



## **INCENTIVES AND LOANS COMMITTEE**

### **Electronic Conference Call Meeting**

**Thursday, May 27, 2021**

**11:00 A.M.**

If accessing the meeting from the internet via a computer or smartphone, use this link to access the meeting:

<https://virginiatobaccocommission.my.webex.com/virginiatobaccocommission.my/j.php?MTID=m283fbc20331140a62c1b5d19fd50646>

If accessing the meeting by telephone dial: 1-408-418-9388 (US toll) and utilize the meeting number **132 596 4686#** and meeting password: **CP2SpTizF73 (27277849 from phones and video systems)**.

If you have any access issues at the time of the meeting, contact Jordan Butler via email at: [JButler@revitalizeva.org](mailto:JButler@revitalizeva.org) or call 804-894-9652.

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<b>Welcome and Call to Order</b>	<i>The Honorable Lashrecse Aird, Chair</i>
<b>Items Related to Remote Meeting</b>	<i>Andy Sorrell, Deputy Director</i>
<b>Call of the Roll</b>	<i>Evan Feinman, Executive Director</i>
<b>Approval of the <u>12/18/20</u> Minutes</b>	<i>(published on website)</i>
<b>Public Comments</b>	
<b>Forbearance Agreements</b> 3482 – Danville-Pittsylvania RIFA 3507 – Russell County	<i>Andy Sorrell, Deputy Director</i>
<b>Extensions, Modifications &amp; Appeals</b> 3138 – Henry County 3101 – Tazewell County IDA and 2845 – Scott County EDA	<i>Andy Sorrell, Deputy Director</i>
<b>Confidential Projects</b> 1. Glove 2. Aurora 3. K2 4. Sharon (added, 5/24)	<i>Evan Feinman, Executive Director</i>
<b>Other Business</b>	<i>Evan Feinman, Executive Director</i>
<b>Public Comments</b>	
<b>Adjournment</b>	

# Incentives & Loans Committee

May 27, 2021

The Incentives and Loans Committee is meeting on Thursday, May 27th at 11:00 a.m. to consider in open session two requests for loan forbearance, three requests for performance extensions or other project modifications and one repayment appeal. Three confidential projects will be discussed in closed session. All committee recommendations to the Commission will occur in open session. The following provide staff overview and comment on all the projects mentioned above.

## **FORBEARANCE AGREEMENTS**

### **1. Danville-Pittsylvania Regional Industrial Facilities Authority**

***Harlow Fastech, LLC (#3482)***

#### **Request for Forbearance on TROF Loan Payments until 2/1/2024**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) incentive was approved in October 2018 to the Danville-Pittsylvania Regional Industrial Facilities Authority (the “RIFA”) for the benefit of Harlow Fastech, LLC (the “Company”) in the form of a grant award of \$315,000 and a loan award of \$630,000 that were both fully disbursed to the RIFA by September 2019 (prior to performance). The performance period is 60 months ending 9/30/2023. The executed TROF loan agreement (the “Loan Agreement”) stipulated that the first loan payment in the amount of \$63,000 was due 2/1/2022 anticipating a two-year payment free period in years 2020 and 2021 once needed equipment arrived on-site before the loan payments began.

Due to the disruptions caused by the global pandemic, the Company notified the Commission that the primary piece of equipment needed to begin the manufacturing operation at the Company’s facility in the Danville Cyberpark has been delayed in shipment for over a year. While the machine (a Gerfertec 605 3D metal printing machine) could have been shipped the spring of 2020, the necessary personnel from Germany needed to set it up and train Company employees were not allowed to enter the US. With travel restrictions beginning to relax this year, the proper personnel are planned to enter the US this spring and the equipment will be shipped very soon so that when the personnel arrive they will be able to set it up and train Company employees how to use it.

The significant delay caused by the inability to get the needed equipment and personnel to set it up has meant that the Company has not had the revenue expected to pay the TROF loan payments. With the arrival of the equipment and personnel now expected this spring, The Company, has requested a period of forbearance that extends the time in which the first TROF loan payment will be due based upon the new date the equipment is arriving. Staff, in consultation with the Company and the RIFA, has drafted the attached forbearance agreement (Attachment 1A) that amends the first loan payment from beginning February 1, 2022 to be February 1, 2024.

Additionally, as noted in the attached letter (Attachment 1B), the RIFA also requests the Commission consider reducing the amount of security the RIFA holds for the loan by approximately 40%. The amount of security the RIFA currently is \$630,000 and the RIFA requests

it be reduced by \$250,000 to \$380,000. The RIFA estimates that the collateral used for the security (which is the value of the equipment) will have depreciated by 40% before the first loan payment would be due. Therefore the RIFA feels the true value of the collateral will be closer to \$380,000 as of February 1, 2024.

While the value of the collateral is likely to depreciate over time, the full amount of loan disbursed to the RIFA must be secured and therefore staff does not recommend reducing the security amount as requested. Reducing the security amount would not fully protect the Commission's disbursed loan amount if the Company is unable or unwilling to make the necessary repayments. As loan payments are made and the loan balance is reduced, it would be possible for the RIFA to request the security amount be reduced proportionately to the balance due. Alternatively, the loan amount to be disbursed to the RIFA could be reduced to the amount the RIFA desires to secure.

**Staff recommends the forbearance period of February 1, 2022 to February 1, 2024 and as shown in the attached forbearance agreement be ratified and approved by the Commission.**

## **2. Russell County Industrial Development Authority**

***Polycap, LLC (#3507)***

### **Request for forbearance on TROF Loan Payments until 1/31/2022**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) incentive was approved in June 2019 to the Russell County Industrial Development Authority (the "IDA") for the benefit of Polycap, LLC (the "Company") in the form of a grant award of \$140,000 and a loan award of \$140,000 that were both fully disbursed to the IDA by September 2019 prior to performance. The performance period is 36 months ending 3/31/2022. The executed TROF loan agreement (the "Loan Agreement") stipulated that the first loan payment of \$14,000 was due in August 2020 and this full payment was received as required. In February 2021 given the economic slow-down caused by the global pandemic and resulting material shortages and the significant price increases for materials the IDA on behalf of the Company requested a forbearance of one-year before loan payments resumed (Attachment 2B).

A forbearance period on TROF loan payments will allow the Company to adjust to the post-pandemic world and allow cash-flow to resume in order to meet existing financial commitments such as the TROF loan. Staff in consultation with the Company and the IDA, has drafted the attached forbearance agreement (Attachment 2A) that amends the next loan payment from beginning due February 1, 2021 to be February 1, 2022.

**Staff recommends the forbearance period of February 1, 2021 to February 1, 2022 and as shown in the attached forbearance agreement be ratified and approved by the Commission.**

## **EXTENSIONS AND MODIFICATIONS**

### **3. County of Henry, Virginia**

#### ***Starsprings (#3138)***

#### **Request for a Performance Extension through December 31, 2021**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) grant was awarded to Henry County (the “County”) and Starsprings USA Inc. (the Company) in February 2016 in the amount of \$220,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 9/30/2018 and was administratively extended for an additional year through 9/30/2019. The executed performance agreement required the company to employ 68 persons with an aggregate payroll of \$466,276. The taxable asset obligation during the performance period was \$3,035,000.

As noted in the attached letter from the Company (Attachment 3A), Company leadership transitions in 2018 and 2019 along with the impact of the global pandemic in 2020 have impacted the Company’s ability to fully achieve their performance metrics – through the fall of 2019 employment went up (meeting nearly 50% of their employment goal), but once the pandemic occurred in 2020 employment continued down. The Company has been able to achieve about 85% of their capital investment goal. After reviewing the letter from the Company and speaking with the County, staff believes the Company will be able to fully achieve their performance goals if granted a final performance extension through the end of 2021.

**Staff recommends approval of final performance extension through December 31, 2021.**

### **4. County of Tazewell, Virginia IDA**

#### ***Blue Wolf Sales & Service, Inc. (#3101)***

#### **Request for a Performance Extension through September 30, 2022**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) grant was awarded to the Tazewell County Industrial Development Authority (the “IDA”) and Blue Wolf Sales & Service, Inc. (the Company) in October 2015 in the amount of \$50,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 9/30/2018 and was administratively extended for an additional year through 9/30/2019. The Commission approved a 5<sup>th</sup> year extension through 9/30/2020 in October 2019. The executed performance agreement required the company to employ 15 persons with an aggregate payroll of \$102,881.25. The taxable asset obligation during the performance period was \$1,559,000.

As noted in the attached letter (Attachment 4A) from the IDA and submitted on the Company’s behalf, both the Company and the County felt the performance metrics would have been closer to the promised metrics had the global pandemic not occurred. Through the fall of 2019 the Company

had met 33% of their employment goal and met over 95% of their capital investment goal. In preparation for continued Company growth post-pandemic the Company has worked with GenEdge to analyze their financial and business position and they have plans to expand manufacturing post-pandemic. After reviewing the letter from the IDA and further speaking with IDA staff, staff believes the Company will be able to fully achieve their performance goals if granted a final performance extension through the end of September 2022.

**Staff recommends approval of final performance extension through September 30, 2022.**

## **5. County of Grayson, Virginia EDA**

### ***Oak Hall Industries (#2999)***

#### **Request to Consider “Fee In Lieu of Taxes” regarding Real Estate Investment and Performance Extension through June 30, 2020**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) grant was awarded to the Grayson County Economic Development Authority (the “EDA”) and Oak Hall Industries (the Company) in January 2015 in the amount of \$385,000 with funding fully disbursed prior to performance. The original 36-month performance period ended 12/31/2017. The executed performance agreement required the company to employ 100 persons with an aggregate payroll of \$572,000. The taxable asset obligation during the performance period was \$1,200,000. The Company facility is located in the Town of Independence (the “Town”) in Grayson County.

Since the Company facility is located in a Town-owned building leased to the Company, the TROF grant agreement required that in order for the Company’s real estate investment of nearly \$1.2 million in the facility to count as capital investment, the Town needed to receive a “Fee in Lieu of Taxes” (the “Fee”) from the Company. The Fee was amount of real estate taxes the Company would have paid had the Company owned the building and needed to be paid for a minimum of three consecutive calendar quarters in a monthly amount of \$593.18. For the nine months in three calendar quarters, that total amount should have been at least \$5,338.62. Both the Town and the County acknowledge that while this Fee payment should have been made, due to staff change over, they did not know it was required. Therefore, the County is requesting the Town be able to accept the Fee now even though the performance period has ended. Staff recommends the following:

Once Town of Independence acknowledges in writing that they have received the Fee from the Company (at least the amount of \$5,338.62) that the Commission permit the real estate investment to count towards the capital investment obligation.

Given that the project's performance period ended well before the impacts of the pandemic, an extension due to the pandemic is not suitable. However, staff supports a performance extension through 6/30/2020 which will allow the Company to earn the highest number of jobs they have had since the project began (40). If the Commission allows the Fee to be paid and allows for the

performance period to be extended, the Company will still have a repayment to the Commission for the unearned portion of the grant relating to jobs and wages.

**Staff recommends the Commission permit the real estate investment to count towards the capital investment obligation upon written acknowledgement from the Town of Independence that the Town has received the Fee in Lieu of Taxes in the amount of \$5,338.62 has been received from the Company and that the performance period be extended through June 30, 2020.**

## **REPAYMENT APPEAL**

### **6. County of Scott, Virginia EDA**

#### ***Secure Mountain, LLC (#2845)***

#### **Request for a TROF grant repayment forgiveness.**

***Staff Overview & Comment:*** This Tobacco Region Opportunity Fund (TROF) grant originally began as an application to the Southwest Economic Development Committee (the “SWED Committee”) the summer of 2013 from the Scott County Economic Development Authority (the “EDA”) and Secure Mountain, LLC (the “Company”). In January 2014 the SWED Committee awarded \$300,000 in funding and based on 28 new jobs and \$22 million capital investment promised, an additional \$160,000 was provided from TROF funds. The total amount of incentive (\$460,000) was governed by an executed TROF grant performance agreement and funds were fully disbursed in advance of performance. To secure the Company’s performance, the EDA included a secondary source of security in 2016 that included a purchase option on mineral rights on the property valued at approximately \$100,000. The original 36-month performance period ended 12/31/2016 and was administratively extended through 12/31/2017. By the end of the extended performance period, no performance metrics had been achieved as the project did not ultimately occur. Since the project did not happen, an event of default occurred which required full repayment to the Commission.

In early 2018, the EDA repaid the Commission 90% of the disbursed amount (\$412,408.25) on behalf of the Company. At that time, the Company requested staff forgive the remaining balance of \$47,591.75 which the Company noted had already been expended on site preparation and engineering in anticipation of the project’s commencement. Staff informed the EDA staff that such action required approval of the Commission at scheduled meeting. No further action was taken until staff, in reviewing files to close out, noted the balance due had yet to be returned to the Commission. Over several meetings in 2020, staff spoke to the Company and EDA staff informing them of the repayment requirement and requested a repayment plan for the balance due be executed by the EDA.

As noted in the letter from the EDA (Attachment 5A), the EDA requests the Commission defer action requiring repayment for this project until the next Commission meeting. Deferral is requested as the EDA desires to gather supporting performance information on employment and

capital investment to show that the amount the Company spent on site preparation should be considered to offset the 10% of the TROF grant that remains due. The Company desires to show that they spent \$3.5 million of their own funds to transition the site for use by the Company – including site construction and excavation work performed by local workers.

As staff has informed the County and the Company, TROF performance metrics are very specific and clear about what can count towards meeting the employment and private taxable capital investment objectives. Funding expended on site work and preparation do not count as is not a private taxable capital investment and therefore is not eligible to be utilized towards capital investment goals. People employed by the site work companies not employed or controlled by the Company and also are ineligible to be utilized towards achieving the employment goal. Additionally, even if the Commission could count the above work toward the capital investment goals it still would not allow the Company to achieve the minimum investment requirement (of \$11 million) which must be met before earning any of the grant.

Staff does not support deferral of action on this request because the employment and investment documentation the Company desires time to gather is for employment and investments that ultimately are ineligible. Staff recommends the Commission require the terms of a mutually-agreeable repayment plan be agreed to by the EDA and the Commission be established no later than June 30, 2021. Such repayment plan shall be for the full balance of \$47,591.75 which shall be fully repaid in no more than four (4) years (June 30, 2025).

Further, staff recommends that the Commission require full repayment of the balance due from the EDA if mutually-agreeable terms of a repayment plan are not in place by June 30, 2021. The full balance shall be due no later than July 31, 2021 and if not received by the due date, interest shall accrue on the balance due at the rate of 3% per annum beginning on that date.

**Staff recommends that the Commission require the terms of a mutually-agreeable repayment plan be agreed to by the EDA and the Commission be established no later than June 30, 2021. Such repayment terms shall be for the full balance of \$47,591.75 which shall be fully repaid in no more than four (4) years (June 30, 2025).**

**Further, staff recommends that the Commission require full repayment of the balance due from the EDA if mutually-agreeable terms of a repayment plan are not in place by June 30, 2021. The full balance shall be due no later than July 31, 2021 and if the full balance due is not received by that date, interest shall accrue on the balance due at the rate of 3% per annum beginning on that date and such interest shall be added balance due for the total amount due to the Commission from the EDA.**

## **CONFIDENTIAL PROJECTS**

### **7. County of Sussex, Virginia**

#### ***Project Glove***

#### **Project Proposed for Prospect Incentive Fund & Waiver of Policy relating to Prevailing Average Wage**

***Staff Overview & Comment:*** Staff has received a Tobacco Region Opportunity Fund (TROF) incentive estimate request for a regionally transformative project proposed to be located within Sussex County. Specific details of Project Glove will be discussed in closed session, but the overall performance parameters and possible incentive offering are as follows:

#### **Project Glove:**

- Proposed 3-year performance period providing 1,044 new jobs at an average annual salary of \$37,321 and a private taxable capital investment of \$446 million;
- Project's average annual wage proposed is 12% lower than the Locality's prevailing average annual wage of \$42,471;
- Staff proposes utilizing the Prospect Incentive Fund; and varying from the TROF policy requiring average wages be above the local prevailing average;
- TROF grant incentive estimate of \$1,022,000 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- 10-year repayable interest-free loan for up to 100% of the grant amount (\$1,022,000);
- **Total incentive of \$2,044,000 of which \$1,022,000 would be repayable over 10 years.**

Because the salary is under the prevailing average for Sussex County (\$42,471) in order to access TROF funds and possibly Prospect Incentive Funds, the Commission must approve the variance from the TROF policy requiring all projects to provide above the prevailing wage. Given the size of the project, staff feels the Project Glove is a good candidate for the Prospect Incentive Fund as well as variance from the TROF policy of the project providing above the prevailing average wage. The grant incentive portion that may be offered will be subject to revenue sharing with the Commission.

**Staff recommends variance from the TROF policy requiring projects provide above the local prevailing average wage and use of the Prospect Incentive Fund for the total TROF incentive offering of TROF incentive of \$2,044,000 (grant and loan), subject to verification of the facts, availability of funds and approval by the Commission.**

## **8. County of Pittsylvania, Virginia**

### ***Project Aurora***

### **Project Proposed for Prospect Incentive Fund**

***Staff Overview & Comment:*** Staff has received a Tobacco Region Opportunity Fund (TROF) incentive estimate request for a regionally transformative project proposed to be located within Pittsylvania County. Project Aurora is a two-part project with two separate but related companies each with their own performance objectives. Because of the number of jobs and capital investment proposed and the estimates incentive amount proposed, staff feels Project Aurora is a good candidate for use of the Prospect Incentive Fund. Since the possible incentive amount is over \$3 million, the full Commission must approve the incentive amount to be offered. Both grant incentive portions that may be offered will be subject to revenue sharing with the Commission. Specific details of the project will be discussed in closed session, but the overall parameters are as follows:

#### **Project Aurora - Part A:**

- Proposed 3-year performance period providing 2,500 new jobs at an average annual salary of \$37,814 and a private taxable capital investment of \$2.7 billion;
- TROF grant incentive estimate of \$1,812,500 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- 10-year interest-free loan for up to 100% of the grant amount (\$1,812,500);
- **Part A total incentive of \$3,625,000 of which \$1,812,500 would be repayable over 10 years.**

***AND***

#### **Project Aurora - Part B:**

- Proposed 5-year performance period providing 3,260 new jobs at an average annual salary of \$57,970 and a private taxable capital investment of \$2.7 billion;
- TROF grant incentive of \$2,782,000 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- 10- year repayable interest-free loan for up to 100% of the grant amount (\$2,782,000);
- **Part B: total incentive of \$5,564,000 of which \$2,782,500 would be repayable over 10 years.**

Staff recommends use of the Prospect Incentive Fund for the total incentive package for Project Aurora Part A and Part B for a total TROF incentive offering of \$9,189,000 (grant and loan), subject to verification of the facts, availability of funds and approval by the Commission.

## 9. County of Pittsylvania, Virginia

### *Project K2*

#### **Project Proposed for Prospect Incentive Fund**

**Staff Overview & Comment:** Staff has received a Tobacco Region Opportunity Fund (TROF) incentive estimate request for a regionally transformative project proposed to be located within Pittsylvania County. Specific details of Project K2 will be discussed in closed session, but the overall performance parameters and possible incentive offering are as follows:

#### **Project K2:**

- Proposed 3-year performance period providing 3,000 new jobs at an average annual salary of \$75,000 and a private taxable capital investment of \$20 billion.
- Given the size of this project, the TROF incentive estimator is not effective. Staff proposes utilizing the Prospect Incentive Fund as follows:
- TROF grant incentive estimate of \$10,000,000 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- TROF 10-year interest-free loan incentive estimate of \$10,000,000
- **Total incentive of \$20,000,000 of which \$10,000,000 would be repayable.**

Given the size of the project, staff feels the Project K2 is a good candidate for the Prospect Incentive Fund. As noted above, the grant incentive portion will be subject to revenue sharing with the Commission.

Staff recommends use of the Prospect Incentive Fund for the total TROF incentive offering of TROF incentive of \$20,000,000 (grant and loan), subject to verification of the facts, availability of funds and approval by the Commission.

## 10. County of Pittsylvania, Virginia (added 5/24/21)

### *Project Sharon*

#### **Project Proposed for Prospect Incentive Fund**

**Staff Overview & Comment:** Staff has received a Tobacco Region Opportunity Fund (TROF) incentive estimate request for a regionally transformative project proposed to be located within Pittsylvania County. Specific details of Project Sharon will be discussed in closed session, but the overall performance parameters and possible incentive offering are as follows:

#### **Project Sharon:**

- Proposed 3-year performance period providing 1,500 new jobs at an average annual salary of \$45,000 and a private taxable capital investment of \$2.3 billion.
- Staff proposes utilizing the Prospect Incentive Fund as follows:
- TROF grant incentive estimate of \$1,400,000 (to include local revenue sharing of 5% of net new local tax revenue generated by the project);
- TROF 10-year interest-free loan incentive estimate of \$1,400,000
- **Total incentive of \$2,800,000 of which \$1,400,000 would be repayable.**

Staff feels the Project Sharon is a good candidate for the Prospect Incentive Fund. As noted above, the grant incentive portion will be subject to revenue sharing with the Commission.

Staff recommends use of the Prospect Incentive Fund for the total TROF incentive offering of TROF incentive of \$2,800,000 (grant and loan), subject to verification of the facts, availability of funds and approval by the Commission.

# Attachment 1A

## FORBEARANCE AGREEMENT

This FORBEARANCE AGREEMENT (this "Forbearance Agreement"), dated as of February 1, 2021, between the DANVILLE-PITTSYLVANIA REGIONAL INDUSTRIAL DEVELOPMENT AUTHORITY, (the "RIFA") the CITY OF DANVILLE, VIRGINIA (the "City") and the COUNTY OF PITTSYLVANIA, VIRGINIA (the "County"), all political subdivisions of the Commonwealth of Virginia (together the "Debtors") and the Tobacco Region Revitalization Commission, a political subdivision of the Commonwealth of Virginia (the "Commission") recites and provides as follows:

### RECITALS

- A. The Parties entered into a certain Loan Agreement, dated October 15, 2018 (the "Loan Agreement"), by and among the Debtors, the Commission, and Harlow Fastech LLC ("the Company").
- B. Pursuant to the Loan Agreement, (i) the Commission made a cash loan in the amount of \$630,000 ("the Loan") to the RIFA for the benefit of the Company in exchange for the Company's promise to make certain capital investments and employ a specific number of persons in the City and County, (ii) the Company promised to pay the Commission the principal sum of \$630,000 payable in six (6) equal semi-annual payments of \$105,000 due on the first of February and the first of August, respectively, with the first loan payment due on the first semi-annual due date to arrive 24 months after the loan is disbursed.
- C. The Commission fully disbursed the Loan to the RIFA for the benefit of the Company by September 17, 2019 and the first semi-annual due date to arrive 24 months after disbursement thereby is February 1, 2022.
- D. Subject to the terms herein, the RIFA has requested that the Commission forbear from exercising any and all rights and remedies under the Loan Agreement for a period of two (2) years with the first semi-annual loan payments being due February 1, 2024.

### AGREEMENT

**NOW, THEREFORE**, for and in consideration of the promises, mutual covenants, releases, and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

- 1. **Terms.** Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Performance Agreement.
- 2. **Forbearance.** From and after the execution of this Forbearance Agreement through 5:00 p.m. Eastern Standard Time on January 31, 2024, (the "Forbearance Period"), the Commission will forbear from exercising any and all rights and remedies under the Loan Agreement; however the Forbearance Period shall automatically terminate in the event that the Commission fails to ratify this Forbearance Agreement at its next regular meeting, currently scheduled for May, 2021. During the Forbearance Period, the Commission shall not request, demand, or provide notice of additional

payment requirements, nor shall it withhold from the RIFA any benefit or consideration otherwise due to the RIFA arising from other transactions made in the normal course of Commission business.

3. **No Waiver of Rights or Remedies.** Each of the Parties agree that other than as expressly set forth herein, nothing in this Forbearance Agreement or the performance by the Parties of their respective obligations hereunder constitutes or shall be deemed to constitute a waiver of any of the parties' rights or remedies under the terms of the Performance Agreement or applicable law, all of which are hereby reserved.
4. **Representations and Warranties by Both Parties.** Each of the Parties hereby represents and warrants that each of the following statements is true, accurate, and complete as to such party as of the date hereof:
  - a. Such party has carefully read and fully understood all of the terms and conditions of this Forbearance Agreement;
  - b. Such party has consulted with, or had a full and fair opportunity to consult with, an attorney regarding the terms and conditions of this Forbearance Agreement;
  - c. Such party is freely, voluntarily, knowingly and intelligently entering into this Forbearance Agreement;
  - d. In entering into this Forbearance Agreement, such party has not relied upon any representation, warranty, covenant or agreement not expressly set forth herein;
  - e. This Forbearance Agreement has been duly authorized and validly executed and delivered by such party and constitutes each such party's legal, valid and binding obligation, enforceable in accordance with its terms; and
  - f. Such party has the full power and legal authority to execute this Forbearance Agreement; consummate the transactions contemplated hereby, and perform its obligations hereunder.
5. **Governing Law.** This Forbearance Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Virginia, notwithstanding its conflict of laws principles or any other rule, regulation or principle that would result in the application of any other state's law. Venue for any dispute involving this Forbearance Agreement shall lie in the Circuit Court for the City of Richmond.
6. **Entire Agreement.** This Forbearance Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements.
7. **Modifications.** No part or provision of this Forbearance Agreement may be changed, modified, waived, discharged, or terminated except by an instrument executed under oath, sealed and delivered by the party hereto against whom enforcement of such change, modification, waiver, discharge, or termination is sought.

8. **Successors and/or Assigns.** This Forbearance Agreement shall inure to the benefit of and bind each of the parties and their respective successors and/or assigns.
9. **Counterparts.** This Forbearance Agreement may be executed in counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same instrument.

TOBACCO REGION  
REVITALIZATION COMMISSION

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

DANVILLE-PITTSYLVANIA REGIONAL  
INDUSTRIAL FACILITY AUTHORITY

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

CITY OF DANVILLE, VIRGINIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

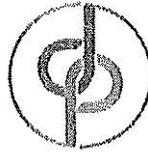
Date: \_\_\_\_\_

COUNTY OF PITTSYLVANIA, VIRGINIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



**DANVILLE PITTSYLVANIA**  
REGIONAL INDUSTRIAL FACILITY AUTHORITY

Ronald S. Searce, Vice Chairman

Sherman M. Saunders, Chairman

May 12, 2021

SENT VIA ELECTRONIC MAIL

Evan Feinman  
Executive Director  
Virginia Tobacco Region Revitalization Commission  
701 E Franklin Street; Suite #501  
Richmond, VA 23219

Mr. Feinman:

On behalf of the Danville-Pittsylvania Regional Industrial Facility Authority (RIFA), I would like to thank you and the Virginia Tobacco Region Revitalization Commission (Commission) for your previous and continued support of our community and the numerous projects that we're collectively realizing to improve the wellbeing of our residents. RIFA highly values its close partnership with the Commission and its Board, and recognizes the proactive role that it plays in catalyzing economic development within the historic tobacco growing footprint of Southern and Southwestern Virginia.

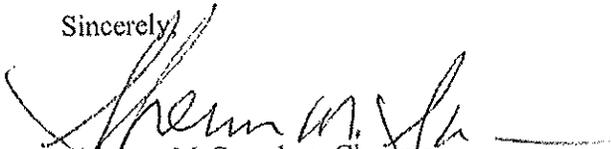
One recent project that involved close collaboration between RIFA and the Commission, was Harlow FasTech, LLC, a United Kingdom-based aerospace firm that decided to locate its initial US operations within the RIFA-owned Cyber Park in the City of Danville. The project was announced in November 2018, with plans to invest \$8,000,000.00 and create 49 new jobs over a 5-year performance period. As part of the project incentives, the Commission and community extended a \$630,000.00 equipment loan to the Company with 0% interest, that would be repaid in 6 equal installments beginning on February 1, 2022. However, due to unexpected COVID-19 impacts, the installation of the financed equipment was severely delayed causing the Company to recently request an additional 2-years of loan repayment forbearance from the Commission. As part of the forbearance request process, RIFA must consider and approve a forbearance agreement along with the Company, Commission, Pittsylvania County, and City of Danville.

This request was presented to and considered by RIFA during its May 2021 meeting, and the RIFA Board adopted a motion to request that the Commission reduce the community's loan guarantee liability by an amount of up to \$250,000.00. The rationale for this request is due to the collateral value of the equipment, which is securing the loan for the community, depreciating an

estimated 40% over the next 4-years before the first loan installment is repaid (the conservative estimated life of the equipment is 10-years). RIFA respectfully requests that the Commission consider providing the loan liability reduction proposed to enable RIFA to assist the Company, while still protecting the tax paying citizens of Pittsylvania County and the City of Danville. I, along with my RIFA Board colleagues, have directed RIFA Staff to work with you and your Staff on a possible solution to address the raised concern(s).

Again, on behalf of RIFA, I would like to thank you for supporting our region and its ongoing activities, and for considering our respectful request. RIFA certainly understands the need for flexibility during these unprecedented times, and looks forward to continue working with the Company and the Commission to ensure this project's highest chance of success, while weighing the need to reasonably protect the financial interests of our tax payers. It is my hope that the Commission can work with us on a solution to this raised concern.

Sincerely,



Sherman M. Saunders, Chairman  
Danville-Pittsylvania Regional Industrial Facility Authority

RECEIVED

APR 13 2021

**FORBEARANCE AGREEMENT**

This FORBEARANCE AGREEMENT (this "Forbearance Agreement"), dated as of April 1, 2021, between the (the "Debtor") and the Tobacco Region Revitalization Commission, a political subdivision of the Commonwealth of Virginia (the "Commission") recites and provides as follows:

**RECITALS**

- A. The Parties entered into a certain Loan Agreement, dated June 12, 2019 (the "Loan Agreement"), by and among the Debtor, the Commission, and Polycap LLC ("the Company").
- B. Pursuant to the Loan Agreement, (i) the Commission made a cash loan in the amount of \$140,000 ("the Loan") to the IDA for the benefit of the Company in exchange for the Company's promise to make certain capital investments and employ a specific number of persons in Russell County, Virginia (the "Locality"), (ii) the Company promised to pay the Commission the principal sum of \$140,000 payable in ten (10) equal semi-annual payments of \$14,000 due on the first of February and the first of August, respectively, with the first loan payment due on the first semi-annual due date to arrive six (6) months after the loan is disbursed.
- C. The Commission fully disbursed the Loan to the IDA for the benefit of the Company by September 1, 2019 and the first semi-annual due date to arrive six (6) months after disbursement was August 1, 2020. The first payment in the amount of \$14,000 was made in August 2020 leaving the remaining balance due to the Commission of \$126,000. In lieu of the second of ten payments to be made in February 2021, the IDA requested on behalf of the Company a forbearance period.
- D. Subject to the terms herein, the IDA requests that the Commission forbear from exercising any and all rights and remedies under the Loan Agreement for a period of one (1) year with the second of ten loan payments being due February 1, 2022 and continuing upon the regular bi-annual loan payment due dates of August 1<sup>st</sup> and February 1<sup>st</sup> biannually.

**AGREEMENT**

**NOW, THEREFORE**, for and in consideration of the promises, mutual covenants, releases, and agreements herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

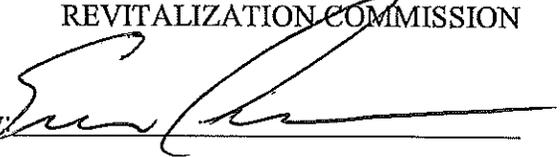
1. **Terms.** Capitalized terms used herein but not defined herein shall have the meanings ascribed to them in the Performance Agreement.
2. **Forbearance.** From and after the execution of this Forbearance Agreement through 5:00 p.m. Eastern Standard Time on January 31, 2022, (the "Forbearance Period"), the Commission shall forbear from exercising any and all rights and remedies under the Loan Agreement; however the Forbearance Period shall automatically terminate in the event that the Commission fails to ratify this Forbearance Agreement at its next regular meeting, currently scheduled for May 27, 2021. During the Forbearance Period, the Commission shall not request, demand, or provide notice of additional

payment requirements, nor it withhold from the IDA any benefit or consideration otherwise due to the RIFA arising from other transactions made in the normal course of Commission business.

3. **No Waiver of Rights or Remedies.** Each of the Parties agree that other than as expressly set forth herein, nothing in this Forbearance Agreement or the performance by the Parties of their respective obligations hereunder constitutes or shall be deemed to constitute a waiver of any of the parties' rights or remedies under the terms of the Performance Agreement or applicable law, all of which are hereby reserved.
4. **Representations and Warranties by Both Parties.** Each of the Parties hereby represents and warrants that each of the following statements is true, accurate, and complete as to such party as of the date hereof:
  - a. Such party has carefully read and fully understood all of the terms and conditions of this Forbearance Agreement;
  - b. Such party has consulted with, or had a full and fair opportunity to consult with, an attorney regarding the terms and conditions of this Forbearance Agreement;
  - c. Such party is freely, voluntarily, knowingly and intelligently entering into this Forbearance Agreement;
  - d. In entering into this Forbearance Agreement, such party has not relied upon any representation, warranty, covenant or agreement not expressly set forth herein;
  - e. This Forbearance Agreement has been duly authorized and validly executed and delivered by such party and constitutes each such party's legal, valid and binding obligation, enforceable in accordance with its terms; and
  - f. Such party has the full power and legal authority to execute this Forbearance Agreement; consummate the transactions contemplated hereby, and perform its obligations hereunder.
5. **Governing Law.** This Forbearance Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Virginia, notwithstanding its conflict of laws principles or any other rule, regulation or principle that would result in the application of any other state's law. Venue for any dispute involving this Forbearance Agreement shall lie in the Circuit Court for the City of Richmond.
6. **Entire Agreement.** This Forbearance Agreement constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements.
7. **Modifications.** No part or provision of this Forbearance Agreement may be changed, modified, waived, discharged, or terminated except by an instrument executed under oath, sealed and delivered by the party hereto against whom enforcement of such change, modification, waiver, discharge, or termination is sought.

- 8. **Successors and/or Assigns.** This Forbearance Agreement shall inure to the benefit of and bind each of the parties and their respective successors and/or assigns.
- 9. **Counterparts.** This Forbearance Agreement may be executed in counterparts, each of which shall constitute an original and all of which when taken together shall constitute one and the same instrument.

TOBACCO REGION  
REVITALIZATION COMMISSION

By: 

Title: Exec. Dir.

Date: 4-13-21

INDUSTRIAL DEVELOPMENT AUTHORITY  
OF RUSSELL COUNTY, VIRGINIA

By: 

Title: Chairman

Date: 3/31/2021



February 25, 2021

Mr. Ernie McFaddin  
Chairman  
IDA Russel County  
133 Highland Drive, Suite B  
PO Box 2378  
Lebanon, VA 24266

Re: Polycap LLC

Dear Ernie,

This letter serves as an update on the progress of the investment in Polycap LLC. It is now close to 2 years since the first papers were signed to establish our mutual commitment to make the transition of the injection molded cap and closure business, from Ontario to Virginia a success.

Throughout 2020 and on into this year the effects of Covid 19 have been significant on many aspects of our operation. Shortages on material because of a demand for Polypropylene and Polyethylene to support personal protective equipment (PPE) and sanitizing supplies as well as a general increase in packaging requirements due to panic buying of food, personal care, household and other consumer products, has had the effect of nearly doubling the cost of these materials.

Lost production from many of our suppliers due to Covid 19 related shutdowns has disrupted our operations on a regular basis. Parts availability is a challenge with low inventory and delays in manufacturing. Service technicians required to get our equipment up and running are delayed and or cancelled due to contact tracing measure that quarantine them when they are most needed. We have had several people in our own operation quarantined on the same basis.

Complications due to Covid 19 lockdowns from these unforeseen circumstances have had a dramatic effect on cash flow. The biggest challenge now is to fund the additional cash flow required to cover the accelerated cost of labour, overhead and material. The projection for return on the cost to ramp up the necessary additional revenue will be 7 to 9 months.

We are asking the region to help us with whatever payment deferrals can be arranged to support Polycap over the next 7 to 9 months. We will be successful, and this will lead to exceeding our employment targets. Customers are supporting us with as much business as we can produce. Russel county is central to all our markets and perfectly situated for growth. Training of new workers will be especially important. We must get past this Covid crisis. Fortunately, we have been staying healthy. We are taking ever precaution and it seems to be paying off.

Thank you for all your support to date.

Sincerely,

A handwritten signature in cursive script that reads "Gossmann".

Peter Gossmann  
Vice President, Polycap LLC

CC/ Tom Lato  
President Polycap LLC

*Molding a Better Future*  
Tel. (276) 883 5700

March 1, 2021

## Attachment 3A

Tobacco Region Revitalization Commission  
701 East Franklin Street, Suite 501  
Richmond, VA 23219

Dear Sir/Madam:

Starsprings USA, Inc submits this letter humbly requesting an extension of our Agreement dated December 11, 2015.

The TROF grant to Starsprings assisted in creating our first manufacturing operation in the United States. We immediately began the renovations to the existing Frith-owned building. To date, Starsprings has invested \$1,178,325 for real estate improvements and \$2,487,294 in furniture and machinery. The company expanded existing operations by 16,000 sq ft during the last four years and in 2020 began leasing and upfitting another Frith-owned property at 116 Textile Road, Ridgeway, VA encompassing 54,000 sq ft. Starsprings has invested \$131,821 for real estate improvements and \$191,511 in furniture and machinery in the new facility. Production will begin in the fourth quarter of 2021.

During the last two years, Starsprings USA has unfortunately ran into some transitional issues. The original President of Starsprings USA, returned home to Sweden as anticipated and was named President of Starsprings Sweden. The newly hired President that succeeded the original, remained with the company for nine months. During this time, sales began to decline and communication with the customers was limited. The next newly hired President, remained with Starsprings USA for four months. A drastic decline in employee morale took place under the new leadership. After the transitions with the two Presidents, Starsprings AB (parent company to Starsprings USA) decided to promote Jason Farmer from Production Manager to Plant Manger and not fill the position of President. Mr. Farmer has been with Starsprings USA since 2016 and worked closely with the original President. With Mr. Farmer leading Starsprings USA, employee morale has risen based on anonymous employee survey results and the reestablishment of customer communication has led to increased opportunities for sales. Mr. Farmer is currently focused on the hiring of workforce for the newly leased 54,000 sq ft facility and the impending upstart of production.



Within the last year, COVID-19 has also played a major role in the areas of sales and workforce. Starsprings USA's sales dropped greatly when one of the company's customers closed for a couple of months. A group of production employees was placed under partial furlough (employees were able to work one day a week to keep benefits ongoing) for six weeks. The company brought the employees back from furlough as soon as possible. Of course, it was a struggle for the company to hire during COVID-19 with the increased unemployment benefits being offered. Starsprings USA continues to advertise with Indeed, create relationships with local community colleges, utilize an outside staffing agency, and most recently created recruiting commercials with local television stations

Starsprings employed 29 people as of December 31, 2020. A noted average salary of \$30,680, more than the promised wage of \$27,428. Starsprings currently has plans to hire new employees for the facility located at 116 Textile Drive. A salesperson for the Ridgeway facility is being actively pursued as well.

As you may be aware, the Henry County unemployment rate sits at 9.6% (June 2020). While this number would make it seem good candidates would be easy to locate, unfortunately this is not the case due to the government assistance currently provided to the unemployed.

With new leadership from someone who has been with the company from the start, Starsprings feels we are in a great position to move forward and achieve job performance targets set in the original agreement. Starsprings would like to humbly request this extension to meet the original stated targets.

Respectfully,

Michelle Wyatt, Financial Administrator



*Tazewell County Industrial Development Authority*  
**TAZEWELL COUNTY, VIRGINIA**

197 Main Street • Tazewell, Virginia 24651 • Phone 276-385-1271 • Fax 276-988-2996

May 10, 2021

Andrew V. "Andy" Sorrell  
Deputy Director  
Virginia Tobacco Region Revitalization Commission  
701 E. Franklin St., Ste. 501  
Richmond, VA 23219

Dear Mr. Sorrell:

On behalf of the Industrial Development Authority of Tazewell County, I am requesting an extension from the Virginia Tobacco Region Revitalization Commission for a term of one year for the TROF Grant received by Blue Wolf Sales and Service, Inc.

I have met with Blue Wolf several times to discuss their responsibilities and criteria for receiving the TROF Funds. After reviewing each of the reports, we acknowledged that they have created jobs with an average wage of \$46,737 compared to the required average of \$27,435. Blue Wolf has built relationships with customers such as Lowes, Rural King, Walmart, Advance Auto and others. They are engaged in discussions with these larger retail chains at the regional level and with some, are now discussing potential national distribution. In preparation for this extraordinary growth, Blue Wolf has worked with SMT engineering to design upgrades of their manufacturing capabilities to perform at higher volume production requirements including automation and additional bottling capabilities. Over the past year, Blue Wolf has worked with GenEdge and independent financial experts to complete a detailed financial and business analysis.

These efforts are a significant demonstration of how Blue Wolf has worked to plan for their growth, streamline their operation and broaden their marketing plan. Unfortunately, COVID-19 has delayed their progress by keeping them from expanding and hiring additional employees.

Blue Wolf has been a valued corporate partner for many years in Tazewell County and we believe will continue to be an important economic resource for our region. Requesting a return of the COF funds at this time would place an undue hardship on the company and possibly, put the company's future at risk.

It is our opinion that the company would have met their grant requirements if it had not been for COVID-19. To help keep Blue Wolf on path, Tazewell County requests an extension on the Commonwealth Opportunity Fund award of \$50,000.

We appreciate your support of this project.

Sincerely,

*Pam Warden*

Pam Warden,  
Economic Development Manager

cc: Kyle Hurt, IDA Chairman



**SCOTT COUNTY  
ECONOMIC DEVELOPMENT AUTHORITY**

190 BEECH STREET, SUITE 202  
GATE CITY, VA 24251  
Phone: (276) 386-2525 Fax: (276) 386 6158  
E-mail: jkilgore@scottcountyva.com www.scottcountyva.org



May 7, 2021

Mr. Evan Feinman, Executive Director  
Mr. Andy Sorrell, Deputy Director  
Virginia Tobacco Region Revitalization Commission  
701 E. Franklin St., Suite 501  
Richmond, VA 23219

RE: Secure Mountain TROF

Dear Mr. Feinman and Mr. Sorrell:

Secure Mountain received a TROF grant in the amount of \$460,000 and signed a performance agreement. The agreement required Secure Mountain to create 28 jobs and \$211,456 of payroll over three successive quarters. Since that initial agreement, the company has communicated with us continuously on their progress as they continue to market the site as a Data Center premier site. They have toured many prospective companies there and continue to promote the site.

In 2017, and prior to the conclusion of the performance period, Secure Mountain notified the EDA and the Commission of its intent to return unexpended funds. Secure Mountain processed and immediately returned \$412,000 to the Commission, leaving a balance of approximately \$47,591.75.

There has been on-going discussion as to whether employment and any other benefits created by Secure Mountain during the period meet the compliance intent outlined by the performance agreement. Tobacco Commission staff have sought immediate repayment. We respectfully appeal the immediate repayment requirement and are working to gather data to support this request. Our expectation is to provide the information to you prior to the next meeting in September so the staff and Commission have time to review this prior to the meeting.

Please let us know if you have additional questions.

Sincerely,

A handwritten signature in cursive that reads "John H. Kilgore, Jr.".

John Kilgore  
Executive Director

JK/ph