

AGENDA

MONTHLY MEETING OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

Monday, June 5, 2023 @ 11:00 AM

1. Call meeting to order.
2. Confirmation of Meeting Advertisement and Quorum Present.
3. Election of Officers (Chair/Vice-Chair/Secretary/Assistant Secretary).
4. Minutes and transcript approval for the April 17, 2023, special meeting.
5. Recognition of any person wishing to address the Board.
6. **RESOLUTIONS:**
 - a. A resolution authorizing the Industrial Development Board Chair or Vice-Chair and City Finance Officer to execute a Management Representation Letter for the auditor, Henderson, Hutcherson & McCullough, PLLC, for Fiscal Year ending June 30, 2022.
 - b. A resolution authorizing the Industrial Development Board Chair or Vice-Chair to execute a Seventh Amendment to Lease Agreement, in substantially the form attached, with Volkswagen Group of America Chattanooga Operations, LLC.
 - c. A resolution authorizing the Industrial Development Board of the City of Chattanooga to take title to certain real and personal property in connection with the Kordsa, Inc. Project, to lease such property to Kordsa, Inc. and to enter into an agreement for Payments in Lieu of Ad Valorem taxes.
 - d. A resolution of intent accepting the application and attachments from Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend Area a/k/a The One Westside TIF Area to the Chattanooga City Council for consideration and approval.
 - e. A resolution authorizing the execution of a Third Supplement to Amended and Restated Trust Indenture related to revenue bonds previously issued for the benefit of BlueCross BlueShield of Tennessee, Inc.

7. **PUBLIC HEARING – PILOT Policies and Procedures.**

8. **DISCUSSION ITEMS-OTHER BUSINESS**

a. Merger of Volkswagen Group of America, Inc. to Volkswagen Group of America – a New Jersey Corporation – DE Corp. Chattanooga Operations, LLC, affiliates and assigns. The Memorandum of Understanding #2 allows assignment. Does the Board have a problem with the new name? Volkswagen does not want to lose their PILOT benefits.

b. Jermaine Freeman will discuss the handling of the Growing Small Business Incentive Grant process going forward.

c. Ernst & Young study for the July meeting.

9. Adjournment.



**INDUSTRIAL DEVELOPMENT BOARD
SPECIAL MONTHLY MEETING MINUTES**

**John P. Franklin Sr. City Council Building
Chattanooga, Tennessee**

**for
April 17, 2023
3:00 PM**

Present were Jimmy F. Rodgers, Jr. (Chair), Althea Jones (Vice-Chair), Patrick Sharpley (Secretary), Gordon Parker (Assistant Secretary), Ray Adkins, Kerry Hayes, and Jim Floyd.

Also Present were: Attorney for the Board, Phillip A. Noblett; Scott Sheumaker, Ben Harris, and Steve Jay (Brasfield & Gorrie); Helen Burns Sharp (ATM); Jermaine Freeman (Economic Development); Jason Payne and Bill Payne (City Engineering); Travis Hamby and Xavier Pedeaux (Jacobs Engineering); Janice Gooden (CALEB); Eleanor Liu (City Finance); Jackson Rogers, Paul Boykin, Kenny Charles, Matt Dale, Erika Robinson, and Lindsay Lacey (City); Kevin Krustinsk (Gresham Smith); Mark Heinzer and Justin Steinmann (Wastewater); Gail Hart (Real Property); and Jamie Myers (IT).

Chairman Rodgers called the meeting to order, Attorney Noblett established that the meeting was duly advertised, and a quorum was present with seven board members.



MONTHLY MEETING OF MARCH 6, 2023 – MINUTES APPROVAL

On motion of Mr. Sharpley, seconded by Mr. Adkins, the minutes and transcript of the March 6, 2023, monthly meeting were unanimously approved.



CHAIRMAN'S REPORT

Elections were not held last June. We combined our June and July meetings into one meeting at the end of June. The good news is that the Bylaws do authorize the officers to continue serving until they are duly replaced. We will have elections this June. If you are interested in serving in any capacity, please let everyone know and come prepared for the June meeting to nominate some folks.

Attorney Noblett will follow up from the last meeting about the Amazon PILOT winding down and giving some updates. Attorney Noblett stated that the Amazon PILOT at this point has been completed. We have forwarded the information to the Assessor, and we should be receiving tax payments from them in accordance with the improvements on the property. Amazon will be fully back on the tax roll.

Chairman Rodgers stated if you noticed in the news, the City is talking about spending roughly \$1 million to revamp their website. Given that we spent a lot of time trying to upgrade ours and relying on the City, Chairman Rodgers was concerned how that might impact things. Jamie Myers is here from the City's IT office.

Ms. Myers stated that she does not think that everyone is 100% happy with the City website as it stands right now. It has been a while since it has been worked on from a technical standpoint. We want to modernize our web presence. Part of that is a re-branding visual design and completely rebuilding Chattanooga.gov from the ground up. That is the core of the project. Bringing Chattanooga.gov into a more modern looking field, something that functions better for us as City employees, and for residents who are looking for information.

Right now, IT has been using satellite sites as a band-aid fix for when people want to put information in a more modern looking field, we might spend on the satellite site for that. As we update Chattanooga.gov to be more modern in its field in functioning, we would bring those satellites into the fold. Obviously, Chattanooga.gov takes priority, but we would work with all boards and commissions, and anybody that has a satellite site in the process of moving that information over to a new government website.

We are looking forward to working with all of the boards and commissions, council, and city departments on modernizing Chattanooga's web presence.

Mr. Adkins asked if this would be for the average person who can understand how to get on the website. That is the goal. Right now the way the information works because of those satellite sites, it is not very unified, and confusing for people when searching for information. What we are looking to do is unify our web presence to make it easier for everybody.

Mr. Sharpley asked how would you go about figuring out the information would be when you take representations of what would be on the website for people to view? Ms. Myers said yes, 100%. When it comes time to transfer your information, we work with you and see what needs to be transferred and what does not, what functionality you need in your web pages on Chattanooga.gov. That would be true for everybody. The main website is the primary focus. Once we get that established, we would move on to evaluate our satellite sites and what needs to be done.

The project is just kicking off. They are currently working on the branding aspect and that needs to be done first before they can actually build.

Chairman Rodgers stated there was an article in the paper yesterday about Helen Burns Sharp's picture on the front page. Very good article by David Floyd by the Times-Free Press about a lot of the stuff we do as an Industrial Development Board. If you have not seen it, it would be something for you guys to try to get a hold of and take a look at.



PUBLIC HEARING

TAX INCREMENT FINANCING POLICIES AND PROCEDURES

This portion of the meeting is a transcript submitted by court reporter, Lori Roberson. Please see attached transcript and comments from Ms. Helen Burns Sharp for the record.

Persons with comments:

- **Helen Burns Sharp (ATM)**
- **Janice Gooden (CALEB)**

RESOLUTION

On motion of Mr. Parker, seconded by Mr. Adkins,

A RESOLUTION OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE APPROVING POLICIES AND PROCEDURES FOR TAX INCREMENT FINANCING AND FORWARDING THE ATTACHED DOCUMENT TO THE CHATTANOOGA CITY COUNCIL FOR ITS FURTHER CONSIDERATION.

Chairman Rodgers stated the Board has a one paragraph resolution that was distributed and then there was a separate resolution that the Chairman thinks may provide a more understandable and historical statement of why we are doing what we are doing. It is almost in some ways to know the procedures, what we know is going back to the City Council. From the Chairman's perspective personally, he thinks there needs to be a modified resolution, the longer resolution will give the City Council members an understanding of what is in front of them, where it came from, and why we have done what we have done.

We have two resolutions dealing with the same subject matter and it is up to the Board to make a motion which one the Board wants or something else entirely. The TIF policies and procedures are also open for discussion and if there are any questions or discussion the Board wants to have.

Mr. Parker made a motion to approve the resolution, and would like to say thank you to Ms. Sharp for the last three months in helping to develop a better understanding. Mr. Parker stated he wishes the primary resolution, shorter version, to be passed, without the WHEREAS clauses, and what has been viewed several times in the several months. Mr. Parker's motion was seconded by Mr. Hayes. Mr. Sharpley asked a question; however, it was inaudible from the Clerk's perspective. The court reporter has submitted the transcript.

Mr. Jermaine Freeman stated on behalf of the Administration, they want to thank the Board as well as the community members for all the collaboration and hard work that was spent on revising the TIF policies and making the TIF policies more modern to reflect today's TIF environment. We appreciate all of the hard work from everyone. From the Administration's perspective the longer resolution, circulated over the weekend, does provide a great historical framework for the TIF policy, and the Administration really liked and appreciated a longer resolution for the record.

One thing that we did note as we were going over the TIF policy, is, and Attorney Noblett has a copy, we did want to add one simple phrase in the General Policy, eight words, which says in the first section, General Policy, it is related to the allocation of school taxes, "unless approved by the City or County as applicable". That is the only phrase they want to add. The TIF policy over the past several months has been in a good place, and would like to move forward after adoption today for the City Council's consideration. As we look at what the timeline can be for the City Council's consideration, ideally what they would do is bring it before City Council if it is adopted today, either around May 9th or May 16th for City Council vote, and hopefully after that we can put this policy to bed.

Chairman Rodgers stated the language that the Administration is proposing will fall at the end of the first paragraph of Section 1? Mr. Freeman stated it would fall to the second to last sentence, essentially, it would say, do you see where it says notwithstanding, page 3, General Policy, it currently reads, "Notwithstanding anything herein to the contrary, no portion of City or County property taxes, if any, that is dedicated to, earmarked, or designated for public school operations shall be allocated to the IDB in connection with any Tax Increment Incentive," we would add, "unless approved by the City or County, as applicable," and in connection ..., the rest of the sentence would go on as is. That is a good way for us to make sure that the County understands that they are still ultimately responsible for what happens with the school taxes.

Mr. Adkins asked for the City Attorney's opinion. Attorney Noblett stated the provisions that he is recommending here is the Board made a request on the changes, and after listening to what Ms. Sharp presented to the body at this point in time, the references are thus approved by the City and County is applicable and appropriate as well, because under state law they actually have control over those items. This addressed Mr. Adkins' question.

Attorney Noblett stated that we would need a motion to amend to include that language if the Board wishes, and have to have a vote, and vote to do that as amended. Chairman Rodgers stated that the only caveat being he would add that you heard Mr. Freeman say that the Administration likes WHEREAS, longer resolution, if you are inclined to amend, please consider that. Two amendments.

Mr. Parker stated that he would like to withdraw the motion, seconded by Jones, and Mr. Parker would like to amend his motion in some way to adopt the longer resolution, WHEREAS, Mr. Parker made a motion to adopt the WHEREAS, with the change from Mr. Freeman to Section 1 adding the words, “unless approved by the City or County, as applicable,” Mr. Parker agrees to that, yes, seconded by Mr. Adkins. This motion is not to approve the policies itself, it is to approve the motion to amend by Mr. Parker, then we will vote on a pending motion or to be made motion to adopt the policies. The motion to amend it by Mr. Parker was unanimously approved.

Mr. Parker made a motion to adopt the resolution as amended, seconded by Mr. Adkins, and the resolution was unanimously adopted.

ADOPTED-04-17-2023

CLEAR CHATTANOOGA
WATER FOR LIFE
MOCCASIN BEND ENVIRONMENTAL CAMPUS (MBEC)
GREEN ENERGY PROGRAM
PRESENTATION

Mr. Mark Heinzer (Interim Administrator for the Wastewater Department for the City) gave this presentation to the Board. A few months ago they came before this Board with the e2i2 project. This project today is just as impactful as that. If not more so. The reason they are here today is to partner with the Industrial Development Board on this project.

Mr. Heinzer stated this particular project has been ongoing for a number of years. They have some opportunities at the Wastewater Treatment Plant that blend well with what is going on today. The topics discussed and presented on the slides are attached to these minutes.

The last two years 2021-2023 they looked at all of their energy uses at the plant. They are looking to optimize things. They identified a technology that could help generate some additional energy with the raw materials that come into the plant every day. The technology is to put on a hydrolysis process or THP. There is a capital investment involved and an ROI to that as well. It is not just money used and lost, it is creating overtime and there is an ROI on this project. The initial capital investment is \$130 million, roughly high level ballpark number. We have a WIFIA loan to the amount of \$64 million and an SRF loan in the amount of \$66 million, and have been banking some of the money over the past couple of cycles to front load this project. We have the money and have been planning on this for several years. They are financially ready to do this but because of the design build nature of the project, we seek partnership. The City cannot do a design build directly. What we can do is with the IDB’s partnership. This is one of the reasons this is important.

Over the years, this started in 2016-2017, they started thinking about what they were going to do, how we are going to extend the plant, keep capacity available for growth in the City and region. We have some projects online to improve some portions of the plant and this is a significant one that is actually going to allow us to do a lot more with the space we have. We are limited on space at the wastewater treatment plant to expand any larger. This particular technology

has a small footprint that they can put in to make use of our current real estate to actually increase capacity considerably.

Back in 2019, we had a PILOT of this technology to test it out. We even sent people over to Europe where this technology was being used. It was used over there for many years, but not so much in the United States until just the last five or six years. In 2022, we went to Washington, DC, and Virginia Beach and looked at the installations there, and there is also one over in Nashville now. This technology is not so cutting edge that we are really worried about whether it is going to work or not. It has been proven in Europe for a decade or more and in other places as well. We submitted this as our WIFIA loan projects and approved as a WIFIA loan as well.

The current situation we have is that this whole project evolves around the biosolids that are generated through the wastewater treatment process. Right now, the biosolids go into a digester that creates methane that is burned off. The solids that come out we have to stabilize with lime to kill any bacteria and to reduce odors. We then truck those to farms that are far away from the City so there are no odor issues because the product is an odorless product as you can imagine. The farmers love it because it is free fertilizer for them. You do not want it in the City. We have 15 trucks a day, plus or minus, that we have to send out every day from the plant to manage this particular biproduct and is called a Class B product is why it has to go out to the agricultural areas and not close to densely populated areas.

This is our current situation. We are wasting gas, reducing lime, trucking far distances, and sometimes 70-80 miles away from Chattanooga. It is a cost negative to us. We spend a lot of money, and we do not gain anything money wise. What this technology will allow us to do is through a thermal hydrolysis process is pressure cooker for these biosolids. It breaks them down and allows our digesters to deal with much better job of breaking it down even further and generates a whole lot more methane. That methane can then be used. We now have a volume of methane that we can do something with. We can sell those renewable energy credits, we can power vehicles with that, and it is five to six times as much as what we generate today. It is more than what we can use at the plant. We can use it for boilers or creating energy as well. We cannot use it all. We will have extra and want to be able to push that into the economy. We can push this into the gas stream and get those energy credits and sell those on the market. It will also reduce our trucks considerably. We will only have five trucks a day now. Which is a lot better. The other side of this is that it is a Class A product which is not going to smell as much. It can apply to farms closer to the City so we will not have to truck as far.

For those reasons, we are now getting to a point where this project with this additional investment are starting to pay us back. We are not only going to save a lot of money just on the back end processing and moving this out, we are actually going to be able to get revenue from the sale of gas as well. This is the 2028 vision. This is what the WIFIA loan is going to get. This is what we envision to be happening very shortly in the very near future to get this project going.

Beyond that we can go even further. If we were to take that product and put this through a dryer, we could do a couple of things. We actually reduced the volume so much more that we probably would not be trucking it anywhere. We would back this and sell it as fertilizer to Home Depot if we wanted to. This is the product if we have this dryer. This might be something we

aspire is going into the future as well. It will also help get rid of some more impurities like the chemicals.

We can go a step further and start attempting food waste from restaurants and food processing to food manufacturing facilities. We could potentially generate more gas. All this was just being wasted. There is a whole lot of energy in wastewater that just gets wasted and not recaptured. This is an opportunity to recapture that energy. The food and yard waste things, things that will break down, and the biosolids would generate all that is methane producing material that we need to capture that opportunity. This is kind of a future vision we could go further to what we are talking about today.

We have been talking about this for several years and because of the price tag, we wanted to be really sure this is the right way to go. We have looked at other technologies and other ways to expand the plant. Those other ways are energy negative and do not provide a whole lot of energy positive side. We would also take up more real estate. Those two factors make this the most attractive option for us to improve capacity. That is how we have gotten to this point today.

With this green energy that we are creating, green economy, we will be able to use that energy whether it is with city vehicles or putting it out on the open market for renewable energy credits for others. That opportunity is there as well. Those are all of the reasons this was selected over the other options. Adding dryers alone with the THP, all that works but does not give the energy. This was chosen as the most attractive option for us.

We anticipate this partnership looking like the e2i2 project where the owner of the project would be the Industrial Development Board where the City would manage the logistics and contractors, fund the project, just like the e2i2 project. It will work the same way very much. This project is located at the wastewater treatment plant, it is not located at the perimeter of the City like e2i2 project. This is all contained at the wastewater treatment plant. There would be a land lease of a portion of the plant to the IDB for the duration of the project and would be leased back to the City as well. The operations and maintenance of anything that is within that boundary is going to be on the City and the wastewater team. There would not be a responsibility to this Board.

This is going to look much like the e2i2 project. We would use the same structure, and the same design build format. With the design build contract would be selected and awarded through this body. The funds would be provided by the City and distributed through the typical funds transfer process we have now.

This is the City's portion. We would own the facility, do the planning, do the RFPs, and resolutions, and project funding and management, and lease that portion of the site to the IDB.

The timeline to kick this off would be at the next IDB meeting, June 5th, where they would come ask for a resolution to partner, and kick off the schedule with the RFP and design build process.

Mr. Adkins asked, if they had enough funding to start up the operation. Mr. Heinzer stated, yes. The money they received during the operation is going to be a self-financing operation. Mr. Heinzer stated they have two loans – WIFIA loan from EPA and SRF loan from the state. Those two loans are reimbursement loans. We would pay the money and submit reimbursement for those loans to the Board and get reimbursed back. We have enough money to get it started.

Mr. Parker asked if there was someone to do this regionally or nationally. Nationally, Washington, DC, treatment plant, has an excellent operation. They have a much bigger plant and have a billion gallons a day, and we are 230 million gallons a day. They are a large facility, and they are doing this where right now they have a product they can sell at Home Depot. They have people that just buy all of their stuff right away. They sent a lot to the DOT who does their restoration of their right-of-ways. Their costs have gone down so much over the past several years and have been doing it for a few years now, and the costs are going down. Virginia Beach also has this technology, but they are not inclined the same way. They do not have the back end higher processing where they are getting the reduction. His friend in Nashville has a facility, and they are doing it as well. They have some dryers that they use as well and resell through a private vendor. Franklin, TN, is going through growing pains in their facility and getting balanced.

Chairman Rodgers asked Mr. Heinzer if there were any local contractors who are capable of building a facility or own facilities. Mr. Heinzer stated there are contractors that can be subs for this as far as local contractors. This is a \$130 million project, and there is a limited pool of contractors that will even take on a facility of this size. Mr. Heinzer does not know of any contractors in the area. It requires all trades. You have all trades involved in something like this. Anything from mechanical, electrical, structural, geotechnical, concrete. It is all of the above. You are pulling from every resource and lot of those subs could be looked at locally, but the overall project scale is probably beyond the typical local firm we see. Mr. Heinzer is not aware of any off the top of his head. This technology is proprietary in the sense there are only a few outfits in the world that even provide the equipment. There may only be one or two now that even have the technology to sell. That big chunk of the money is coming from the equipment. All stainless steel pressure tanks and tubing. A lot of money is spent on equipment here. A lot of that money is the equipment itself.

Mr. Sharpley asked if the e2i2 project had already gone underway. Mr. Heinzer stated today we are looking to get that contract approved, which is the next item on the agenda. We have gone through the RFP process, selected the contractor and design team for that. With that approval, we will be kicking that project off. Mr. Sharpley asked if any of those contractors were local. Mr. Heinzer did not know. There are some involved. Brasfield & Gorrie are here to talk a little bit about that on the next agenda item.

There will be a presentation at the June 5th meeting.



RESOLUTION

On motion of Mr. Floyd, seconded by Mr. Hayes,

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO EXECUTE A PROGRESSIVE DESIGN BUILD CONTRACT FOR THE E2I2 SANITARY SEWER OVERFLOW (SSO) ABATEMENT PROGRAM – SOUTH LEE HWY. AND WEST CHICKAMAUGA EQUALIZATION STATIONS, CONTRACT NO. W-20-001-201, WITH BRASFIELD & GORRIE, LLC, TO EXECUTE PHASE 1 OF THE PROJECT, IN THE AMOUNT OF FIVE MILLION ONE HUNDRED THIRTY THOUSAND DOLLARS (\$5,130,000.00).

Mr. Ben Harris from Brasfield & Gorrie is present based out of Birmingham, Alabama. A question was asked a minute ago. Brasfield & Gorrie is based in Birmingham but have 13 offices across the southeast – Nashville, Atlanta, Birmingham, Orlando, Riley, Charlotte, and several others. Mr. Harris stated that he would like to say they are local and have done a lot of work in Chattanooga. Mr. Harris personally spent about three years here on a project done at Alstom when they renovated the new Alstom facility. Mr. Harris lived on the northshore and knew a lot about the local area and enjoyed it here.

On their team is Grisham, Smith who is their design partner and have local people who live in Chattanooga offices here. Croy Engineering is on their team as well, who will be doing a lot of the surveying and are based in Chattanooga. They have craft workers and different folks all a part of the team that live here as well. We like to think a company of our size that work in a lot of different cities are currently working in Nashville building wastewater facilities, Birmingham, Lowden, Knoxville, Atlanta, working generally in the southeast so a lot of the subs that work on these type projects are pretty specialized. A lot of the subs, there are some here locally, Adman Electric is one we are using that is based here, a lot of the subs are very specialized and will come in. We have a really robust diversity program that they try to implement on every one of their projects. We try to hire local folks as much as possible. Those are all the kinds of programs that we use on all of our projects all over the southeast that we would be bringing to this one.

They are really excited to be here at this stage. This is a project that they identified a couple of years ago and understand it is important to the City and IDB to try to reduce the overflows being experienced as part of this system. This is the type of work they do. Pretty specialized, but they kind of like to joke it is very essential like the funeral home business there is always going to be a need for water and wastewater infrastructure and take pride in doing it.

Mr. Heinzer is excited and has everything in place to do this now. This is a WIFIA funded project and has a 2028 deadline. This one will take a year to design and probably two to three years in construction.

Mr. Heinzer stated they will be constructing equalization stations which are large storage tanks that are utilized during wet weather events. The system in Chattanooga and the region is older and leaks, water gets in and out, that is the same with the County. Hamilton County Water and Wastewater Treatment Authority has their collection system that again is aging and has its issues. When we get a rain event, we have wastewater overflows that consist of random water and wastewater mixing in, getting out of the system, getting into our stream, and need to eliminate that issue.

The e2i2 project is in conjunction with the County, a joint effort, to eliminate those types of overflows and to reduce those types of overflows as much as they can. There are large storage tanks situated in industrial areas or lowly populated areas where we can intercept a lot of the rain water and store it so that the system is not overtaxed. When the rain subsides, we can release it back into the system and it is treated by the wastewater treatment plant as opposed to finding its way out of a pipeline. They are large storage tanks, not large like a water tank. They are low and wide and we have about 40 million gallons proposed in the e2i2 project. There are 30 in the East Ridge area, and 10 more on Lee Hwy. towards the Ooltewah area. There are two locations.

The contract was reviewed by the City Attorney's office at the front end. The IDB is a building authority under state law and authorizing that to occur. Ms. Jones asked what was going to happen in June. The presentation that Mr. Heinzer gave today would look for a resolution from the Board to partner with them on that project as well. They are putting it out as an RFP.

The motion carried.

ADOPTED-04-17-2023

RESOLUTION

On motion of Ms. Jones, seconded by Mr. Sharpley ,

A RESOLUTION AUTHORIZING THE CHAIR OR VICE-CHAIR TO ENTER INTO A LEASE WITH THE CITY OF CHATTANOOGA, IN SUBSTANTIALLY THE FORM ATTACHED, FOR THE DESIGN AND CONSTRUCTION OF THE CITY'S PROPOSED WET WEATHER EQUALIZATION STATIONS, TO BE LOCATED AT 6000 CORNELISON ROAD, IDENTIFIED AS TAX MAP NO. 169D-A-001.02; 220 CORNELISON ROAD, IDENTIFIED AS A PORTION OF TAX MAP NO. 157M-A-009.03; AND 7148 LEE HWY., IDENTIFIED AS TAX MAP NOS. 139P-C-008.01 AND 138M-C-002.01, FOR A TERM OF SIX (6) YEARS, FOR AN ANNUAL AMOUNT OF ONE DOLLAR (\$1.00), SUBJECT TO FINAL CLOSING.

Mr. Heinzer stated this particular resolution solidifies that the IDB has control over the project. The City does not own this parcel of land that this project is going on, there are two parcels where we are going to lease that to the IDB up to the duration of the conclusion of the project for

several years for an amount of \$1.00 per year in order to meet the spirit of the IDB having control over the property and project. Attorney Noblett stated that they have reviewed the Lease Agreement as well and is in the packet. There were a couple of locations where there are cell towers on the property. We had to exempt them out from the area in the lease. The IDB will be the operator of this project and will be the leaseholder of the property while the construction will go, and after the construction is completed, it will go back to the City for the operation and maintenance.

The motion carried.

ADOPTED-04-17-2023

RESOLUTION

On motion of Mr. Hayes, seconded by Ms. Jones,

A RESOLUTION ACCEPTING THE ANNUAL REPORT ON PAYMENT IN LIEU OF TAX (PILOT) PROGRAM DATED JANUARY 9, 2023, FOR THE YEARS 2021 AND 2022 FROM HOMESERVE C/O SITE SELECTION GROUP.

Attorney Noblett stated this resolution shows that HomeServe has completed everything that is required of them during the term of the PILOT. There are provisions that require specific jobs to be provided and payments of taxes to be paid. They have provided that documentation. Mr. Hayes made a motion that the language of the resolution be changed to “accept” the Annual Report.

The motion carried.

ADOPTED-04-17-2023

OTHER BUSINESS

The website has already been covered by Jaime Myers from IT.

The PILOT policies and procedures will be included in the June meeting for public hearing. Mr. Freeman will have a draft of the PILOT policies ready by June 5th.

Mr. Freeman thanked the Board on behalf of the Administration for all of the collaboration from the Board as well as the community members on revising the TIF policies. As a reminder, they will advance the revised TIF policies to the City Council for their consideration and approval sometime between May 9th and May 16th. Mr. Freeman will report back at the June 5th meeting.

The next meeting is June 5th, and we will be electing officers. Just a reminder to give some thought as far as to who they might want to elect.

Mr. Freeman stated that earlier this afternoon Chairman Rodgers referenced an article, and one of things the article mentioned was the ongoing Ernst & Young study with the Chattanooga Area Chamber of Commerce. That study is a part of the City and County's strategic planning which charts the future of the goals for economic development for both the City and County. It occurred to him that it would be helpful to invite Ernst & Young to present the strategic planning document to the IDB. The IDB is the primary instrument to advance economic development on behalf of the City. It felt like the IDB should be aligned with what the Chamber is working on, as well as what they are working on with Ernst & Young in terms of chartering the City and County's future prospects and goals for economic development. If it is okay with the Board, we would love to invite Ernst & Young to present that to the Board at the June 5th meeting or at a meeting in July or August or whatever is suitable for the Board so the Board can be in perfect alignment with what the Chamber is doing and what Ernst & Young is doing on behalf of the Chamber.

Chairman Rodgers told Mr. Freeman that the more the IDB is informed, the better. We might want to put that tentatively for July because we are going to have the public hearing about PILOTs in June and want to focus on that June meeting on PILOTs. Ernst & Young are the property managers that were working with the Chamber based out in Austin, Texas, and might not be able to join in person but can present virtually in July.

As part of making sure that the Board are informed about the work the Board does in economic development, we will also be sure to regularly inform the Board when we have Economic Development Committee meetings before the City Council. Those typically come up once every two or three months and provide good updates about what the Economic Development Department is doing as well as specific initiatives and projects they are working on. There is an Economic Development Committee meeting tomorrow that will start between 3:30 p.m. and 4:00 p.m. immediately following the City Council Agenda Session. If the Board is not able to make it in person, we would encourage you to stream on youtube.



After further discussion, the meeting was adjourned at 4:00 PM.

_____, *Secretary*

APPROVED:

_____, *Chair*

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INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA, TENNESSEE
MONDAY, APRIL 17, 2023 @ 3:00 P.M.

IN RE: TAX INCREMENT FINANCING POLICIES AND PROCEDURES
RESOLUTION

BOARD MEMBERS PRESENT:

JIMMY F. RODGERS, JR., Chair
RAY ADKINS
JAMES FLOYD
KERRY HAYES
ALTHEA JONES, Vice Chair
GORDON PARKER, Assistant Secretary
PATRICK SHARPLEY, Secretary

ALSO PRESENT:

JERMAINE FREEMAN, City Economic Development Officer
JANICE GOODEN, Economic Mobility Task Force, CALEB
MARIA MANALLA, City Attorney's Office, Legal Asst.
PHILLIP A. NOBLETT, Deputy City Attorney
HELEN BURNS SHARP, Founder, ATM

* * *

03:12:05 1
03:12:05 2 CHAIRMAN RODGERS: We'll move on to the Tax
03:12:09 3 Increment Financing Policies and Procedures. Board
03:12:15 4 members, you should have a one-paragraph resolution that
03:12:19 5 was distributed, and then there was a separate resolution
03:12:25 6 that I think may provide a more understandable and
03:12:33 7 historical statement of why we're doing what we're doing.
03:12:37 8 And it's almost, again, in some ways, to, as we know the
03:12:46 9 procedure to be, what we're doing is going to go back to
03:12:49 10 the City Council, from my perspective.

03:12:50 11 Personally, I think the modified resolution,
03:12:54 12 the longer resolution, will give the City Council members
03:12:58 13 an understanding of what's in front of them, where it
03:13:01 14 came from, and why we've done what we've done.

03:13:05 15 So, at this point, we have got two
03:13:07 16 resolutions dealing with the same subject matter in front
03:13:12 17 of us. It's up to you guys to make a motion, maybe,
03:13:13 18 which one you want, or something else entirely.

03:13:17 19 Before we go through that, though, I did want
03:13:19 20 to throw out the TIF Policies and Procedures as well, and
03:13:26 21 that's certainly open for discussion, if there is any
03:13:28 22 questions, any discussions, that you guys want to have
03:13:31 23 there.

03:13:33 24 So what's your thought relative to the TIF
03:13:36 25 Policies and Procedures and the resolution?

03:13:45 1 MR. SHARPLEY: I have no problem.

03:13:46 2 MR. PARKER: Mr. Chairman, I make a motion to
03:13:52 3 approve the resolution. But I would like to say thank
03:13:57 4 you to Ms. Sharp for her input for the last three months,
03:14:02 5 helping to get a better understanding coming from the
03:14:04 6 other side as well. So thank you, Ms. Sharp.

03:14:06 7 CHAIRMAN RODGERS: And, Mr. Freeman, before I
03:14:07 8 recognize you in a moment, which I intend to -- (to Mr.
03:14:11 9 Parker:) As far as the resolution goes, which one would
03:14:14 10 you prefer as part of your motion?

03:14:18 11 MR. PARKER: The primary.

03:14:20 12 CHAIRMAN RODGERS: The shorter one?

03:14:21 13 MR. PARKER: I'd say the longer one that we
03:14:25 14 worked on.

03:14:26 15 CHAIRMAN RODGERS: Okay. The longer one?

03:14:27 16 MR. PARKER: That is correct.

03:14:29 17 MR. HAYES: (Indicating.)

03:14:31 18 CHAIRMAN RODGERS: The other one, Kerry.

03:14:33 19 MR. HAYES: (Indicating.)

03:14:36 20 CHAIRMAN RODGERS: The other one that has the
03:14:37 21 whereas clauses; is that what you're referring to,
03:14:41 22 Gordon?

03:14:41 23 MR. PARKER: No, sir. (Indicating.)

03:14:43 24 CHAIRMAN RODGERS: Okay.

03:14:45 25 MR. PARKER: It was earlier to your --

03:14:48 1 CHAIRMAN RODGERS: Right. Okay. The shorter
03:14:50 2 version?

03:14:50 3 MR. PARKER: The short resolution that has
03:14:55 4 the 14 pages attached.

03:14:57 5 CHAIRMAN RODGERS: Gotcha. Okay. All right.

03:14:58 6 MS. JONES: That's this one? (Indicating.)

03:15:00 7 MR. NOBLETT: I think you probably --

03:15:02 8 CHAIRMAN RODGERS: It's the one that's
03:15:03 9 initially distributed by the City Attorney's Office.

03:15:06 10 MS. JONES: Okay.

03:15:07 11 CHAIRMAN RODGERS: That does not have the
03:15:09 12 whereas clauses. And that is, Mr. Parker...

03:15:12 13 (Indicating.)

03:15:12 14 MR. PARKER: That is correct. The 14 pages
03:15:16 15 that we've looked at several times in the last several
03:15:20 16 months. There's a one-paged resolution on top adopted
03:15:26 17 April 17 -- the one signed April 17th.

03:15:27 18 MS. JONES: Got it.

03:15:28 19 CHAIRMAN RODGERS: We have a motion from Mr.
03:15:30 20 Parker as far as that resolution goes. Is there a second
03:15:33 21 to that resolution? Anybody?

03:15:36 22 MR. HAYES: I'll second.

03:15:37 23 CHAIRMAN RODGERS: I have a motion and
03:15:38 24 second. Okay. Any discussion at this point from board
03:15:44 25 members?

03:15:44 1 MR. SHARPLEY: Yes. Is that the policy about
03:15:44 2 the IDB executing...

03:15:52 3 MR. PARKER: Yes, sir.

03:15:53 4 CHAIRMAN RODGERS: Yes, sir.

03:15:56 5 MR. SHARPLEY: I didn't see the wording right
03:15:58 6 here.

03:15:58 7 CHAIRMAN RODGERS: Mr. Freeman, let me let
03:15:59 8 you -- before we have any further discussion, let me let
03:16:02 9 you chime in, if you would, here.

03:16:03 10 MR. FREEMAN: Sure. Jermaine Freeman,
03:16:07 11 Economic Development for the City of Chattanooga. First
03:16:08 12 of all, on behalf of the administration, we want to thank
03:16:12 13 the board, as well as the community members, for all the
03:16:15 14 collaboration and hard work that we've all spent on
03:16:18 15 revising the TIF policies and making the TIF policies
03:16:22 16 more modern to reflect today's TIF environment. So we
03:16:25 17 appreciate all the hard work that everyone has done.

03:16:28 18 From the administration's perspective, the
03:16:30 19 longer resolution, Mr. Chair, that you circulated over
03:16:33 20 the weekend does provide a great historical framework for
03:16:37 21 the TIF policy. And so from the administration's
03:16:43 22 perspective, we really liked and appreciated the longer
03:16:43 23 resolution. So I wanted to put that on the record.

03:16:46 24 The one thing that we would -- that we did
03:16:49 25 note, as we were going back and looking through the TIF

03:16:52 1 policy, is -- and I think Phil has as a copy of this --
03:16:55 2 we did want to add one simple phrase in the General
03:16:59 3 Policy. It's about eight words.

03:17:03 4 It's in the first section of General Policy
03:17:06 5 and is related to the allocation of school taxes, and it
03:17:11 6 just says "unless approved by the City or County, as
03:17:13 7 applicable." This is the only phrase that we wanted to
03:17:16 8 add.

03:17:19 9 The TIF policy that we have all worked on for
03:17:22 10 the past several months we feel like is in a good place,
03:17:26 11 and we would like to move forward, after adoption today,
03:17:26 12 for the City Council's consideration.

03:17:33 13 And as we sort of look at what the timeline
03:17:36 14 could be for the City Council's consideration, ideally
03:17:39 15 what we would do is bring it before City Council, if it
03:17:42 16 is adopted today, either around May the 9th or May the
03:17:47 17 16th for a City Council vote, and then, hopefully, after
03:17:49 18 that, we can put this policy to bed.

03:17:53 19 CHAIRMAN RODGERS: Okay. Very good.

03:17:55 20 MR. FREEMAN: That's it.

03:17:56 21 CHAIRMAN RODGERS: Did anyone have any
03:17:58 22 questions for Mr. Freeman?

03:18:01 23 (No response.)

03:18:02 24 CHAIRMAN RODGERS: Now, Mr. Freeman, let me
03:18:03 25 throw out, to be clear, the language that you are

03:18:05 1 proposing from the administration would fall at the end
03:18:09 2 of the first paragraph of Section 1?

03:18:12 3 MR. FREEMAN: Yeah, it would fall into the
03:18:14 4 second to the last sentence. So, essentially, it would
03:18:18 5 -- do you all see where it says "Notwithstanding"? Do
03:18:18 6 you see the word?

03:18:23 7 CHAIRPERSON RODGERS: On page 3, yes, sir.

03:18:25 8 MR. FREEMAN: It's Section 1 of the General
03:18:27 9 Policy. So, it currently reads "Notwithstanding anything
03:18:30 10 herein to the contrary, no portion of City or County
03:18:34 11 property taxes, if any, that is dedicated to, earmarked,
03:18:38 12 or designated for public school operations shall be
03:18:41 13 allocated to the IDB in connection with any Tax Increment
03:18:46 14 Incentive." We would add "unless approved by the City or
03:18:52 15 County, as applicable," and in connection with -- and
03:18:52 16 then the rest of the sentence would go as-is.

03:18:54 17 And so that just is a way for us to ensure
03:18:57 18 that the County understands that they are still
03:18:59 19 ultimately responsible for what happens to school taxes.

03:19:03 20 CHAIRMAN RODGERS: Okay. I understand. Did
03:19:06 21 everyone follow that?

03:19:07 22 MR. ADKINS: Yes.

03:19:11 23 CHAIRMAN RODGERS: Yes, Mr. Adkins.

03:19:13 24 MR. ADKINS: I'd like to get the City
03:19:17 25 Attorney's opinion on these proposals here.

03:19:19 1 CHAIRMAN RODGERS: Okay.

03:19:19 2 MR. NOBLETT: Yes, sir. The provisions that
03:19:22 3 he is recommending here are what y'all have made a
03:19:29 4 request for, at least on the changes, I believe, and
03:19:32 5 after listening to what Ms. Burn Sharp had presented to
03:19:33 6 the body at this point in time. The references that he's
03:19:35 7 just asked for here, "unless approved by the City and
03:19:38 8 County, as applicable," is appropriate as well because
03:19:41 9 under state law, they actually have control over those
03:19:44 10 items. So I believe that would work.

03:19:46 11 MR. ADKINS: Yeah.

03:19:48 12 CHAIRMAN RODGERS: Does that address your
03:19:50 13 question, Mr. Adkins?

03:19:51 14 MR. ADKINS: Yes.

03:19:52 15 CHAIRMAN RODGERS: Thank you, Mr. Noblett.

03:19:53 16 MR. NOBLETT: Yes, sir.

03:19:54 17 CHAIRMAN RODGERS: Any other question for Mr.
03:19:56 18 Freeman?

03:19:57 19 MR. HAYES: Yes.

03:19:58 20 CHAIRMAN RODGERS: Okay. Mr. Hayes.

03:19:58 21 MR. HAYES: Point of order. How do we amend
03:20:02 22 if it's been seconded?

03:20:03 23 MR. NOBLETT: You need to have a motion to
03:20:05 24 amend to include that language, if you wish. You have to
03:20:08 25 have a vote on it, and then vote to move as amended.

03:20:10 1 CHAIRMAN RODGERS: The only caveat being, I
03:20:11 2 would add, that you heard Mr. Freeman say the
03:20:16 3 administration likes the "whereas" longer resolution. So
03:20:19 4 if you are inclined to amend, please consider that.

03:20:23 5 MR. NOBLETT: So two amendments.

03:20:24 6 CHAIRMAN RODGERS: Two amendments, yes. Mr.
03:20:26 7 Parker, it's your motion.

03:20:28 8 MR. PARKER: I would like to withdraw my
03:20:32 9 motion, I can certainly do that.

03:20:34 10 MR. NOBLETT: You need to have a second,
03:20:35 11 you're good.

03:20:36 12 MS. JONES: Second.

03:20:36 13 MR. NOBLETT: All right.

03:20:38 14 CHAIRMAN RODGERS: I've got a motion
03:20:39 15 withdrawn. At this time, is there another motion the
03:20:42 16 board would like to make?

03:20:49 17 MR. NOBLETT: A motion to amend first.

03:20:51 18 CHAIRMAN RODGERS: We need a motion to amend
03:20:52 19 first?

03:20:52 20 MR. NOBLETT: I think that would be better.

03:20:54 21 CHAIRMAN RODGERS: He's withdrawn.

03:20:55 22 MR. NOBLETT: Yes.

03:20:55 23 MR. PARKER: Yes, that's correct.

03:20:57 24 CHAIRMAN RODGERS: Okay. Go ahead, Mr.
03:20:57 25 Parker.

03:20:57 1 MR. PARKER: Do I have a choice?

03:20:57 2 (Laughter.)

03:21:00 3 CHAIRMAN RODGERS: Would you like to amend
03:21:01 4 your motion in some way to adopt the longer resolution,
03:21:07 5 with the whereases?

03:21:08 6 MR. PARKER: So I will make a motion to adopt
03:21:13 7 the whereas, with the change from Mr. Freeman.

03:21:17 8 CHAIRMAN RODGERS: The Section 1 there adding
03:21:19 9 the words "unless approved by City or County, as
03:21:22 10 applicable"?

03:21:22 11 MR. PARKER: I agree to that, yes, as stated.

03:21:22 12 CHAIRMAN RODGER: We've got a motion. Is
03:21:25 13 there a second?

03:21:25 14 MR. ADKINS: Second.

03:21:27 15 CHAIRMAN RODGERS: Okay. We've got a motion
03:21:31 16 on the floor now. Any discussion of that motion?

03:21:35 17 MR. NOBLETT: Motion to amend first, and then
03:21:35 18 motion to approve as amended.

03:21:38 19 CHAIRMAN RODGERS: Okay. We have got a
03:21:40 20 motion to amend on the floor. This is not to approve the
03:21:44 21 policies itself, it's to approve the motion to amend by
03:21:47 22 Mr. Parker. Then we'll vote on a pending motion -- or a
03:21:53 23 to-be-made motion to adopt the policies. So all in favor
03:21:57 24 of the motion to amend by Mr. Parker say aye?

03:21:59 25 (Unanimous response.)

03:22:00

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CHAIRMAN RODGERS: All opposed?

03:22:00

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(No response.)

03:22:01

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CHAIRMAN RODGER: Okay. The ayes have it.

03:22:05

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We have the approval for the motion to be amended. We

03:22:08

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need a motion to adopt?

03:22:09

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MR. NOBLETT: Motion to adopt as amended.

03:22:12

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CHAIRMAN RODGERS: At this point, the chair

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will entertain a motion to adopt the resolution as

03:22:18

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amended. And Mr. Parker....

03:22:22

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MR. PARKER: I will make the motion to adopt

03:22:24

11

as amended.

03:22:25

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MR. ADKINS: Second.

03:22:26

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CHAIRMAN RODGERS: I've got a motion and a

03:22:27

14

second. Any discussion?

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(No response.)

03:22:29

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CHAIRMAN RODGERS: Seeing none. All in

03:22:31

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favor, say aye.

03:22:31

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(Unanimous response.)

03:22:31

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CHAIRMAN RODGERS: All opposed?

03:22:33

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(No response.)

03:22:34

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CHAIRMAN RODGERS: Okay. The ayes have it.

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Maria Manalla <mmanalla@chattanooga.gov>

Fwd: ATM Comments on TIF at 04-17-2023 IDB Public Hearing

1 message

Helen Burns Sharp <untiedlaces@gmail.com>
To: Manalla Maria <mmanalla@chattanooga.gov>

Mon, Apr 17, 2023 at 1:02 PM

Hello, Maria--FYI ~Helen

Helen Burns Sharp |tel. m. 423-994-2382 |
129 Walnut St., Unit 444
Chattanooga, TN 37403

----- Forwarded message -----

From: **Helen Burns Sharp** <untiedlaces@gmail.com>

Date: Sun, Apr 16, 2023 at 3:44 PM

Subject: ATM Comments on TIF at 04-17-2023 IDB Public Hearing

To: Kerry Hayes <kerry.hayes@gmail.com>, Gordon Parker <sgordonparker1@gmail.com>, Ray Adkins <adkins@epbf.com>, Althea Jones <arjones@tva.gov>, James Floyd <jim.floyd@inspexservices.com>, Jimmy Rodgers <jrodgers@summersfirm.com>, Patrick Sharpley <psharpley@iw704jatc.com>

Helen Burns Sharp on behalf of Accountability for Taxpayer Money. ATM is a public interest advocacy group that focuses on tax incentives and government transparency.

The TIF Policies and Procedures document on your agenda reflects changes to the version passed by City Council on November 29, 2022. These are better policies because of the Board's deliberation at your December 5th, January 18th, and March 5th meetings; the testimony at the public hearings, and the additional work by city staff and the city's external legal counsel.

ATM Comments on the Current Version

1) School Taxes and Stormwater Fees--Good to see new wording clarifying the payment of school property taxes and stormwater fees. (Section 1. General Policy)

2) Community Benefits Concept--Good to see new wording (Section 3.2 Board Considerations) saying that the IDB will evaluate a TIF project's community impact in and around the location of the project and that an applicant should consider any concerns of the community and, to the extent practicable, be responsible to such concerns.

3) Application Review Committee--(Section 3.4)--Good to see the IDB assuming a role in the appointment process. The size of this committee would be increased from five to seven, with two members now appointed by the IDB by the end of the calendar year to serve the next calendar year.

4) Third-Party Review--Good to see this concept added to Section 4.11, Applicant Affidavit. The new wording makes clear that the independent consulting firm must have experience in public finance as well as real estate development. In other words, a "but/for" analysis that looks at whether a taxpayer incentive is needed and, if so, for how much and for how long. This is different from the "economic impact analyses" that have been done by consultants on previous TIF and PILOT projects.

Thank you very much for the time and attention you have devoted to reviewing the TIF policies and procedures.

Respectfully--

~Helen

RESOLUTION

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR AND CITY FINANCE OFFICER TO EXECUTE A MANAGEMENT REPRESENTATION LETTER FOR THE AUDITOR, HENDERSON, HUTCHERSON & McCULLOUGH, PLLC, FOR FISCAL YEAR ENDING JUNE 30, 2022.

BE IT RESOLVED, that it is hereby authorizing the Industrial Development Board Chair or Vice-Chair and City Finance Officer to execute a management representation letter for the auditor, Henderson, Hutcherson & McCullough, PLLC, for fiscal year ending June 30, 2022.

ADOPTED: June 5, 2023

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF CHATTANOOGA

Attest:

_____, *Chair*

_____, *Secretary*



THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

BOARD OF DIRECTORS:

Jimmy F. Rodgers, Jr., Chair
Althea Jones, Vice-Chair
Patrick Sharpley, Secretary
Gordon Parker, Assistant Secretary
Ray Adkins, Member
Kerry Hayes, Member
James Floyd, Member

Phillip A. Noblett, Counsel

June 5, 2023

Henderson Hutcherson & McCullough, PLLC
1200 Market St.
Chattanooga, TN 37402

We are providing this letter in connection with your audit of the financial statements of The Industrial Development Board of the City of Chattanooga (the Board) as of June 30, 2022 and 2021 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the activity and the respective changes in financial position in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

The Board is a public corporation formed pursuant to the provisions of Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the "City"), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial purposes. The audited financial statements include the activities of the Project Site of the Volkswagen Group of America, Inc. (the "Project Site"), the Expansion Site of the Volkswagen Group of America Chattanooga Operations, LLC (the "Expansion Site"), the Partnership Agreement with the Volkswagen Group of America Chattanooga Operations, LLC (the "Partnership Agreement"), and the Tax Increment Financing ("TIF") and Economic Development Incentive Programs ("EDIP") for the City.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

100 E. 11th Street, Suite 200 – Chattanooga, TN 37402
(423) 643-8250 - Facsimile (423) 643-8255

Financial Statements

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information required by generally accepted accounting principles.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of state awards.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 8) We have a process to track the status of audit findings and recommendations, if applicable.
- 9) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 10) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 11) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 12) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which Board is contingently liable.
 - c) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 14) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles.

- c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
- 15) As part of your audit, you assisted with the review and preparation of the financial statements, related notes and schedule of expenditures of state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements, related notes and schedule of expenditures of state awards.
- 16) The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 17) The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 18) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 19) The financial statements properly classify all activities.
- 20) Components of net position (investments in capital assets; restricted; and unrestricted) are properly classified.
- 21) Revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.
- 22) Capital assets, including infrastructure, are properly capitalized, reported, and, if applicable, depreciated.
- 23) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
 - a) With respect to the Schedule of Expenditures of State Awards
 - b) We acknowledge our responsibility for presenting the Schedule of Expenditures of State Awards in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedule of Expenditures of State Awards, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedule of Expenditures of State Awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 24) Supplementary Information in Relation to the Financial Statements as a whole with respect to the combining financial statements accompanying the financial statements:
 - a) We acknowledge our responsibility for the presentation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America.
 - b) We believe the combining financial statements, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c) The methods of measurement or presentation have not changed from those used in the prior period.
 - d) We believe the following significant assumptions or interpretations underlying the measurement or presentation of the combining financial statements, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - e) When the combining financial statements are not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

25) We have evaluated and classified any subsequent events as recognized or non-recognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: Chickie Haley

Title: CPD

Signed: _____

Title: _____

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

FINANCIAL REPORT

JUNE 30, 2022 AND 2021

DRAFT

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

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INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

Board Member Roster

Ray Adkins
Appointed by City Council

3rd Term Jun 15, 2021 to Jun 15, 2027

Althea Jones, Vice-Chair
Appointed by City Council

1st Term Jul 25, 2017 to Jun 13, 2024

Jimmy F. Rodgers, Chair
Appointed by City Council

2nd Term Oct 07, 2020 to Oct 07, 2026

Kerry Hayes
Appointed by City Council

1st Term Apr 20, 2021 to Apr 20, 2027

Patrick Sharpley, Secretary
Appointed by City Council

1st Term Apr 24, 2021 to Jun 15, 2027

James Floyd
Appointed by City Council

1st Term May 4, 2021 to Jun 13, 2024

Gordon Parker, Assistant-Secretary
Appointed by City Council

1st Term May 17, 2022 to May 17, 2028

The Board meets on 1st Monday of the month at 11:00 a.m. in the City Council Assembly Room, 1000 Lindsay Street, Chattanooga, TN 37402.

**INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS
AND SCHEDULE OF EXPENDITURES OF STATE AWARDS**

To the Board of Directors
The Industrial Development Board of the City of Chattanooga
Chattanooga, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Industrial Development Board of the City of Chattanooga, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the entity’s basic financial statements as listed in the table of contents.

In our opinions, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Industrial Development Board of the City of Chattanooga, and the respective changes in its financial position and its cash flows as of and for the years ended June 30, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Industrial Development Board of the City of Chattanooga and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the entity's basic financial statements. The accompanying schedule of expenditures of state awards and combining program schedule are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of state awards and combining program schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards and combining program schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2023 on our consideration of the entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Chattanooga, Tennessee
April 11, 2023

DRAFT

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Industrial Development Board of the City of Chattanooga (IDB) was established in 1967 for the purpose of undertaking financing and development of projects to promote industry, trade, commerce, tourism, recreation, and housing construction in Chattanooga.

Pursuant to a July 2008 Memorandum of Understanding (MOU), as amended, by and among Volkswagen Group of America, Inc., the State of Tennessee, Hamilton County, the City of Chattanooga, the Chattanooga Area Chamber of Commerce, and the Industrial Development Board, the IDB was awarded \$210.8 million in grants from the State of Tennessee as incentives to build a billion-dollar automotive plant; an additional \$46 million in local government funding was also pledged. In June 2014, a second MOU was entered into whereby the state awarded an additional \$165.8 million in incentives. An additional \$52.5 million was pledged by the City and County to be shared equally. In June 2017, an amendment increased the State incentive to \$168.9 million. These additional capital contributions support a Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) expansion to include a production line for a new sports utility vehicle and a national research and development center. In May 2022, a third MOU from the State provided another \$50 million incentive grant to VW through IDB for electric vehicle production.

In fiscal year 2014, IDB entered into a Tax Incremental Financing (TIF) agreement with Black Creek, LLC after the City Council approved the economic impact plan on resolution 27143 dated June 9, 2012. In fiscal year 2018, IDB entered into a second TIF agreement with Evergreen Real Estate after the City Council approved the economic impact plan on resolution 29336 on February 20, 2018. In fiscal year 2020, IDB entered into the third TIF agreement for the East Chattanooga Rising Development Area. City Council approved the economic impact plan on resolution 30147 on December 3, 2019. One of the world's biggest paint and coating makers, Nippon Paint, is to build a 270,000-square-foot manufacturing complex on site. While undertaking the site development construction, the City of Chattanooga agreed to loan \$4 million to IDB to finance certain tax increment eligible cost relating to the construction in November of 2020. This loan is considered a conduit debt, so it is only disclosed on the City of Chattanooga's Comprehensive Annual Financial Report. The TIF agreement refunds taxes to support infrastructure and commercial real estate development. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation and less allowable city and county expenses.

In fiscal year 2015, the City of Chattanooga's Department of Economic Development began a program called Economic Development Incentive Program (EDIP) to assist, support and incentivize local businesses and workforce to develop and grow. Since 2015, through City appropriation and the Economic Development Lease Payment from qualifying businesses, EDIP has been expanded into the following programs:

- Growing Small Business Incentive Plan which provides incentives for small businesses with 100 or fewer employees in the city to create more jobs.
- Technology Workforce Development brings city residents, technology companies and our workforce training partners together to train and reskill residents to embrace the future of Chattanooga.
- Small Business Construction Mitigation Grant awards qualified businesses that are impacted by construction projects in the city.
- Renewing Chattanooga helps combat blight, vacant, and abandoned properties in underserved communities throughout the city that fall into despair.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- Business Development fund dollars are used to encourage private investment and existing businesses retention. Eligible expenses range from site surveys and property appraisals to marketing initiatives and matching grant opportunities
- Innovation grant funds are used to award businesses with innovative products, systems or technologies while creating ten or more Chattanooga-based full-time jobs.

Starting in the fiscal year 2016, IDB began to receive Economic Development Lease Payment from qualifying businesses. These lease payments are In Lieu of Property Tax Payment and are to be used to fund the EDIP programs directed by the City Mayor.

On October 8, 2020, IDB entered into a grant agreement with the Tennessee Valley Authority (TVA) to study a future enterprise project site in Chattanooga. The suitable preparation of the project site will attract more businesses to relocate here and advance job creation and job retention in the county and State. Of the project cost \$698,000, TVA is to provide 50 percent while Hamilton County and IDB provide an equal share of the remaining 50 percent.

In February of 2022, IDB executed an MOU with the City for the design and construction of wet weather equalization stations, estimated to cost \$125 million. As part of the environmental and economic infrastructure improvement project, this program's goal is to reduce or eliminate chronic sanitary sewer overflows in the regional sanitary sewer collection system and to prevent moratoriums on sanitary sewer connections under the city's consent decree.

As members of the Industrial Development Board of the City of Chattanooga, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Volkswagen Group of America, Inc.'s Project Site ("Project Site"), Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site and Project ("Expansion Site" and "Expansion Project"), Tax Increment Financing ("TIF"), Due Diligence Studies, and Economic Development Incentive Programs ("EDIP") for the City of Chattanooga for the fiscal years ended June 30, 2022 and 2021. We encourage readers to consider the information presented herein in conjunction with additional information provided in the notes to the basic financial statements, which can be found beginning on page 12 of this report.

Financial Highlights

- Net position at the end of the most recent fiscal year is \$441.2 million. \$439.1 million of that amount is invested in the development of the Project Site and Expansion Site of VWGoA automotive plant.
- Net position increased \$65,026 primarily due to \$281,400 Economic Development Lease Payment collected from qualifying businesses.
- Due Diligence Studies expensed \$173,668 in grant costs this year.

Overview of Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the financial statement of the Project and Expansion Site of VWGoA along with certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Operations are accounted for in a single proprietary fund. The basic financial statements consist of financial statements and related notes to the financial statements.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The *Statement of Net Position* presents financial information on the Project and Expansion Site's assets and liabilities with the difference reported as net position. Net position is primarily invested in leased assets and represents the amount of grants dollars expended to build and equip the Project and Expansion Site. Costs incurred by VWGoA are not included.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported on an accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, financial transactions are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements.

The financial statements can be found beginning on page 10 of this report; notes to the financial statements can be found beginning on page 14 of this report.

Financial Analysis

Assets exceeded liabilities by \$441.2 million at the close of the most recent fiscal year; of this amount, \$439.1 million reflects investment in leased assets (e.g., land, buildings and infrastructure). An additional \$28,971 is restricted for construction and another \$2.3 million is restricted for Economic Development Incentive Programs.

	Net Position		
	June 30, 2022	June 30, 2021	June 30, 2020
Current and other assets	\$ 2,634,830	\$ 2,617,694	\$ 1,243,835
Noncurrent asset	441,908	428,960	500,000
Leased assets	<u>439,063,898</u>	<u>439,036,981</u>	<u>438,884,473</u>
Total assets	<u>442,140,636</u>	<u>442,083,635</u>	<u>440,628,308</u>
Current liabilities	<u>904,162</u>	<u>912,187</u>	<u>38,125</u>
Net position			
Investment in capital assets	439,063,898	439,036,981	438,855,502
Restricted for construction	28,971	28,971	28,971
Restricted for interlocal government agreements	-	3,603	-
Restricted for TIF	(186,030)	1,500	-
Restricted	<u>2,329,635</u>	<u>2,100,393</u>	<u>1,705,710</u>
Total net position	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>

Total assets increased \$57,001. Cash on hand decreased \$11,705 mostly due to the TIF payments received from Hamilton County and City being issued to the developers before the end of the fiscal year. TVA grant receivables increased by \$173,668 for the anticipated reimbursement. The cash held by the Southeast TN Development District, the agency handling the COVID Bridge Loan given to area businesses as a form of assistance during the pandemic, increased by \$85,933 due to a few businesses began paying back their loans this year. The interest payable on the loan increased by \$189,030 as the first year interest payment of the 20-year TIF loan became due on June 30, 2022. There is no long-term debt associated with the Project and Expansion Site.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in Net Position

	Year ended June 30, 2022	Year ended June 30, 2021	Year ended June 30, 2020
Revenues			
City of Chattanooga	\$ 986,766	\$ 813,156	\$ 545,013
Hamilton County payment	412,834	440,598	254,681
State of TN	-	-	665,312
TVA	86,834	194,658	-
TIF application revenue	1,500	-	-
Econ. Dev. Incentive Revenue	281,400	625,403	387,273
Allowance for bad debt	12,949	(71,040)	-
Miscellaneous revenue	<u>10</u>	<u>-</u>	<u>-</u>
Total revenues	1,782,293	2,002,775	1,852,279
Expenses			
TIF expenses	1,545,213	1,059,096	799,694
Grant expenditures	173,668	389,316	-
Grant award	21,700	22,927	150,913
Other expenditures	<u>-</u>	<u>-</u>	<u>665,312</u>
Total expenses	1,740,581	1,471,339	1,615,919
Operating income (loss)	41,712	531,436	236,360
Capital grants and contributions:			
State grant 3.1	-	-	17,777,321
City of Chattanooga 6.2	9,856	70,904	179,297
Hamilton County 6.2	13,458	76,254	184,512
Transfer in	43,417	-	-
Transfer out	<u>(43,417)</u>	<u>(97,329)</u>	<u>-</u>
Total capital contributions	23,314	49,829	18,141,130
Change in net position	<u>65,026</u>	<u>581,265</u>	<u>18,377,490</u>
Net position, beginning	<u>441,171,448</u>	<u>440,590,183</u>	<u>422,212,693</u>
Net position, ending	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>	<u>\$ 440,590,183</u>

The change in net position for this fiscal year increased slightly. It mainly contributed from the collection of Economic Development Lease Payments from area businesses.

Analysis of Budget Variations

The budget for the Project and Expansion Site is on a cumulative basis. The difference reflects the amount of grant revenue remaining within the grant period.

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Budgetary Highlights

	Estimated Revenues	Actual Revenues
Revenue source:		
State of Tennessee 6.1	\$ 92,919,998	\$ 92,919,998
State of Tennessee 6.2	72,705,000	72,705,000
State of Tennessee 9.10	1,965,905	1,965,905
State of Tennessee 3.1	168,877,867	168,877,867
State of Tennessee 2.1	50,000,000	-
Local 6.2 1st MOU	40,000,000	39,946,743
Local 6.2 2nd MOU	52,500,000	52,048,430
Letter of Intent	5,000,000	-
Private donations	90,525	90,525
	<u>\$ 484,059,295</u>	<u>\$ 428,554,468</u>

Leased Assets

The Project and Expansion Site and Project's investment in leased assets is \$439.1 million. The investment in leased assets includes land and leased assets for the building and equipment. There is no depreciation recorded as this entire investment is leased to VWGoA under a 30 year Payment-in-Lieu-of-Tax Agreement provision in the MOU. The lease expires July 2038.

	Leased Assets		
	2022	2021	2020
Land	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Depreciable leased assets	<u>429,063,898</u>	<u>429,036,981</u>	<u>428,884,473</u>
Total capital assets	<u>\$ 439,063,898</u>	<u>\$ 439,036,981</u>	<u>\$ 438,884,473</u>

State Grants Status

The Project Site and Expansion Site and Project state grants are budgeted on a cumulative grant basis. Ending dates for the grants are as follows:

State grant 6.1	Expired June 30, 2015	\$ 92,919,998
State grant 6.2	Expired June 30, 2015	\$ 72,705,000
State grant 9.10	Expired April 30, 2017	\$ 1,965,905
State grant 3.1	Expired March 6, 2020	\$ 168,877,867
State grant 2.1	Expires July 31, 2024	\$ 50,000,000

Requests for Information

This financial report is designed to provide a general overview of the Industrial Development Board of the City of Chattanooga activities related to the Project and Expansion Site of VWGoA, and certain other economic development incentives managed for the City of Chattanooga and Hamilton County. Questions concerning any of the information provided in this report should be addressed to the City of Chattanooga Finance Department who is acting as the fiscal agent of the board.

City of Chattanooga Finance Department
101 East 11th Street; Suite 101
Chattanooga, Tennessee 37402
(423) 643-7363
www.chattanooga.gov

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**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	ASSETS	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,071,845	\$ 2,083,550
Receivables:		
City of Chattanooga	-	97,329
Hamilton County	140,746	242,157
TVA	281,493	194,658
Other	140,746	-
	<u>2,634,830</u>	<u>2,617,694</u>
Total current assets		
NONCURRENT ASSETS		
Leased assets, land	10,000,000	10,000,000
Leased assets, depreciable	429,063,898	429,036,981
Account receivable - Southeast Tennessee Development District	112,335	26,402
Notes receivable - Southeast Tennessee Development District, net of allowance for bad debt	<u>329,573</u>	<u>402,558</u>
	<u>439,505,806</u>	<u>439,465,941</u>
Total noncurrent assets		
TOTAL ASSETS	<u>\$ 442,140,636</u>	<u>\$ 442,083,635</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

	2022	2021
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to City of Chattanooga	\$ 553,335	\$ 284,168
Accrued liabilities - Project & Expansion Site	-	2,005
Accrued liabilities - TIF	-	313,288
Accrued liabilities - Due Diligence Studies	9,650	215,397
Accrued liabilities - EDIP	152,147	97,329
Retainage payable	189,030	-
Total current liabilities	<u>904,162</u>	<u>912,187</u>
NET POSITION		
Investment in leased assets	439,063,898	439,036,981
Restricted for construction	28,971	28,971
Restricted for interlocal government agreement cost	-	3,603
Restricted for TIF	(186,030)	1,500
Restricted for economic development incentive programs	<u>2,329,635</u>	<u>2,100,393</u>
Total net position	<u>441,236,474</u>	<u>441,171,448</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 442,140,636</u></u>	<u><u>\$ 442,083,635</u></u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
REVENUES		
City of Chattanooga	\$ 986,766	\$ 813,156
Hamilton County	412,834	440,598
TIF application revenue	1,500	-
TVA	86,834	194,658
Economic development incentive program grant revenue	281,400	625,403
Allowance for bad debt	12,949	(71,040)
Miscellaneous revenue	10	-
	<u>1,782,293</u>	<u>2,002,775</u>
EXPENSES		
Tax increment financing expenses	1,545,213	1,059,096
Due diligence studies	173,668	389,316
Economic development incentive program grant awards	21,700	22,927
	<u>1,740,581</u>	<u>1,471,339</u>
	<u>41,712</u>	<u>531,436</u>
OPERATING INCOME		
CAPITAL CONTRIBUTIONS AND TRANSFERS		
City of Chattanooga local matching funds	9,856	70,904
Hamilton County local matching funds	13,458	76,254
Transfers in	43,417	-
Transfers out	(43,417)	(97,329)
	<u>23,314</u>	<u>49,829</u>
	<u>65,026</u>	<u>581,265</u>
CHANGE IN NET POSITION		
NET POSITION, beginning	<u>441,171,448</u>	<u>440,590,183</u>
NET POSITION, ending	<u>\$ 441,236,474</u>	<u>\$ 441,171,448</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from local governments	\$ 1,782,293	\$ 1,642,009
Payments of grant awards and TIF expenses	<u>(1,636,352)</u>	<u>(671,406)</u>
Net cash from operating activities	<u>145,941</u>	<u>970,603</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash receipts (disbursements) from capital contributions	(5,527)	(47,500)
Payments for leased assets	<u>(152,119)</u>	<u>(7,339)</u>
Net cash from financing activities	<u>(157,646)</u>	<u>(54,839)</u>
Net increase (decrease) in cash	(11,705)	915,764
Cash and cash equivalents - beginning	<u>2,083,550</u>	<u>1,167,786</u>
Cash and cash equivalents - ending	<u>\$ 2,071,845</u>	<u>\$ 2,083,550</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 41,712	\$ 531,436
Adjustments not affecting cash:		
(Increase) decrease in receivable - Hamilton County	101,760	(166,108)
(Increase) decrease in receivable - TVA	(86,835)	(194,658)
Increase (decrease) in due to others - City	366,496	173,919
Increase (decrease) in accrued liabilities - Project & expansion	(2,005)	-
Increase (decrease) in accrued liabilities - Due Diligence Studies	(205,747)	215,397
Increase (decrease) in accrued liabilities - TIF	(313,288)	313,288
Increase (decrease) in accrued liabilities - TIF Loan	189,030	-
Increase (decrease) in accrued liabilities - EDIP	<u>54,818</u>	<u>97,329</u>
Total adjustments	<u>104,229</u>	<u>439,167</u>
Net cash from operating activities	<u>\$ 145,941</u>	<u>\$ 970,603</u>

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Industrial Development Board of the City of Chattanooga (the “Board”) is a public corporation formed pursuant to the provisions of the Tennessee Industrial Development Corporation Act. The Board performs public functions on behalf of the City of Chattanooga (the “City”), and its purpose is to undertake the financing and development of projects to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in these activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial entities. The accompanying financial statements include the activities of Volkswagen Group of America, Inc.’s Project Site (“Project Site”), Volkswagen Group of America Chattanooga Operations, LLC’s (VWGoA) Expansion Site and Project (“Expansion Site” and “Expansion Project”), and Volkswagen Group of America Chattanooga Operations, LLC (VWGoA) Partnership Agreement (“Partnership Agreement”), as well as management of the City of Chattanooga’s Tax Increment Financing (“TIF”) program and certain economic development incentives.

The financial statements of the Project Site have been prepared in accordance with the United States generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies are described below.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. The measurement focus is upon the determination of financial position, changes in net position, and changes in cash flows. The accounting principles used are those applicable to comparable businesses in the private sector. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board’s activities are included in the statement of net position.

These financial statements distinguish operating revenues from nonoperating items. Operating revenues include city appropriation for economic development incentive programs and the accompanying schedule of expenditures of state awards includes the state activity of Project Site and Expansion Site of VWGoA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash balances in banks, and cash held by the City of Chattanooga as the Board's agent. On June 30, 2022 and 2021, all cash is held by the City as the Board's agent and is designated for uses authorized by capital contracts and the Board approving disbursements. The City's policies limit deposits to those instruments allowed by applicable state laws. The deposits must be covered by state depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the State Reserve Banks acting as third-party agents.

Accounts Receivable

Accounts and notes receivable are reported net of an allowance for doubtful accounts. The allowance is based on the Board's estimate of the amount of receivables that will actually be collected. Once receivables are determined to be uncollectible, they are written off through a charge against revenues. As of June 30, 2022 and 2021, the board established an allowance for doubtful accounts of \$58,108 and \$71,000, respectively.

Leased Assets

Leased assets (including infrastructure) are recorded at historical cost. Contributed leased assets are recorded at their estimated fair market value on the date contributed. Leased assets include public domain infrastructure assets consisting of buildings, roads, streets and sidewalks, sewers, lighting systems, and drainage systems. The Project Site and Expansion Site define leased assets as assets with an estimated useful life of three years or greater.

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Any costs incurred for repairs and maintenance are expensed as incurred. Because the Board holds these assets in a lease for the Project Site and Expansion Site, no depreciation expense was recorded for the years ended June 30, 2022 and 2021.

Net Position

The Board's financial statements utilize a net position presentation. Net position is categorized as investment in leased assets, restricted and unrestricted. As of June 30, 2022 and 2021, the Board has no debt related to leased assets.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Investment in Leased Assets – is intended to reflect the portion of net position which is associated with non-liquid leased assets less outstanding leased asset related debt.

Restricted Net Position – represents net position that has third party (statutory, bond covenant or granting agency) limitations on their use. The Board's policy is generally to use any restricted net position first, as appropriate opportunities arise.

Unrestricted Net Position – represents unrestricted net position. While management may have categorized and segmented portions for various purposes, the Board has the unrestricted authority to revisit or alter these managerial decisions.

Program Revenues

The Board is a recipient of grant revenues for the Project Site and the Expansion Site and recognizes these revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the Project Site before the eligibility requirements are met are reported as deferred revenues. Some grants and contributions consist of resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the Board.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS

The Board has an administrative services agreement with the City of Chattanooga (the City). The City provides administrative services to the projects and programs covered by these financial statements at no cost. These services include but are not limited to legal, financial management, accounting and reporting, clerical and other ordinary, necessary services for oversight, including the retention and maintenance of records.

Project Site

During the fiscal year ending May 31, 2009, Volkswagen Group of American, Inc. (VW) announced its decision to build a \$1 billion automotive production facility in Chattanooga, Tennessee. The announcement was the culmination of years of extensive economic development efforts by the City. The VW facility is expected to contribute to the economic expansion of the City and the surrounding region for years to come. The Project Site is being developed for the VW facility.

In connection with the development of the VW Project Site, the Board, the City, Hamilton County, Tennessee (the “County”), the State of Tennessee (including various state agencies), and the Greater Chattanooga Area Chamber of Commerce (the “Chamber”) executed a Memorandum of Understanding (MOU). The provisions of the MOU include:

- Term of 30 years, to expire July 2038
- Identification of land parcels for the Project Site and Expansion Site
- State and local tax incentives
- Making the Project Site available and suitable for use by VW
- Training and administrative assistance
- Commitments of the City, the County, and the State of Tennessee
- Development of a Welcome Center

During the year ended May 31, 2009, the Board was awarded state grants for the Project Site, as follows:

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Project Site (Continued)

1. Volkswagen Grant 6.1 totaling approximately \$79.6 million was awarded by the Tennessee Department of Finance and Administration for the development of the Project Site. In subsequent grant amendments, this amount was increased to \$96,019,864.
2. Volkswagen Grant 6.2 totaling approximately \$70 million was awarded by the Tennessee Department of Finance and Administration to provide additional infrastructure at the Project Site. The City and the County also committed to provide \$20 million each over four years for infrastructure.
3. Volkswagen Grant 9.10 totaling \$1,766,200 was awarded by the Tennessee Department of Economic and Community Development for the design and installation of sign for VWGoA facility and workforce recruitment campaign.

With funding from a Tennessee General Assembly appropriation, Volkswagen Grant 6.1 was initially awarded in July 2008. The State of Tennessee decided in June 2009 to utilize bond proceeds rather than an appropriation to fund the Project Site. As a result, Volkswagen Grant 6.1 was amended. The amendment caused the Board to obtain additional documentation from contractors developing the Project Site in order to comply with the amended grant. The Volkswagen Grant 9.1 was amended by the State of Tennessee, the Department of Economic and Community Development, and the Industrial Development Board of the City of Chattanooga for an additional \$1,766,200 to be awarded by the Tennessee Department of Finance and Administration. This amendment was made effective as of December 31, 2013.

The City and the County have worked diligently to develop the Project Site, and have provided funding, when needed, to prevent any interruptions in the development of the Project Site, and to ensure the Project Site is available and suitable for the VW facility. Pursuant to the MOU, the City and County transferred land with a fair market value of \$10,000,000 to the Project Site during the 2010 fiscal year.

State grants 6.1 and 6.2 related to the Project Site ended effective June 30, 2015 and state grant 9.10 related to the Project Site ended effective April 30, 2017.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Expansion Site

In June 2014, a second MOU was entered into whereby the state awarded an additional \$165,778,000 in incentives subject to annual appropriation by the legislature in fiscal year 2016. An additional \$52.5 million was pledged by the City and County to be shared equally; of which \$20 million was appropriated in fiscal year 2015 and \$6,250,000 was appropriated in fiscal year 2016 by the City. The County appropriated the full amount in fiscal year 2015. These additional capital contributions support a VWGoA expansion to include a production line for a new sports utility vehicle and a national research and development center. In June 2017, an amendment was awarded which increased the State incentive to \$168,877,867. During fiscal year 2018, all grant expenditures were covered by local matching dollars. No state grant funds were requested during the year.

Expansion Project

As VW began to expand its production capacities to include the electric vehicle in the Chattanooga plant, a third MOU was entered into in May of 2022 whereby the state awarded \$50 million to cover project-related costs to VW through IDB. It requires VW to make a total capital investment of approximately \$800 million and hire 1,000 additional employees. A Letter of Intent (LOI) signed between VW, Hamilton County, City, and IDB on January 11, 2019 stipulates City and County each provide \$2.5 million to the IDB for the construction of certain capital projects for the benefit of VW's electric vehicle project at the site. This grant will end in July 2024.

Tax Increment Financing (TIF)

The Board is the administrative agent of the City of Chattanooga's TIF program. TIF's are arrangements in which taxes are refunded to help develop or redevelop areas within the City. These agreements are authorized by T.C.A. section 13-20-205. The amount of tax refunded is based on the increased tax values in the TIF plan area over the base tax at implementation, less allowable municipal expenses.

The first TIF administered by the Board is the Black Creek Mountain. Tax year 2011 serves as the base year for the tax increments. The arrangement, approved in 2012, is effective for twenty years.

In May 2018, the Board approved the Development and Financing Agreement with Evergreen Real Estate regarding the M.L. King Extension Project to the Riverfront.

In fiscal year 2020, the Board took on the third TIF with the City of Chattanooga as the developer to complete the required significant public road and infrastructure upgrade in the Chattanooga East area. This project will enable Nippon Paint Automotive American to open its plant on site.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

Economic Development Incentive Programs (EDIP)

The Board administers certain economic development incentive programs for the City of Chattanooga Department of Economic Development.

Growing Small Business is the first program established in IDB. It provides incentives for businesses with one hundred or fewer employees that create five or more jobs within the prior twelve months. \$200,000 was provided by the City since the beginning of the program in 2015.

Economic Development Fee is a program that receives and holds the lease payments from the qualifying businesses. The money is used for City's economic development as directed by the Mayor of the City. \$500,000 was distributed among three EDIP programs in fiscal year 2020 so to fulfill each program's mission. Amid the onset of COVID-19, \$500,000 was disbursed as a part of the City's \$2.5 million 90-Day Stabilization Fund. As a "bridge" loan assistance until small businesses can apply and receive assistance from the federal government, this \$500,000 provided immediate relief to small businesses that have been adversely impacted by the executive orders issued by the Governor and Mayor to slow the spread of COVID-19. The loans term generally last between five to seven years.

Technology Workforce Development is a program that helps to ensure Chattanooga's residents have the skills and training needed to work in the growing tech sector of the community. \$100,000 was provided in 2015 an additional \$350,000 was provided by the City in 2018. \$50,000 was disbursed to Enterprise Center for the COVID-19 Coronavirus Digital Access Project for K-12 students in underserved communities.

Small Business Construction Mitigation Grant is a program that provides assistance to qualifying small businesses that are impacted by construction projects in the city. \$25,000 was provided in 2016 and an additional \$19,000 was provided by the City in 2018.

Renewing Chattanooga is a program that intends to provide façade grants for the physical renovation of disinvested and blighted properties in underserved communities throughout the City. This is a tool kit to help combat blight, vacant, and abandoned properties that fall into disrepair.

Business Development's mission is to encourage private investment and existing business retention. In fiscal year 2020, \$25,000 was disbursed to the Chattanooga Chamber of Commerce for a marketing campaign on behalf of small businesses impacted by the Coronavirus executive order closures.

Innovation program awards businesses with innovative products, systems or technologies while create local jobs.

(Continued)

INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 2 – DESCRIPTION OF THE PROJECT SITE, EXPANSION SITE AND PROJECT, AND SIGNIFICANT AGREEMENTS (Continued)

e2i2 Program

In February 2022, IDB and the City entered into an MOU to execute a new program. This is an environmental and economic infrastructure improvement program that encompasses the clear Chattanooga and scenic city vision for Chattanooga by reducing sanitary sewage that enters the Tennessee River and waterways. At the estimated cost of \$125 million, this program will design and build Equalization Stations at strategic locations to reduce sanitary sewer overflows in the regional sanitary sewer collection system, comply with EPA Consent Decrees, and promote regional economic growth.

NOTE 3 – CONTINGENCIES

The Project Site has received state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. Management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

The Board is involved in certain claims arising from normal business activities. Management believes that neither the financial position nor results of operations of the Project Site will be materially affected by the final outcome of these proceedings.

NOTE 4 – CONDUIT DEBT OBLIGATIONS

From time to time, the IDB has issued bonds and loans to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These debts are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment, ownership of the acquired facilities transfers to the private-sector entity served by the debt issuance. Neither IDB, the City of Chattanooga, nor State is obligated in any manner for repayment of the bonds and loans. Accordingly, these debts are not reported as liabilities in the accompanying financial statements.

The IDB has five (5) outstanding loans and two (2) refunding revenue bonds, the original amounts of which were \$283,924,045. The outstanding principal at end of fiscal year 2022 is \$261,382,809.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to June 30, 2022 through April 11, 2023 for potential recognition or disclosure in the financial statements. Except for the matter discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

On July 12, 2022, the City Council approved the economic impact plan on resolution 31182 and as a result, IDB entered into a TIF agreement with Access Road, LLC to build the North River Commerce Center Industrial Park. It proposes to build significant Class A industrial space along North Access Road in Hixson adjacent to the Corsa facility which is the former Dupont site. It has the potential to create hundreds of new jobs on a site and bring people back into the labor market and provide opportunities for working people to their families.

On August 1, 2022, IDB approved and submitted to the City Council an economic impact plan for the South Broad District Area Plan to promote and accelerate the economic development of the South Broad District where a new stadium is expected to be constructed. It is intended to be a catalytic project to promote and accelerate the redevelopment of the area.

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**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2022

	ASSETS				
	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 28,971	\$ 3,000	\$ -	\$ 2,039,874	\$ 2,071,845
Receivable:					
Hamilton County	-	-	140,746	-	140,746
TVA	-	-	281,493	-	281,493
Other	-	-	140,746	-	140,746
	<u>28,971</u>	<u>3,000</u>	<u>562,985</u>	<u>2,039,874</u>	<u>2,634,830</u>
Total current assets					
	<u>28,971</u>	<u>3,000</u>	<u>562,985</u>	<u>2,039,874</u>	<u>2,634,830</u>
NONCURRENT ASSETS					
Leased assets, land	10,000,000	-	-	-	10,000,000
Leased assets, depreciable	429,063,898	-	-	-	429,063,898
Account receivable - Southeast Tennessee Development District	-	-	-	112,335	112,335
Note Receivable - Southeast Tennessee Development District	-	-	-	387,681	387,681
Allowance for bad debt	-	-	-	(58,108)	(58,108)
	<u>439,063,898</u>	<u>-</u>	<u>-</u>	<u>441,908</u>	<u>439,505,806</u>
Total noncurrent assets					
	<u>439,063,898</u>	<u>-</u>	<u>-</u>	<u>441,908</u>	<u>439,505,806</u>
TOTAL ASSETS	<u>\$ 439,092,869</u>	<u>\$ 3,000</u>	<u>\$ 562,985</u>	<u>\$ 2,481,782</u>	<u>\$ 442,140,636</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS SCHEDULE OF NET POSITION

JUNE 30, 2022

LIABILITIES AND NET POSITION					
	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
CURRENT LIABILITIES					
Due to City of Chattanooga	\$ -	\$ -	\$ 553,335	\$ -	\$ 553,335
Accrued liabilities - Due Diligence Studies	-	-	9,650	-	9,650
Accrued liabilities - EDIP	-	-	-	152,147	152,147
Retainage payable	-	189,030	-	-	189,030
	<u>-</u>	<u>189,030</u>	<u>-</u>	<u>-</u>	<u>189,030</u>
Total current liabilities	<u>-</u>	<u>189,030</u>	<u>562,985</u>	<u>152,147</u>	<u>904,162</u>
NET POSITION					
Investment in leased assets	439,063,898	-	-	-	439,063,898
Restricted for construction	28,971	-	-	-	28,971
Restricted for TIF	-	(186,030)	-	-	(186,030)
Restricted for economic development incentive programs	-	-	-	2,329,635	2,329,635
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,329,635</u>	<u>2,329,635</u>
Total net position	<u>439,092,869</u>	<u>(186,030)</u>	<u>-</u>	<u>2,329,635</u>	<u>441,236,474</u>
TOTAL LIABILITIES AND NET POSITION					
	<u>\$ 439,092,869</u>	<u>\$ 3,000</u>	<u>\$ 562,985</u>	<u>\$ 2,481,782</u>	<u>\$ 442,140,636</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
REVENUES					
City of Chattanooga	\$ -	\$ 986,766	\$ -	\$ -	\$ 986,766
Hamilton County	-	369,417	43,417	-	412,834
TVA	-	-	86,834	-	86,834
TIF application revenue	-	1,500	-	-	1,500
Economic development incentive program grant revenue	-	-	-	281,400	281,400
Allowance for bad debt	-	-	-	12,949	12,949
Miscellaneous revenue	-	-	-	10	10
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Total revenues	<u>-</u>	<u>1,357,683</u>	<u>130,251</u>	<u>294,359</u>	<u>1,782,293</u>
EXPENSES					
Tax increment financing expenses	-	1,545,213	-	-	1,545,213
Due diligence studies	-	-	173,668	-	173,668
Economic development incentive program grant awards	-	-	-	21,700	21,700
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,700</u>	<u>21,700</u>
Total expenses	<u>-</u>	<u>1,545,213</u>	<u>173,668</u>	<u>21,700</u>	<u>1,740,581</u>
OPERATING INCOME	<u>-</u>	<u>(187,530)</u>	<u>(43,417)</u>	<u>272,659</u>	<u>41,712</u>

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

COMBINING PROGRAMS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2022

	Project and Expansion Site	Tax Increment Financing	Due Diligence Studies	Economic Development Incentive	Total
(Continued)					
CAPITAL CONTRIBUTIONS AND TRANSFERS					
City of Chattanooga local matching funds	\$ 9,856	\$ -	\$ -	\$ -	\$ 9,856
Hamilton County local matching funds	13,458	-	-	-	13,458
Transfers in	-	-	43,417	-	43,417
Transfers out	-	-	-	(43,417)	(43,417)
Total capital contributions and transfers	<u>23,314</u>	<u>-</u>	<u>43,417</u>	<u>(43,417)</u>	<u>23,314</u>
CHANGE IN NET POSITION	23,314	(187,530)	-	229,242	65,026
NET POSITION, beginning	<u>439,069,555</u>	<u>1,500</u>	<u>-</u>	<u>2,100,393</u>	<u>441,171,448</u>
NET POSITION, ending	<u>\$ 439,092,869</u>	<u>\$ (186,030)</u>	<u>\$ -</u>	<u>\$ 2,329,635</u>	<u>\$ 441,236,474</u>

The accompanying notes are an integral part of the financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2022

State Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Accrued Grant Revenue July 1, 2021	Cash Receipts	Expenditures	Adjustments	Accrued Grant Revenue June 30, 2022
STATE GRANTS						
Tennessee Valley Authority						
Due Diligence Studies	15328	\$ (389,316)	\$ -	\$ 86,834	\$ (194,658)	\$ (281,492)
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ (389,316)</u>	<u>\$ -</u>	<u>\$ 86,834</u>	<u>\$ (194,658)</u>	<u>\$ (281,492)</u>

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS

JUNE 30, 2022 AND 2021

Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state activity of the Industrial Development Board of the City of Chattanooga (Limited to Volkswagen Group of America, Inc.'s Project Site and Volkswagen Group of America Chattanooga Operations, LLC's Expansion Site) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Audit Manual of the State of Tennessee, Department of Audit. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. During fiscal year 2022, all grant expenditures were covered by local matching dollars.

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
The Industrial Development Board of the City of Chattanooga
Chattanooga, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Industrial Development Board of the City of Chattanooga (the Board), as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements, and have issued our report thereon dated April 11, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board’s internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Chattanooga, Tennessee
April 11, 2023

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**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA**

SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2022

None reported.

DRAFT

RESOLUTION

A RESOLUTION AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD CHAIR OR VICE-CHAIR TO EXECUTE A SEVENTH AMENDMENT TO LEASE AGREEMENT, IN SUBSTANTIALLY THE FORM ATTACHED, WITH VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC.

BE IT RESOLVED, that the Industrial Development Board Chair or Vice-Chair is hereby authorized to execute a Seventh Amendment to Lease Agreement, in substantially the form attached, with Volkswagen Group of America Chattanooga Operations, LLC.

ADOPTED: June 5, 2023

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF CHATTANOOGA

Attest:

THIS INSTRUMENT PREPARED BY
and after recording return to:

Phillip A. Noblett
Office of the City Attorney
100 E. 11th Street, Suite 200
Chattanooga, TN 37402

**SEVENTH AMENDMENT TO
LEASE AGREEMENT**

Dated as of _____, 2023

Between

**THE INDUSTRIAL DEVELOPMENT BOARD
OF CITY OF CHATTANOOGA**

and

VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC

SEVENTH AMENDMENT TO LEASE AGREEMENT

This **SEVENTH AMENDMENT TO LEASE AGREEMENT**, dated as of _____, 2023, is entered into by **VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC**, a limited liability company organized and existing under the laws of the state of Tennessee, or its Affiliates, successors and permitted assigns (the “*Company*”) and **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, a public corporation duly created and existing under the-laws of the state of Tennessee (the “*Board*”).

W I T N E S S E T H:

A. The Company and the Board have heretofore entered into that certain Lease Agreement dated as of December 29, 2009, a memorandum of which instrument is recorded in Book 9098, Page 709 in the Register’s Office of Hamilton County, Tennessee, as amended by (i) that First Amendment to Lease Agreement dated as of August 17, 2010, a memorandum of which instrument is recorded in Book 9265, Page 490 in the Register’s Office of Hamilton County, Tennessee, (ii) that Second Amendment to Lease Agreement dated as of December 15, 2010, a memorandum of which instrument is recorded in Book 9314, Page 840 in the Register’s Office of Hamilton County, Tennessee, (iii) that Third Amendment to Lease Agreement dated as of December 31, 2011, a memorandum of which instrument is recorded in Book 9810, Page 550 in the Register’s Office of Hamilton County, Tennessee, (iv) that certain Release dated July 7, 2014, recorded in Book 10283, Page 888 in the Register’s Office of Hamilton County, Tennessee, that (v) that certain Release dated October 7, 2015, recorded in Book 10608, Page 284 in the Register’s Office of Hamilton County, Tennessee, (vi) that Fourth Amendment to Lease Agreement dated as of as of December 15, 2015, a memorandum of which instrument is recorded in Book 10633, Page 295 in the Register’s Office of Hamilton County, Tennessee, (vii) that Fifth Amendment to Lease Agreement dated as of December 3, 2020, a memorandum of which is recorded in Book 12361, Page 137 in the Register’s Office of Hamilton County, Tennessee, and (viii) that Sixth Amendment to Lease Agreement dated as of December 8, 2021, a memorandum of which instrument is recorded in Book 12778, Page 646 in the Register’s Office of Hamilton County, Tennessee (collectively, the “*Lease Agreement*”). Pursuant to the Lease Agreement, the Board leased to the Company, and the Company leased from the Board, the Project, including the Project Site.

B. The Company and the Board have agreed to amend the Lease Agreement to remove certain real property described on **EXHIBIT A** attached hereto and made a part hereof pursuant to a letter agreement between the Company and Board dated September 24, 2020, and July 28, 2022, which is attached as **EXHIBIT B**.

C. Any capitalized term not otherwise defined in this Seventh Amendment to Lease Agreement (including these recitals) shall have the meaning provided in the Lease Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parries hereto covenant, agree and bind themselves as follows:

1. **Description of Real Property Under Lease Agreement.** The Board and the Company agree and confirm that the real property more particularly described on **EXHIBIT A** attached hereto and made a part hereof is hereby deleted from **EXHIBIT A** to the Lease Agreement and removed as part of the Project Site.

2. **Release.** Volkswagen hereby forever releases any option or other rights of any kind that it may have in or with respect to the Parcel described in **EXHIBIT A** under the Lease Agreement, as amended hereby.

3. **Effective Date.** This Seventh Amendment to Lease Agreement shall not become effective until the date (the "*Effective Date*") that the Parcel described in **EXHIBIT A** is conveyed to any new property owner by the City of Chattanooga and Hamilton County, Tennessee, as evidenced by a Deed recorded in the Register's Office of Hamilton County, Tennessee.

4. **Lease Agreement to Remain in Effect.** Except as expressly amended hereby, the Lease Agreement shall remain in full force and effect in accordance with its terms.

5. **Execution in Counterparts.** This instrument may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

6. **Further Assurances.** The Board and the Company each agree to execute from time to time such further documents as may be necessary to implement the terms of this Seventh Amendment to Lease Agreement.

IN WITNESS WHEREOF, the Board and the Company have caused this Seventh Amendment to Lease Agreement to be duly executed in their respective corporate names, all as of the date-first above written.

[SIGNATURE PAGES TO FOLLOW]

BOARD:

**THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF
CHATTANOOGA**

ATTEST:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STATE OF TENNESSEE

COUNTY OF HAMILTON

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that s/he executed the within instrument for the purposes therein contained, and who further acknowledged that s/he is the _____, of THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, and is authorized by the Board to execute this instrument on behalf of the Board.

WITNESS my hand at office, this _____ day of _____, 2023.

Notary Public
My Commission Expires: _____

COMPANY:

**VOLKSWAGEN GROUP OF AMERICA
CHATTANOOGA OPERATIONS, LLC**

ATTEST:

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

STATE OF _____

COUNTY OF _____

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that s/he executed the within instrument for the purposes therein contained, and who further acknowledged that s/he is the _____, of the Company, VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC, and is authorized by the Company to execute this instrument on behalf of the Company.

WITNESS my hand at office, this _____ day of _____, 2023.

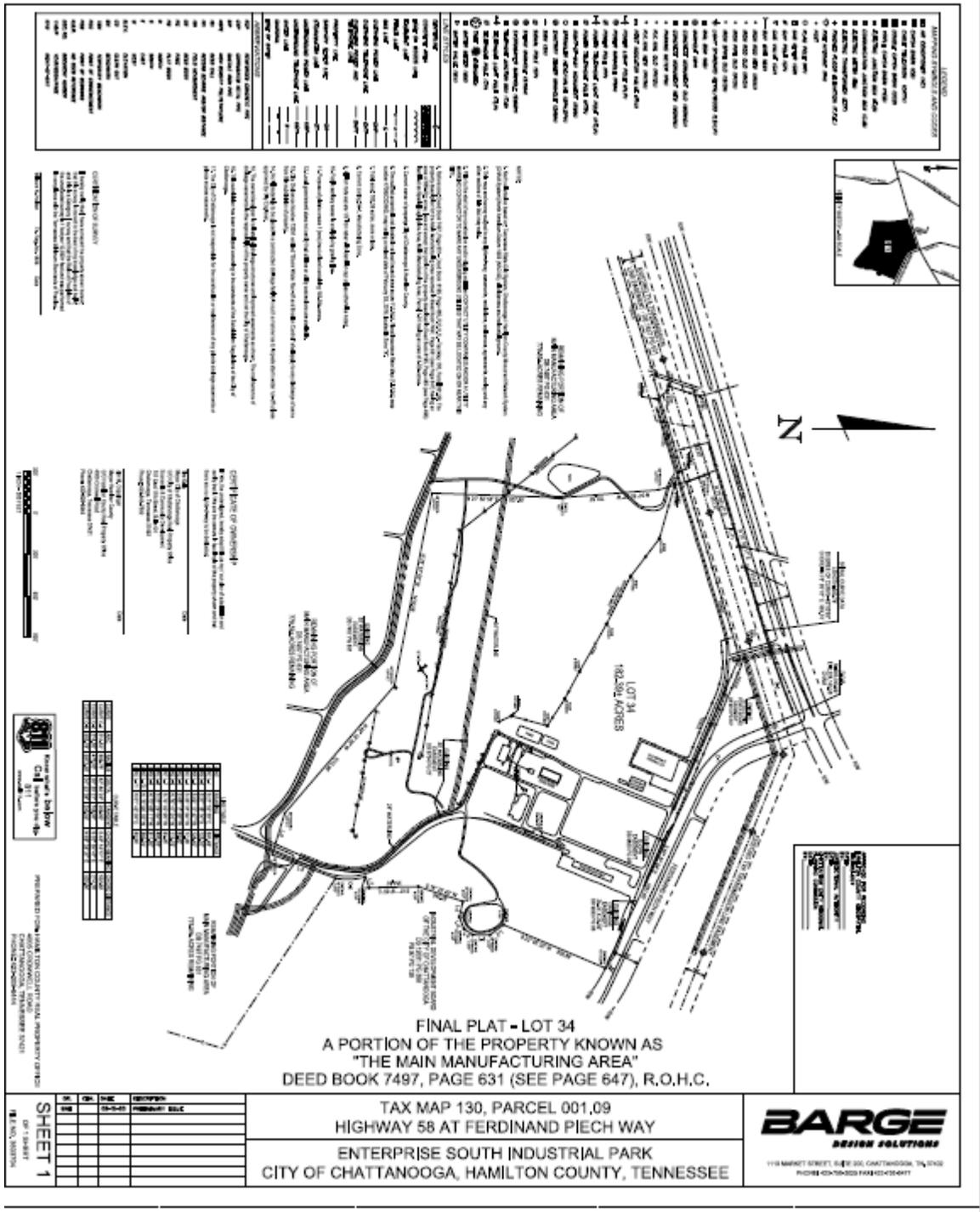
Notary Public
My Commission Expires: _____

EXHIBIT A

**LEGAL DESCRIPTION AND PLAT OF PROPERTY REMOVED
AND RELEASED FROM PROJECT SITE**

The approximately 182.39-acre parcel of real property and improvements located at Enterprise South Industrial Park in the City of Chattanooga, Hamilton County, together with all easement rights and privileges appurtenant thereto, and which is more particularly shown as Lot 34 on the preliminary final plat (“plat”) attached hereto.

[PLAT]



LEGEND

- 1. LOT 34
- 2. LOT 35
- 3. LOT 36
- 4. LOT 37
- 5. LOT 38
- 6. LOT 39
- 7. LOT 40
- 8. LOT 41
- 9. LOT 42
- 10. LOT 43
- 11. LOT 44
- 12. LOT 45
- 13. LOT 46
- 14. LOT 47
- 15. LOT 48
- 16. LOT 49
- 17. LOT 50
- 18. LOT 51
- 19. LOT 52
- 20. LOT 53
- 21. LOT 54
- 22. LOT 55
- 23. LOT 56
- 24. LOT 57
- 25. LOT 58
- 26. LOT 59
- 27. LOT 60
- 28. LOT 61
- 29. LOT 62
- 30. LOT 63
- 31. LOT 64
- 32. LOT 65
- 33. LOT 66
- 34. LOT 67
- 35. LOT 68
- 36. LOT 69
- 37. LOT 70
- 38. LOT 71
- 39. LOT 72
- 40. LOT 73
- 41. LOT 74
- 42. LOT 75
- 43. LOT 76
- 44. LOT 77
- 45. LOT 78
- 46. LOT 79
- 47. LOT 80
- 48. LOT 81
- 49. LOT 82
- 50. LOT 83
- 51. LOT 84
- 52. LOT 85
- 53. LOT 86
- 54. LOT 87
- 55. LOT 88
- 56. LOT 89
- 57. LOT 90
- 58. LOT 91
- 59. LOT 92
- 60. LOT 93
- 61. LOT 94
- 62. LOT 95
- 63. LOT 96
- 64. LOT 97
- 65. LOT 98
- 66. LOT 99
- 67. LOT 100

NOTICE TO CONTRACTORS

1. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

2. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

3. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

4. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

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9. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

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10. The plat shows the location of all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.

CONTRACTOR'S CHECKLIST

NO.	DATE	DESCRIPTION	COMPLETED
1		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
2		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
3		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
4		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
5		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
6		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
7		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
8		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
9		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	
10		Check all easements, encroachments, and other matters which may affect the construction of the improvements shown on the plat.	

FINAL PLAT - LOT 34
A PORTION OF THE PROPERTY KNOWN AS
"THE MAIN MANUFACTURING AREA"
DEED BOOK 7497, PAGE 631 (SEE PAGE 647), R.O.H.C.

TAX MAP 130, PARCEL 001.09
 HIGHWAY 58 AT FERDINAND PIECH WAY
 ENTERPRISE SOUTH INDUSTRIAL PARK
 CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE

BARGE
 DESIGN SOLUTIONS
 1110 MARKET STREET, SUITE 200, CHATTANOOGA, TN 37402
 PHONE: 423-263-8888 FAX: 423-263-8877

EXHIBIT B

September 24, 2020

VIA EMAIL AND U.S. MAIL

Ian K. Leavy, Assistant General Counsel
Volkswagen Group of America Chattanooga Operations, LLC
8001 Volkswagen Drive
Chattanooga, Tennessee 37416
Ian.Leavy@vw.com

Re: Release of Approximately 182.4 Acres at the Enterprise South Industrial Park from an Option to Take Title in Favor of Volkswagen Group of America Chattanooga Operations, LLC

Dear Mr. Leavy:

Pursuant to Section 2.3 of that certain Memorandum of Understanding by and among Volkswagen Group of America Chattanooga Operations, LLC and Hamilton County, Tennessee, The City of Chattanooga, Tennessee, The Industrial Development Board of the City of Chattanooga, and the Chattanooga Area Chamber of Commerce dated June 30, 2014 (the "MOU"), a copy of which is attached to this letter as Exhibit A and made a part hereof, Volkswagen has an option to take title ("Option") to certain property described in the MOU and located at the Enterprise South Industrial Park in Chattanooga, Tennessee. After discussions among the parties to the MOU, Volkswagen hereby releases from its Option the approximately 182.4 acre tract of land more particularly shown on Exhibit B attached hereto and made a part hereof ("Release Parcel"). The Release Parcel is deemed a portion of the Released Property, as defined in the MOU, and is no longer part of the Option Property, as defined in the MOU. The parties agree that the remaining portion of the Released Property (approximately 117.6 acres) will be identified by the parties at a later date and released from the Option by Volkswagen pursuant to a subsequent letter agreement.

If you are in agreement with the terms of this letter, please sign in the space provided below and return a copy of this letter to my attention.

The City and County appreciate Volkswagen's willingness to release certain property from the Option to the City and County in order to allow for the continued redevelopment of the Enterprise South Industrial Park.

Sincerely,


PHILLIP A. NOBLETT
City Attorney


ROBIN M. TAYLOR
County Attorney

AGREED TO AND ACCEPTED this 18th day of July, 2022 ~~September, 2020~~.

VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC

BY: 

NAME: Brent Hinson

TITLE: CFO

Exhibit "A"

EXECUTION COPY

MEMORANDUM OF UNDERSTANDING

BY AND AMONG

VOLKSWAGEN GROUP OF AMERICA CHATTANOOGA OPERATIONS, LLC

AND

**HAMILTON COUNTY, TENNESSEE, THE CITY OF CHATTANOOGA, TENNESSEE,
THE INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF CHATTANOOGA, AND THE
CHATTANOOGA AREA CHAMBER OF COMMERCE**

DATED AS OF: June 30, 2014

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EXECUTION COPY

WHEREAS, the Company is intent on becoming an ever more integral part of the community by encouraging development of local talent, attracting talent from other locations, and encouraging residents of and visitors to the City and County area to associate the area's success and progress with the Company's location and growth in the City and County; and

WHEREAS, the Parties are desirous of setting forth the proposals and respective commitments of the Public Authorities and the Company in a valid, binding and enforceable agreement, as more fully described herein, which shall, on the Effective Date, become legally binding obligations of the Parties.

NOW, THEREFORE, upon and in consideration of the respective promises and covenants contained herein and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

CAPITALIZED AND/OR ITALICIZED TERMS

Section 1.1 Capitalized and/or Italicized Terms. Capitalized and/or italicized terms utilized herein shall have the meaning ascribed thereto in Article XIII hereof, unless the meanings of such terms have been otherwise specified in a different context.

ARTICLE II

DETERMINATIONS BY THE PARTIES

Section 2.1 The Site. The Company shall establish the Expansion at the Project Site in the location more specifically described in EXHIBIT A hereto.

Section 2.2 Future Expansions on Option Property. The Public Authorities have determined and agreed, subject to the terms and conditions of this Agreement, to extend the Company's current option to take title to approximately one thousand two hundred (1,200) acres at the Park (the "*Option Property*"), as more specifically described in the Survey set forth in EXHIBIT B hereto, until June 30, 2026 for future business purposes beyond the Expansion, for the purchase price of One Thousand Dollars (\$1,000). The Local Governments shall continue to remediate the Option Property to bring the Option Property into compliance with all applicable Environmental Laws and to protect against any damages to natural resources other than those physical alterations that have been expressly authorized by Permit or otherwise allowed by Environmental Laws. The Local Governments covenant that they will not offer, lease, sell, convey, assign, transfer, or otherwise make available to any third party, or place or grant any encumbrance upon the Option Property that would hinder the Company in exercising the purchase option granted by this Section 2.2 without the prior written consent of the Company.

Section 2.3 Released Property. Upon the satisfaction of the Parties' conditions set forth in Sections 2.5 and 2.6 hereof, the Parties agree that Company will release from its option, prior to December 31, 2015, a portion of the Option Property containing up to 300 acres. The portion of the Option Property to be released is depicted on EXHIBIT B-1. The Parties

acknowledge that the development of the Released Property for uses supportive of the Companies' research and production activities on the Project Site is a priority and that they will work collaboratively in connection with such development. The development of the Released Property will be undertaken to preserve future access across the Released Property to the remaining Option Property for the future development of the Option Property as generally reflected on EXHIBIT B-1. Additionally, the City and County will use all reasonable efforts to manage storm water runoff from the Released Property to minimize any material adverse impact on the balance of the Option Property. To the extent such storm water runoff must be directed towards the balance of the Option Property, the Parties will work collaboratively to direct such runoff in a manner mutually acceptable to the Parties.

Section 2.4 Public Commitment. The Public Authorities shall deliver and implement each of the other commitments and inducements set forth herein for the benefit of the Company, and in accordance with the terms and conditions set forth herein. The Parties acknowledge that nothing herein shall be deemed to limit, reduce, or replace any incentive provided to the Company in the Memorandum of Understanding dated effective as of July 15, 2008, which shall remain in full effect, unless explicitly stated otherwise herein.

Section 2.5 Decision to Locate. Contingent upon the satisfaction of the Public Authorities' obligations herein and subject to the satisfaction of all of the following conditions precedent (the "*Conditions Precedent*") the Company has determined to locate the Expansion on the Project Site, subject to the occurrence of each of the following Conditions Precedent:

- (a) approval of this Agreement by the Board of Directors of the Company;
- (b) selection of the Project Site as the location of the Expansion; and
- (c) execution by the State of a definitive Memorandum of Understanding containing the State's financial commitment to the Expansion.

Section 2.6 Approvals. The obligations of the Public Authorities hereunder are expressly contingent upon the approval of this MOU and certain undertakings hereunder by the Chattanooga City Council, Hamilton County Commission and the Board of Directors of the IDB, and the Board of Directors of the Chamber. The Public Authorities hereby agree to schedule meetings to consider such approvals prior to July 29, 2014.

ARTICLE III

GENERAL TERMS

Section 3.1 Designation of Coordinators. The Public Authorities acknowledge that it is in the best interests of the Company and the Public Authorities for the development, design, engineering, construction, equipping and start-up of the Expansion to proceed on an expeditious timetable and that time is of the essence to achieve the milestones set forth in the Expansion Project Schedule attached hereto as EXHIBIT C. Accordingly, in order to proceed in accordance with the Expansion Project Schedule and the Local Governments, for the purpose of

Exhibit "B"

VOLKSWAGEN

GROUP OF AMERICA

July 28, 2022

Phillip A. Noblett
Deputy City Attorney
Suite 200
2nd Floor City Hall Annex
100 E. 11th Street
Chattanooga, TN 37402

Rheubin M. Taylor
Hamilton County Attorney
625 Georgia Ave., #204
Chattanooga, TN 37402

Re: Released Property

Dear Gentlemen:

As previously discussed, attached hereto is the fully executed Property Release originally dated September 24, 2020. Brent Hinson, Chief Financial Officer of Volkswagen Group of America Chattanooga Operations, LLC signed the document on July 18, 2022. This agreement acknowledges that the Company has released the approximately 182.4 acre tract of land more particularly shown on Exhibit B of the attached document from its Option Property pursuant to the parties' Memorandum of Understanding dated June 30, 2014.

The Exhibit B attached to the document signed by Mr. Hinson is the most recent property map provided by the City for this parcel.

If you have any questions please feel free to contact me.

Sincerely,



Ian K. Leavy
Assistant General Counsel
(423) 582-5141

Volkswagen Group of America
Chattanooga Operations, LLC
8001 Volkswagen Drive
Chattanooga, TN 37416

A RESOLUTION

AUTHORIZING THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA TO TAKE TITLE TO CERTAIN REAL AND PERSONAL PROPERTY IN CONNECTION WITH THE KORDSA, INC. PROJECT, TO LEASE SUCH PROPERTY TO KORDSA, INC. AND TO ENTER INTO AN AGREEMENT FOR PAYMENTS IN LIEU OF AD VALOREM TAXES

WHEREAS, Kordsa, Inc. (the "Company") is contemplating the acquisition, improvement and equipping of a facility for the operations of the Company in the City of Chattanooga (the "City") and Hamilton County (the "County"), resulting in an investment of at least \$50 million and the creation of at least 200 full-time jobs which jobs shall have an average annual wage (excluding benefits) equal to at least \$59,000.00, (collectively, the "Project"); and

WHEREAS, the Company has requested that The Industrial Development Board of the City of Chattanooga (the "Board") agree to take title to the real and personal property comprising the Project (the "Leased Property") and to lease the Leased Property to the Company pursuant to a certain lease agreement (the "Lease") in substantially the form presented to the Board; and

WHEREAS, the Hamilton County Board of Commissioners and the Chattanooga City Council have delegated to the Board the authority to negotiate and accept payments in lieu of ad valorem property taxes from the Company; and

WHEREAS, the ownership of the Leased Property and the leasing thereof to the Company are within the powers of the Board as described in T.C.A. Section 7-53-302, and the provision for payments in lieu of ad valorem property taxes on the Leased Property is within the powers of the Board as described in T.C.A. Section 7-53-305; and

WHEREAS, the forms of the Agreement for Payments In Lieu of Ad Valorem Taxes (the "PILOT Agreement") and the Lease have been presented to the Board for approval in connection with this Project;

NOW, THEREFORE, BE IT RESOLVED by The Industrial Development Board of the City of Chattanooga, as follows:

Section 1. The Board agrees to accept title to the Leased Property and to lease the Leased Property pursuant to the Lease in substantially the form presented to this meeting, with such changes therein as shall be approved by the Chairman or Vice Chairman of the Board.

Section 2. Pursuant to the delegation made by the City and the County, the Board agrees to enter into the PILOT Agreement with the Company in substantially the form presented to this meeting, with such changes therein as shall be approved by the Chairman or Vice Chairman of the Board.

Section 3. The appropriate officers of the Board are hereby authorized to execute the Lease and the PILOT Agreement on behalf of the Board and to take such further actions as shall be appropriate or necessary in carrying out the intent of this resolution.

Section 4. The Chairman or the Chairman's designee may further, upon the Company's request, enter into or consent to such other agreements or other documents as are appropriate or necessary in carrying out the intent of this resolution.

Approved this 5th day of June, 2023.

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF CHATTANOOGA

By: _____

Title: _____

ATTEST:

Secretary

**AGREEMENT FOR PAYMENTS IN LIEU
OF AD VALOREM TAXES**

THIS AGREEMENT (the "Agreement") is made and entered into as of this the ____ day of _____, 2023, by and among **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA** (the "Board"); **KORDSA, INC.** (the "Company"); the **CITY OF CHATTANOOGA** (the "City"); and **HAMILTON COUNTY** (the "County") and is joined in, for purposes of evidencing their acceptance of the agency relationship established herein, by **WILLIAM F. HULLANDER** and his successors, acting in the capacity of **HAMILTON COUNTY TRUSTEE** (the "Trustee"), and by **MARTY HAYNES** and his successors, acting in the capacity of **HAMILTON COUNTY ASSESSOR OF PROPERTY** (the "Assessor").

WITNESSETH:

WHEREAS, the Company is contemplating (i) the improvement of certain real property in Chattanooga, Hamilton County, Tennessee, as more particularly described on Exhibit A attached hereto (the "Real Property"); and (ii) the acquisition of machinery, equipment and other personal property (including replacements of such property), as more particularly described on Exhibit B attached hereto and incorporated herein (the "Personal Property") (the Personal Property and the new improvements to Real Property shall be referred to as the "Project"), resulting in an investment of at least \$50 million and the creation of at least 200 full-time jobs which jobs shall have an average annual wage (excluding benefits) equal to at least \$59,000.00 (collectively the "Investment, Jobs and Wage Projection") between March 1, 2023 and March 1, 2028; and

WHEREAS, the Company has requested the Board's assistance with the Project; and

WHEREAS, substantial economic benefits to the City and County economies will be derived from the Project; and

WHEREAS, the Board has agreed to hold title to the Real Property and the Personal Property, together with all additions thereto, replacements thereof, and substitutions therefor (collectively, the "Property") and to lease the Property to the Company pursuant to that certain Lease Agreement (the "Lease"), dated of even date herewith, between the Board and the Company; and

WHEREAS, because the Property is to be owned by the Board, which is a public corporation organized under the provisions of Tennessee Code Annotated, § 7-53-101, *et seq.*, the Property will be exempt from ad valorem property taxes ("property taxes") normally paid to the City and to the County, so long as the Property is owned by the Board, pursuant to the provisions of Tennessee Code Annotated, § 7-53-305; and

WHEREAS, for the public benefit of the citizens of the City and the County, the Board has requested that the Company make certain payments to the Board in lieu of the payment of property taxes that would otherwise be payable on the Property; and

WHEREAS, the Company has agreed to make such payments to the Board in lieu of the property taxes otherwise payable on the Property (the "In Lieu Payments"), as more particularly set forth hereinafter; and

WHEREAS, the Board has been authorized to receive the In Lieu Payments in lieu of property taxes by resolutions adopted by the City and the County, acting through its duly elected Council and Commission, respectively, which resolutions delegate to the Board the authority to accept the In Lieu Payments upon compliance with certain terms and conditions, including, without limitation, the requirement that the Board collect and expend such payments in furtherance of the public purposes for which the Board was created; and

WHEREAS, the Company and the Board have agreed that all In Lieu Payments made to the Board by the Company shall be paid to the City of Chattanooga Treasurer (the "Treasurer") and the Trustee, who shall disburse such amounts to the City and the County in accordance with the requirements specified herein; and

WHEREAS, the Board wishes to designate the Assessor as its agent to appraise the Property and assess a percentage of its value in the manner specified herein; and

WHEREAS, the Board wishes to designate the Treasurer and the Trustee as its agents to receive the In Lieu Payments in accordance with the terms of this Agreement;

WHEREAS, the Company has agreed to take all reasonable steps to provide the City with an easement to facilitate the development of a greenway along and near the Tennessee River, with such easement to be located on a portion of certain real property of the Company that is also subject to an easement granted to the Tennessee Valley Authority ("TVA") (the "Greenway Easement");

NOW, THEREFORE, IN CONSIDERATION OF the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Designation of Assessor; Appraisal and Assessment of Property. The Board hereby designates the Assessor as its agent to appraise and assess the Property. The Assessor shall appraise and assess the Property in accordance with the Constitution and laws of the State of Tennessee as though the Property were subject to property taxes. The Assessor shall give the Trustee, the Board, and the Company written notice of any changes in appraisals of the Property in the same manner that notices are given to owners of taxable property. The Assessor shall make available to the Board and the Company all records relating to the appraisal and assessment of the Property.

2. Designation of Trustee; Computation and Billing of Payments In Lieu of Taxes. The Board hereby designates the Treasurer and the Trustee and as its agents to compute the amounts of the In Lieu Payments, to receive such payments from the Company and to disburse such payments to the City and the County. On or about October 1 of each year during the term of this Agreement, the Treasurer and the Trustee shall compute the taxes which would be payable on the Property if it were subject to property taxes, in accordance with the Constitution and laws of the State of Tennessee and in accordance with the appraisal and assessment of the Assessor. Each year hereunder, the Treasurer and the Trustee shall send the Board and the Company bills for appropriate amounts of In Lieu Payments (the "Tax Bill").

3. Payments in Lieu of Taxes. After receipt of the Tax Bill, the Company shall pay to the Treasurer and the Trustee the amounts indicated on the Tax Bills which amounts shall be determined in accordance with the provisions set forth below in Section 4. The In Lieu Payments shall be made by the Company in lieu of the property taxes which would otherwise be payable on the Property if it were subject to property taxes.

4. Amount of Payments by the Company. The Company shall have the option, upon no less than ninety (90) days' prior written notification to the Board, the County and the City, to begin the ten (10) year tax abatement period as of (i) January 1, 2027; or (ii) January 1 of any prior calendar year (the "PILOT Start Date"). In the event that the Company does not exercise the option set forth in the preceding sentence, the PILOT Start Date shall automatically be January 1, 2027. For the ten (10) year period beginning as of the PILOT Start Date (the "Tax Abatement Period"), the Company shall make In Lieu Payments with respect to its respective portion of the Project in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to the following percentage of the taxes that would have been payable on the portion of the Project if it were subject to property taxes for the respective years shown:

Year	City Taxes	County Taxes Other than School Fund	County School Fund Taxes
Year 1	0%	0%	100%
Year 2	25%	25%	100%
Year 3	40%	40%	100%
Year 4	50%	50%	100%
Year 5	50%	50%	100%
Year 6	50%	50%	100%
Year 7	50%	50%	100%
Year 8	50%	50%	100%
Year 9	50%	50%	100%
Year 10	50%	50%	100%
Year 11	100%	100%	100%
& thereafter			

For example, if the PILOT Start Date is January 1, 2027, and "Year 1" in the above chart would be 2027, and the Tax Abatement Period would include years 2027 - 2036.

For the avoidance of doubt, the parties intend that the Company shall make (i) In Lieu Payments in an amount equal to one hundred percent (100%) of all ad valorem taxes that would be dedicated to the support of the County school system, which the Company and County acknowledge and agree currently equates to 45.22% of the amount of the total County taxes that would have been payable on the Project if it were subject to property taxes (the "School Portion"), and (ii) In Lieu Payments in an amount equal to the above graduated amounts for all other ad valorem taxes of County that would have been payable on the Project if it were subject to property taxes, excluding the educational portion of the County ad valorem taxes.

For any portion of the Property other than the Project, the Company shall make In Lieu Payments in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to one

hundred percent (100%) of the amount of taxes that would have been payable on such portion of the Property if it were subject to property taxes. For the avoidance of doubt, the parties intend that the reduced In Lieu Payments under this Agreement shall only apply to the new investment in the Property that is undertaken pursuant to this Agreement; provided that the total amount of new investment eligible for the reduced In Lieu Payments under this Agreement is limited to \$80,000,000.

For any periods before the Tax Abatement Period or after the Tax Abatement Period that the Property is owned by the Board and leased to the Company, the Company shall make In Lieu Payments in an amount, as determined by the Assessor, the Treasurer and the Trustee, equal to one hundred percent (100%) of the amount of taxes that would have been payable on the Property if it were subject to property taxes.

Notwithstanding the above, any amounts assessed and paid as property taxes against the Property shall be credited against any In Lieu Payments due under this Agreement.

5. Penalties and Late Charges. The Company shall make its In Lieu Payments for each year during the term before March 1 of the following year. All In Lieu Payments shall be subject to penalties, late charges, fees and interest charges as follows:

(a) If the Company fails to make its In Lieu Payment when due, then a late charge shall be charged and shall also be immediately due and payable. The late charge shall be in the amount of one and one-half percent (1-1/2%) of the owed amount. Additional late charges of one and one-half percent (1-1/2%) of the amount shall accumulate and become immediately due and payable upon the expiration of each subsequent thirty (30) day period when there remains any outstanding unpaid amount.

(b) If the Company should fail to pay all amounts and late charges due as provided hereinabove, then the Board, the City or the County may bring suit against the Company in the Chancery Court of Hamilton County to seek to recover the In Lieu Payments due, late charges, expenses and costs of collection in addition to reasonable attorneys' fees.

6. Minimum Requirements; Annual Review; Increase in Amount of In Lieu Payments. The Company covenants as follows for the benefits included in this Agreement:

(a) Minimum Requirements. The Company must meet one hundred percent (100%) of the Minimum Job Requirement and one hundred percent (100%) of the Minimum Investment Requirement by March 1, 2028 (the "Determination Date") and during each calendar year thereafter during the Tax Abatement Period. For purposes of this Section, the "Minimum Jobs Requirement" equals one hundred eighty (180) full-time jobs, and the "Minimum Investment" equals Forty-five Million Dollars (\$45,000,000). For purposes of meeting the Minimum Investment Requirement and the Minimum Jobs Requirement, the Company may include jobs created and capital expenditures made at and in connection with its facilities located at 4501 North Access Road on property owned by the Company as of March 1, 2023 and on property of the Company that is located across North Access Road at 4524 and 4530 North Access Road (collectively, the "North Access Road Site").

(b) Annual Employment Review. If the Company fails to achieve the Minimum Jobs Requirement by the Determination Date or during in any calendar year thereafter during the Tax Abatement Period, the City and the County reserve the right but are not obligated to increase the amount of the In Lieu Payments (other than the School Portion) applicable to the Project for the same calendar year in which such failure occurs by a percentage equal to 100% less the "Company's Job Performance" for such calendar year (the "Job In Lieu Payment Percentage Increase"). The "Company's Job Performance" for any calendar year means the proportion, expressed as a percentage, that the average number of full-time jobs in addition to the full-time jobs that the Company presently has at the North Access Road Site as of the date hereof actually maintained by the Company bears to the Minimum Job Requirement. Only the total number of full-time additional jobs with a blended average wage (excluding benefits) of \$59,000 may be counted for purposes of this calculation. In no event shall the Company's annual In Lieu Payments plus the School Portion exceed one hundred percent (100%) of the property taxes that would be assessed against the Project if it were subject to property taxes.

Example 1:

Total number of full-time jobs as of March 1, 2028 = 200
Minimum Job Requirement = 180
No increase in In Lieu Payments for 2028
(Minimum Job Requirement has been exceeded)

Example 2:

Total number of full-time jobs as of March 1, 2028 = 162
Minimum Job Requirement = 180
Company's Job Performance = 90.0%
Job In Lieu Payment Percentage Increase for 2027 = 10.0%
(In Lieu Payment Percentages for 2028 for the City and the County (excluding the School Portion) may be increased by 10.0%, and in this example, assuming 2028 is Year 2 of this Agreement, the In Lieu Payment Percentage for 2028 for the City and the County (excluding the School Portion) may be increased from the current requirement of 25% to 35%.)

(c) Annual Investment Review. If the Company fails to achieve the Minimum Investment Requirement by the Determination Date or during in any calendar year thereafter during the Tax Abatement Period, the City and the County reserve the right but are not obligated to increase the amount of the In Lieu Payments (excluding the School Portion) applicable to the Project for the same calendar year in which such failure occurs by a percentage equal to 100% less the "Company's Investment Performance" for such calendar year (the "Investment In Lieu Payment Percentage Increase"). The "Company's Investment Performance" for any calendar year means the proportion, expressed as a percentage, that the actual aggregate capital investment made by the Company through the end of such calendar year, including all capital investment made in the preceding calendar years in connection with the Project, bears to the Minimum Investment Requirement. In no event shall the Company's annual In Lieu Payments (including the School

Portion) exceed one hundred percent (100%) of the property taxes that would be assessed against the Project if it were subject to property taxes.

Example 3:

Total amount of capital investment through March 1, 2028 = \$50,000,000

Minimum Investment Requirement = \$45,000,000

No increase in In Lieu Payments for 2028 (Minimum Investment Requirement has been exceeded)

Example 4:

Total amount of capital investment through March 1, 2028 = \$42,750,000

Minimum Investment Requirement = \$45,000,000

Company's Investment Performance = 95.0%

Investment In Lieu Payment Percentage Increase for 2028 = 5.0%

(In Lieu Payment Percentages for 2028 for the City and the County (other than the School Portion) may be increased by 5.0%, and in this example, assuming 2028 is Year 2 of this Agreement, the In Lieu Payment Percentage for 2028 for the City and the County (other than the School Portion) may be increased from the current requirement of 25% to 30%.)

Such formula shall be evaluated on an annual basis until the Minimum Investment Requirement has been met or exceeded, whereupon no further evaluations or increase in the amount of the In Lieu Payments pursuant to this Section 6(c) shall occur.

(d) Single Adjustment Regarding Tax Abatement; Issuance of Supplemental Bill to the Company. If both the annual employment review under Section 6(b) and the investment review under Section 6(c) for any calendar year indicate an increase in the In Lieu Payments for the same calendar year in which such failure occurs, and if the City and/or County elects to increase the In Lieu Payments for such calendar year, then the City and/or County shall determine whether the increase under Section 6(b) or Section 6(c) shall apply, which shall be the sole remedy for a shortfall in the Investment, Jobs and Wage Projection. The increase under Section 6(b) and Section 6(c) shall not be combined. If the City and/or County increases the amount of the In Lieu Payments pursuant to the annual employment review under Section 6(b) for any calendar year, then they may not, in the same year, also increase the amount of the In Lieu Payments pursuant to Section 6(c), and vice versa. For example, using Examples 2 and 4 shown above, the City and/or County may elect to either (i) increase the amount of the In Lieu Payments to the City and/or County (other than the School Portion) under Section 6(b) by 10.0% or (ii) increase the amount of the In Lieu Payments to the City and/or County (excluding the School Portion) under Section 6(c) by 5.0%. In accordance with the foregoing and once a determination has been made of the Jobs In Lieu Payment Percentage Increase or the Investment In Lieu Payment Percentage Increase, whichever is determined to be applicable, the Trustee shall compute the amount of the additional In Lieu Payment resulting therefrom and will issue a supplemental bill to the Company for that payment.

(e) Project Closure. In the event the Project closes or moves from the County during the Tax Abatement Period, the City and the County each reserve the right to immediately

terminate the tax abatements provided by this Agreement and require the partial repayment of amounts that would have been payable on the Property during the Tax Abatement Period as if it were subject to property taxes. The provisions of this subsection (e) shall be the sole remedy for a closure or relocation of the Project.

7. Talent Development, Local Opportunity and Greenway Easement.

(a) The Company will make good faith efforts, in consultation with the City, County and Chattanooga Area Chamber of Commerce (the "Chamber") to work with area workforce development partners jointly designated by the City, County and Chamber to develop a talent pipeline for future job opportunities at the Project. These efforts will include, without limitation, good faith efforts to participate in the "BuildWithin apprenticeship partnership," which is a new workforce development initiative of the City, the County, the Benwood Foundation, and Chattanooga 2.0.

(b) The Company will make good faith efforts, in consultation with the City, County and Chamber to publicize available job opportunities at the Project so as to maximize the opportunities for qualified residents of Hamilton County, Tennessee to seek and gain employment at the Project.

(c) The Company will make good faith efforts to maximize the utilization of qualified contractors, subcontractors and services providers located in Hamilton County, Tennessee in connection with the Project.

(d) The Company will take all reasonable steps, subject to the final sentence of this subsection, to provide the Greenway Easement within the TVA easement area that is located on the Company's real property that is identified as Tax Parcel No. 119H A 003.02 (the "Kordsa Property"). The Company will work collaboratively with the City to identify the precise location and legal description for the Greenway Easement and shall take all reasonable steps to convey the Greenway Easement to the City no later than thirty-six (36) months from the date of this Agreement. If the parties cannot agree on the precise location and legal description of the Greenway Easement, the width of the Greenway Easement shall be no more than fifty (50) feet in width in a location specified by the Company within the TVA easement on the Kordsa Property. Notwithstanding the foregoing, the City acknowledges that the Company is an active industrial facility and has equipment and processes along the Tennessee River that are critical to the continued operation of the Company's manufacturing operations, and in no event shall the Company be required to grant the Greenway Easement if the Company shows reasonably and in good faith that the grant of the Greenway Easement would interfere with the Company's current critical operations and processes or the possible future expansion of its manufacturing facilities and operations.

8. Disbursements by the Treasurer and the Trustee. All sums received by the Treasurer pursuant to Section 3 for the benefit of the City shall be disbursed to the appropriate funds of the City, as determined by the City, in accordance with this Section and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All sums received by the Trustee pursuant to Section 3 for the benefit of the County (other than the School Portion which shall be paid to the School Fund) shall be disbursed

to the appropriate fund of the County in accordance with this Section and in accordance with the normal requirements of law governing the settlement and paying over of taxes to counties and municipalities. All such sums received by the Treasurer shall be placed into an account for the use and benefit of the City. All such sums received by the Trustee for the benefit of the County shall be placed into an account for the use and benefit of the County. The account for the use and benefit of the City shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the City, and the account for the use and benefit of the County shall be funded with the proportionate amount to which the In Lieu Payments are attributable to property taxes which would otherwise be owed to the County. All sums received by the Trustee pursuant to Section 3 for the benefit of the County school system shall be disbursed to the County and thereafter deposited into an account for the educational use and benefit of the County schools. The parties acknowledge and agree that all disbursements to the City and County pursuant to this Agreement are in furtherance of the Board's purposes as set forth in Tennessee Code Annotated § 7-53-305.

9. Economic Development Lease Payments to City and County. For each calendar year in which the In Lieu Payment Percentage as to the City and as to the County (excluding the School Portion (see chart in Section 4) is less than 100%, an Economic Development Payment to the City or its designee and to the County equal to 15% of their respective property taxes (excluding the School Portion) that would otherwise be payable for such year on the Project if it were subject to property taxes as calculated by the Treasurer and Trustee pursuant to Section 2 above, shall be computed and collected by the Treasurer and Trustee; provided, however, in no event shall the total of the Companies' annual City and County In Lieu Payments plus the School Portion plus the Economic Development Payment to the City and the County exceed one hundred percent (100%) of the respective City and County property taxes that would be assessed against the Project if it were subject to property taxes. Beginning in "Year 1" of the chart set forth in Section 4, this Economic Development Payment will be paid for each year that the Property is owned by the Board through and including "Year 10" if the In Lieu Payment Percentage as to the City and as to the County (other than the School Portion) (see chart in Section 4) for such calendar year is less than 100%. If the Board's ownership ceases during any calendar year, then that year's Economic Development Payment will be prorated, but in no event shall the total of the Company's prorated tax payments, prorated City and County In Lieu Payments plus the prorated Economic Development Fee exceed one hundred percent (100%) of the prorated City and County property taxes that would be assessed against the Project if it were subject to City and County taxes. The Trustee shall add the Economic Development Payment as a separate line item on the Tax Bill, and the Company shall pay its respective portions of the Economic Development Payment for each such year during the term before March 1 of the following year. Any failure to pay the Economic Development Payment on or before March 1 shall result in penalties and late charges calculated in the same manner as penalties and late charges are calculated for In Lieu Payments under this Agreement.

The Trustee shall not deduct any part of the Economic Development Payment from the School Portion of the In Lieu Payments. The Trustee shall disburse the County's Economic Development Payment to the County.

10. Contest by the Company. The Company shall have the right to contest the appraisal or assessment of the Property by the Assessor, the computation by the Treasurer and the Trustee

of the amount of the In Lieu Payment and the calculation of the Economic Development Payments. If the Company contests any such appraisal or assessment, then it shall present evidence to the Assessor in favor of its position. If the In Lieu Payments, or the Economic Development Payments, as applicable, being contested shall be or become due and payable, the Company shall make such payments under protest. The Company and the Assessor, or the Trustee, as the case may be, shall negotiate in good faith for a period not to exceed sixty (60) days to resolve any disputes as to appraisal, assessment or computation of the In Lieu Payment or the Economic Development Payments, as applicable. If the Company and the Assessor, or the Trustee, as the case may be, are unable to resolve a dispute, then the Company may file suit in the Chancery Court of Hamilton County to ask that the provisions of this Agreement, including those covering appraisal, assessment and computation, be construed or applied to the relevant facts by the Chancery Court in order to resolve such dispute.

11. Lien on the Property. Any amounts which remain payable under this Agreement shall become a lien on the Property, and such lien shall be enforceable against the Property in the event that any payment owing hereunder is not timely made in accordance with this Agreement.

12. Term. This Agreement shall become effective on the date that the Board leases the Property to the Company and shall continue for so long as the Board holds title to any of the Property and leases such property to the Company or the Company has made all payments required hereunder, whichever shall later occur.

13. Leasehold Taxation. The Board, the City, the County, the Trustee and the Assessor acknowledge and agree that the Company's real and personal property leasehold interests in the Property under the Lease shall not be subject to assessment for ad valorem tax purposes. If the leasehold interests of the Company in the Property should be subject to ad valorem taxation for any year hereunder, then any amounts assessed as taxes thereon shall be credited against any In Lieu of Tax Payments and Economic Development Payments paid under this Agreement and carried forward from year to year until fully utilized.

14. Notices, etc. All notices and other communications provided for hereunder shall be written (including facsimile transmission and telex), and mailed or sent via facsimile transmission or delivered addressed as follows:

Board: The Industrial Development Board of
the City of Chattanooga
100 E. 11th Street, Suite 200
Chattanooga, Tennessee 37402
Attention: Phillip A. Noblett

The City: Phillip A. Noblett
City Attorney
City of Chattanooga
100 E. 11th Street, Suite 200
Chattanooga, Tennessee 37402

The County:	Rheubin M. Taylor County Attorney Hamilton County Room 204, County Courthouse Chattanooga, Tennessee 37402
Company:	Kordsa, Inc. 4501 N. Access Road Chattanooga, Tennessee 37415 Attention: Tommy Johnson
With a Copy to:	Miller & Martin PLLC 832 Georgia Avenue Suite 1200, Volunteer Building Chattanooga, Tennessee 37402 Attention: Mark W. Smith
The Assessor:	Hamilton County Assessor of Property Hamilton County Courthouse Chattanooga, Tennessee 37402
The Treasurer:	City of Chattanooga Treasurer 101 East 11 th Street, Suite 100 Chattanooga, Tennessee 37402
The Trustee:	Hamilton County Trustee Hamilton County Courthouse Chattanooga, Tennessee 37402

Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent. All such notices and communications shall, when mailed by registered and certified mail, return receipt requested, Express Mail, or facsimile, be effective when deposited in the mails or if sent upon facsimile transmission, confirmed electronically, respectively, addressed as aforesaid.

15. No Waiver; Remedies. No failure on the part of any party hereto, and no delay in exercising any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and are not exclusive of any remedies provided by law.

16. Severability. In the event that any clause or provision of this Agreement shall be held to be invalid by any court or jurisdiction, the invalidity of any such clause or provision shall not affect any of the remaining provisions of this Agreement.

17. No Liability of Board, City and County Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against

any incorporator, member, official, director or officer, as such, of the Board, the City or the County, whether past, present or future, either directly or through the Board, the City or the County. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer, as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

18. Assignment.

(a) Except in the event of the conveyance of all or a portion of the Property or all or a portion of a leasehold interest in the Property as a result of a foreclosure or deed in lieu of foreclosure or except as otherwise provided in this Section, the Company may only assign its portion of this Agreement, or any part hereof, with the prior consent of the Mayor of the City, the Mayor of the County, and the Board. The Mayor of the City, the Mayor of the County and/or the Board shall not withhold such consent upon the occurrence of all of the following conditions: (i) there is no default under this Agreement at the time of the assignment, (ii) all requirements of the Company under this Agreement have been satisfied as of the date of the assignment, and (iii) any assignee agrees to provide proof of sufficient assets to fund the Company's business plan for the Project and agrees to be bound by the terms of this Agreement from and after the date of assignment (the "Consent Requirements"). If the Company provides the Mayor of the City, the Mayor of the County and the Board (x) a certificate of an officer of the Company certifying that all requirements of the Company under this Agreement have been satisfied and (y) proof of sufficient assets to fund the business plan for the Project and a copy of an assignment and assumption agreement pursuant to which the assignee agrees to be bound by the terms of this Agreement, the Mayor of the City, the Mayor of the County and the Board shall each have the option, upon at least seven (7) days' prior notice to the Company, to meet with a representative of the Company within forty-five (45) days of receipt of the Company's certificate for purposes of determining whether the Company has satisfied the Consent Requirements. Unless the Mayor of the City, the Mayor of the County and the Board meet with the Company and all state in writing within such forty-five (45) day period that the Company has not satisfied the Consent Requirements, the Company may assign this Agreement in accordance with the terms and conditions described in the Company's certificate without any further action of the Mayor of the City, the Mayor of the County and/or the Board. In the event that the Mayor of the City, the Mayor of the County and the Board timely state in writing that the Company has not satisfied the Consent Requirements, the Company and the assignee may, upon the Company's request, appear before the City Council of the City, the Board of Commissioners of the County and the Board to request approval of such assignment pursuant to the terms of this Section, which consents shall not be unreasonably withheld. Upon satisfaction of the requirements of this Section, the assignment shall relieve the Company from liability for any of its obligations hereunder as of the effective date of the assignment.

(b) Notwithstanding the provisions of subsection (a), above, and notwithstanding any other provision in this Agreement or the applicable Lease to the contrary, the Company may make a collateral assignment of all or any portion of its interests in this Agreement, its Lease and its portion of the Property for the benefit of one or more banks or other lenders that, from time to time, provide financing to the Company. Nothing in this Agreement or the applicable Lease shall in any way restrict any sale or transfer of the leasehold interest and other interests of

the Company in its portion of the Property pursuant to a judicial or non-judicial foreclosure sale as a result of the exercise of any one or more lender's rights under the applicable loan documents. The City, the County and the Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the City, County or Board, in consummating any financing for the Company that involves a pledge or assignment of the Company's interests in this Agreement, the Lease or its portion of the Property. Without limitation of the foregoing, the Mayor of the City, the Mayor of the County, and the Chairman of the Board, or any of their respective designees, are authorized, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, consents to assignment, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the City, County and Board beyond the Board's interest in the Property.

19. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties and signatories hereto and to their respective successors and assigns.

20. Governing Law. The Agreement shall be governed by, and construed in accordance with, the laws of the State of Tennessee.

21. Prohibition on Boycott of Israel. The Company certifies that it is not currently engaged in, and will not for the duration of this Agreement engage in, a boycott of Israel as defined by Tenn. Code Ann. § 12-4-119

22. Amendments. This Agreement may be amended only in writing, signed by each of the parties hereto, except that the Treasurer, the Trustee and the Assessor shall not be required to join in amendments unless such amendments affect their respective duties hereunder.

23. Reporting.

(a) On or before January 31 of each year this Agreement is in effect, the Company shall provide a report to the Mayor of the City and the Mayor of the County summarizing its investment in the Property, including a list of the cost of all Property (with supporting evidence if requested) and the development and operation of the Project for purposes of analyzing the Company's progress in achieving the Investment, Jobs and Wage Projection. An independent audit of these certifications may occur if requested by the City or County during any calendar year of this Agreement.

(b) The Company shall comply with the annual reporting requirements applicable to agreements for payments in lieu of taxes as set forth in Tenn. Code Ann. § 7-53-305(e). Additional information regarding these requirements is currently available at <https://comptroller.tn.gov/boards/state-board-of-equalization/sboe-services/property-tax-incentive-programs/pilot-reporting.html>.

24. Stormwater Fees. In addition to the other requirements under this Agreement, the Company shall be responsible for all stormwater fees assessed by the City against the Real Property within the City limits.

[Signature Pages Follow]

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

ATTEST:

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA**

By: _____
Secretary

By: _____
Chairman

KORDSA, INC.
a Delaware corporation

By: _____

Name: _____

Title: _____

CITY OF CHATTANOOGA, TENNESSEE

By: _____
Mayor

HAMILTON COUNTY, TENNESSEE

By: _____
County Mayor

WILLIAM F. HULLANDER

By: _____
Hamilton County Trustee

MARTY HAYNES

By: _____
Hamilton County Assessor of Property

EXHIBIT "A"
TO PILOT AGREEMENT

REAL PROPERTY

The Real Property includes the following real property:

TRACT FIVE:

250.68 Acre tract of land in the City of Chattanooga, TN
(North Access Road, Chattanooga, TN)

Land Located in the City of Chattanooga, Hamilton County, Tennessee. Being a part of Tract Two of the Property of INVISTA S.à r.l., of record in Deed Book 9925, Page 253, Register's Office, Hamilton County, Tennessee, (ROHC), and the Property of Kordsa, Inc., of record in Deed book 9738, Page 1, ROHC, and being more particularly described as follows:

BEGINNING at a point on the Northern Right-of-Way Line (R/W) line of North Access Road, with the intersection of the Western R/W line of the Norfolk Southern Railway, said point also being located 0.9 feet southeast of a CONCRETE MONUMENT (OLD);

THENCE northwesterly along the aforesaid R/W line of North Access Road the following courses and distances:

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 671.1 feet, to a Point;

THENCE North 68 degrees 29 minutes 50 seconds West, for a distance of 100.1 feet, to a Point;

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 699.5 feet, to an IRON ROD (NEW);

THENCE North 24 degrees 07 minutes 20 seconds East, for a distance of 537.2 feet, to an IRON ROD (NEW);

THENCE North 43 degrees 47 minutes 50 seconds West, for a distance of 111.0 feet, to a RAILROAD SPIKE (NEW);

THENCE North 65 degrees 42 minutes 40 seconds West, for a distance of 712.1 feet, to a CROSS MARK (NEW);

THENCE South 23 degrees 43 minutes 10 seconds West, for a distance of 405.7 feet, to an IRON ROD (NEW);

THENCE South 66 degrees 16 minutes 50 seconds East, for a distance of 20.8 feet to an IRON ROD (NEW);

THENCE South 23 degrees 43 minutes 10 seconds West, for a distance of 132.2 feet to an IRON ROD (NEW);

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 75.0 feet, to an IRON ROD (NEW);

THENCE North 23 degrees 43 minutes 10 seconds East, for a distance of 131.3 feet to an IRON ROD (NEW);

THENCE South 66 degrees 16 minutes 50 seconds East, for a distance of 14.2 feet to an IRON ROD (NEW);
THENCE North 23 degrees 43 minutes 10 seconds East, for a distance of 406.1 feet, to a PK NAIL & DISK (NEW);
THENCE North 65 degrees 41 minutes 00 seconds West, for a distance of 408.7 feet, to a PK NAIL & DISK (NEW);
THENCE North 24 degrees 06 minutes 30 seconds East, for a distance of 972.9 feet, to an IRON ROD (NEW);
THENCE North 28 degrees 36 minutes 30 seconds West, for a distance of 35.4 feet, to an IRON ROD (NEW);
THENCE North 65 degrees 41 minutes 20 seconds West, for a distance of 310.8 feet, to an IRON ROD (NEW);
THENCE North 23 degrees 44 minutes 40 seconds East, for a distance of 21.3 feet, to an IRON ROD (NEW);
THENCE North 63 degrees 41 minutes 50 seconds West, for a distance of 125.9 feet, to an IRON ROD (NEW);
THENCE North 11 degrees 37 minutes 20 seconds West, for a distance of 75.0 feet, to an IRON ROD (NEW);
THENCE North 20 degrees 30 minutes 40 seconds East, for a distance of 83.2 feet, to an IRON ROD (NEW);
THENCE North 10 degrees 21 minutes 10 seconds West, for a distance of 86.5 feet, to an IRON ROD (OLD) located at a Corner in the Eastern R/W Line of Bob Ray Drive;
THENCE along said R/W, North 01 degrees 16 minutes 10 seconds East, for a distance of 225.8 feet, to a CONCRETE MONUMENT (OLD);
THENCE continuing along the R/W Line of Bob Ray Drive, North 52 degrees 23 minutes 40 seconds East, for a distance of 282.7 feet, to an IRON ROD (NEW);
THENCE South 65 degrees 51 minutes 00 seconds East, for a distance of 321.6 feet, to an IRON ROD (NEW);
THENCE North 69 degrees 06 minutes 00 seconds East, for a distance of 222.5 feet, to an IRON ROD (NEW);
THENCE South 65 degrees 56 minutes 30 seconds East, for a distance of 230.3 feet, to an IRON ROD (NEW);
THENCE South 26 degrees 38 minutes 10 seconds West, for a distance of 31.5 feet, to an IRON ROD (NEW);
THENCE South 48 degrees 24 minutes 10 seconds East, for a distance of 171.4 feet, to an IRON ROD (NEW);
THENCE South 57 degrees 15 minutes 40 seconds East, for a distance of 203.1 feet, to an IRON ROD (NEW);
THENCE South 14 degrees 50 minutes 50 seconds East, for a distance of 87.2 feet, to an IRON ROD (NEW);
THENCE in a curve to the left, having a radius of 100.0 feet, and an arc length of 97.7 feet; being subtended by a chord having a bearing of South 42 degrees 50 minutes 50 seconds East for a distance of 93.9 feet, to a PK NAIL & DISK (NEW);
THENCE South 70 degrees 50 minutes 40 seconds East, for a distance of 326.7 feet, to a PK NAIL & DISK (NEW);

THENCE North 24 degrees 12 minutes 40 seconds East, for a distance of 854.3 feet, to an IRON ROD (NEW), located in the Southwest Line of the Property of KORDSA, INC., of record in Deed Book 9738, Page 1, ROHC;

THENCE along said Line, THENCE North 67 degrees 00 minutes 40 seconds West, for a distance of 878.0 feet, to an IRON ROD (OLD) in the Southern R/W Line of DuPont Parkway;

Thence Easterly along the Southern R/W of DuPont Parkway the following Courses and Distances:

THENCE North 74 degrees 40 minutes 50 seconds East, for a distance of 94.2 feet to a CONCRETE MONUMENT (OLD);

THENCE North 74 degrees 41 minutes 00 seconds East, for a distance of 499.8 feet to a CONCRETE MONUMENT (OLD);

THENCE North 78 degrees 06 minutes 50 seconds East, for a distance of 901.9 feet to a CONCRETE MONUMENT (OLD);

THENCE South 80 degrees 08 minutes 30 seconds East, for a distance of 526.2 feet to a CONCRETE MONUMENT (OLD);

THENCE along the Western R/W Line of Tennessee State Highway No. 153, South 46 degrees 54 minutes 10 seconds East, for a distance of 994.9 feet, to a Point, said point being located at the intersection of the aforesaid Western R/W Line of Tennessee State Highway No. 153 with the Western R/W line of the Norfolk Southern Railway, said point also being located North 46 degrees 54 minutes 10 seconds West, for a distance of 7.7 feet, from a CONCRETE MONUMENT (OLD);

THENCE southwardly and southwestwardly along the R/W line of the aforesaid Norfolk Southern Railway the following courses and distances

THENCE South 00 degrees 00 minutes 40 seconds West, for a distance of 1518.8 feet;

THENCE in a curve to the left, having a radius of 5879.7 feet, and an arc length of 386.2 feet; being subtended by a chord having a bearing of South 01 degrees 52 minutes 10 seconds East for a distance of 386.1 feet;

THENCE in a curve to the right, having a radius of 905.4 feet, and an arc length of 468.3 feet; being subtended by a chord having a bearing of South 34 degrees 30 minutes 20 seconds West for a distance of 463.1 feet;

THENCE South 49 degrees 19 minutes 30 seconds West, for a distance of 1776.0 feet, to the POINT OF BEGINNING

All as shown on survey drawing by True Line Company, Land Surveyors, Job No. 16-7790, Dated May 23, 2017.

SUBJECT TO: FRYAR CEMETERY as shown on the aforesaid survey drawing. TOTAL Acreage inclusive of Cemetery (0.34 acres) is (250.34 + 0.34) 250.68 Acres, more or less.

Less and except that portion of Parcel 110P B 001 deeded to Naprotec LLC by Special Warranty Deed recorded on August 1, 2018 at Book 11415 Page 223 in the office of the Register of Deeds for Hamilton County, Tennessee.

Further, less and except that portion of Tract 5 leased to Matheson Tri-Gas, Inc., described in Memorandum of Ground Lease, recorded in Book 11020, Page 008, in the Register's Office of Hamilton County, Tennessee, and described as follows:

A certain parcel of land lying in Chattanooga, Hamilton County, Tennessee, more particularly described as follows:

Unless stated otherwise, any monument referred to herein as an iron pin set is a 5/8 inch rebar 18 inch in length with plastic cap stamped "K. Crowe #1979". All bearings are based on Geodetic North by G.P.S. observations dated 11-03-14.

BEGINNING at an existing iron pin on the North right-of-way of North Access Road, 50 feet from centerline, being approximately 2475 feet East from the intersection of the North Bound On-Ramp of Dupont Parkway, corner to the remaining lands of Invista SARL (Deed Book 9925, page 253);

THENCE leaving said right-of-way and across the lands of Invista SARL in a new division line for the next 19 calls; North 24 degrees 10 minutes 06 seconds East, a distance of 164.65 feet to a chain-link corner post;

THENCE, along a chain-link fence North 42 degrees 41 minutes 15 seconds East, a distance of 162.04 feet to a chain-link corner post;

THENCE along a chain-link fence, North 67 degrees 01 minute 20 seconds East, a distance of 99.44 feet to a chain-link corner post;

THENCE North 24 degrees 48 minutes 07 seconds East, a distance of 195.86 feet to a chain-link corner post;

THENCE South 65 degrees 51 minutes 49 seconds East, a distance of 205.37 feet to a chain-link corner post;

THENCE North 25 degrees 07 minutes 51 seconds East, a distance of 236.20 feet to a chain-link corner post;

THENCE South 65 degrees 44 minutes 41 seconds East, a distance of 205.26 feet to a chain-link corner post;

THENCE South 14 degrees 16 minutes 18 seconds East, a distance of 338.43 feet to a chain-link corner post;

THENCE North 63 degrees 14 minutes 24 seconds West, a distance of 93.67 feet to an iron pin set;

THENCE along a parallel to the face of a building South 24 degrees 18 minutes 15 seconds West, a distance of 205.18 feet to an iron pin set;

THENCE along a chain-link fence South 65 degrees 20 minutes 31 seconds East, a distance of 86.74 feet to a chain-link corner post;

THENCE North 68 degrees 07 minutes 59 seconds East, a distance of 25.65 feet to a chain-link corner post;

THENCE North 25 degrees 16 minutes 12 seconds East, a distance of 166.03 feet to a chain-link corner post;

THENCE South 14 degrees 16 minutes 18 seconds East, a distance of 131.54 feet to a chain-link corner post;

THENCE South 68 degrees 02 minutes 19 seconds West, a distance of 205.14 feet to a chain-link corner post;

THENCE South 75 degrees 12 minutes 35 seconds West, a distance of 120.26 feet to a chain-link corner post;

THENCE North 65 degrees 24 minutes 25 seconds West, a distance of 442.82 feet to a chain-link corner post;

THENCE South 69 degrees 09 minutes 47 seconds West, a distance of 73.36 feet to a chain-link corner post;

THENCE South 23 degrees 58 minutes 34 seconds West, a distance of 165.98 feet to an iron pin set on the North right-of-way of North Access Road, 50' from centerline;

THENCE along said right-of-way North 65 degrees 38 minutes 00 seconds West, a distance of 111.91 feet to the POINT OF BEGINNING containing 7.36 acres, more or less.

As shown on ALTA/NSPS Land Title Survey for Proposed Kordsa Facility (Survey Item 430 Detail of Lease to Matheson Tri-Gas, Sheet 22) by True Line Company, Land Surveyors, Job No. 17-7797, dated May 23, 2017.

Source of Title being Deed recorded in Book 11065, Page 846, in the Register's office of Hamilton County, Tennessee.

[Legal description pending final review]

EXHIBIT "B"
TO PILOT AGREEMENT

PERSONAL PROPERTY

The Project shall include all machinery, equipment and other tangible personal property that is installed or otherwise located on or about or used in connection with the real property described in Exhibit A attached to this Agreement between March 1, 2023 and March 1, 2028, together with replacements thereof and substitutions therefor, in connection with the Company's facilities and operations on such property. The personal property shall also include all machinery, equipment and other tangible personal property that is installed or otherwise located on or about or used at other portions of the North Access Road Site between March 1, 2023 and March 1, 2028 where the Company conducts operations.

This Instrument Prepared By:
Miller & Martin PLLC (TLH / MWS)
Suite 1200 Volunteer Building
832 Georgia Avenue
Chattanooga, TN 37402

LEASE AGREEMENT

THIS LEASE AGREEMENT, made and entered into as of the _____ day of _____, 2023, by and among **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA** (the "Board"), a public corporation duly created and existing under the laws of the State of Tennessee; and **KORDSA, INC.**, a Delaware corporation (the "Company").

WITNESSETH:

In consideration of the respective covenants and agreements hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Board and the Company agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. The following terms when used in this Agreement, unless the context shall clearly indicate another or different meaning or intent, shall be construed as follows:

"Act" means the Tennessee Industrial Development Corporations Act of 1955, Chapter 210 of the Public Acts of 1955, as codified in Tennessee Code Annotated Sections 7-53-101 et seq., as heretofore amended and as hereafter amended from time to time.

"Act of Bankruptcy" means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Company or the Board under any applicable bankruptcy, insolvency or similar law as now or hereafter in effect.

"Agreement" means this Lease Agreement as it now exists and as it may hereafter be amended.

"City" means the City of Chattanooga, Tennessee.

"County" means Hamilton County, Tennessee.

The terms "default" and "event of default" mean any occurrence or event specified in Section 10.01 hereof.

The term "pending" with respect to any proceedings commenced by an Act of Bankruptcy means that such proceedings have not been dismissed, or are subject to further appeal.

"Permitted Encumbrances" means liens, easements, licenses, or other restrictions of record and any unrecorded leases in effect as of the date of this Agreement on the Real Property (defined below).

"Personal Property" means all machinery, equipment and other tangible personal property that is installed or otherwise located on or about or used in connection with the Real Property between March 1, 2023 and March 1, 2028, together with replacements thereof and substitutions therefor, in connection with the Company's facilities and operations on such property that is conveyed to the Board by the Company but subject to the limits of the PILOT Agreement. The personal property shall also include all machinery, equipment and other tangible personal property that is installed or otherwise located on or about or used at other portions of the North Access Road Site (as that term is defined in the PILOT Agreement) between March 1, 2023 and March 1, 2028 where the Company conducts operations and conveyed to the Board and subject to the limits of the PILOT Agreement.

"PILOT Agreement" means the Agreement for Payments in Lieu of Ad Valorem Taxes entered into of even date herewith entered into by and among the Board, the Company, the City and the County, as at any time amended or restated.

"Project" means the (i) the expansion of the Company's manufacturing facility and other real property improvements on the Real Property; and (ii) the acquisition and installation of the Personal Property on the Real Property or otherwise used in connection with the Real Property.

"Property" means the Personal Property and the Real Property.

"Real Property" means that certain real property located in the City of Chattanooga, Hamilton County, Tennessee, as more particularly described on Exhibit A attached hereto, together with all real property improvements located thereon.

ARTICLE II CERTIFICATIONS

Section 2.01 Certifications by Board. The Board makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Board is a public corporation of the State of Tennessee, duly organized and existing under the provisions of the Act. The Act authorizes the Board to acquire land, buildings, machinery and equipment and related facilities and to own, lease and dispose of the same for the purpose of maintaining and increasing employment opportunities by promoting industry, trade and commerce and by inducing manufacturing, industrial and commercial enterprises to locate in or remain in the State of Tennessee. The Board is authorized to act in furtherance of such purposes in the City.

(b) The Board has found and does hereby declare that the acquisition, construction and equipping of the Project and the leasing of the Property to the Company will increase employment in the City, and will be in furtherance of the public purposes for which the Board was created.

(c) The Board has been induced to enter into this undertaking by the promises of the Company to construct, equip and operate an expansion of its manufacturing facility in the City and in the State of Tennessee.

(d) There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Board threatened, against or affecting the Board in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by this Agreement or which, in any way, would materially and adversely affect the validity or enforceability of this Agreement or any agreement or instrument to which the Board is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

Section 2.02 Certifications by Company. The Company makes the following certifications as the basis for the undertakings on its part herein contained:

(a) The Company is a corporation, duly formed under the laws of the State of Delaware, in good standing under its formation documents, with full power and authority to enter into this Agreement and to perform all obligations contained herein and therein, and has, by proper corporate action, been duly authorized to execute and deliver this Agreement and, when executed and delivered by the parties thereto, this Agreement will constitute the valid and binding obligation of the Company enforceable in accordance with its terms.

(b) The agreement of the Board to own the Property and lease it to the Company induced the Company to locate the Project in the State of Tennessee, which will increase employment in the State of Tennessee.

(c) Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated herein by the Company, nor the fulfillment of or compliance with the terms and conditions of this Agreement, conflicts or will conflict with or result in a breach of the terms, conditions or provisions of any restriction or internal governing document of the Company or any agreement or instrument to which the Company is now a party or by which it is bound, or any existing law, rule, regulation, judgment, order or decree to which it is subject, or constitutes a default under any of the foregoing or, except as contemplated hereby, results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Company under the terms of any instrument or agreement.

(d) There are no proceedings pending, or to the knowledge of the Company threatened, against or affecting the Company in any court or before any governmental authority, arbitration board or tribunal which involve the possibility of materially and adversely affecting the properties, business, prospects, profits or condition (financial or otherwise) of the Company, or the ability of the Company to perform its obligations under this Agreement. The Company is not in default with respect to an order of any court, governmental authority, arbitration board or tribunal.

(e) No event has occurred and no condition exists with respect to the Company that would constitute an "event of default" under this Agreement, or which, with the lapse of time or with the giving of notice, or both, would become such an "event of default."

**ARTICLE III
LEASING CLAUSES; WARRANTY OF TITLE**

Section 3.01 Lease of Property. The Board hereby leases to the Company, and the Company hereby leases from the Board, the Property, for the consideration set forth in Section 5.03 hereof and in accordance with the provisions of this Agreement.

Section 3.02 Title. The Company hereby represents that the Board will obtain upon the acquisition thereof good and marketable title to the Property, free from all encumbrances other than the Permitted Encumbrances.

Section 3.03 Quiet Enjoyment. Subject to the following sentence and to the limitation of liability of the Board contained herein, the Board covenants and agrees that it will warrant and defend the Company in the quiet enjoyment and peaceable possession of the Property, free from all claims of all persons whatsoever except for claims arising from the Permitted Encumbrances, throughout the term of this Agreement, so long as the Company shall perform the covenants, conditions and agreements to be performed by it hereunder, or so long as the period for remedying any default in such performance shall not have expired. If the Board shall at any time be called upon to defend the title to the Property for claims not created by, through or for the Board, it shall not be required to incur any costs or expenses in connection therewith unless indemnified to its satisfaction against all such costs and expenses.

**ARTICLE IV
ACQUISITION, CONSTRUCTION AND INSTALLATION OF PROJECT**

Section 4.01 Agreement to Acquire, Construct and Install Project. The Company agrees that:

- (a) It will cause title in and to the Property to be vested in the Board, subject to the Permitted Encumbrances.
- (b) It will acquire, construct and install the Project in the name of and on behalf of the Board.
- (c) It will complete the acquisition, construction and equipping of the Project as promptly as is commercially reasonable and practicable.

**ARTICLE V
EFFECTIVE DATE; DURATION OF LEASE TERM; CONSIDERATION**

Section 5.01 Effective Date of this Agreement; Duration of Lease Term. This Agreement shall become effective upon its delivery, and the leasehold estate created hereunder shall then begin, and, subject to the other provisions of this Agreement, shall expire at midnight, December 31 of the final year of the "Tax Abatement Period" as that term is defined in the PILOT Agreement. This Agreement shall thereafter continue on a month to month basis until terminated by either party on at least thirty days' prior written notice.

Section 5.02 Delivery and Acceptance of Possession. The Board agrees to deliver to the Company sole and exclusive possession of the Property, and the Company agrees to accept possession of the Property upon such delivery.

Section 5.03 Consideration for Lease. In consideration of the lease granted hereunder the Company agrees to:

- (a) Cause title to the Property to be vested in the Board and acquire, construct and install the Project as described in Section 4.01 hereof;
- (b) Operate the Project and the other improvements on the Property for its own benefit and thereby indirectly for the benefit of the citizens of the County and the City; and
- (c) Make the payments required of it under the PILOT Agreement.

ARTICLE VI MAINTENANCE; MODIFICATION; TAXES AND INSURANCE

Section 6.01 Maintenance and Modification of Property by Company. The Company agrees that throughout the term of this Agreement it will, at its own expense, keep the Property (i) in as reasonably safe condition as its operations shall permit, and (ii) in good repair and in good operating condition, normal wear and tear and obsolescence excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 6.02 Removal of Machinery and Equipment Included in the Project. The Board shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary machinery or equipment located on the Property. In any instance where the Company in its sole discretion determines that any items of such machinery or equipment installed or placed into service by the Company have become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may purchase such machinery or equipment as is permitted herein and remove such items of machinery or equipment and sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Board therefor.

Section 6.03 Taxes, Other Governmental Charges and Utility Charges. The Board and the Company acknowledge that under present law the Property will be exempt from taxation in the State of Tennessee. The Company will pay, as the same become lawfully due and payable, (i) all taxes and governmental charges of any kind whatsoever upon or with respect to the Property and (ii) all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property.

The Company may, at its own expense and in its own name, in good faith contest any such taxes, assessments or other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. The Board will cooperate fully with the Company in any such contest.

Section 6.04 Maintenance of Insurance. Throughout the term of this Agreement, the Company shall keep the Property continuously insured against such risks as are customarily

insured against with respect to property similar to the Property by businesses of like size and type (other than business interruption insurance), paying as the same become due all premiums in respect thereto. The Company shall also maintain commercial liability insurance or self-insurance with respect to all operations on the Property with such limits or self-insurance coverage as is reasonably acceptable to the Board and with the Board being named as an additional insured with respect to any such insurance. The Company will also maintain workers' compensation insurance with respect to its operations on the Property. Upon the execution of this Agreement and at least annually thereafter, the Company shall provide to the Board certificates of insurance evidencing that the insurance required by this Section is in full force and effect.

Section 6.05 Indemnification of Board.

(a) The Company shall and hereby agrees to indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on, the Property or relating to the Property in any manner during the term of this Agreement, and against and from all claims arising during the term of this Agreement, from

- (i) any condition of the Property whatsoever, including any environmental contamination on or under the Property or the presence of any hazardous or regulated material on, under or about the Property;
- (ii) any breach or default on the part of the Company in the performance of any its obligations under this Agreement or the PILOT Agreement;
- (iii) any act of negligence of the Company or of any agents, contractors, servants, employees or licensees of the Company or of any assignee or sublessee of the Company; and
- (iv) any claim arising from the Permitted Encumbrances or any other lien against the Property not created by the Board.

The Company shall indemnify and save the Board and its officers, directors, agents, servants and employees harmless from and against all costs and expenses incurred in or in connection with any action or proceeding brought thereon, and, upon notice from the Board, the Company shall defend the Board and any such officer, director, agent, servant or employee or any of them in any such action or proceeding.

Section 6.06 Board Expenses. In addition to other payments required to be made by the Company hereunder, the Company shall pay any reasonable expenses not specifically mentioned herein which are incurred by the Board in connection with the Property or this Agreement, including reasonable attorneys' fees relating to the negotiation of this Agreement and all related documents and the enforcement of this Agreement and all related documents.

Section 6.07 Depreciation and Investment Credit. The Board covenants and agrees that depreciation expenses and investment tax credit, if any, with respect to the Property shall be made

available to the Company, and the Board will fully cooperate, at no expense to the Board, with the Company in any effort by the Company to avail itself of any such depreciation expenses or investment tax credit, but the Board shall have no responsibility or liability for failure of the Company to receive any such expenses or credits.

ARTICLE VII DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.01 Damage and Destruction. If during the term hereof the Property is damaged by fire or other casualty, the Board shall cause any proceeds received by it from insurance to be paid to the Company for application in one or both of the following ways, as shall be determined by the Company:

- (a) Repair, rebuilding or restoration of the property damaged.
- (b) Reimbursement to the Company for loss in value of its interest in the Property.

Section 7.02 Condemnation of Property. If title in and to, or the temporary use of, the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Board shall cause the proceeds received by it from any award made in such eminent domain proceeding to be paid to the Company for application in one or more of the following ways, as shall be determined by the Company:

- (a) Restoration of the Property to substantially the same condition as existed prior to the exercise of said power of eminent domain.
- (b) Acquisition, by construction or otherwise, of other property having substantially the same use and utility as the property taken in such proceedings (which property will be deemed a part of the Property available for use by the Company under this Agreement).
- (c) Reimbursement to the Company for loss in value of its interest in the Property.

The Board shall cooperate fully with the Company, at no expense to the Board, with all expenses being paid by the Company, in the handling and conduct of any prospective or pending eminent domain proceeding with respect to the Property or any part thereof and shall, to the extent it may lawfully do so, permit the Company to litigate in any such proceeding in the name and on behalf of the Board. In no event will the Board voluntarily settle, or consent to the settlement of, any prospective or pending eminent domain proceeding with respect to the Property or any part thereof without the written consent of the Company.

ARTICLE VIII SPECIAL COVENANTS

Section 8.01 No Warranty of Condition or Suitability by Board. The Board makes no warranty, either express or implied, as to the condition of the Property or that it will be suitable for

the purposes or needs of the Company. The Company releases the Board from, agrees that the Board shall not be liable for, and agrees to hold the Board and its officers, directors, agents, servants and employees harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Property or the use thereof. The members of the Board of Directors of the Board shall incur no liability either individually or collectively by reason of the obligations undertaken by the Board hereunder.

Section 8.02 Identification of Machinery and Equipment Included in Project. The Company will at all times maintain in its permanent records a complete list of the machinery and equipment constituting a part of the Project, which will specifically identify each item of such machinery and equipment as being property of the Board, and shall periodically convey any personal property to the Board by bill of sale to the extent the Company desires any such personal property to be Property for purposes of this Agreement.

ARTICLE IX ASSIGNMENT, SUBLEASING, PLEDGING AND SELLING

Section 9.01 Assignment or Subleasing. This Agreement may be assigned (including collateral assignments, leasehold mortgages and similar pledges) and the Property may be subleased, as a whole or in part, by the Company without the prior written consent of the Board provided that:

(a) Unless authorized in writing by the Board, no assignment shall relieve the Company from primary liability for any of its obligations hereunder, and, in the event of any such assignment, the Company shall continue to remain primarily liable for performance and observance of the agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment had been made.

(b) The assignee or sublessee shall assume the obligations of the Company hereunder to the extent of the interest assigned or subleased.

(c) Any assignee would be a permitted assignee of the Company pursuant to the PILOT Agreement.

Section 9.02 Financing Approvals and Consents. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in consummating any financing related to the Project, the Property or other improvements on the Property. Without limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, enter into or consent to such documents as are necessary to consummate such financing including, without limitation, deeds of trust, estoppel certificates, subordination and non-disturbance agreements, affidavits and certificates, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.03 Cooperation. The Board shall cooperate with the Company, to the extent reasonable and at no additional cost to the Board, in connection with development approvals and requirements and related activities for the Project and the development of the Property. Without

limitation of the foregoing, the Chairman of the Board, or the Chairman's designee, may, upon the Company's request, execute zoning, rezoning and variance applications and any subdivision plats, easements or other documents as may be required or useful in connection with the Project or the development of the Property, provided that any such documents are expressly non-recourse to the Board beyond its interest in the Property. Any such document shall further be subject to the provisions of Section 8.01 with respect to the immunities provided to members of the Board.

Section 9.04 Restrictions on Sale of the Property by Board. The Board agrees that, except for transactions effected in accordance with Section 11.03 hereof or pursuant to a request from the Company, it will not sell, assign, mortgage, transfer or convey the Property during the term of this Agreement or create or suffer to be created any debt, lien or charge on the rents, revenues or receipts arising out of or in connection with its ownership of the Property, and it will not take any other action which may reasonably be construed as tending to cause or induce the levy or assessment of ad valorem taxes; provided, that if the laws of the State of Tennessee at the time shall permit, nothing contained in this Section shall prevent the consolidation of the Board with, or merger into, or transfer of the Property as an entirety to, any public corporation whose property and income are not subject to taxation and which has corporate authority to carry on the business of owning, leasing and selling of the Property; provided that (a) such consolidation, merger or transfer shall be authorized by the governing body of the City, and (b) this Agreement shall be binding upon such public corporation, either by operation of applicable law and/or the assumption thereof by such public corporation, and enforceable against such public corporation in accordance with the terms and conditions hereof as the successor-in-interest to the Board hereunder.

ARTICLE X EVENTS OF DEFAULT AND REMEDIES

Section 10.01 Events of Default Defined. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Board or the Company to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder or under the PILOT Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the defaulting party by the other party, unless the one giving notice shall agree in writing to an extension of such time prior to its expiration. If a failure under this Section 10.01(a) is such that it can be corrected but not within the applicable period, it shall not constitute an event of default if appropriate corrective action is instituted within the applicable period and diligently pursued until the default is corrected, provided that this sentence shall not apply to any requirement to make any monetary payment or to maintain insurance.

(b) A voluntary Act of Bankruptcy or an Act of Bankruptcy which, if resulting from the filing or commencement of involuntary proceedings against the Company or the Board, is not dismissed or discharged within sixty (60) days of the filing or commencement thereof.

The foregoing provisions of subsection (a) of this Section are subject to the following limitations: if by reasons of force majeure, the Board or the Company is unable in whole or in part

to carry out the agreements on its part herein referred to, the failure to perform such agreements due to such inability shall not constitute an event of default nor shall it become an event of default upon appropriate notification or the passage of the stated period of time. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; act of public enemies; orders of any kind of the government of the United States of America or of the State of Tennessee 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; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Board or the Company. The Board and the Company agree, however, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Board or the Company, as the case may be and the Board and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Board or the Company, unfavorable to it. This paragraph shall not excuse the Company from making any payment hereunder or maintaining insurance to the extent required hereunder.

Section 10.02 Remedies on Default. Whenever any event of default referred to in Section 10.01 hereof shall have occurred and be subsisting, the Board or the Company, as the case may be, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement, or covenant under this Agreement, and upon an event of default by the Company that is not cured as provided above, the Board may terminate this Agreement upon thirty (30) days' notice to the Company.

ARTICLE XI OPTIONS IN FAVOR OF COMPANY

Section 11.01 Options to Terminate. The Company shall have the following options to cancel or terminate the term of this Agreement:

(a) At any time, the Company may terminate the term of this Agreement by giving written notice to the Board of such termination and purchasing the Property as provided below.

(b) At any time, the Company may terminate this Agreement as to a part of the Property by giving written notice to the Board of such termination and purchasing such portion of the Property as provided below, and such termination shall forthwith become effective as to that part of the Property.

Section 11.02 Option to Purchase Property. At any time during the term of this Agreement and for 180 days after the termination or expiration of the term of this Agreement or termination of this Agreement as to all or a portion of the Property, the Company shall have, and is hereby granted, the continuing option to purchase the Property or that part of the Property as to which the Agreement has been terminated, as the case may be, for the purchase price, in each case, of One

Dollar (\$1.00) plus all amounts that are due or have accrued under this Agreement (if all of the Property is purchased). This option may be exercised whether or not the Company is in default hereunder, and this option shall survive termination of this Agreement.

Section 11.03 Conveyance on Exercise of Option. Upon exercise of the option granted above, the Board will, upon receipt of the purchase price, deliver to the Company documents conveying to the Company title to the Property or part of the Property, as the case shall be, by appropriate deeds and bills of sale, subject only to

(a) those liens and encumbrances, if any, to which title to said property was subject when conveyed to the Board;

(b) those liens and encumbrances created by or with the consent of the Company; and

(c) those liens and encumbrances resulting from the failure of the Company to perform or observe any of the agreements on its part contained in this Agreement.

ARTICLE XII MISCELLANEOUS

Section 12.01 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by first class United States mail, postage prepaid, or sent by telegram addressed as follows:

Board:	The Industrial Development Board of the City of Chattanooga 100 E. 11 th Street, Suite 200 Chattanooga, Tennessee 37402 Attention: Phil Noblett
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Company:	Kordsa, Inc. 4501 N. Access Road Chattanooga, Tennessee 37415 Attention: Tommy Johnson
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With a Copy to:	Miller & Martin PLLC 832 Georgia Avenue, Suite 1200 Chattanooga, Tennessee 37402 Attention: Mark W. Smith
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Any such person may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communication shall be sent.

Section 12.02 Amendment. This Agreement may be amended only in writing, signed by the Board and the Company.

Section 12.03 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Company, the Board, and their respective successors and assigns.

Section 12.04 Severability. If any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.05 Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12.06 Captions. The captions and headings in this Agreement are for convenience only and in no way define, limit or describe the scope, extent or intent of any provision or Section hereof.

Section 12.07 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Tennessee.

Section 12.08 Prohibition on Boycott of Israel. The Company certifies that it is not currently engaged in, and will not for the duration of this Agreement engage in, a boycott of Israel as defined by Tenn. Code Ann. § 12-4-119.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, the Board and the Company have caused this Agreement to be duly executed in their respective corporate names, all as of the date first above written.

BOARD:

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA

ATTEST

By: _____
Secretary

By: _____
Chairman

STATE OF TENNESSEE :
COUNTY OF HAMILTON :

Personally appeared before me, _____, Notary Public, _____ and _____, with whom I am personally acquainted, and who acknowledged that they executed the within instrument for the purposes therein contained, and who further acknowledged that they are the Chairman and Secretary of the Board, **THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA**, and are authorized by the Board to execute this instrument on behalf of the Board.

WITNESS my hand, at office, this ____ day of _____, 2023.

Notary Public
My Commission Expires: _____

[Signatures Continued on Following Page]

COMPANY:

KORDSA, INC., a Delaware Corporation

By: _____

Title: _____

STATE OF TENNESSEE :

COUNTY OF HAMILTON :

Personally appeared before me, _____, Notary Public, _____, with whom I am personally acquainted, and who acknowledged that he/she executed the within instrument for the purposes therein contained, and who further acknowledged that he/she is the _____ of KORDSA, INC., and is authorized by the Company to execute this instrument on behalf of the Company.

WITNESS my hand, at office, this ____ day of _____, 2023.

Notary Public

My Commission Expires: _____

EXHIBIT "A"

REAL PROPERTY

TRACT FIVE:

250.68 Acre tract of land in the City of Chattanooga, TN
(North Access Road, Chattanooga, TN)

Land Located in the City of Chattanooga, Hamilton County, Tennessee. Being a part of Tract Two of the Property of INVISTA S.à r.l., of record in Deed Book 9925, Page 253, Register's Office, Hamilton County, Tennessee, (ROHC), and the Property of Kordsa, Inc., of record in Deed book 9738, Page 1, ROHC, and being more particularly described as follows:

BEGINNING at a point on the Northern Right-of-Way Line (R/W) line of North Access Road, with the intersection of the Western R/W line of the Norfolk Southern Railway, said point also being located 0.9 feet southeast of a CONCRETE MONUMENT (OLD);

THENCE northwesterly along the aforesaid R/W line of North Access Road the following courses and distances:

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 671.1 feet, to a Point;

THENCE North 68 degrees 29 minutes 50 seconds West, for a distance of 100.1 feet, to a Point;

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 699.5 feet, to an IRON ROD (NEW);

THENCE North 24 degrees 07 minutes 20 seconds East, for a distance of 537.2 feet, to an IRON ROD (NEW);

THENCE North 43 degrees 47 minutes 50 seconds West, for a distance of 111.0 feet, to a RAILROAD SPIKE (NEW);

THENCE North 65 degrees 42 minutes 40 seconds West, for a distance of 712.1 feet, to a CROSS MARK (NEW);

THENCE South 23 degrees 43 minutes 10 seconds West, for a distance of 405.7 feet, to an IRON ROD (NEW);

THENCE South 66 degrees 16 minutes 50 seconds East, for a distance of 20.8 feet to an IRON ROD (NEW);

THENCE South 23 degrees 43 minutes 10 seconds West, for a distance of 132.2 feet to an IRON ROD (NEW);

THENCE North 65 degrees 38 minutes 10 seconds West, for a distance of 75.0 feet, to an IRON ROD (NEW);

THENCE North 23 degrees 43 minutes 10 seconds East, for a distance of 131.3 feet to an IRON ROD (NEW);

THENCE South 66 degrees 16 minutes 50 seconds East, for a distance of 14.2 feet to an IRON ROD (NEW);

THENCE North 23 degrees 43 minutes 10 seconds East, for a distance of 406.1 feet, to a PK NAIL & DISK (NEW);

THENCE North 65 degrees 41 minutes 00 seconds West, for a distance of 408.7 feet, to a PK NAIL & DISK (NEW);

THENCE North 24 degrees 06 minutes 30 seconds East, for a distance of 972.9 feet, to an IRON ROD (NEW);

THENCE North 28 degrees 36 minutes 30 seconds West, for a distance of 35.4 feet, to an IRON ROD (NEW);

THENCE North 65 degrees 41 minutes 20 seconds West, for a distance of 310.8 feet, to an IRON ROD (NEW);

THENCE North 23 degrees 44 minutes 40 seconds East, for a distance of 21.3 feet, to an IRON ROD (NEW);

THENCE North 63 degrees 41 minutes 50 seconds West, for a distance of 125.9 feet, to an IRON ROD (NEW);

THENCE North 11 degrees 37 minutes 20 seconds West, for a distance of 75.0 feet, to an IRON ROD (NEW);

THENCE North 20 degrees 30 minutes 40 seconds East, for a distance of 83.2 feet, to an IRON ROD (NEW);

THENCE North 10 degrees 21 minutes 10 seconds West, for a distance of 86.5 feet, to an IRON ROD (OLD) located at a Corner in the Eastern R/W Line of Bob Ray Drive;

THENCE along said R/W, North 01 degrees 16 minutes 10 seconds East, for a distance of 225.8 feet, to a CONCRETE MONUMENT (OLD);

THENCE continuing along the R/W Line of Bob Ray Drive, North 52 degrees 23 minutes 40 seconds East, for a distance of 282.7 feet, to an IRON ROD (NEW);

THENCE South 65 degrees 51 minutes 00 seconds East, for a distance of 321.6 feet, to an IRON ROD (NEW);

THENCE North 69 degrees 06 minutes 00 seconds East, for a distance of 222.5 feet, to an IRON ROD (NEW);

THENCE South 65 degrees 56 minutes 30 seconds East, for a distance of 230.3 feet, to an IRON ROD (NEW);

THENCE South 26 degrees 38 minutes 10 seconds West, for a distance of 31.5 feet, to an IRON ROD (NEW);

THENCE South 48 degrees 24 minutes 10 seconds East, for a distance of 171.4 feet, to an IRON ROD (NEW);

THENCE South 57 degrees 15 minutes 40 seconds East, for a distance of 203.1 feet, to an IRON ROD (NEW);

THENCE South 14 degrees 50 minutes 50 seconds East, for a distance of 87.2 feet, to an IRON ROD (NEW);

THENCE in a curve to the left, having a radius of 100.0 feet, and an arc length of 97.7 feet; being subtended by a chord having a bearing of South 42 degrees 50 minutes 50 seconds East for a distance of 93.9 feet, to a PK NAIL & DISK (NEW);

THENCE South 70 degrees 50 minutes 40 seconds East, for a distance of 326.7 feet, to a PK NAIL & DISK (NEW);

THENCE North 24 degrees 12 minutes 40 seconds East, for a distance of 854.3 feet, to an IRON ROD (NEW), located in the Southwest Line of the Property of KORDSA, INC., of record in Deed Book 9738, Page 1, ROHC;

THENCE along said Line, THENCE North 67 degrees 00 minutes 40 seconds West, for a distance of 878.0 feet, to an IRON ROD (OLD) in the Southern R/W Line of DuPont Parkway;

Thence Easterly along the Southern R/W of DuPont Parkway the following Courses and Distances:

THENCE North 74 degrees 40 minutes 50 seconds East, for a distance of 94.2 feet to a CONCRETE MONUMENT (OLD);

THENCE North 74 degrees 41 minutes 00 seconds East, for a distance of 499.8 feet to a CONCRETE MONUMENT (OLD);

THENCE North 78 degrees 06 minutes 50 seconds East, for a distance of 901.9 feet to a CONCRETE MONUMENT (OLD);

THENCE South 80 degrees 08 minutes 30 seconds East, for a distance of 526.2 feet to a CONCRETE MONUMENT (OLD);

THENCE along the Western R/W Line of Tennessee State Highway No. 153, South 46 degrees 54 minutes 10 seconds East, for a distance of 994.9 feet, to a Point, said point being located at the intersection of the aforesaid Western R/W Line of Tennessee State Highway No. 153 with the Western R/W line of the Norfolk Southern Railway, said point also being located North 46 degrees 54 minutes 10 seconds West, for a distance of 7.7 feet, from a CONCRETE MONUMENT (OLD);

THENCE southwardly and southwestwardly along the R/W line of the aforesaid Norfolk Southern Railway the following courses and distances

THENCE South 00 degrees 00 minutes 40 seconds West, for a distance of 1518.8 feet;

THENCE in a curve to the left, having a radius of 5879.7 feet, and an arc length of 386.2 feet; being subtended by a chord having a bearing of South 01 degrees 52 minutes 10 seconds East for a distance of 386.1 feet;

THENCE in a curve to the right, having a radius of 905.4 feet, and an arc length of 468.3 feet; being subtended by a chord having a bearing of South 34 degrees 30 minutes 20 seconds West for a distance of 463.1 feet;

THENCE South 49 degrees 19 minutes 30 seconds West, for a distance of 1776.0 feet, to the POINT OF BEGINNING

All as shown on survey drawing by True Line Company, Land Surveyors, Job No. 16-7790, Dated May 23, 2017.

SUBJECT TO: FRYAR CEMETERY as shown on the aforesaid survey drawing. TOTAL Acreage inclusive of Cemetery (0.34 acres) is (250.34 + 0.34) 250.68 Acres, more or less.

Less and except that portion of Parcel 110P B 001 deeded to Naprotec LLC by Special Warranty Deed recorded on August 1, 2018 at Book 11415 Page 223 in the office of the Register of Deeds for Hamilton County, Tennessee.

Further, less and except that portion of Tract 5 leased to Matheson Tri-Gas, Inc., described in Memorandum of Ground Lease, recorded in Book 11020, Page 008, in the Register's Office of Hamilton County, Tennessee, and described as follows:

A certain parcel of land lying in Chattanooga, Hamilton County, Tennessee, more particularly described as follows:

Unless stated otherwise, any monument referred to herein as an iron pin set is a 5/8 inch rebar 18 inch in length with plastic cap stamped "K. Crowe #1979". All bearings are based on Geodetic North by G.P.S. observations dated 11-03-14.

BEGINNING at an existing iron pin on the North right-of-way of North Access Road, 50 feet from centerline, being approximately 2475 feet East from the intersection of the North Bound On-Ramp of Dupont Parkway, corner to the remaining lands of Invista SARL (Deed Book 9925, page 253);

THENCE leaving said right-of-way and across the lands of Invista SARL in a new division line for the next 19 calls; North 24 degrees 10 minutes 06 seconds East, a distance of 164.65 feet to a chain-link corner post;

THENCE, along a chain-link fence North 42 degrees 41 minutes 15 seconds East, a distance of 162.04 feet to a chain-link corner post;

THENCE along a chain-link fence, North 67 degrees 01 minute 20 seconds East, a distance of 99.44 feet to a chain-link corner post;

THENCE North 24 degrees 48 minutes 07 seconds East, a distance of 195.86 feet to a chain-link corner post;

THENCE South 65 degrees 51 minutes 49 seconds East, a distance of 205.37 feet to a chain-link corner post;

THENCE North 25 degrees 07 minutes 51 seconds East, a distance of 236.20 feet to a chain-link corner post;

THENCE South 65 degrees 44 minutes 41 seconds East, a distance of 205.26 feet to a chain-link corner post;

THENCE South 14 degrees 16 minutes 18 seconds East, a distance of 338.43 feet to a chain-link corner post;

THENCE North 63 degrees 14 minutes 24 seconds West, a distance of 93.67 feet to an iron pin set;

THENCE along a parallel to the face of a building South 24 degrees 18 minutes 15 seconds West, a distance of 205.18 feet to an iron pin set;

THENCE along a chain-link fence South 65 degrees 20 minutes 31 seconds East, a distance of 86.74 feet to a chain-link corner post;

THENCE North 68 degrees 07 minutes 59 seconds East, a distance of 25.65 feet to a chain-link corner post;

THENCE North 25 degrees 16 minutes 12 seconds East, a distance of 166.03 feet to a chain-link corner post;

THENCE South 14 degrees 16 minutes 18 seconds East, a distance of 131.54 feet to a chain-link corner post;

THENCE South 68 degrees 02 minutes 19 seconds West, a distance of 205.14 feet to a chain-link corner post;

THENCE South 75 degrees 12 minutes 35 seconds West, a distance of 120.26 feet to a chain-link corner post;

THENCE North 65 degrees 24 minutes 25 seconds West, a distance of 442.82 feet to a chain-link corner post;

THENCE South 69 degrees 09 minutes 47 seconds West, a distance of 73.36 feet to a chain-link corner post;

THENCE South 23 degrees 58 minutes 34 seconds West, a distance of 165.98 feet to an iron pin set on the North right-of-way of North Access Road, 50' from centerline;

THENCE along said right-of-way North 65 degrees 38 minutes 00 seconds West, a distance of 111.91 feet to the POINT OF BEGINNING containing 7.36 acres, more or less.

As shown on ALTA/NSPS Land Title Survey for Proposed Kordsa Facility (Survey Item 430 Detail of Lease to Matheson Tri-Gas, Sheet 22) by True Line Company, Land Surveyors, Job No. 17-7797, dated May 23, 2017.

Source of Title being Deed recorded in Book 11065, Page 846, in the Register's office of Hamilton County, Tennessee.

[Legal description pending final review]

RESOLUTION

A RESOLUTION OF INTENT ACCEPTING THE APPLICATION AND ATTACHMENTS FROM URBAN STORY VENTURES AS COMPLETE AND SUBMISSION OF THE TAX INCREMENT FINANCING APPLICATION FOR THE BEND AREA A/K/A THE ONE WESTSIDE TIF AREA TO THE CHATTANOOGA CITY COUNCIL FOR CONSIDERATION AND APPROVAL.

BE IT RESOLVED, that the Industrial Development Board for the City of Chattanooga hereby accepts the application and attachments from Urban Story Ventures as complete and submission of the Tax Increment Financing application for The Bend Area a/k/a The One Westside TIF Area to the Chattanooga City Council for consideration and approval.

ADOPTED: June 5, 2023

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF CHATTANOOGA

Attest:

RESOLUTION

A RESOLUTION AUTHORIZING THE EXECUTION OF A THIRD SUPPLEMENT TO AMENDED AND RESTATED TRUST INDENTURE RELATED TO REVENUE BONDS PREVIOUSLY ISSUED FOR THE BENEFIT OF BLUECROSS BLUESHIELD OF TENNESSEE, INC.

WHEREAS, the Board of Directors of The Industrial Development Board of the City of Chattanooga, Tennessee (the "Board") has met pursuant to proper notice; and

WHEREAS, The Industrial Development Board of the City of Chattanooga, Tennessee (the "Issuer") is a public non-profit corporation and instrumentality of the City of Chattanooga, Tennessee and is authorized pursuant to and in accordance with Chapter 53 of Title 7 of the Tennessee Code Annotated, as amended (the "Act"), to issue and sell its bonds, acquire property, and enter into lease agreements with others with respect to one or more projects upon such terms and conditions as the board of directors of the Issuer may deem advisable in accordance with the provisions of the Act for the purpose of promoting industry, trade, commerce, tourism and recreation, agriculture and housing construction in the State of Tennessee; and

WHEREAS, the Issuer has previously issued its Taxable Variable Rate Demand Revenue Bonds (BlueCross BlueShield of Tennessee Corporate Campus Project), Series 2008 (the "Bonds") in the aggregate principal amount of \$200,000,000 and made available the proceeds of the Bonds to BlueCross BlueShield of Tennessee, Inc. (the "Company") pursuant to a Lease Agreement, dated as of March 1, 2008, as amended by the Amended and Restated Lease Agreement, dated as of March 1, 2013, each between the issuer and the Company (as amended and restated, the "Lease Agreement"); and

WHEREAS, the Bonds currently bear interest at a variable rate as determined and set forth in the Trust Indenture, dated as of March 1, 2008, as previously supplemented and amended by the Amended and Restated Trust Indenture, dated as of March 1, 2013, by the First Supplement to Amended and Restated Trust Indenture, dated November 1, 2016, and by the Second Supplement to Amended and Restated Trust Indenture, dated as of July 1, 2021, each between the Issuer and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") (collectively, the "Existing Indenture"), all such Bonds being currently owned by Regions Bank (the "Bank"); and

WHEREAS, the Company and the Bank desire to amend the Existing Indenture to provide for the transition of the variable interest rate applicable to the Bonds from a LIBOR-based rate to a SOFR-based rate; and

WHEREAS, the officers of the Issuer have caused to be presented to this meeting the form of the Third Supplement to Amended and Restated Trust Indenture (the "Third Supplement" and, together with the Existing Indenture, the "Indenture") by and between the Issuer and the Trustee,

which supplements and amends the Existing Indenture, which the Issuer proposes to execute and deliver; and

WHEREAS, it appears that the foregoing instrument now before this meeting is in appropriate form and is an appropriate instrument to be executed and delivered by the Issuer for the purposes intended.

NOW, THEREFORE, Be, and It is Hereby, Resolved by the Board of Directors of The Industrial Development Board of the City of Chattanooga, Tennessee, as follows:

RESOLVED, That the form, terms and provisions of the Third Supplement which are before this meeting be and they are hereby approved, and the Chairman or the Vice Chairman and the Secretary or the Assistant Secretary of the Issuer be and they are hereby authorized, empowered and directed to execute, acknowledge and deliver the Third Supplement in the name and on behalf of the Issuer; that the Third Supplement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the officers of the Issuer executing the same, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein from the form of such documents now before this meeting; and that from and after the execution and delivery of such document, the officers of the Issuer are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such document as executed; and, further,

RESOLVED, That the officers of the Issuer be and are hereby authorized, empowered and directed to cause one or more replacement Bonds to be issued, at the request of the Bank, reflecting any changes made by the Third Supplement; and that such replacement Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of its Chairman or Vice Chairman and attested by the manual or facsimile signature of the Secretary or Assistant Secretary, and that the Chairman or any other officer of the Issuer shall cause the replacement Bonds, as so executed, to be delivered to the Trustee for authentication; and, further,

RESOLVED, That the officers of the Issuer are hereby authorized to execute, deliver and file such additional documents, certificates and instruments, including, without limitation, any amendment or modification to the Deed of Trust, Security Agreement and Assignment of Leases and Rents, dated as of March 1, 2008, from the Issuer to an individual trustee for the benefit of the Trustee securing the payment of the Bonds, as amended by that certain First Amendment to Deed of Trust, Security Agreement and Assignment of Leases and Rents and Joinder, dated as of March 1, 2013 among the Issuer, the Company and the Trustee (collectively, the "Deed of Trust"); any amendment or modification to financing statements to evidence security interests created under the Indenture; and to take all such further actions, from time to time, as they may consider necessary or desirable in connection with the Third Supplement, the Existing Indenture, the Lease Agreement, the Deed of Trust and the Bonds; and, further,

RESOLVED, That any authorization herein to execute any document in connection with the Third Supplement or other documents referenced in this resolution shall include authorization

to record such document when appropriate in accord with the laws of the State of Tennessee; and, further,

RESOLVED, That all acts and doings of the officers of the Issuer which are in conformity with the purposes and intent of this resolution and in furtherance of the Third Supplement and the issuance of Bonds shall be and the same hereby approved and confirmed and duly and lawfully adopted by this Board on June 5, 2023, at a meeting at which a quorum was acting throughout, and it is furthermore certified that such resolution has not been amended or modified in any respect.

ADOPTED: June 5, 2023

THE INDUSTRIAL DEVELOPMENT
BOARD OF THE CITY OF CHATTANOOGA,
TENNESSEE

Name:
Title: Chair

ATTEST:

Name:
Title: Secretary

THIRD SUPPLEMENT TO AMENDED AND RESTATED TRUST INDENTURE

between

THE INDUSTRIAL DEVELOPMENT BOARD OF
THE CITY OF CHATTANOOGA, TENNESSEE

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of May 15, 2023

Acknowledged and Agreed to By:

Regions Bank

and

BlueCross BlueShield of Tennessee, Inc.

Relating to

\$200,000,000

The Industrial Development Board of the City of Chattanooga
Taxable Variable Rate Demand Revenue Bonds
(BlueCross BlueShield of Tennessee Corporate Campus Project)
Series 2008

THIRD SUPPLEMENT TO AMENDED AND RESTATED TRUST INDENTURE

This Third Supplement to Amended and Restated Trust Indenture (herein referred to as the “Supplemental Indenture”) dated as of May 15, 2023 (the “Effective Date”) between THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, a public nonprofit corporation duly organized and existing under the Constitution and laws of the State of Tennessee (the “Issuer”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association (the “Trustee”), supplements and amends the Amended and Restated Trust Indenture, dated as of March 1, 2013, between the Issuer and the Trustee (the “Original Indenture”), as previously supplemented and amended by the First Supplement to Amended and Restated Trust Indenture, dated November 1, 2016, between the Issuer and the Trustee (the “First Supplement”) and the Second Supplement to Amended and Restated Trust Indenture, dated July 1, 2021, between the Issuer and the Trustee (the “Second Supplement” and, together with the Original Indenture and the First Supplement, the “Prior Indenture” and, as further supplemented and amended by this Supplemental Indenture, the “Indenture”).

RECITALS

A. The Issuer is empowered pursuant to the provisions of Chapter 53 of Title 7 of the Tennessee Code Annotated, as amended (the “Act”), to issue its bonds for the purpose of financing and refinancing the acquisition, construction and financing of office facilities.

B. In furtherance of the public purpose for which the Issuer was created, the Issuer previously issued its \$200,000,000 Taxable Variable Rate Demand Refunding Bonds (BlueCross Blue Shield of Tennessee Corporate Campus Project) Series 2008 (the “Bonds”) pursuant to the Original Indenture, and the Issuer used the proceeds of the sale of the Bonds to refinance costs relating to the acquisition, construction and equipping of office facilities leased to BlueCross BlueShield of Tennessee, Inc. (the “Company”) pursuant to an Amended and Restated Lease Agreement (as amended the “Lease Agreement”) of even date with the Original Indenture.

C. Concurrently with the execution and delivery of the Second Supplement, Regions Bank (“Regions”) purchased the Bonds at a variable Purchaser Interest Rate based on One-Month LIBOR for a Purchaser Interest Rate Period ending January 1, 2028, which is the final maturity date of the Bonds.

D. The Second Supplement acknowledged that USD LIBOR was scheduled to sunset prior to the end of the Purchaser Interest Rate Period and established general procedures for transitioning the Purchaser Interest Rate from a Benchmark based on USD LIBOR to a different Benchmark upon the occurrence of certain events.

E. Pursuant to a Consent and Direction of even date herewith (the “Consent and Direction”), the Company and Regions have agreed on the specific timing, terms and conditions under which the Purchaser Interest Rate borne by the Bonds will transition for the remainder of the current Purchaser Interest Rate Period from a Benchmark based on One-Month LIBOR to a Benchmark based on SOFR, as defined in this Supplemental Indenture.

F. In order to facilitate an orderly transition of the Purchaser Interest Rate in accordance with the terms and conditions agreed by the Company and Regions, the Company has requested that the Issuer enter into this Supplemental Indenture in accordance with Section 10.02 of the Original Indenture upon receipt of the Consent and Direction from the Company and Regions, which on the date hereof will be the sole owner of the Bonds and the Purchaser under the Indenture.

NOW, THEREFORE, the parties hereto agree that the Prior Indenture is supplemented and amended as follows:

ARTICLE I.

DEFINITIONS

Capitalized terms used but not defined in this Supplemental Indenture, unless the context requires otherwise, shall have the same meanings as set forth in the Prior Indenture.

ARTICLE II.

AMENDMENT OF THE PRIOR INDENTURE; REVISED TERMS OF BONDS

Section 2.01. *Amendment to Section 1.01 of the Prior Indenture.*

(a) *Amendments to Definitions.* The following definitions contained in Section 1.01 of the Prior Indenture are hereby amended and restated in their entirety as follows:

“Adjusted LIBOR Rate” means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.00%) by adding (i) One-Month LIBOR plus (ii) the Applicable LIBOR Spread. The Adjusted LIBOR Rate shall be adjusted monthly on the first day of each LIBOR Interest Period.

"Applicable Spread" means the spread determined by or on behalf of the Purchaser during the Purchaser Interest Rate Period to calculate the Purchaser Interest Rate, including without limitation the Applicable LIBOR Spread, the Applicable SOFR Spread and the Applicable Spread derived from a Benchmark Replacement Adjustment.

"Interest Payment Date" means (a) during the period commencing on the Effective Date and ending on the USD LIBOR Cessation Date, the first day of each LIBOR Interest Period, as applicable, and (b) commencing on the Purchaser Interest Rate Replacement Date, the first day of each SOFR Interest Period.

“Interest Rate Period” means either the LIBOR Interest Period or the SOFR Interest Period, as applicable.

“LIBOR Interest Period” means, during the period commencing on the Effective Date and ending on the USD LIBOR Cessation Date, each period commencing on the first day of a month and ending on the last day of such month; provided that if the USD LIBOR Cessation Date is not the last day of a month, the last LIBOR Interest Period shall end on the USD LIBOR Cessation Date.

“One-Month LIBOR” means, with respect to any LIBOR Interest Period, that rate for deposits in U. S. dollars for a period comparable to the term of such LIBOR Interest Period which appears on Reuters Screen LIBOR01 Page (or such other page that may replace that page on that service or on such other comparable financial information reporting service used by Purchaser, in its discretion, at the time such rate is determined) as of 11:00 a. m., London, England time on the day (the “Pricing Date”) that is two LIBOR Business Days preceding the first day of such LIBOR Interest Period (or if not so reported, then as determined by the Purchaser from another recognized

source or from one or more interbank quotations, in Purchaser’s discretion). In any event, One-Month LIBOR will not be less than zero percent (0%) per annum.

“Purchaser Interest Rate” means, (a) from the Effective Date through the USD LIBOR Cessation Date, the Adjusted LIBOR Rate; and (b) from the Purchaser Interest Rate Replacement Date through the end of the Purchaser Interest Rate Period, the Adjusted SOFR Rate; provided, that in no event shall the Purchaser Interest Rate exceed the Maximum Rate.

(b) *Addition of Definitions.* The definitions of the following terms are hereby added to Section 1.01 of the Original Indenture, in alphabetical order:

“Adjusted SOFR Rate” means a rate of interest per annum equal to the sum obtained (rounded upwards, if necessary, to the next higher 1/100th of 1.00%) by adding (i) Daily Simple SOFR plus (ii) the Applicable SOFR Spread. The Adjusted SOFR Rate shall be established initially on the Purchaser Interest Rate Replacement Date and be adjusted on each U.S. Government Securities Business Day thereafter.

“Applicable LIBOR Spread” means the spread determined by or on behalf of the Purchaser to calculate the Adjusted LIBOR Rate. The Applicable LIBOR Spread on the Effective Date is 40 basis points (0.40%). For so long thereafter as the Bonds bear interest at the Adjusted LIBOR Rate, the Applicable LIBOR Spread will be subject to adjustment based upon the Company’s Financial Strength Rating, as follows:

<u>Financial Strength Rating</u>	<u>Applicable Spread</u>
AA- or higher	35 bps
A+	40 bps
A	45 bps
A- or lower or no Financial Strength Rating	50 bps

"Applicable SOFR Spread" means the spread determined by or on behalf of the Purchaser to calculate the Adjusted SOFR Rate. The initial Applicable SOFR Spread will be determined and become effective on the Purchaser Interest Rate Replacement Date. Thereafter, the Applicable SOFR Spread will be subject to adjustment based upon the Company’s Financial Strength Rating, as follows:

<u>Financial Strength Rating</u>	<u>Applicable SOFR Spread</u>
AA- or higher	45 bps
A+	50 bps
A	55 bps
A- or lower or no Financial Strength Rating	60 bps

“Relevant Governmental Body” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“SOFR Interest Period” means, during the period commencing on the Purchaser Interest Rate Replacement Date and ending on the last day of the Purchaser Interest Rate Period, each period commencing on the first day of a month and ending on the last day of such month; provided (i) if the Purchaser Interest Rate Replacement Date is not the first day of a month, the first SOFR Interest Period shall commence on the Purchaser Interest Rate Replacement Date and end on the last day of the month during which such date occurs, and (ii) any SOFR Interest Period that would otherwise extend past the last day of the Purchaser Rate Interest Period shall end on the last day of such period.

“U.S. Government Securities Business Day” means any day that is not (i) a Saturday, (ii) a Sunday, or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

Section 2.02. *Amendment to Section 2.02 of Prior Indenture.* Subsection 2.02(a)(vi) of the Prior Indenture, as set forth in the Second Supplement, is hereby amended and restated in its entirety, to read as follows:

(vi) *One-Month LIBOR Replacement.*

(A) *Replacement of One-Month LIBOR.* Upon the occurrence of an Early Transition Event, the Adjusted SOFR Rate will replace Adjusted LIBOR Rate as the Purchaser Interest Rate, effective on the Purchaser Interest Rate Replacement Date (the “Purchaser Interest Rate Replacement”), for all purposes hereunder and under any Bond Document in respect of any setting of the Purchaser Interest Rate on such day and all subsequent settings without any amendment to, or further action or consent of the Company or the Issuer.

(B) *Notices; Standards for Decisions and Determinations.* The Purchaser will promptly notify the Company, the Trustee and the Issuer in writing of the implementation of any Purchaser Interest Rate Replacement. Any determination, decision or election that may be made by the Purchaser pursuant to this Subsection 2.02(a)(vi) will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from the Company, the Trustee or the Issuer, except, in each case, as expressly required pursuant to this Agreement.

(C) *Certain Defined Terms.* As used in this Section titled “*One-Month LIBOR Replacement*”:

“Administrator” means the Federal Reserve Bank of New York or a successor administrator of the secured overnight financing rate.

“Daily Simple SOFR” is the rate per annum equal to SOFR on the Administrator’s website in the fifth (5th) prior U.S. Government Securities Business Day, with the conventions for this rate being established by Purchaser in accordance with the conventions selected or recommended by the Administrator for determining “Daily Simple SOFR” for business loans; provided, that if Purchaser decides that any such convention is not administratively feasible for Purchaser, then Purchaser and the Company shall establish another convention by mutual agreement. In any event, Daily Simple SOFR will not be less than zero percent (0%) per annum.

“Early Transition Event” means the occurrence of one or more of the following events with respect to One-Month LIBOR:

(a) a public statement or publication of information by or on behalf of the administrator of One-Month LIBOR announcing that such administrator has ceased or will cease to provide One-Month LIBOR, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide One-Month LIBOR;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of One-Month LIBOR, an insolvency official with jurisdiction over the administrator for One-Month LIBOR, a resolution authority with jurisdiction over the administrator for One-Month LIBOR or a court or an entity with similar insolvency or resolution authority over the administrator for One-Month LIBOR, which states that the administrator of One-Month LIBOR has ceased or will cease to provide One-Month LIBOR permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide One-Month LIBOR; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of One-Month LIBOR announcing that (A) the regulatory supervisor has determined that One-Month LIBOR is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that One-Month LIBOR is intended to measure and that representativeness will not be restored and (B) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts.

The date of an Early Transition Event shall be (i) in the case of clause (a) or (b) of the definition of “Early Transition Event,” the later of (A) the date of the public statement or publication of information referenced therein and (B) the date on which the administrator of One-Month LIBOR permanently or indefinitely ceases to provide One-Month LIBOR; or (ii) in the case of clause (c) of the definition of “Early Transition Event,” the date of the public statement or publication of information referenced therein.

“Purchaser Interest Rate Replacement” shall have the meaning assigned in Section 2.02(a)(vi)(A) of the Indenture.

“Purchaser Interest Rate Replacement Date” means the next day after any USD LIBOR Cessation Date.

“SOFR” means a rate per annum equal to the secured overnight financing rate published by the Administrator on the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org> (or any successor source for the secured overnight financing rate identified as such by the Administrator of the

secured overnight financing rate from time to time) with the rate in respect of any given U.S. Government Securities Business Day being the rate published by the Administrator for such U.S. Government Securities Business Day.

“USD LIBOR” means the London interbank offered rate for U.S. dollars.

“USD LIBOR Cessation Date” means the last day of the first LIBOR Interest Period in which an Early Transition Event occurs.

Section 2.03. *Further Amendment of Section 2.02 of Prior Indenture.* New Subsections 2.02(a)(vii) and (viii) are hereby added to the end of Subsection 2.02(a) of the Prior Indenture, immediately following amended and restated Section 2.02(a)(vi), to read as follows:

(vii) *Daily Simple SOFR Replacement.*

(A) Company acknowledges that if a Benchmark Transition Event or an Early Opt-In Election occurs during the Purchaser Interest Rate Period, the Adjusted SOFR Rate will be replaced by the Benchmark Replacement in accordance with this Section 2.02(a)(vii). The effect of a Benchmark Transition Event cannot be predicted, or, if changes are ultimately made to Daily Simple SOFR, the effect of those changes cannot be predicted. In addition, Company acknowledges that the impact of any replacement of the Adjusted SOFR Rate with the Benchmark Replacement due to a Benchmark Transition Event, should one occur, cannot be predicted and may or may not be advantageous to Company.

(B) *Replacement of Daily Simple SOFR.* Upon the earlier of (i) a Benchmark Transition Event and (ii) an Early Opt-In Election, the Unadjusted Benchmark Replacement will replace Daily Simple SOFR, effective on the applicable Benchmark Transition Start Date, for all purposes hereunder and under any Bond Document in respect of any setting of such Benchmark on such day and all subsequent settings without any amendment to, or further action or consent of the Company, the Trustee or the Issuer.

(C) *Benchmark Replacement Conforming Changes.* In connection with the implementation and administration of a Benchmark Replacement other than a replacement of LIBOR, the Purchaser, with the consent of the Company, which consent shall not be unreasonably withheld, will have the right to make Benchmark Replacement Conforming Changes from time to time, whether before, on or after the Benchmark Transition Start Date, and, notwithstanding anything to the contrary herein or in any other Bond Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective as and when deemed effective by Purchaser without any further action or consent of the Company, the Trustee or the Issuer.

(D) *Notices; Standards for Decisions and Determinations.* The Purchaser will promptly notify the Company, the Trustee and the Issuer in writing of (i) the implementation of any Benchmark Replacement and (ii) the effectiveness of any Benchmark Replacement Conforming Changes. Any determination, decision or election that may be made by the Purchaser pursuant to this Subsection 2.02(a)(vii) (including without limitation any determination with respect to an adjustment, any determination concerning the occurrence or non-occurrence of an event, circumstance or date, and any determination to take or refrain from taking any action) will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from the Company, the Trustee or the Issuer, except, in each case, as expressly required pursuant to

this Subsection. All costs and expenses (including attorneys' fees) incurred by Purchaser in exercising its rights under this Section 2.02(a)(vii) shall be paid by the Purchaser.

(E) *Unavailability of Tenor of Unadjusted Benchmark Replacement.* If at any time (including in connection with the implementation of a Benchmark Replacement) the administrator of the Unadjusted Benchmark Replacement does not provide a daily or overnight tenor, Purchaser and Company may mutually elect to use another tenor of the Unadjusted Benchmark Replacement that it deems representative of the Unadjusted Benchmark Replacement for a daily or overnight tenor.

(F) *Certain Defined Terms.* As used in this Section titled "Benchmark Replacement Setting":

"Benchmark" means, initially, Daily Simple SOFR; provided that if a replacement of the Benchmark has occurred pursuant to this Section 2.02(a)(vii), then "Benchmark" means the Unadjusted Benchmark Replacement. Any reference to "Benchmark" shall include, as applicable, the published component used in the calculation thereof.

"Benchmark Replacement" means the sum of:

(a) The alternate benchmark rate that is selected by the Purchaser and the Company as the Unadjusted Benchmark Replacement, or if the parties are unable to agree, the Benchmark Replacement will be the replacement rate or the mechanism for determining such a rate selected or recommended by the Relevant Governmental Body as a replacement to Daily Simple SOFR for U.S. dollar-denominated bilateral commercial credit facilities and will be calculated in accordance with the then-prevailing market convention for determining such rate of interest; and

(b) The Benchmark Replacement Adjustment;

provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Indenture.

"Benchmark Replacement Adjustment" means, with respect to any replacement of Daily Simple SOFR with an Unadjusted Benchmark Replacement for each applicable SOFR Interest Period, an adjustment to the Applicable Spread (which may include an adjustment to the method for determining the Applicable Spread and/or may result in an Applicable Spread that is a positive or negative value or zero) that has been selected by the Purchaser and the Company giving due consideration to (a) any selection or recommendation of determining spread adjustments, or the method for calculating or determining such spread adjustment, for the replacement of Daily Simple SOFR with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of Daily Simple

SOFR with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated commercial credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, other than a replacement of LIBOR any technical, administrative or operational changes (including changes to the definitions of “Adjusted SOFR Rate,” “U. S. Government Securities Business Day”, “SOFR Interest Period,” timing and frequency of determining rates and making payments of interest, the conventions by which such rate is determined or compounded, and other administrative matters) that the Purchaser decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Purchaser in a manner substantially consistent with market practice; provided, however, that if the Purchaser decides that adoption of any portion of such market practice is not administratively feasible or if the Purchaser determines that no market practice for the administration of the Benchmark Replacement exists, then Purchaser and the Company shall establish an alternative for such practice by mutual agreement.

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to Daily Simple SOFR: (a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of Daily Simple SOFR permanently or indefinitely ceases to provide Daily Simple SOFR; or (b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to Daily Simple SOFR:

(a) a public statement or publication of information by or on behalf of the administrator of Daily Simple SOFR announcing that such administrator has ceased or will cease to provide Daily Simple SOFR, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide Daily Simple SOFR;

(b) a public statement or publication of information by the regulatory supervisor for the administrator of Daily Simple SOFR, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for Daily Simple SOFR, a resolution authority with jurisdiction over the administrator for SOFR or a court or an entity with similar insolvency or resolution authority over the administrator for Daily Simple SOFR, which states that the administrator of Daily Simple SOFR has ceased or will cease to provide Daily Simple SOFR permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide Daily Simple SOFR; or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of Daily Simple SOFR announcing that Daily Simple SOFR is no longer representative.

“Benchmark Transition Start Date” means the date on which the Benchmark Replacement becomes the Purchaser Interest Rate, which shall occur on (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the ninetieth (90th) day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than ninety (90) days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date mutually elected to by the Purchaser and the Company by written notice to the Issuer and the Trustee.

“Early Opt-in Election” means the mutual election by the Purchaser and the Company to trigger a fallback from Daily Simple SOFR. This election can be made only after a determination by the Purchaser that there are at least five (5) currently outstanding U.S. dollar-denominated syndicated or bilateral credit facilities that at such time contain (as a result of amendment or as originally executed) a benchmark rate that is the same as the selected Benchmark Replacement, and such credit facilities are identified in a notice to the Company and are publicly available for review.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

(viii) *Maximum Rate.* Notwithstanding any provision herein to the contrary, at no time, whether as a result of an Event of Default or otherwise, shall the interest rate applicable to the Bonds exceed the Maximum Rate.

Section 2.04. *Default Rate.* Notwithstanding anything in this Indenture or the Bonds to the contrary, upon the occurrence and continuation of an Event of Default, and upon written notice by the Regions to the Company, the Issuer and the Trustee, the Bonds shall bear interest at the Default Rate.

Section 2.05. *Existing Bond.* The Bond executed and delivered to Regions in connection with the execution and delivery of the Second Supplement shall remain in full force and effect after giving effect to this Supplemental Indenture; provided that nothing contained in this Section 2.05 shall be deemed to limit the rights of the Company or the Purchaser to implement changes after the Effective Date in accordance with the terms of this Indenture, including without limitation the execution and delivery of a replacement Bond consistent with such changes.

Section 2.06. *Effective Date.* The provisions of this Supplemental Indenture shall be effective on May 15, 2023 (the “Effective Date”). Thus, the provisions of this Supplemental Indenture shall be in full force and effect on the Effective Date, and all terms and conditions of this Supplemental Indenture shall be deemed part of the terms and conditions of the Indenture.

ARTICLE III.

MISCELLANEOUS PROVISIONS

Section 3.01. *Binding Effect.* This Supplemental Indenture shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns.

Section 3.02. *Severability.* In the event any provision of this Supplemental Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 3.03. *Applicable Law.* This Supplemental Indenture shall be governed in accordance with Section 12.07 of the Original Indenture, which is incorporated herein by reference.

Section 3.04. *Execution in Counterparts.* This Supplemental Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 3.05. *No Other Amendment or Supplement.* All terms and conditions of the Prior Indenture shall remain in full force and effect except as specifically amended by this Supplemental Indenture.

Section 3.06. *Effect of this Supplemental Indenture.* Except as amended or restated in this Supplemental Indenture, all terms and conditions of the Prior Indenture shall remain in full force and effect. To the extent of any conflict between the terms of this Supplemental Indenture and the Prior Indenture, the terms and conditions of this Supplemental Indenture shall govern.

[Signature page follows.]

IN WITNESS WHEREOF, each of the Issuer and the Trustee has caused this Supplemental Indenture to be executed and delivered in its name and behalf by its authorized officer or authorized agent, all as of the date above.

ATTEST:

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE CITY OF CHATTANOOGA

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____

Name: _____

Title: _____

PURCHASER CONSENT TO INDENTURE AMENDMENT

REGIONS BANK, as Purchaser and the sole holder of the Bonds, hereby consents to the amendment of the Prior Indenture by the Supplemental Indenture to which this consent is attached.

Dated: May 15, 2023.

REGIONS BANK, as Purchaser

By: _____

Name: _____

Title: _____

COMPANY CONSENT TO SUPPLEMENTAL INDENTURE

BLUECROSS BLUESHIELD OF TENNESSEE, INC., as Company, hereby consents to the amendment of the Prior Indenture by the Supplemental Indenture to which this consent is attached, as described therein, and to the execution and delivery of the Supplemental Indenture, and requests that the Authority and the Trustee execute and deliver the Supplemental Indenture.

Dated: May 15, 2023.

BLUECROSS BLUESHIELD OF TENNESSEE,
INC., as Company

By: _____

Name: _____

Title: _____



Account #: AP100099
 Company: DEVELOPMENT BOARD
 Ad number #: 291842
 PO #:
 Note:

AFFIDAVIT • STATE OF TENNESSEE • HAMILTON COUNTY

Before me personally appeared Samara Swafford, who being duly sworn that she is the Legal Sales Representative of the CHATTANOOGA TIMES FREE PRESS, and that the Legal Ad of which the attached is a true copy, has been published in the above named newspaper and on the corresponding newspaper website on the following dates, to-wit:

TFP Times Free Press 05/28/23; TFP TimesFreePress.com 05/28/23

And that there is due or has been paid the CHATTANOOGA TIMES FREE PRESS for publication the sum of \$86.38. (Includes \$0.00 Affidavit Charge).

Samara Swafford

Sworn to and subscribed before me this date: 31st day of May, 2023

Sheniqua Hambrick

My Commission Expires 12/14/2026



Chattanooga
Times Free Press

400 EAST 11TH ST
 CHATTANOOGA, TN 37403

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN, pursuant to T.C.A. §§ 8-44-101, et seq., as amended, that a public hearing will also be held at the June monthly meeting for THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA on Monday, June 5th, 2023, at 11:00 a.m., in the Council Assembly Room located in the John P. Franklin, Sr. Council Building, 1000 Lindsay Street, Chattanooga, TN 37402, for discussion on Payment in Lieu of Taxes (PILOT) Policies and Procedures. The discussion will not be related to any particular PILOT project.

The meeting will be streamed at:
<https://www.youtube.com/channel/UCA9N5gRrH54Eob8HwKUPw-Q>.

All interested persons are invited to attend and express their views or send written comments to Phillip A. Noblett, Attorney for the Board, 100 East 11th Street, Suite 200, Chattanooga, Tennessee 37402 (telephone (423) 643-8250).

City of Chattanooga and Hamilton County
Payment In Lieu of Tax Agreement
Policies and Procedures

Introduction

It is the policy of the City of Chattanooga (“City”) and Hamilton County (“County”) to enhance the development of the local economy and to promote job creation and job retention via business investments within the area. To advance economic development, the City and County partner with the Chattanooga Area Chamber of Commerce to recruit, expand, and retain business entities. The City and County Mayors, with the assistance of the Chamber of Commerce, periodically identify broad economic goals for the City and County. The Mayors, or their designees, annually communicate the key objectives necessary to achieve those goals to their respective Legislative Bodies.

To promote attainment of high priority businesses, investments and stimulate job creation, the City and County have established a business incentive program for abatement of ad valorem taxes known as Payments-In-Lieu-of-Tax Agreements (PILOTs). The Chamber uses PILOTs as a business recruitment and retention tool, to enhance employment opportunities, investments, community improvement, and provide the financial impact needed by the City and County and their citizens. The PILOT program is administered for the City and County by their Industrial Development Boards.

PART I

Objective

This document is a guide for application and consideration of certain economic and business development opportunities which may merit consideration for property tax abatement. In accordance with the objectives of all parties involved, each proposed project must be in the public interest and clearly demonstrate economic benefit to the City. This is established by, but not limited to, those criteria found in Part IV of this document. Additionally, to avoid unnecessary distortion of the local economic environment, projects must convincingly satisfy the “but for” test: “But for” the tax incentive offered, the project would not otherwise be located in Chattanooga.

Property Taxes for Education

Successful public education systems are essential to the prosperity of any community. The demand for a qualified workforce requires high quality educational systems to provide potential employees with the foundation for workforce readiness. Therefore, that portion of property taxes dedicated to funding the Hamilton County Department of Education shall not be abated under a PILOT agreement.

Conflicts of Interest

In order to sustain public trust in the use of PILOT incentives, all City officials, to include the Mayor, Legislative Bodies, staff, and contracted agents of the City, performing a role in the facilitation, review, and/or approval of projects shall be responsible for disclosing any material interest which he or she may have in or with an Applicant, Sponsor or financing source. Any official having any material interest in a Project or a financial or family relationship with an Applicant, Sponsor or financing source shall submit to the Legislative Body's Counsel a representation of that interest, and the Counsel shall advise both the respective body and official whether the official needs to recuse himself or herself from consideration of the Application. Such recommendation of Counsel shall be conclusive. If recusal is recommended, the body will then consider the Application without participation from the official or officials who recuse themselves. In the event of a conflict involving Legislative Body Counsel, the City, County, or IDB will retain special counsel to represent it in connection with the particular Project being considered. In like manner as above, public officials shall disclose any campaign contributions or other material support received or anticipated from an Applicant or project affiliated party and recuse themselves if so advised by the Legislative Counsel.

PART II

Definitions

- A. **"Applicant"** means the qualified business enterprise applying for the incentive or their representative, consultant, or counsel acting on behalf of the Qualified Business Enterprise. May also be referred to as the "Lessee."
- B. **"Application"** means the application for property tax incentives submitted in the form designated by the Chamber and as amended from time to time.
- C. **"Chattanooga Area Chamber of Commerce"** is the organization designated by the City and County as their primary point of contact on economic development matters

pertaining to the recruitment, expansion, and retention of business within their jurisdiction. May also be referred to as the Chamber.

D. **“Economic Impact Matrix”** incorporates the factors set forth in Part IV.

E. **“Expansion”** means the addition of buildings, structures, machinery, or equipment for the purpose of expanding a project. An Expansion shall mean valuated independently from the original Project and shall require a new Application be made unless included in the original Application or economic development agreements with the City including a PILOT or Lease Agreement.

F. **“Industrial Development Board”** means the nonprofit quasi-governmental corporations established by the City and the County pursuant to the Tennessee Industrial Development Corporation Act, TCA §7-53-101 et seq. The Industrial Development Boards’ statutory purpose includes financing, owning, and/or leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade. May also be referred to as the “board” or “IDB.”

G. **“Lease Agreement”** means the formal contract between the Lessee and the Industrial Development Board containing the terms and conditions of the agreement and property tax incentives. May also be referred to as PILOT agreement.

H. **“Mayors”** mean the Mayor of the City and Mayor of Hamilton County, Tennessee. As chief executive officers of their respective governments, the Mayors are a primary point of contact for negotiations on behalf of the City and County.

I. **“Payment-in-Lieu-of-Taxes”** means payments established in lieu of ad valorem taxes on the property involved in the Project. Generally, for real property, such amounts are to be based on the taxes being generated at the time the board takes title to the property considering only the value of the unimproved property. Generally, for tangible personal property, such amounts are to be based on the taxes being generated at the time the Board takes title to the property. Subsequent re-evaluation shall occur at intervals consistent with re-appraisals as required by State law. Payment-in Lieu of Taxes may also be referred to as “PILOTS”.

J. **“Legislative Bodies”** mean the Chattanooga City Council and the Hamilton County Commission.

“Project” means buildings, structures, machinery, equipment, land, new employees and applicable wages defined in the application. This may include the addition of buildings,

structures, machinery, or equipment that is committed by the applicant. Any phase or expansion planned beyond five (5) years of the initial Project and not included in the initial Application or economic development agreements will require a new application to be filed at the time that the expansion is planned. Each Project must comply with the definition of “Project” cited in Tenn. Code Ann. §7-53-101.

K. **“Qualified Business Enterprise”** means any person, corporation or other business entity engaged in the active conduct of a trade or business. For the purposes of applying for this incentive, a qualified business enterprise is classified under an appropriate North American Industry Classification System code primarily in the manufacturing, non-retail commercial, and distribution sectors. Headquarters or office relocation, expansion, or retention projects are also included. Other projects may be considered if determined that the economic benefits are to an extent that warrants extraordinary consideration.

PART III

Eligible Projects

Projects in the following business sectors represent the Qualified Business Enterprises that this program targets for consideration, so long as the proposal meets the other criteria:

- A. Manufacturing Projects constructed to manufacture, assemble, process, fabricate and distribute agricultural, mining or manufactured products
- B. Headquarters or Office Projects representing the relocation, expansion or retention of international, national, or primary regional headquarters or offices of established companies
- C. Distribution Facilities constructed to receive and forward final goods to various locations.
- D. Non-Retail Commercial Office Buildings and Service Facilities constructed for a specific tenant who will occupy the facility for at least the term of the property tax incentive.

Projects in other sectors such as retail, housing, speculative developments, etc. may be considered if it is determined that the overall economic benefits are to an extent that warrants extraordinary consideration such as redevelopment of a blighted or abandoned property.

PART IV

PILOT Evaluation Criteria

Projects are evaluated according to an Economic Impact Matrix, which incorporates the factors listed below over a five-year period from the date of the Lease Agreement. A number of points for each of these categories are determined. The terms and conditions of the property tax

incentive are based on the final score attributed to the Project. (See Economic Impact Matrix Appendix A)

A. Capital Investment: The Qualified Business Enterprise shall describe the minimum capital investment it will make in real and personal property such as machinery, land, equipment, structures, buildings, and any other tax producing improvements for consideration. Investment capital cannot be transferred between real and personal property categories once the Board has approved the Applicant's Application. If an Applicant reassigns investment capital, the Board may require that the Applicant submit another Application for Board approval. Monthly or annual rental payments during the Lease Term are not to be construed as part of the leasehold property improvement or increasing the value of the Applicant's capital investment.

B. Number of New Jobs Created: The Qualified Business Enterprise shall include the number of net new jobs directly created. Part-time jobs (defined as less than 35 hours per week) may not be factored for the purposes of calculating terms of the Lease Agreement.

C. Average Annual Wages: The Qualified Business Enterprise shall describe the average annual wages to be paid to employees in the newly created jobs. The baseline shall be 100% of the existing average annual wage of Hamilton County (as reported by the United States Department of Labor/Bureau of Labor Statistics). Points are added or subtracted based on a percentage above or below the baseline.

Bonus Factors:

A. Construction or renovation which results in building design and equipment that significantly reduces energy consumption. Documentation of LEED Certification or an equivalent standard of attainment shall be required.

B. Exceptionally High Average Wages: The average annual wage of all jobs created as a result of the Project that exceeds 200% of the average annual industrial wage of Hamilton County.

C. Location: The Project locates in a Renewal Community Zone defined by HUD or a remediated Brownfield site identified by the Environmental Protection Agency or the Tennessee Department of Environment & Conservation.

D. Community Benefit: Specific and measurable Community Benefits commitments by the Applicant to endeavor to hire local citizens, utilize local minority contractors and suppliers and support talent and education initiatives through partnerships with Hamilton County

Schools and local higher-ed institutions. Additional commitments include cooperating with local communities impacted by projects, agreeing to provide substantive work benefits to local employees (Health, Paid Sick leave, Childcare services, etc.) and/or utilizing local contractors and apprenticeship programs for project construction.

E. Corporate Leadership and Environmental Sustainability: Demonstration of industry leading or otherwise exceptional performance in promoting the rights and welfare of employees and local communities; analogously, exceptional environmental performance demonstrating consequential contributions to local environmental quality, well in exceedance of regulatory minimum standards

Special circumstances or conditions may be considered in granting or refusing a specific property tax incentive term. During the Project negotiation process, the Applicant may be required to provide additional commitments demonstrating a significant impact upon the economic and physical plans and policies of the City and County.

Tax Abatement Term: Scores for projects must achieve minimum terms of at least 5 years. Maximum abatement terms shall not exceed 10 years, irrespective of points, unless compelling reasons are presented and adopted justifying an extension or Project's Capital Investment exceeds \$150 million or the Project results in more than 500 jobs. Projects must clearly satisfy the "but for" test and provide convincing economic advantages to the City and its residents.

Standard Percentages of Incentive – the percentage of property taxes waived are as follows:

Year 1: 100% abated

Year 2: 75% abated

Year 3: 60% abated

Year 4 and beyond: 50% abated

PART V

Application Process

The Applicant will arrange a pre-application conference with the Chattanooga Area Chamber of Commerce, on behalf of the Mayors, to determine what level of incentives, if any, may be provided. The Applicant shall be informed that tax incentives should not be considered final

until approved by the Mayors and the Legislative Bodies. Being that the sole authority to determine the public interest resides in the City, the decision, to grant or not grant a PILOT, does not rest with the Chamber.

A. The Applicant shall submit the application and supporting documentation to the Chamber's staff. Applicants are advised to retain legal counsel. The following information must be part of the application:

1. Application form;
2. Project description;
3. Main points of contact of the applicant;
4. Projected capital investment estimates in real and personal property;
5. Employment - current and/or projected;
6. Wages – current and/or projected;
7. Other documentation necessary to support the request.

B. The Chamber will perform all necessary due diligence and prepare a report to the Mayors specifying the proposed terms of the property tax incentive based on the Economic Impact Matrix. An economic impact analysis shall be performed by professionals with recognized expertise in public sector economic analysis, finance, and accounting methodologies and be presented to the IDB and/or Legislative Bodies considering the PILOT for approval.

C. The Mayors shall offer conditional approval or rejection of the proposed terms of the property tax incentive, subject to further negotiation.

D. If approved by the Mayors, the Chamber will send the Applicant a conditional letter of commitment outlining the proposed terms of the incentive and reminding the applicant that final approval is subject to approval by the Legislative Bodies.

If the property tax incentive offer is agreeable to the applicant and the Mayors a written City staff report, PILOT Application documentation, and draft Lease Agreement shall be provided to IDB board members not less than 7 days prior to the public hearing. The hearing will begin with a staff presentation of the project describing how the project meets the purposes and interests of the City and complies with policy requirements before opening for public comment. Material issues, questions, and/or concerns raised shall be recorded in a memorandum and transmitted to the Legislative Bodies, not less than 7 days prior to hearings before such.

F. Upon IDB acceptance of the application, the Applicant, working through the Chamber, the application and agreements shall be placed on the next regular meeting of the IDB for approval if the Board determines that the Applicant meets all requirements of this policy and the term of the PILOT is 10 years or less.

G. If the proposed PILOT has a term of more than 10 years or does not conform to this policy, the Legislative Bodies will each meet to discuss the merits of the proposed Lease Agreement and resolution. The Legislative Bodies will determine, each by majority vote, if the proposal is in the best interests of the City and County and meets the goals and objectives for economic development.

H. Upon approval of the Legislative Bodies, the Lease Agreement will be presented to the IDB for approval and execution. Signatories to the Lease Agreement are the Mayors, Chairman of the IDB, the Applicant's representative, the Hamilton County Trustee, and the Hamilton County Assessor of Property.

If after the approval of an Application, (i) the Project's scope, location, or purpose changes, (ii) the Applicant receives tax incentives from another Governmental Authority that the Bodies consider to be in conflict with their own action, or (iii) any other change occurs that is considered material or adverse, the City, County, or IDB may notify Applicant, reconsider the Application, and modify or even revoke the property tax incentive that had been previously approved.

PART VI

Application Duties and Stipulations

Project Expansions: If the Project expands during the term of the Lease Agreement, such expansion shall be considered as a separate Project for the purpose of seeking a property tax incentive unless otherwise stated in the Lease or PILOT agreement. Project Expansions shall be subject to the same review and criteria as contained in the original Lease Agreement and shall require a new Application be made unless otherwise stated in the Lease or PILOT agreement.

Periodic Reports: As a condition of PILOT approval, applicants must agree to send signed copies of the annual update of the Economic Impact Matrix and annual attesting to the compliance or non-compliance status of those items identified in the original agreement and other periodic reports as required by the Lease Agreement to the IDB and the Chamber of Commerce.

Stormwater Fees: Stormwater fees will be paid in full and not otherwise deducted from Education or other taxes due.

Effect of Sale, Assignment or Lease of Property: No rights to a property tax incentive approved by the Board may be sold assigned, or leased unless otherwise specified in the Lease Agreement or approved by the Board. Any sale, assignment or lease of the property which is not permitted in the Lease Agreement results in a forfeiture of all property tax incentive rights on the property. If a recipient of a property tax incentive vacates, abandons or ceases operations on the Property,

which is the subject of a Real Property Lease Agreement, the property owner has twelve (12) months to obtain a new Applicant. All renewals for Projects with property tax incentives are granted at the sole discretion of the board.

Economic Development Fees: For each year in which the in Lieu Payment percentage to the city and county is less than 100%, an economic development payment equal to 15% of the project's respective general fund property taxes (excluding the school portion) shall be collected by the Treasurer and Trustee. However, in no event shall the total of the economic development payment and the Payment in Lieu of Taxes exceed 100% of the respective city and county general fund taxes if the property were subject to general fund taxes.

PART VII

Reporting; Notification Requirements; Audit

A. Economic Impact Matrix Report and Annual Report. Lessee shall send an annual update of the Economic Impact Matrix and Annual Report to the City Finance Officer, the Hamilton County Finance Administrator, the IDB, and the Chamber at the end of the Lessee's corporate tax year.

The Annual Report Form, not limited to the following, shall include:

1. Capital Investment – Real Property/Tangible Personal Property
2. Employee Report - The total number of employees, their total salaries and the starting wage. These jobs shall be reported in job classifications as required by the IDB.
3. Vendor Support Report - The gross dollars spent locally on supplier and professional service contracts, to demonstrate the amounts by contract awarded and performed by Chattanooga Persons if points were awarded per the matrix for a commitment to utilize local vendors.
4. 4. Minority/Small Businesses - The dollar amount of contracts awarded to local Minority/Small Businesses if points were awarded per the matrix for a commitment to utilize minority/small business vendors.

B. State Board of Equalization Report. The Lessee shall file reports with the State Board of Equalization as required by the State of Tennessee as set forth in T.C.A. § 7-53-305. A copy of the report and a copy of the transmittal letter to the State of Tennessee shall be filed with the County Assessor of property upon filing report with the State

C. Required Notification. The Applicant shall make timely notification to the IDB, Mayors, and the Chamber of any mergers, acquisitions, bankruptcies, company relocation, change in corporate structure or organization.

D. Audit. As information warrants, the City and County shall have the right to audit pertinent data, and, if necessary, visit and inspect the Projects, during the term of the property tax incentive to determine project Applicant. [Audit provision needs to be fleshed out here. Audit report back mechanism to Mayors, Legislative Bodies & IDB needs to be described.]

PART VIII

Chamber's Project File

The Chamber shall maintain a current checklist and file copies of all documents received as required by the State of Tennessee and the City and County as outlined in the Lease Agreement and this Part VIII, including, but not limited to, Lease Agreement, Economic Impact Matrix, Annual Report, and original Economic Impact Matrix and annual update to Economic Impact Matrix.

PART IX

Compliance and Remedies

Applicants have five (5) years to reach compliance levels for investment, employment, wages, and other factors committed by the Applicant in the Lease Agreement and to maintain those levels throughout the term of the Lease Agreement unless otherwise agreed to in the Lease Agreement. Each Applicant will provide an Annual Report inclusive of supporting documents, signed by an accountable administrative officer, to certify the Applicant's actual performance as more fully set forth in Part VII.A. Failure to provide the appropriate initial or annual follow-up documentation to the State of Tennessee, the City or the County shall be a violation of the Lease Agreement.

The Chamber will review the Annual Reports to determine the status of original goals versus actual performance reports and report these findings annually to the IDB. Any changes that prevent PILOT goal achievement may necessitate more frequent reporting. IDB will review the findings annually to determine the status of committed benefits by the applicant.

If audit findings or pertinent information reveals that the Applicant has not met the projections of the factors serving as the basis for the final calculation of the property tax incentive, the IDB, City or County shall have the right to audit data pertinent to determine compliance with the

Lease Agreement. [Audit provision needs to be fleshed out here. Audit report back mechanism to Mayors, Legislative Bodies, & IDB needs to be described.]

The IDB, City or County may exercise one or more of a number of remedies contained in the Lease Agreement, including:

- A. termination of the Lease Agreement;
- B. adjustment of the property tax incentive based upon the Lessee's performance in meeting their investment, jobs, and wage commitments;
- C. compel payment of amounts approximating the taxes that would have been due if the incentive had been determined in accordance with the Lessee's actual performance; or
- D. take other legal action.

Every situation shall be considered on a case-by-case basis. One factor to consider is if the Applicant has made a good faith effort to comply with its employment, wage, and capital investment commitments, but extraordinary circumstances prevent it from achieving those goals. Another factor that may be considered is that the applicant may have met or exceeded one or more of its commitments without meeting others.

The Chamber of Commerce, shall assess compliance with the terms of all active Lease Agreements and make an annual status report to the Mayors and the Board. This Annual Report shall include compliance levels for investment, employment, wages, and other factors agreed to by the applicants, as stated in the Lease Agreements. The presentation of the report shall be accompanied by a summary of aggregated PILOT metrics, discussion of proposed changes, if any, to PILOT policy or procedures, and invite public comment. The Mayors and the Legislative Bodies shall work in a collaborative effort to ensure PILOT criteria compliance and the ad valorem tax abatement program functions to preserve and enhance the best economic interests of City and County residents.