He told Mr. Kennedy that the County will fund his attendance of the institute if he wishes to go.

// Mr. Rosser asked if Mr. Yates is doing well, as he has been absent from the last few meetings. Mr. Davidson said he was reappointed but has had some health issues which have kept him from attending.

With no other business presented for consideration, upon a motion by Mr. Robertson, seconded by Mr. Morris, and duly adopted by unanimous vote, the Campbell County Industrial Development Authority adjourned at 8:30 pm.

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George Rosser, Chairman

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Vance Driskill, Secretary-Treasurer