

INCENTIVES AND LOANS COMMITTEE



AGENDA
INCENTIVES & LOANS COMMITTEE

Berry Hill Resort & Conference Center
3105 River Road, South Boston, VA 24592
Tuesday, October 4, 2022
4:30 P.M.

In accordance with §2.2-3708.2.D.2 of the Code of Virginia, the public may witness and participate in this meeting remotely (only audio participation will be utilized). The meeting number is: **2630 930 3163** and the password is: **73973989**. If participating via phone, dial: 1-408-418-9388 (toll) utilizing the above meeting number and passcode. If joining remotely, utilize the following link:

<https://virginiatobaccocommission.my.webex.com/virginiatobaccocommission.my/j.php?MTID=m7d9f09223b2fcf0ba9b58371b1a8205a>

If you experience problems calling in or transmission, please call: 804-894-9652 or email at JButler@revitalizeva.org. Any person needing accommodations in order to participate in the meeting should contact Ms. Joyce Knight, at 804-894-9651 at least (5) five days prior to the meeting, so that suitable arrangements can be made. In accordance with §30-179 of the Code of Virginia, the public may provide comment on their experience with this electronic meeting format. A copy of the comment form may be found here: http://foiacouncil.dls.virginia.gov/sample%20letters/reporting_reqs.htm.

Welcome and Call to Order	<i>The Honorable Danny Marshall, Chair</i>
Call of the Roll	<i>Andy Sorrell, Acting Director</i>
Approval of the <u>5/12/22</u> Minutes	<i>(published on website)</i>
Public Comments	
Into Closed Session	<i>The Honorable Danny Marshall, Chair</i>
Confidential Project Discussion	
Return from Closed Session	<i>The Honorable Danny Marshall, Chair</i>
Project Recommendations	<i>The Honorable Danny Marshall, Chair</i>
TROF Policy Revisions	<i>Andy Sorrell, Acting Director</i>
Other Business	<i>Andy Sorrell, Acting Director</i>
Public Comments	
Adjournment	

Incentives & Loans Committee

October 4, 2022

The Incentives and Loans Committee is meeting on October 4, 2022 at 4:30pm to consider one confidential proposed loan project in closed session and five requests for performance extension or other project modifications of existing projects in open 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.

Confidential Project Discussion

Material to be distributed in closed session.

Extensions and Modifications

1. Henry County IDA

Press Glass, Inc (#3456)

Request for a Performance Extension through June 30, 2023

Staff Overview and Comment: This is a Tobacco Region Opportunity Fund (TROF) grant for \$835,000 that was awarded to the Henry County IDA (the "IDA") and Press Glass Inc. (the "Company"). The performance period was June 2018 to June 2021. An administrative extension was granted through June 30, 2022. The performance agreement required the Company to employ 212 persons with an average annual salary of \$37,736 and provide new private taxable assets of \$43,550,000. The grant was disbursed prior to performance.

The Company has fully met the private taxable capital investment obligation, fully earning the portion of the grant devoted to capital investment (\$417,500). 200 of the 212 jobs have been provided which is 94% of the employment obligation.

As noted in the attached letter from the Company (Attachment A) and as supported by the IDA (Attachment B), the Company has fully met the capital investment obligation and are nearly meeting the employment obligation. The Company is still actively hiring and expects to fully achieve the employment obligation. Given the active hiring and their performance to date, the Company requests an additional performance extension through June 30, 2023.

Staff recommends a 5th year performance extension through June 30, 2023.

2. Smyth County Economic Development Authority

Smyth County Machine and Fabrication LLC (#3485)

Request for a Performance Extension through September 30, 2023

Staff Overview and Comment: This is a Tobacco Region Opportunity Fund (TROF) grant for \$200,000 that was awarded to Smyth County Economic Development Authority (the "EDA") and Smyth County Machine and Fabrication LLC (the "Company"). The performance period was September 30, 2018 to September 30, 2021. An administrative extension was granted through

September 30, 2022. The performance agreement required the Company to employ 53 persons with an average annual salary of \$35,883 and provide new private taxable assets of \$4,000,000. The grant was disbursed prior to performance.

The Company has met 63% of the private taxable capital investment obligation, earning \$63,436.03 of the grant. 32 of the 53 jobs have been provided which is 47% of the employment obligation (which includes a slight employment reduction since the Company did not meet the wage requirement).

As noted in the attached letter from the Company (Attachment C) and as supported by the EDA (Attachment D), the Company is still actively hiring, has increased wage level to attract more applicants, and is participating in job fairs to help to fully achieve the employment obligation. Given the active hiring, their performance to date, and their current investment in the locality, the Company has requested an additional performance extension through September 30, 2023.

Staff recommends a 5th year performance extension through September 30, 2023.

3. Franklin County

McAirlaids, Inc (#3502)

Request for a Performance Extension through September 30, 2023

Staff Overview and Comment: This is a Tobacco Region Opportunity Fund (TROF) grant for \$60,000 that was awarded to Franklin County (the "County") and McAirlaids Inc. (the "Company"). The performance period was September 30, 2018 to September 30, 2021. An administrative extension was granted through September 30, 2022. The performance agreement required the Company to employ 25 persons with an average annual salary of \$31,200 and provide new private taxable assets of \$7,800,000. The grant is to be disbursed after performance.

The Company has met 89% of the private taxable capital investment obligation, earning \$ 26,647.84 of the grant. 13 of the 25 jobs have been provided which is 52% of the employment obligation (which includes a slight employment reduction since the Company did not meet the wage requirement).

As noted in the attached letter from the Company (Attachment E) and as supported by the County, the Company is still actively hiring, increasing pay and benefits, and has the demand for product and equipment already on site to handle more employees.

Staff recommends a 5th year performance extension through September 30, 2023.

4. City of Danville

Essel Propack (#3501)

Request to Accept Report Value vs. Assessed Value of Capital Investments

Staff Overview and Comment: This is a Tobacco Region Opportunity Fund (TROF) grant for \$330,000 that was awarded to the City of Danville (the "City") and Essel Propack Inc. (the "Company"). The performance period was September 30, 2018 to September 30, 2021. The performance agreement required the Company to employ 45 persons with an average annual salary

of \$47,319 and provide new private taxable assets of \$31,197,395. The grant is to be disbursed after performance.

As noted in the executed performance agreement, the Commission requires "The Company's achievement toward meeting its taxable asset obligation *shall be based on asset values assessed the COR for the Locality...*" (*emphasis added*).

Using the above methodology, the Company has met 14% of the private taxable capital investment obligation by providing capital investment assessed at approximately \$4.3 million. Additionally, staff has confirmed from the Virginia Employment Commission that the Company and has provided 28 employees. The performance agreement requires the Company to fulfill at least 50% of its taxable asset obligation (or \$15,598,697.50) in order to earn any portion of the grant. Using the assessed value of the capital investment as required by the performance agreement does not allow the Company to earn the grant.

As noted in the attached letter (Attachment F), the City has requested the Commission consider using the original reported costs of Machinery & Tools (M&T) and Personal Property (PP) rather than the assessed values as the City applies an assessment ratio that significantly reduces the assessed value. As noted above, the performance agreement requires the Commission to utilize assessed values of capital investment as reported by the Commissioner of Revenue in writing. If the Commission were to consider utilizing the original reported costs of the M&T and PP, the Company's total capital investment would be \$28,935,744 (93% of promised) as evidenced by the Company's letter (Attachment G). Using reported cost would significantly increase the capital investment delivered from 14% to 93% and allow the Company the ability to earn portions of the grant based on their performance.

In this case, the reported value of capital investment are higher than the assessed value however, the executed performance agreement clearly states that the determination of performance for capital investment is based upon assessed value of taxable assets, and this should have been considered before the performance agreement was executed by the City in 2018. By executing the performance agreement, the City and Company agreed to the terms of the existing performance agreement with the wording related to utilizing the assessed value of assets. If the original incentive amount had been based upon the City's assessed value of capital assets, it would have likely been less than was provided. The City's reduced assessment values has the unintended consequence of reducing the Company's capital investment performance which in turn reduces the TROF incentive earned. While staff understands the City's position, Staff feels the terms of the performance agreement are clear and does not recommend accepting the reported costs as requested by the City.

Should the Commission desire to accept the reported costs of capital investment, the Company will be permitted to earn the portions of the grant they have performed to (upon submittal of appropriate paperwork needed to verify reported capital expenditures).

Staff recommends no action.

5. City of Danville

Litehouse Inc. (#3550)

Request to Accept Report Value vs. Assessed Value of Capital Investments

Staff Overview and Comment: This is a Tobacco Region Opportunity Fund (TROF) grant for \$340,000 that was awarded to the City of Danville (the "City") and Litehouse Inc. (the "Company"). The performance period was March 30, 2019 to March 30, 2022. The performance agreement required the Company to employ 160 persons with an average annual salary of \$36,157 and provide new private taxable assets of \$40,240,000. The grant is to be disbursed after performance.

As noted in the executed performance agreement, the Commission requires "The Company's achievement toward meeting its taxable asset obligation *shall be based on asset values assessed the COR for the Locality...*" (*emphasis added*).

Using the above methodology, the Company has met 28% of the private taxable capital investment obligation by providing capital investment assessed at approximately \$11.2 million. Additionally, staff has confirmed from the Virginia Employment Commission that the Company and has provided 124 employees. The performance agreement requires the Company to provide at least \$1 million of its taxable asset obligation in order to earn any portion of the grant.

As noted in the attached letter (Attachment H), the City has requested the Commission consider using the original reported costs of Machinery & Tools (M&T) and Personal Property (PP) rather than the assessed values the County uses. For M&T and PP assessed values, the City applies an assessment ratio that significantly reduces the assessed value. The executed performance agreement requires the Commission to utilize assessed values of capital investment as reported by the Commissioner of Revenue in writing. If the Commission were to consider utilizing the original reported costs of the M&T and PP, the Company's total capital investment would be \$18,002,569, as evidenced by the Company's letter (Attachment I).

In this case, the reported value of capital investment are higher than the assessed value however, the executed performance agreement clearly states that the determination of performance for capital investment is based upon assessed value of taxable assets, and this should have been considered before the performance agreement was executed by the City in 2019. By executing the performance agreement, the City and Company agreed to the terms of the existing performance agreement with the wording related to utilizing the assessed value of assets. If the original incentive amount had been based upon the City's assessed value of capital assets, it would have likely been less than was provided. The City's reduced assessment values has the unintended consequence of reducing the Company's capital investment performance which in turn reduces the TROF incentive earned. While staff understands the City's position, Staff feels the terms of the performance agreement are clear and does not recommend accepting the reported costs as requested by the City.

Should the Commission desire to accept the reported costs of capital investment, the Company will be permitted to earn a great portion of the grant then they are currently permitted (upon submittal of appropriate paperwork needed to verify reported capital expenditures).

Staff recommends no action.



PRESSGLASS

August 18, 2022

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

Dear Mr. Bringman:

Press Glass submits this letter requesting a fifteen month extension of our TROF Performance Agreement dated July 15, 2018, with an initial performance date of June 30th 2022. That agreement pledged 212 jobs and \$43.55M in capital investment.

Through the month ending November 30th, 2021 Press Glass, Inc has invested \$58.5M into its Virginia location's Property, Plant & Equipment. With this it would seem that we have surpassed the initial \$43.5M capital investment target and are continuing to invest further to increase our capacity.

Within the past 26 months from starting the investment, we've been fortunate to hire 196 great employees. We've started fabricate glass for our customers in June 2020, right after the COVID-19 pandemic hit. The pandemic and the uncertainty, has hindered our hiring plans. We've started operations with only one day shift and gradually have been opening and creating new shifts and teams. Currently PRESS GLASS fully operates on 2 shifts and we are under big recruitment activities to employ around 80 employees in 2022. We will be adding two new machines to our new facility by the mid 2022. We have started marketing jobs in neighboring communities like Rockingham County, Henry County, Danville, Rocky Mount, etc. and we are using different local resource to meet the goals and expectations in terms of employment (we work with local colleges – P&HCC, RCC, and VEC). The required employment should be reached by the end of the year

We have been fortunate to find great employees and hope this pattern continues. We are moving in the right direction as people hear and learn about the opportunities, benefits and work atmosphere offered by Press Glass.

We respectfully ask that the Agreement be extended for 12 months until June 2023. We appreciate any consideration given to our request.

Respectfully,

PRESS GLASS, Inc.

P.O. Box 979
4901 US Hwy 720
Stennis, MS 39212
USA
phone 662 578 2533
fax 662 578 1400

FEIN 59-1435559

www.pressglass.us

County of Henry

P.O BOX 7
KINGS MOUNTAIN ROAD
COLLINSVILLE, VIRGINIA 24078-0007
www.henrycountyva.gov



DALE WAGONER
County Administrator

VIRGIL "JR" POWELL
Deputy County Administrator

Board of Supervisors

JIM ADAMS
CHAIRPERSON
Blackberry District

RYAN ZEHR
Ridgeway District

T.J. "TOMMY" SLAUGHTER
Reed Creek District

Telephone (276) 634-4601

Board of Supervisors

JOSEPH A. BRYANT
VICE-CHAIRPERSON
Collinsville District

DEBRA PARSONS BUCHANAN
Horsepasture District

GARRETT DILLARD
Irlswood District

Fax (276) 634-4781

August 24, 2022

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

Mr. Bringman:

Henry County respectfully requests an extension of the August 2018 performance agreement for Press Glass.

The performance agreement stipulates the hiring of 212 employees and a capital investment of \$43.55M. The County is confident that the company has exceeded the capital investment obligation. The company's records also indicate that they have met the employment target. However, additional time is needed for the VEC system to capture the latest numbers and meet the requirement.

As the first tenant of Commonwealth Crossing Business Centre, Press Glass was eager to begin operation. Construction of their 280Ksf facility started almost immediately. Once completed, the capital investment easily surpassed the investment promised as the company currently reports over \$58M.

As their 280Ksf facility was being built, the company quickly began hiring and training employees at their North Carolina facility so that work could immediately begin once the new facility was complete. The Ridgeway, Virginia location became operational in Spring 2020, and they have continued ramping up production and hiring ever since. They are running first and second shifts and actively hiring for a third shift.

We are hopeful that TROF officials will agree to extend the performance agreement date to allow for the lag in the VEC reporting system.

Please feel free to contact me with questions.

Sincerely,

Dale Wagoner
County Administrator



Smyth County Machine
260 Gordondale Road
Atkins, VA 24311
276 783-4582 (fax) 276-783-5742
www.smythcountymachine.com

September 7, 2022

Kendra Hayden
Smyth County Economic Development
121 Bagley Circle, Suite 100
Marion, VA 24354

Dear Kendra,

Pursuant to your email of August 6, Smyth County Machine and Fabrication, LLC respectfully requests an extension of our Tobacco Region Opportunity Fund grant until September 30, 2023.

We exceeded our target for capital investment but need additional time to meet our target for job creation due to an unforeseen shortage of suitably qualified candidates and unusually high turnover in the last two years. As with most businesses, we could not anticipate the consequences of the Covid-19 pandemic on job creation; however, we continue to work diligently to meet our target. Since our last report, we have

- participated in three in-person and two virtual job fairs
- engaged area community colleges to establish apprenticeship programs
- expanded on-the-job training opportunities for lower skill level positions
- increased wage levels to attract a broader range of candidates

We currently have 37 employees - 35 FT and 2 PT- who were not reflected on our 3-31-22 VEC submission.

We are expanding into new customer markets as well as pursuing AS9100 and ASME pressure vessel certifications to allow for increased business with current customers, so we certainly have the business to support our job creation target.

I appreciate your consideration in this matter and am happy to answer any questions you might have.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg Sanders".

Greg Sanders,
President/CEO
Smyth County Machine and Fabrication, LLC





Smyth County, Virginia
121 Bagley Circle, Suite 100
Marion, Virginia 24354

Atkins District
Chilhowie District
North Fork District
Park District
Royal Oak District
Rye Valley District
Saltville District

Charles E. Atkins
Michael L. Sturgill
Charles P. Stevenson
Kristopher S. Ratliff, DPH
Courtney Widener
Lori H. Deel
Roscoe D. Call

County Administrator
Asst. County Administrator - Operations
Asst. County Administrator - Development

Shawn M. Utt
Lisa Richardson
Clegg Williams

May 4, 2022

Attachment D

David Bringman
Database and Performance Metrics Manager
Tobacco Region Revitalization Commission
701 East Franklin Street, Suite 501
Richmond, VA 23219

RE: Project 3485 Smyth County Machine and Fabrication LLC TROF Extension Request

Dear Mr. Bringman,

Please use this letter as Smyth County's support of Smyth County Machine and Fabrication's request an extension on the Tobacco Region Opportunity Fund performance agreement through 9/30/2023. Along with the downturn in employment due to COVID-19, finding qualified individuals that can adhere to the restrictive requirements due to government contracts has been an additional challenge for the company. Smyth County Machine and Fabrication continues to work diligently to meet their targets including, job fairs, engaging with Community Colleges to establish apprenticeship programs, expanded on-the-job training opportunities and increased wage levels.

Smyth County Machine continues to grow, expanding into new markets and growing their customer base. With an approved extension, Smyth County Machine & Fabrication is confident they will meet the employment requirement by the subsequent performance date.

Should you have any additional questions, please don't hesitate to contact our office at 276-706-8304.

Respectfully,

Kendra Hayden
Economic Development Project Manager



Smyth County Board of Supervisors
Ph. (276) 783-3298 | Fax (276) 603-9314 | www.smythcounty.org



Attachment E

September 7, 2022

Franklin County
1255 Franklin Street
Rocky Mount, VA 24151

McAirlaid's, Inc.
180 Corporate Drive
Rocky Mount, VA 24151

phone: 540 352 5050
fax: 540 352 5766

sales@mcairlaids.com
www.mcairlaids.com

Attn: Michael Burnette – Assistant County Administrator

Dear Mike,

Performance Agreement – Tobacco Region Opportunity Fund dated December 12, 2018

In the abovementioned Agreement, McAirlaid's Inc. committed to invest \$7,800,000 in taxable assets and employ an additional 25 personnel within 36 months of the Base Quarter in exchange for a Grant of \$60,000.

In terms of assets, we have met our commitment and have invested \$8,922,127 in taxable assets as of August 31, 2021.

However, in terms of employment, we have been unable to meet our commitment so far. The reason is quite simple: we are finding it virtually impossible to retain employees in our immediate vicinity despite strenuous efforts by the Company and outside agencies. It should be noted that the Rocky Mount area labor force is down 2.4% since the start of the pandemic. We continue to increase hourly pay and offer generous benefits; however, this has had no positive effect.

We continue to have an immediate requirement for additional personnel and have machines that cannot run due to the lack of people. This acute shortage has been getting worse.

This situation is prevalent across the region and will take some time to normalize as we look at it from today's standpoint. Our problem is that it coincides with the timing of the performance measurement.

Therefore, we would request that measurement of our performance under the employment portion of the Agreement be postponed by 12 months until September 30, 2023 to give us additional time to employ the needed personnel. We will continue to aggressively recruit and retain employees to meet the requirements of this grant.

I appreciate your consideration and look forward to your approval of the 12 month extension.

Yours Sincerely

Alana Young, CPA



City of Danville
Office of Economic Development & Tourism

Attachment F

September 11, 2022

Virginia Tobacco Region Revitalization Commission
Attn: David Bringman
701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Re: Tobacco Region Opportunity Fund – Essel Propack and Lighthouse

Dear Mr. Bringman,

Thank you for the opportunity to present requests from Essel Propack (now EPL America) and Lighthouse regarding each company's Tobacco Region Opportunity Fund (TROF) grant. This letter is to show the City's support of each request for the Commission to reconsider how capital investment, specifically related to machinery and tools, is calculated at the end of a performance period.

Both businesses have made significant investments in our community over the past three years, and it has come to our attention that the actual amount of the TROF grant would be significantly lower than what was outlined in each performance agreement. Through conversations with staff, we understand that the amount of credit for machinery and tools was determined by using the method in which our Commissioner of Revenue's Office calculates taxes paid – rather than providing credit for the original value of the asset. Since the City of Danville places all equipment on a depreciation schedule when calculating the taxes owed (ranging from 20% to 2%), this portion of both grants were calculated based on 20% of the original value of the company's investment.

This letter is to support both requests for the Tobacco Commission to reevaluate how machinery and tools investment is calculated for grant programs and would further request that the original value of the asset be considered instead. This method would provide the company full credit for its investment in our community, as well as align with grant programs provided by the locality and state. In looking at the Commission's broader footprint, adjusting this model will also equalize the value of the TROF grant amongst each locality within the Tobacco Region.

We are thankful for our continued partnership and appreciate your consideration of this request.

Sincerely,

Corrie Teague Bobe
Director



Attachment G

August 31, 2022

Virginia Tobacco Region Revitalization Commission
Attn: David Bringman
701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Re: Tobacco Region Opportunity Fund Project 3501

Dear Mr. Bringman,

On December 12, 2018, Essel Propack (now EPL America) entered into a performance agreement with the Tobacco Commission committing that the company would "construct or locate taxable assets and employ persons in the city of Danville" by a specified date. Our commitment to the Commission was that EPL would invest \$31,197,395 and hire 45 new full-time employees, which, if met, would total \$330,000 in grant funds through the Tobacco Region Opportunity Fund.

In closing this performance agreement, we have been made aware that the Commission is calculating our investment in Machinery and Tools based on how the Commissioner of Revenue's Office calculates the tax paid on equipment rather than the original value of the asset. The City of Danville places all equipment on a depreciation schedule when calculating the taxes owed, which ranges from 20% to 2%. During the term of our performance period (2017-2021) with the Tobacco Commission, EPL has invested \$28,935,744 in new equipment and has paid taxes to the City of Danville based on this original value. EPL has also invested \$7,328,819 in real estate and other assets during the same period. However, the Commission has indicated that it will apply a 20% modifier to our total investment. This means that we are only given credit for \$4,325,076.20 of our total investment made in the city of Danville, which significantly reduces the value of the TROF grant that was committed to our company.

This letter is to formally request that Tobacco Commission staff and members of its board reevaluate how they calculate the value of Machinery and Tools through this program. As it currently stands, companies are being penalized based on the method in which taxes are calculated within our respective localities instead of acknowledging the significant investment that the companies have made within the Tobacco Commission footprint.

We sincerely appreciate your consideration of this request and would be happy to answer any questions about our investment within the city of Danville.

Sincerely,

Anindya Bagchi
Senior Director of Finance
EPL America, LLC



City of Danville
Office of Economic Development & Tourism

Attachment H

September 11, 2022

Virginia Tobacco Region Revitalization Commission
Attn: David Bringman
701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Re: Tobacco Region Opportunity Fund – Essel Propack and Litehouse

Dear Mr. Bringman,

Thank you for the opportunity to present requests from Essel Propack (now EPL America) and Litehouse regarding each company's Tobacco Region Opportunity Fund (TROF) grant. This letter is to show the City's support of each request for the Commission to reconsider how capital investment, specifically related to machinery and tools, is calculated at the end of a performance period.

Both businesses have made significant investments in our community over the past three years, and it has come to our attention that the actual amount of the TROF grant would be significantly lower than what was outlined in each performance agreement. Through conversations with staff, we understand that the amount of credit for machinery and tools was determined by using the method in which our Commissioner of Revenue's Office calculates taxes paid – rather than providing credit for the original value of the asset. Since the City of Danville places all equipment on a depreciation schedule when calculating the taxes owed (ranging from 20% to 2%), this portion of both grants were calculated based on 20% of the original value of the company's investment.

This letter is to support both requests for the Tobacco Commission to reevaluate how machinery and tools investment is calculated for grant programs and would further request that the original value of the asset be considered instead. This method would provide the company full credit for its investment in our community, as well as align with grant programs provided by the locality and state. In looking at the Commission's broader footprint, adjusting this model will also equalize the value of the TROF grant amongst each locality within the Tobacco Region.

We are thankful for our continued partnership and appreciate your consideration of this request.

Sincerely,

Corrie Teague Bobe
Director

Attachment I

August 31, 2022

Virginia Tobacco Region Revitalization Commission
Attn: David Bringman
701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Re: Tobacco Region Opportunity Fund Project 3550

Dear Mr. Bringman,

On June 12, 2019, Litehouse entered into a performance agreement with the Tobacco Commission committing that the company would "construct or locate taxable assets and employ persons in the city of Danville" by a specified date. Our commitment to the Commission was that Litehouse would invest \$31,720,00 and hire 96 new full-time employees, which, if met, would total \$220,000 in grant funds through the Tobacco Region Opportunity Fund.

In closing this performance agreement, we have been made aware that the Commission is calculating our investment in Machinery and Tools based on how the Commissioner of Revenue's Office calculates the tax paid on equipment rather than the original value of the asset. The City of Danville places all equipment on a depreciation schedule when calculating the taxes owed, which ranges from 20% to 2%. During the term of our performance period with the Tobacco Commission, Litehouse has invested \$18,002,569 in new equipment and has paid taxes to the City of Danville based on this original value. However, the Commission has indicated that it will apply a 20% modifier to our total investment. This means that we are only given credit for \$3,600,513.80 of our total investment made in the city of Danville, which significantly reduces the value of the TROF grant that was committed to our company.

This letter is to formally request that Tobacco Commission staff and members of its board reevaluate how they calculate the value of Machinery and Tools through this program. As it currently stands, companies are being penalized based on the method in which taxes are calculated within our respective localities instead of acknowledging the significant investment that the companies have made within the Tobacco Commission footprint.

We sincerely appreciate your consideration of this request and would be happy to answer any questions about our investment within the city of Danville.

Sincerely,


Matthew Burrows

VP of Finance and Accounting

Litehouse, Inc.