

**Board Members:**

Charley Bible  
Shannon Coleman Egle  
Paul Fortunato  
Tiffany Gardner  
Mike George  
Terry Henley  
J. Ford Little  
Lou Moran, III  
Alvin Nance  
Lisa Rottmann  
Anthony Wise



**The Industrial Development Board of the County of Knox**

Regular Meeting  
Tuesday, September 12, 2023, 4:00 p.m.  
17 Market Square, #201  
Knoxville, Tennessee 37902

**AGENDA**

- I. Call to Order
- ACTION** II. Approval of Minutes from Previous Meeting
  - a) Regular Meeting – August 8, 2023
- ACTION** III. Review and consideration of a resolution of the Board of Directors of The Industrial Development Board of the County of Knox approving the PILOT application of Custom Foods of America, Inc. pertaining to the expansion of its existing facilities located at 3600 Pleasant Ridge Road, Knoxville, Tennessee 37921
- ACTION** IV. Review and consideration of a resolution of the Board of Directors of The Industrial Development Board of the County of Knox relative to a proposed amendment to the revenue bonds previously issued for The Change Center
- ACTION** V. Review and consideration of a resolution of the Board of Directors of The Industrial Development Board of the County of Knox relative to a proposed amendment to the Lease Agreement with Lifetime Products, Inc.
- VI. Presentation and Consideration of Agreed Upon Procedures for 12/31/22 for the Knox County Property Tax Incentive Program
- VII. Presentation and Consideration of Audited Financial Statements for Year Ended 3/31/23
- VIII. Old Business
  - a) Update on TDC/IDB Transition

- IX. New Business
  - a) Adoption of Public Forum Policy for Public Comment
- X. Adjourn



**MINUTES OF THE REGULAR MEETING OF  
THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**

August 8, 2023, 4:00 p.m.

The regular meeting of the Board of Directors of The Industrial Development Board of the County of Knox (the “Industrial Development Board” or “Board”) was held on Tuesday, August 8, 2023, at 4:00 p.m., pursuant to notice duly provided to the Directors and the public. The meeting was held at the offices of the Knoxville Chamber and The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee, 37902.

The following Directors were present at the meeting, Paul Fortunato (Chair), Tiffany Gardner (Vice Chair), Shannon Coleman Egle (Secretary), Alvin Nance, Terry Henley, Lisa Rottmann, Lou Moran, III, Charley Bible, and J. Ford Little.

Also, in attendance were Mac McWhorter (Knoxville Chamber), Karen Kakanis (Knoxville Chamber), Caroline Bailey (Knoxville Chamber), R. Christopher Trump (Legal Counsel – Egerton, McAfee, Armistead & Davis, P.C.), Katrina Vargas (Paralegal - Egerton, McAfee, Armistead & Davis, P.C.), Culver Schmid (Baker Donelson – Bond Counsel), and Soriya Gast (Public Observer).

I. Paul Fortunato, the Board’s Chair, called the Industrial Development Board meeting to order. The Agenda of the Industrial Development Board meeting is attached hereto as Exhibit A.

The Industrial Development Board then discussed the following matters and took the following actions as noted:

II. Review/Approve Minutes from Previous Meeting. The Chair of the meeting asked if there were any changes to the minutes of the regular meeting held on June 13, 2023.

Upon a motion by Tiffany Gardner, and a second by Lou Moran, the minutes of the June 13, 2023 meeting were unanimously approved. A copy of the minutes as approved is attached hereto as Exhibit B.

III. Finance Report. The Chair recognized Karen Kakanis who presented the financial report (“Financial Report”), reviewing with the Board the Balance Sheet with Prior Year Comparison, Budget Variance Report, and Income Statement of the Board with Prior Year Comparison. Discussion was had.

Upon a motion by Terry Henley, and a second by Alvin Nance, the Financial Report, as presented, was unanimously accepted. A copy of the financial statements presented during the report is collectively attached as Exhibit C.

IV. Nominating Committee Report for Board Officers and Committee Appointments and Related Appointments. The Chair addressed the Board regarding the proposed appointments

and, as a member of the Nominating Committee, presented the Committee's report to the Board. A copy of the Nominating Committee report is attached hereto as Exhibit D. The Chair opened the floor for additional nominations. None were made.

Upon a motion by Lisa Rottmann and a second by Alvin Nance, the officer and committee appointments listed in the committee report were unanimously approved.

V. Old Business. None.

(a) Discussion of poll results regarding changing the date and time of regular meetings. Mac McWhorter addressed the board regarding the results. All board officers voted to have the meeting in the afternoon, and the votes were not overwhelmingly in favor of one day over another. At this time, the meeting date and time will remain the second Tuesday of every month at 4:00p.

(b) Update on the Property Transfer Agreement with TDC. Mac McWhorter gave an update and explained that all documents have been signed and that we are awaiting attorney general approval. Chris Trump gave additional information concerning status and why attorney general approval is necessary. Discussion was had.

VI. New Business. None.

VII. Next Meeting. The next regular meeting of The Industrial Development Board of the County of Knox is scheduled for September 12, 2023, at 4:00 p.m. at the offices of The Development Corporation of Knox County located at 17 Market Square, #201, Knoxville, Tennessee.

VIII. Adjournment. No further business having come before the Board and upon motion duly made and seconded, the Board voted unanimously to adjourn the meeting at 4:14 p.m.

\_\_\_\_\_  
Dated

\_\_\_\_\_  
Shannon Coleman Egle, Secretary

## **EXHIBITS**

Exhibit A      Agenda – August 8, 2023

Exhibit B      Minutes – June 13, 2023

Exhibit C      Finance Report

Exhibit D      Nominating Committee Report

DRAFT





Dear Committee Members,

Custom Foods of America, Inc. (Custom Foods) is a Provider of ready-to-use component dishes serving the retail food industry. The company's soups, sauces, sides, and hot food are prepared by culinarians and food scientists with over 200 years of combined food service experience, enabling restaurants and convenience stores to keep their menus fresh.

To accommodate their growing business, Custom Foods is expanding their existing facility at 3600 Pleasant Ridge Rd., Knoxville, TN. The Company anticipates a total capital investment of just over \$58 million for a 183,000 square foot expansion of their existing building. The expansion will include a 117,000 square foot manufacturing plant, 46,000 square foot finished goods freezer, and 20,000 square foot dock. When completed, the facility will be equipped with new blast cells, kettles, blancher, case packers, boilers, refrigeration systems, air compressors, rackings, and transformers. Additionally, the expansion will add 195 new jobs to the existing 232 jobs held by Knoxville and Knox County Custom Foods employees, with an average annual wage of \$44,438 by February 2028. To assist them with their expansion, they have applied for a property tax abatement in the form of a PILOT agreement.

Using capital investment, average wage, and job numbers within the PILOT matrix, Custom Foods qualifies for a 5-year, 100 percent abatement. To provide you with specific details of this project's effects, we have included an economic analysis indicating a total tax abatement of \$3,247,136 over 5 years. In this scenario, the payback period is 4.3 years for the City, and 4.4 years for the County. Please see the enclosed spreadsheet listing the pertinent numbers for this project.

As always, I am more than happy to arrange a time to discuss this with you further should you have any questions prior to the meeting.

Sincerely,

*Mac McWhorter*

Mac McWhorter



**Custom Foods  
PILOT Application**

<b>Lessee</b>	Custom Foods of America, Inc., 3600 Management, LLC, 3600, LLC
<b>Project Location</b>	3600 Pleasant Ridge Road
<b>Property ID (Real)</b>	093DC01302
<b>Property ID (New Personal)</b>	1325526
<b>Type</b>	Real & Personal Property

<b>Project Parameters</b>	
Current Knoxville Employees	232
New Jobs	195
Average Wage	\$44,438
Capital Investment	\$57,984,406

**Staff Recommendation**

Lease Term Recommended	5 years
Abatement Recommended	100 percent

**Abatement**

City	\$1,886,868
County	\$1,360,268
<b>Total</b>	<b>\$3,247,136</b>

**Payback Period**

City	4.3 years
County	4.4 years

**Current Real Property Taxes**

City	\$203,546
County	\$146,739
<b>Total</b>	<b>\$350,285</b>



# Application for PILOT County of Knox, Tennessee

**Applicant:**

Company Name Custom Foods of America Inc., 3600 Management LLC, and 3600, LLC  
Mailing Address 3600 Pleasant Ridge Road  
City Knoxville State TN Zip 37921  
Telephone 865-525-0401 Fax \_\_\_\_\_  
Federal Employer Identification Number 62-1138094, 26-3947884, 62-1632166

Company representative to be contacted:

Name Michael Britton Title Vice President  
Mailing Address 3600 Pleasant Ridge Road  
City Knoxville State TN Zip 37921  
Telephone 865-525-0401 Fax \_\_\_\_\_

Description of Principle Business Custom manufacturer of soups, sauces, and sidedishes  
SIC/NASIC (if known) 2038 Legal Structure S Corp, LLCs  
If a corporation, state of incorporation Tennessee  
If foreign corporation, is it registered to do business in Tennessee?  Yes  No

**Sponsor:** (if applicable):

Company Name \_\_\_\_\_  
Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_  
Federal Employer Identification Number \_\_\_\_\_

Company representative to be contacted:

Name \_\_\_\_\_ Title \_\_\_\_\_  
Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Telephone \_\_\_\_\_ Fax \_\_\_\_\_

Description of Principal Business \_\_\_\_\_  
SIC/NASIC (if known) \_\_\_\_\_ Legal Structure \_\_\_\_\_  
If a corporation, state of incorporation \_\_\_\_\_  
If foreign corporation, is it registered to do business in Tennessee?  Yes  No

**Name and address of any of the following involved in the project:**

*Applicant's Legal Counsel:*

Name Butler Snow LLP Title Jet Hollingsworth  
Mailing Address PO Box 6010  
City Ridgeland State MS Zip 39158-6010  
Telephone 601-985-4404 Fax \_\_\_\_\_

*Project Engineer*

Name Custom Foods of America Title Carter Breeding  
Mailing Address 3600 Pleasant Ridge Road  
City Knoxville State TN Zip 37921  
Telephone 865-525-0401 Fax \_\_\_\_\_

*Project Architect*

Name Oysk3 Architects Title Steve Young  
Mailing Address 1545 Western Avenue, Suite 100  
City Knoxville State TN Zip 37921  
Telephone 865-803-4238 Fax \_\_\_\_\_

*General Contractor*

Name Brownlee Construction, Inc. Title Heath Brownlee  
Mailing Address PO Box 59001  
City Knoxville State TN Zip 37950  
Telephone 865-588-0537 Fax \_\_\_\_\_

Does applicant or sponsor of the project have an application pending or intend to apply for industrial revenue bond financing for this or a similar project with any other board in Knox County?

Yes  No *If yes, please attach a detailed explanation*

Does applicant or sponsor have present plans to incur indebtedness or other financial obligations, which would materially affect its financial condition other than the financing applied hereby?

Yes  No *If yes, please attach a detailed explanation*

Does applicant or sponsor of the project know of any proposed or pending tender offers, mergers, or acquisitions by or affecting applicant or sponsor of the project or any other materially significant corporate event in any way affecting application or sponsor of the project?

Yes  No *If yes, please attach a detailed explanation.*

**Project Location/Ownership:**

Street Address: 3600 Pleasant Ridge Road, Knoxville, TN 37921

Vicinity Map. *Please attach with general location of site shown.*

Attach a copy of deed (or surveyor's description) detailing property's metes and bounds description or other legal description.

Who owns the property at this time? 3600 Management LLC and 3600, LLC

Does applicant have an option to purchase the property if not already owned by applicant?

Yes  No

Are there presently outstanding any options or liens with regard to the property?

Yes  No

Give a brief description of the activities to be performed at this location, including a description of products to be produced and/or services to be provided:

Manufacture customized food products for restaurants, convenience stores, groceries, and other eating establishments.

Current Zoning: I2 - Industrial

Is the property zoned appropriately for intended use by this project?  Yes  No

**Tax Information:**

Obtain latest property tax statement from Knox County Assessor's Office (include both real and any existing tangible personal property).

*Real Property*

Tax parcel ID number(s) 093DC01302

Current assessment 9,442,680

Current tax City 203,546 / County 146,739

Will this project result in the subdivision of any current tax parcel?  Yes  No

Is the project located in the City of Knoxville's Central Business Improvement District?  Yes  No

If so, what is the current CBID tax assessment

*Tangible Personal Property*

Tax parcel ID number(s) 093DC01302 / PP 1325526

Current assessment 6,392,596

Current tax City \$137,799 / County \$99,341

Are there any assessments under appeal?  Yes  No

If yes, please describe. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Capital Investment:**

Land: Acreage \_\_\_\_\_ Already owned \_\_\_\_\_ Cost \$ \_\_\_\_\_

Site Preparation Cost \$ 1,588,188

Real Property (Building): Square Footage 183,000 Cost \$ 32,789,218

Personal Property Cost \$ 23,607,000

Briefly describe these investments (types of tangible personal property, type of site development planned for this location and other improvements):

117,000 sqft food manufacturing plant, 46,000 sqft finished goods freezer, and a 20,000 sqft dock. Tangible personal property  
will include new blast cells, kettles, blancher, case packers, boilers, refrigeration system, air compressors, rackings, and transformers.  
\_\_\_\_\_  
\_\_\_\_\_

**Construction Estimates:**

Start Date: Month June Year 2023

Completion Date: Month February Year 2025

Describe any off-site infrastructure that requires new public investments:

Water None  
\_\_\_\_\_  
\_\_\_\_\_

Sanitary Sewer None  
\_\_\_\_\_  
\_\_\_\_\_

Streets None  
\_\_\_\_\_  
\_\_\_\_\_

Storm Sewer None  
\_\_\_\_\_  
\_\_\_\_\_

Other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Have project utility requirements been reviewed by the appropriate local utility providers?

Yes    No

**Wages/Jobs:**

In any event, the wages and jobs set out herein shall be achieved within three (3) years after the commencement of operations. An annual report of achievement is required as December 31 each year for the term of the PILOT agreement.

Complete the forms attached hereto as Exhibits A & B, listing jobs and wages by major employment type category.

**Environmental Impacts:**

*Attach a Phase I Environmental Audit addressed to the Industrial Development Board.*

Discuss any environmental impacts created by the project

None  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Will this operation require an environmental permit?

<b>Air</b>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
<b>Water</b>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Justification for PILOT request** (substantiate and fully describe the justification for this request):

This project will be the single largest investment ever made by our company and will require maximum use of available debt and equity capacity. Operations at the new plant will also require significant on-going funding in order to cover expenses during the first several years after start-up. Furthermore, construction and equipment costs have risen over 25% since the project was initially planned due to surging inflation. The PILOT program would help the project achieve a reasonable rate of return and allow us to not only sustain but broaden our community impacts within the county. The project, which is located in a HUD empowerment zone, is expected to generate 195 well paid jobs over the construction period and the subsequent 3 years. Most of these positions will be filled by low-income local residents and are made available to hard to employ individuals thru Bridge Refugee Services, Safe Harbor (homeless and ex-offenders) and the Tennessee Department of Labor and Workforce Development. It is also anticipated that approximately 68% of these new openings will be filled by minorities based on the company's current demographic mix.

**Financial Information:**

*Attach copies of the last two fiscal years' audited financial statements.*

If publicly held corporation, a certified statement of the corporation's net worth with corresponding disclosure notes as provided in the applicant's latest approved/audited financial statement.

**Supplemental Information:**

All of the following Schedules attached hereto must be completed and submitted with this Application before staff of The Industrial Development Board of the County of Knox, Tennessee will submit your application to the Industrial Development Board of the County of Knox, Tennessee for initial consideration.

Exhibit A – Project Employment - Current Employees

Exhibit B – Project Employment – Additional/New Employment

Exhibit C – Property Tax Incentive Program Affidavit to Application\*

\*Please note that Exhibit C is required only if staff of The Industrial Development Board of the County of Knox, Tennessee has determined that the Project's primary purpose is one of community redevelopment, i.e. the financial incentives being requested are necessary to make the Project economically viable. If the Applicant is unsure, please check with staff as to whether Exhibit C is required. Notwithstanding any staff determination, The Industrial Development Board of the County of Knox, Tennessee reserves the right to require that the Affidavit be completed and submitted for the Project as a condition to the grant of any financial incentives under the Property Tax Incentive Program.

**Certifications and Signature:**

This application is made in order to induce The Industrial Development Board of the County of Knox, Tennessee to grant financial incentives to application and sponsor. Applicant and sponsor represent and warrant



that the statements contained herein or attached hereto are true and correct to the best of their knowledge and include all information materially significant to the board and its consideration of this application.

Applicant and sponsor have read and agree to comply with all requirements of the application procedures and policies of the Industrial Development Board of the County of Knox, Tennessee. Applicant specifically agrees to pay all reasonable costs, fees, and expenses incurred by the Board in connection with this application, whether or not the financial incentives are granted or this project built.

Applicant and sponsor acknowledge that, if the financial incentives are granted, the Applicant will be required to complete and file annually a PTIP Performance Report Form containing such information as may be required by the Industrial Development Board of the County of Knox, Tennessee, to determine compliance with incentive documentation, accompanied by either (1) audited financial statements of the Applicant covering the period of time inclusive of the immediately preceding tax year and which (i) contains certain supplementary information presenting the PTIP Performance Report Form and (ii) confirms that the Applicant is in compliance with the lease agreement between the Applicant and the Industrial Development Board of the County of Knox, Tennessee, or (2) an agreed upon procedures report of an acceptable independent certified public accountant substantially in the form attached hereto as Exhibit D.

M. C. Bue VP  
Applicant

07-14-2023  
Date

\_\_\_\_\_  
Sponsor

\_\_\_\_\_  
Date

**EXHIBIT A**  
Project Employment – Current Employees

## Project Employment - Current Employees

*To be completed if project is an expansion of operations in Knox County.*

Current Positions (by major category)	Total Jobs*	Number of Full-Time Jobs	Number of Part-Time Jobs	Number of Seasonal Jobs	Number of Contract Jobs	Total Annual Payroll
Office & Administration	22	22				2,764,000
Supervisors - Production & Maint	29	29				3,636,000
Production Workers	133	133				10,014,000
Research & Development	14	14				1,585,000
Quality Assurance	15	15				1,731,000
Maintenance	12	12				1,054,000
Sales	7	7				3,391,000
<b>Total</b>	232					24,175,000

**EXHIBIT B**

Project Employment – Additional/New Employees

## Project Employment - Additional/New Employment

In any event, wages and jobs set out herein must be achieved within three (3) years after commencement of operations.

Current Positions (by major category)	Total Jobs*	Number of Full-Time Jobs	Number of Part-Time Jobs	Number of Seasonal Jobs	Number of Contract Jobs	Annual Wage Per Position	Total Annual Payroll	Number of Positions Transferred from Company's Other Operations
Office & Administration	6	6				56,000	336,000	
Supervisor - Production & Maint	12	12				80,500	966,000	
Production Workers	163	163				40,500	6,601,500	
Research & Development	4	4				70,000	280,000	
Quality Assurance	8	8				48,000	384,000	
Maintenance	2	2				49,000	98,000	
<b>Total</b>	195	195				44,438	8,665,500	

Operation Start Date: June 2023 (month) (year) 231 (# Employees)

Full Operation: Feb 2028 (month) (year) 426 (# Employees)

\*Total Jobs - Total number of the following on an annual average basis:

- (A) Number of full-time jobs
- (B) One-half the number of part-time jobs
- (C) One-fourth the number of seasonal jobs
- (D) Number of contract jobs

**EXHIBIT C**

**PROPERTY TAX INCENTIVE PROGRAM  
AFFIDAVIT  
TO  
APPLICATION**

I, Michael C. Britton, being first duly sworn, depose and state under penalty of perjury as follows:

1. I am a corporate officer, company officer, managing member, general partner or sole proprietor of Custom Foods of America Inc., 3600 Management, LLC and 3600, LLC ("Applicant"), a company duly organized in the State of TN as a S.Corp, LLC, LLC (Corporation/LLC/Sole Proprietorship/General Partnership/Limited Partnership). Applicant submits this Application requesting payment-in-lieu-of-tax assistance for the project located at 3600 Pleasant Ridge Rd, Knoxville, TN 37921 ("Site"). The Applicant represents that this Application and all information furnished in support of the Application for the purpose of obtaining financial assistance under The Industrial Development Board of the County Property Tax Incentive Program ("PILOT Program") are true and complete to the best of Applicant's knowledge and belief.

2. Applicant hereby acknowledges and declares that it will comply with all submittal requirements for payment-in-lieu-of-tax assistance from The Industrial Development Board of the County of Knox ("IDB") set forth in the PILOT Program Policies and Procedures, as in effect from time to time, including, without limitation, the following:

(i) Applicant will pay PILOT application fee of \_\_\_\_\_ and no 100/00 Dollars (\$ \_\_\_\_\_) to the IDB at the time of application; and

(ii) Applicant will be required to pay the IDB a closing fee equal to five percent (5%) of the anticipated benefit, which will be due upon closing.

3. Applicant acknowledges and declares that the proposed project cannot be undertaken without the assistance of the Property Tax Incentive Program due to one or more of the following reason(s) as checked by Applicant:

(i) The Project, if financed by Applicant through cash on hand or through debt financing from a private lender, would not result in a reasonable rate of return to the Applicant; and/or

(ii) Applicant would not undertake the full set of improvements contemplated in the Application through resources reasonably available to the Applicant.

4. Applicant hereby agrees that Applicant shall at all times indemnify and hold harmless the IDB, its employees, officers, directors, counsel and consultants against all losses, costs, damages, expenses (including reasonable attorney fees), and liabilities of any nature directly or indirectly resulting from, arising out of, or relating to the acceptance, consideration, approval, or disapproval of this Application under the Knox County Property Tax Assistance program.

DATED this 14th day of July, 2023

*M. C. Bui*  
Signature

Vice President, Treasurer, Officer  
Title

Signed and sworn to before me this 14th day of July, 2023

*Kimberly Vowell*  
Notary Public

My Commission Expires: 11/1/25



## EXHIBIT D

### Independent Accounts' Report on Applying Agreed-Upon Procedures

[Tenant Name and Address]

We have performed the procedures enumerated below, which were agreed to by [Tenant Name] ("Company") in connection with our (i) verification of the accuracy of the information contained the PTIP Performance Report dated \_\_\_\_\_ ("Report") prepared and submitted by Company to The Industrial Development Board of the County of Knox (the "Board") and (ii) assessment as to whether Company is in compliance with the requirements of that certain Lease Agreement dated \_\_\_\_\_ between Company and the Board (the "Lease"). The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed upon procedures conducted are as follows:

1. [To Be Determined]

Based solely on such procedures performed, we hereby attest to the following:

- (a) The information set forth in the Report with respect to Tenant's Capital Investment in the Project, the creation and maintenance and/or retention of the Jobs and Wages in connection with the Project and \_\_\_\_\_ ("Lease Compliance Information") is fairly stated; and
- (b) Tenant is either in compliance with the requirements of the Lease and the Application as respects such Lease Compliance Information or has not yet reached the measurement date therefor.

We were not engaged to, and did not, conduct an audit, the objective of which would be an expression of an opinion on the accuracy of the information in the Report and the lease compliance requirements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Company and the Board and is not intended to be and should not be used by anyone other than Company and the Board.





# ENVIRONMENTAL SITE ASSESSMENT

of

Real Property

3600 Pleasant Ridge Road  
Knoxville, Tennessee 37921

Prepared for:

3600, LLC  
3600 Management, LLC  
3600 Pleasant Ridge Road  
Knoxville, Tennessee 37921

Prepared by:

Applied Engineering & Management Corporation  
2111 Woodson Drive  
Knoxville, Tennessee 37920

March 14, 2023

# ENVIRONMENTAL SITE ASSESSMENT

of

Real Property

3600 Pleasant Ridge Road  
Knoxville, Tennessee 37921

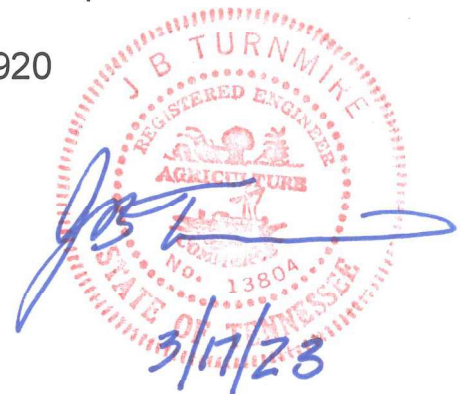
Prepared for:

3600, LLC  
3600 Management, LLC  
3600 Pleasant Ridge Road  
Knoxville, Tennessee 37921

Prepared by:

Applied Engineering & Management Corporation  
2111 Woodson Drive  
Knoxville, Tennessee 37920

March 14, 2023



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## INTRODUCTION

Mr. Tony Williams of 3600 LLC requested that Applied Engineering & Management Corporation (AEMC) review the environmental condition of real property located at 3600 Pleasant Ridge Road, Knoxville, Tennessee (Knox County). This document presents the findings and conclusions of an environmental review of the subject property including site walkdown completed February 14, 2023.

This environmental site assessment was conducted using standard engineering and scientific judgment, principles, and practices to comply with all appropriate inquiries (AAI) for the purposes of CERCLA sections 101 (35)(B)(i)(I) and 101 (35)(B)(ii) and (iii) for a commercial real estate transaction, in general conformance with ASTM E1527-21. This report is based on observations made during the site walkdown, and a review of environmental data as documented herein. Applied Engineering & Management Corporation (AEMC) assumes no liability with respect to the use of information contained in this report.

This document contains proprietary information of 3600 LLC and 3600 Management LLC and shall not be used, duplicated, or discussed in whole or in part without written consent of the aforementioned party. Although based on matters of fact, this report is considered an opinion work product and self-evaluation of property located at 3600 Pleasant Ridge Road, Knoxville, Tennessee (Knox County) subject to appropriate non-disclosure privilege. Mention of trade names or commercial products does not constitute endorsement or recommendation of same.

## SUMMARY OF FINDINGS

### Site Description

The property consists of one (1) lot\* comprised of five (5) parcels (see Appendix A) totaling 18.0± acres, located at 3600 Pleasant Ridge Road, Knoxville, Tennessee (Knox County). The properties are recorded in the Knox County Register of Deeds Office in Knoxville, Tennessee. The property fronts on Pleasant Ridge Road, Sycamore Drive and West Industrial Parkway. The northeastern property boundary joins West Industrial Parkway right-of-way adjoining land being used for commercial purposes (see photographs 1 and 2). The southeastern property boundary joins property currently having religious (i.e. Church) and commercial land use (see photographs 3, 4, and 5). The southwestern property boundary joins the Pleasant Ridge Road right-of-way with adjoining land use being residential and commercial (see photographs 6, 7, and 8). The northwestern property boundary joins the Sycamore Drive right-of-way with adjoining land use being commercial (see photographs 7, 8, 9 and 10). Access to the site is via Pleasant Ridge Road, Sycamore Drive, and West Industrial Parkway (see Figure 1). The property is surrounded by residential and commercial/industrial development including but not limited to a church, contractor's office and equipment storage yard, etc. The site hydrographic and topographic settings including area soils are in Appendix E. Water and sewer are supplied to the site by the Knoxville Utilities Board.

\*AEMC has not received a copy of a recorded plat creating one (1) lot and reserves the right to issue an addendum to this report upon receiving a copy of the recorded plat

### Limitations

AEMC was unable to determine the property use at 5-year intervals, which constitutes a data gap. The recorded property title records, and available aerial photographs were not considered sufficient to establish use of the property at 5-year intervals from 1940. Aerial photographs from 1939 and 1940 show the land being used for agricultural purposes. All reasonably ascertainable information about the property was reviewed to establish the historical use of the property.

### Finding

The property located at 3600 Pleasant Ridge Road has seven (7) structures located onsite and is being used for commercial/industrial purposes (see photographs 14 - 22). There is a wide variety of materials and supplies on site (see photographs 14 -22). The building located at 3009 West Industrial Parkway is scheduled for demolition and the flooring is reported to contain asbestos a recognized environmental condition (rec). There is hydrocarbon contamination on site in compliance with regulatory cleanup standards which is a rec. There is a variety of hazardous chemicals used onsite for cleaning, disinfection, and treatment purposes. These include but are not limited to sodium hydroxide, hypochlorite, aluminum chloride, sulfuric acid, and hydrogen peroxide. The presence of these chemicals is a rec.

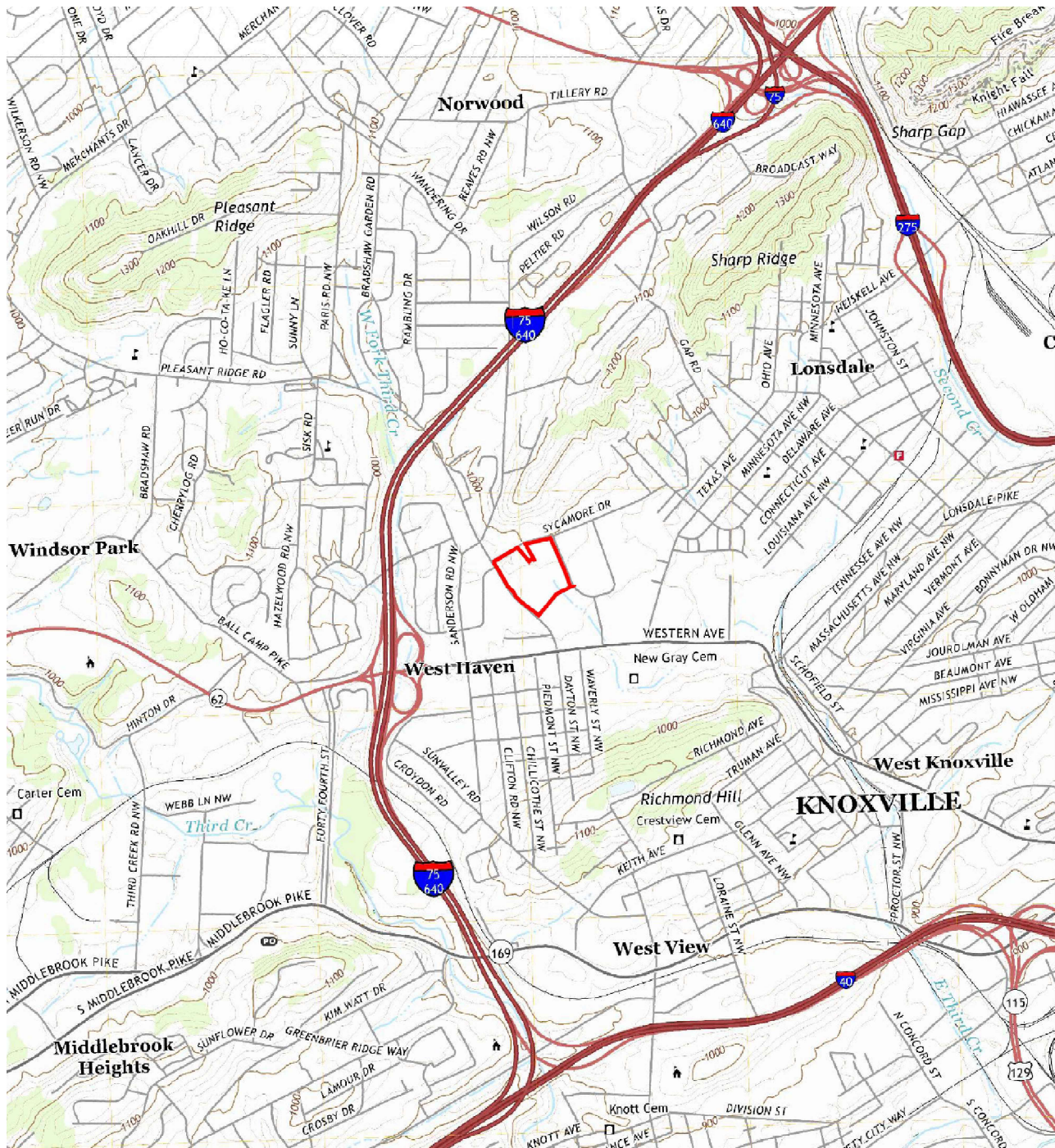
Anhydrous ammonia is used as a refrigerant and the quantity on site is a rec.  
There are land use restrictions on site and this is a rec.

Conclusion

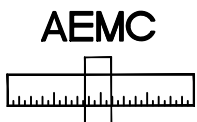
There is no identified threatened release of or environmental contamination on the property, as contemplated under 40 CFR part 312, section 312.21 (c), (1).

I declare that, to the best of my professional knowledge and belief, I meet the definition of Environmental Professional as defined in section 312.10 of 40 CFR. I have the specific qualifications based on education, training, and experience to assess a property of the nature, history, and setting of the subject property. I have developed and performed the appropriate inquiries in conformance with the standards and practices set forth in 40 CFR part 312.





 **SITE**



**AEMC**  
**Applied Engineering and Management Corporation**  
 211 Woodson Drive, SW  
 Knoxville, Tennessee 37920

**GENERAL LOCATION MAP**  
 3600 PLEASANT RIDGE ROAD  
 KNOX COUNTY  
 KNOXVILLE, TENNESSEE





## METHODOLOGY

The objective of this assessment is to identify conditions indicative of releases or threatened releases of hazardous substances, pollutants, contaminants, petroleum, petroleum products, and controlled substances (as defined in 21 U.S.C. 802) on, at, in, or to the subject property. This review consisted of inspecting the site and adjoining property (completed March 14, 2023) in addition to the review of environmental data available.

The site walkdown consisted of a physical inspection of the property and adjacent land for signs of hazardous substances (PCB's, asbestos, etc.), contamination by hazardous waste and/or petroleum and petroleum products. This inspection is to identify actual conditions on the property and surrounding property.

The review of available records was conducted for the purpose of identifying historical uses of the property which may or could be indicative of releases or threatened releases of hazardous substances, pollutants, contaminants, petroleum, petroleum products, and controlled substances (as defined in 21 U.S.C. 802) on, at, in, or to the subject property.

## SITE ENVIRONMENTAL INSPECTION

During the preparation of this environmental report, a premises investigation was completed on March 14, 2023. The property was examined with respect to the following items:

- A. Hazardous substances, as determined under Federal and State environmental laws: As documented in this report.
- B. Petroleum, petroleum products/derivatives, and hydrocarbons: As documented in this report.
- C. Landfills, land disposal areas, open dumps, or waste piles: As documented in this report.
- D. Construction debris, discarded drums/barrels/containers: As documented in this report.
- E. Stressed vegetation or denuded areas: The onsite vegetation appears normal for the time of year.
- F. Discolored or stained soils, blackened soils, or ash: None observed.
- G. Surface impoundments, ponds, and lagoons: As documented in this report.
- H. Urea, formaldehyde, or asbestos: As documented in this report.
- I. Equipment containing polychlorinated biphenyls (PCB's): None observed.
- J. Impact onsite from adjacent property (uses): None observed.

## INTERVIEWS

Mr. Carter W. Breeding, Plant Engineer for Custom Foods of America, was interviewed by Dr. JB Turnmire, PE. Mr. Breeding stated that he has worked on site since April 2022. Mr. Breeding was not aware of any emergency response being made to the property or any complaints or other issue with local governing bodies or adjoining property owners. Mr. Breeding stated that he had not observed any unusual activity (dumping, waste, etc.) and was not aware of any environmental issues.

City of Knoxville Fire Department does not provide personnel for interviews. Database searches for property specific emergencies requiring the response of the City of Knoxville Fire Department are restricted to the time period of December 1, 2001 to the present. Reports for incidents prior to December 1, 2001, will be provided only for the exact date(s) specified by the requestor. The fire department responded to the property located at 3600 Pleasant Ridge Road, Knoxville, Tennessee on October 27, 2018 and managed a release of anhydrous ammonia.

Mr. Tony Williams (the users of this ESA) provided responses to the following:

1. Environmental cleanup liens that are filed or recorded against the site (40 CFR 312.25).

Are you aware of any environmental cleanup liens against the property that are filed or recorded under federal, tribal, state or local law ?

No.

2. Activity and land use limitations that are in place on the site or that have been filed or recorded in a registry (40 CFR 312.26).

Are you aware of any AULs, such as engineering controls, land use restrictions or institutional controls that are in place at the site and/or have been filed or recorded in a registry under federal, tribal, state or local law ?

Yes. Land use restrictions.

3. Specialized knowledge or experience of the person seeking to qualify for the LLP (40 CFR 312.28).

As the user of this ESA do you have any specialized knowledge or experience related to the property or nearby properties ?

Yes. I have been Custom Foods site manager for 23+ years.

For example, are you involved in the same line of business as the current or former occupants of the property or an adjoining property so that you would have specialized knowledge of the chemicals and processes used by this type of business ?

I'm aware of chemicals onsite, in addition to being aware that underground storage tank(s) and petroleum contaminated soils were removed from the site.

4. Relationship of the purchase price to the fair market value of the property if it were not contaminated (40 CFR 312.29).

Property is not being purchased.

If you conclude that there is a difference, have you considered whether the lower purchase price is because contamination is known or believed to be present at the property ?

N/A

5. Commonly known or reasonably ascertainable information about the property (40 CFR 312.30).

Are you aware of commonly known or reasonably ascertainable information about the property that would help the environmental professional to identify conditions indicative of releases or threatened releases ?

I gave Dr. Turnmire copies of any and all documents relating to the environment that we have.

For example, as user,

- a. Do you know the past uses of the property ?

Yes. Prior property use includes but not limited to food processing, manufacturing electrical components, freight terminal facility, a sign company office & warehouse, pharmaceutical company, and building materials company.

- b. Do you know of specific chemicals that are present or once were present at the property ?

Yes. dimethyl thiolate, anhydrous ammonia, sodium hydroxide, hypochlorite, aluminum chloride, hydrogen peroxide, and sulfuric acid.

- c. Do you know of spills or other chemical releases that have taken place at the property ?

Yes. anhydrous ammonia and dimethyl thiolate.

- d. Do you know of any environmental cleanups that have taken place at the property ?

Yes. Underground storage tank(s) was removed.

6. The degree of obviousness of the presence or likely presence of contamination at the property, and the ability to detect the contamination by appropriate investigation (40 CFR 312.31).

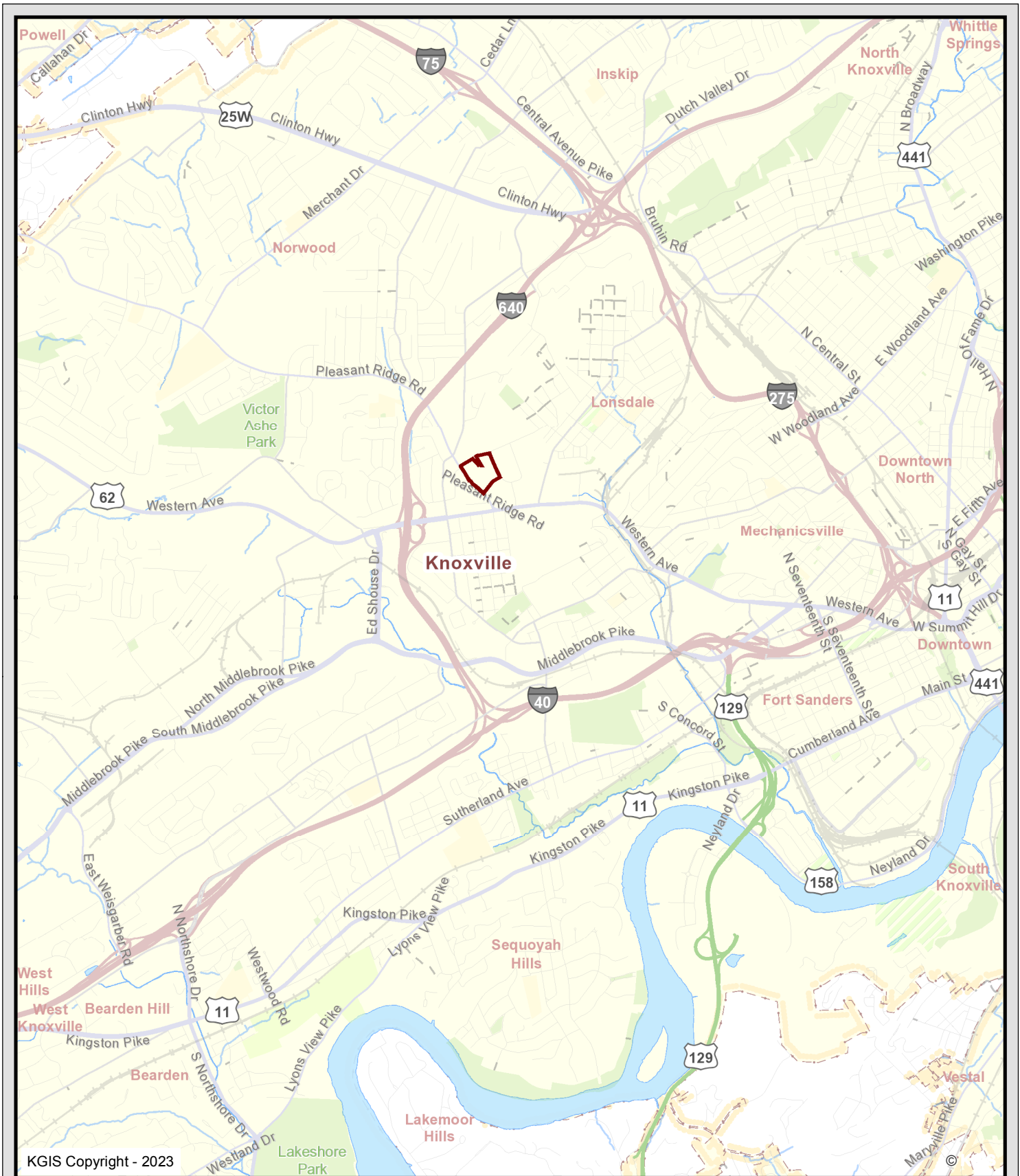
As the user of this ESA, based on your knowledge and experience related to the property, are there any obvious indicators that point to the presence or likely presence of contamination at the property ?

No. Excepting the underground storage tank information provided.

## RECORDS REVIEW

A review of property records at the Knox County Register of Deeds office at Knoxville did not reveal any recorded environmental liens or conditions for this property. A search of Knox County ownership records show ownership of the properties by 3600 LLC and/or a combination of 3600 LLC and 3600 MANAGEMENT, LLC. A review of topographic maps dated 1892, 1894, 1895, and 1901 shows the property undeveloped (see Appendix B). A review of topographic maps dated 1936, 1942, 1953, 1966, 1968, and 1978 shows structure(s) on the property (see Appendix B). A review of aerial photographs dated 1939 and 1940 shows the property being used for farming and undeveloped (see Appendix D). A review of aerial photographs dated 1953, 1956, 1960, 1973, 1976, 1984, 1992, 2007, 2010, 2014, and 2018 shows the property being developed and used as an industrial park (see Appendix D). A database search was conducted (see Appendix E) which shows two (2) leaking underground storage tank (LUST) site on the property with a status of closed. The database also shows sixteen (16) leaking underground storage tank (LUST) sites within 0.5 miles of the property with a current status of closed. Fourteen (14) of the thirteen are at a lower elevation than the property located 3600 Pleasant Ridge Road. Two (2) sites are located at same or higher elevation. The database also shows one (1) site with institutional controls within 0.25 miles of the property at a lower elevation (3006 Industrial Parkway). One (1) volunteer cleanup program (VCP) site (3600 Pleasant Ridge Road) is identified on the property and three (3) within 0.5 miles. There are three (3) state remediation program (SRP) sites within 0.5 miles. There is a Tennessee NPDES permit for the property located at 3600 Pleasant Ridge Road (TNR133653). A search of Sanborn maps did not identify any existing maps for the area.





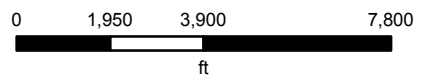
## Custom Foods of America

### Knoxville - Knox County - KUB Geographic Information System

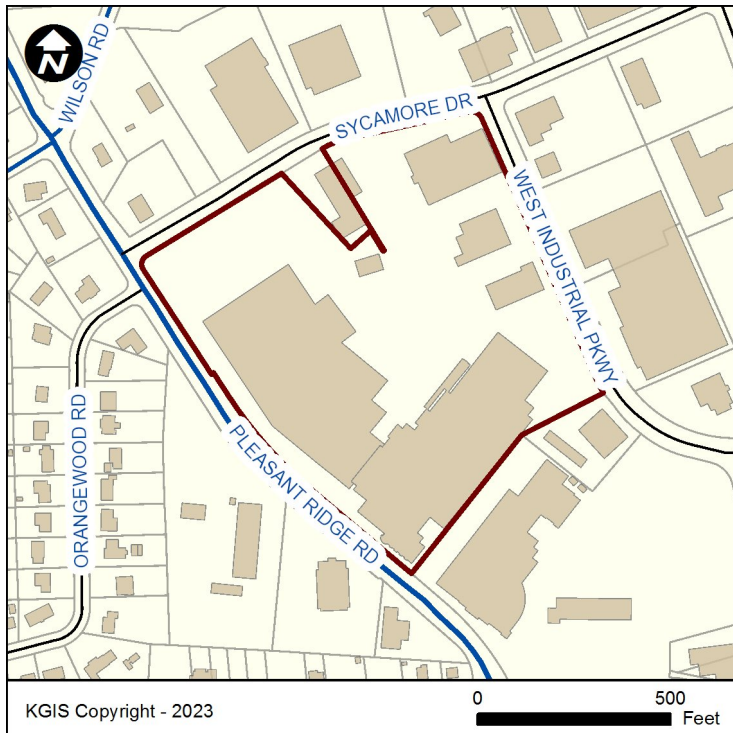
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Printed: 8/22/2023 at 10:39:38 AM



### Parcel 093DC01302 - Property Map and Details Report



#### Property Information

Parcel ID:	093DC01302
Location Address:	3600 PLEASANT RIDGE RD
CLT Map:	93
Insert:	D
Group:	C
Condo Letter:	
Parcel:	13.02
Parcel Type:	NORMAL
District:	
Ward:	41
City Block:	19114
Subdivision:	CUSTOM FOODS OF AMERICA LOT 2R-1R2
Rec. Acreage:	18.01
Calc. Acreage:	0
Recorded Plat:	20230329 - 0052471
Recorded Deed:	20081230 - 0040256
Deed Type:	QC:Quit Claim D
Deed Date:	12/30/2008

#### Address Information

Site Address:	3600 PLEASANT RIDGE RD KNOXVILLE - 37921
Address Type:	BUSINESS
Site Name:	CUSTOM FOODS OF AMERICA
Please contact Knoxville-Knox County Planning at (865) 215-2500 if you have questions.	

#### Owner Information

3600 MANAGEMENT LLC & 3600 LLC 3600 PLEASANT RIDGE RD KNOXVILLE TN 37921
The owner information shown in this section does <b>not</b> necessarily reflect the person(s) responsible for Last Year's property taxes. Report any errors to the Knoxville Property Assessor's office at (865) 215-2365.

#### Jurisdiction Information

County:	KNOX COUNTY
City / Township:	Knoxville

#### Other Information

Census Tract:	28
Planning Sector:	Central City
Please contact Knoxville-Knox County Planning at (865) 215-2500 if you have questions.	

#### Political Districts

Voting Precinct:	19
Voting Location:	Thrive Lonsdale 1317 CONNECTICUT AVE
TN State House:	15
TN State Senate:	5
County Commission:	1 Dasha Lundy (at large seat 10) Kim Frazier (at large seat 11)
City Council:	3 Seema Singh (at large seat A) Lynne Fugate (at large seat B) Janet Testerman (at large seat C) Amelia Parker
School Board:	1 John Butler
Please contact Knoxville-Knox County Election Commission at (865) 215-2480 if you have questions.	

#### School Zones

Elementary:	WEST HAVEN ELEMENTARY
Intermediate:	
Middle:	NORTHWEST MIDDLE
High:	WEST HIGH
Please contact Knoxville-Knox County Schools Transportation and Zoning Department at (865) 594-1550 if you have questions.	

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Account Number : 093DC-01302

Justin Biggs, Trustee  
Knox County Trustee

3600 PLEASANT RIDGE RD

(C) is for separate City Tax, (C/A) for City Tax Addon

(ADD) is for County Tax Addon

(BK) for Bankruptcy

(CM) for Clerk&Master

(AP) for Under Appeal

(PP) for Pre-Payments received for future year bill

DS	MapNum	CtrlMap	GP	Parcel	I	S-I
00		093DC	1	302.	R	000

**Owner Information**

Owner: 3600 MANAGEMENT LLC 3600 LLC

Address: 3600 PLEASANT RIDGE RD  
KNOXVILLE, TN 37921

Land Value: \$590,900.00  
 Improve Value: \$23,015,800.00  
 Total Value: \$23,606,700.00  
 Assessment: 40% \* \$23,606,700.00 = \$9,442,680.00

**Parcel Details**

Deed Information	Plat Information	Property Information
Book: Page: Date: --- --- ---	--- --- ---	Property Address: 3600 PLEASANT RIDGE RD Subdivision: CUSTOM FOODS OF AMERICA BLOCK: R1 LOT: PLAT Dimensions: 1093.63 X 460.08 X IRR Calculated Acres: 0.0 Deeded Acres: 15.55

**Parcel History**

Year	Bill#	Name	Date	Base Tax	Total Paid	Balance Due	Method	Details	Payee
2022	102941	3600 MANAGEMENT LLC 3600 LLC	02/22/23	146,739.00	146,739.00	0.00	CHECK	180718	CUSTOM FOODS
2021	4985616	3600 MANAGEMENT LLC 3600 LLC	02/23/22	156,760.00	156,760.00	0.00	CHECK	174898	CUSTOM FOODS OF AMERICA CORPORATI
2020	4690534	3600 MANAGEMENT LLC & 3600 LLC	02/19/21	108,083.00	108,083.00	0.00	CHECK	168413	CUSTOM FOODS OF AMERICA CORPORATI
				<b>411,582.00</b>	<b>411,582.00</b>	<b>0.00</b>			





Account Number : 1325526

Justin Biggs, Trustee  
Knox County Trustee

3600 PLEASANT RIDGE RD

(C) is for separate City Tax, (C/A) for City Tax Addon

(ADD) is for County Tax Addon

(BK) for Bankruptcy

(CM) for Clerk&Master

(AP) for Under Appeal

(PP) for Pre-Payments received for future year bill

DS	MapNum	CtrlMap	GP	Parcel	I	S-I
00		13255	26	.	P	000

**Owner Information**

Owner: CUSTOM FOODS OF AMERICA CORPORATIO...

Pers.Prop. Value: \$21,308,652.00

Address: 3600 PLEASANT RIDGE RD  
KNOXVILLE, TN 37921

Total Value: \$21,308,652.00

Assessment % \* \$21,308,652.00 = \$6,392,596.00

**Parcel Details**

Deed Information	Plat Information	Property Information
---	---	Property Address: 3600 PLEASANT RIDGE RD
---	---	Subdivision: N/A
---	---	Dimensions: N/A
---	---	Calculated Acres: 0.0      Deeded Acres: 0.00

**Parcel History**

Year	Bill#	Name	Date	Base Tax	Total Paid	Balance Due	Method	Details	Payee
2022	204958	CUSTOM FOODS OF AMERICA CORPOR...	02/22/23	99,341.00	99,341.00	0.00	CHECK	180718	CUSTOM FOODS
2021	5086874	CUSTOM FOODS OF AMERICA CORPOR...	02/23/22	117,207.00	117,207.00	0.00	CHECK	174898	CUSTOM FOODS OF AMERICA CORPORATI
2020	4674922	CUSTOM FOODS OF AMERICA CORPOR...	02/19/21	100,633.00	100,633.00	0.00	CHECK	168413	CUSTOM FOODS OF AMERICA CORPORATI
2019	4654841	CUSTOM FOODS OF AMERICA CORPOR...	02/19/20	84,433.00	84,433.00	0.00	CHECK	162322	CUSTOM FOODS OF AMERICA CORPORATI
2018	4444650	PROCESSED FOODS CORPORATION	02/19/19	71,117.00	71,117.00	0.00	CHECK	155406	CUSTOM FOODS OF AMERICA
2017	4047434	PROCESSED FOODS CORPORATION	02/16/18	73,427.00	73,427.00	0.00	CHECK	148435	REMITTANCE (02/16/2018 , 2 , 69)
2016	4028633	PROCESSED FOODS CORP.	02/21/17	84,971.00	84,971.00	0.00	CHECK	142236	CUSTOM FOODS OF AMERICA
2015	3821772	PROCESSED FOODS CORP.	02/12/16	103,554.00	103,554.00	0.00	CHECK	135991	CUSTOM FOODS
2014	3430041	PROCESSED FOODS CORP.	02/17/15	84,519.00	84,519.00	0.00	CHECK	129654	CUSTOM FOODS OF AMERICA
2013	3224323	PROCESSED FOODS CORP.	02/12/14	76,683.00	76,683.00	0.00	CHECK	000000	REMITTANCE (02/12/2014 , 4 , 52)
2012	3018918	PROCESSED FOODS CORP.	02/19/13	75,218.00	75,218.00	0.00	CHECK	000000	REMITTANCE (02/19/2013 , 6 , 12)
2011	2813728	PROCESSED FOODS CORP.	02/16/12	70,119.00	70,119.00	0.00	CHECK	000000	REMITTANCE (02/16/2012 , 3 , 32)
2010	2794710	PROCESSED FOODS CORP.	02/15/11	36,192.00	36,192.00	0.00	CHECK	000000	REMITTANCE (02/15/2011 , 5 , 42)

**1,077,414.00 1,077,414.00 0.00**



City Real Estate Property Taxes

New Search Return To Results List

**Taxes are levied for the calendar year and billed October 1. Taxes become delinquent on March 1.**

<p><b>Property Address:</b> 3600 PLEASANT RIDGE RD</p> <p><b>Owner Names:</b> 3600 MANAGEMENT LLC &amp; 360</p> <p><b>Owner Address:</b> 3600 PLEASANT RIDGE RD KNOXVILLE TN 37921</p> <p><b>Property ID / Ward:</b> 093DC01302 / 41</p> <p><b>Subdivision:</b> CUSTOM FOODS OF AMERICA</p> <p><b>Block Lots:</b> R1/PLAT /2R1</p> <p><b>Classification:</b> INDUSTRIAL</p>	<p><b>Current Tax Year:</b> 2022</p> <p><b>Appraised Value:</b> \$23,606,700.00</p> <p><b>Assessed Value:</b> \$9,442,680.00</p> <p><b>Tax Rate:</b> \$ 2.1556 / \$100</p> <p><b>Tax Levy:</b> \$203,546.41</p> <p><b>Tax Discount:</b> \$0.00</p> <p><b>Tax for 2022 if paid in 08/2023:</b> \$0.00</p> <p><b>Taxes and Fees for Prior Years:</b> \$0.00</p> <p><b>Total Balance Due:</b> \$0.00</p>	<p><a href="#">Map of Property.</a></p> <p><a href="#">County Tax Lookup</a></p> <p><b>Calculation Date:</b> 8/22/2023</p> <p><b>For payment in a later month:</b> <input type="text" value="8/22/2023"/> </p> <p>Recalculate</p>
---	---	---

**\*\*Use the Printer Icon at the top of the page to print tax report.\*\***

Payment Information is correct as of 8/21/2023

Please mail payments to **City of Knoxville  
P. O. Box 1028  
Knoxville, TN 37901**

Tax Summary

Tax Year	Receipt Number	Status	Last Date Paid	Tax Levy	Tax Balance	Interest Penalty	Suit Expense	Court Cost	Misc Fee	Total
2022	042687	PAID	10/25/2022	\$203,546.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2021	042609	PAID	10/26/2021	\$182,181.26	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2020	010218	PAID	10/26/2020	\$125,610.44	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

OK

This website provides tax information for the City of Knoxville ONLY. Questions regarding information provided here can be answered by calling 865-215-2084 or email at [citytaxoffice@knoxvilletn.gov](mailto:citytaxoffice@knoxvilletn.gov).

For County tax information, contact Knox County Trustee at 865-215-2305 or <https://propertytax.knoxcountyn.gov>



City Tangible Property Taxes

New Search Return To Results List

**Taxes are levied for the calendar year and billed October 1. Taxes become delinquent on March 1.**

**Business Name:** CUSTOM FOODS OF AMERICA C  
**Location:** 3600 PLEASANT RIDGE RD  
**Mailing Address:** 3600 PLEASANT RIDGE RD KNOXVILLE TN 37921  
**Sequence No:** 1325526

**Current Tax Year:** 2022  
**Appraised Value:** \$21,308,652.00  
**Assessed Value:** \$6,392,596.00  
**Tax Rate:** \$ 2.1556 /\$100  
**Tax Levy:** \$137,798.80

**Tax for 2022 if paid in 08/2023** \$0.00  
**Prior Years Due:** \$0.00  
**Total Due:** \$0.00

**Payment Information is correct as of** 8/21/2023

**Calculation Date** 8/22/2023  
**For payment in a later month**

Recalculate

**Mail Payments To** City of Knoxville  
 P. O. Box 1028  
 Knoxville, TN 37901

**\*\*Use the Print Icon at the top of the page to print tax report\*\***

Tax Summary

Tax Year	Receipt Number	Status	Last Date Paid	Tax Levy	Tax Balance	Interest Penalty	Suit Expense	Court Cost	Misc Fee	Total
2022	078205	PAID	2/22/2023	\$137,798.80	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2021	078114	PAID	2/16/2022	\$136,214.02	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2020	003856	PAID	2/22/2021	\$116,952.25	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2019	008182	PAID	2/19/2020	\$98,125.61	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2018	004154	PAID	2/19/2019	\$82,649.58	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2017	003058	PAID	2/16/2018	\$85,334.50	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2016	000427	PAID	2/21/2017	\$99,829.88	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2015	005684	PAID	2/16/2016	\$121,662.93	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2014	005454	PAID	2/18/2015	\$99,298.34	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2013	002007	PAID	2/11/2014	\$78,854.35	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2012	003325	PAID	2/19/2013	\$78,405.22	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00
2011	075723	PAID	2/16/2012	\$73,089.85	\$0.00	\$0.00	\$0.00	\$0.00		\$0.00

OK

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For County tax information, contact Knox County Trustee at 865-215-2305 or <https://propertytax.knoxcountytn.gov>



# Custom Foods - Impact Report - Expansion Only

5-years, 100% (v2)

**Project Type:** Business Retention & Expansion  
**Industry:** Advanced Manufacturing  
**Prepared By:** Knoxville Chamber



## Purpose & Limitations

This report presents the results of an economic and fiscal analysis undertaken by Knoxville Chamber using Impact Dashboard, a customized web application developed by Impact DataSource, LLC.

Impact Dashboard utilizes estimates, assumptions, and other information developed by Impact DataSource from its independent research effort detailed in a custom user guide prepared for Knoxville Chamber.

This report, generated by the Impact Dashboard application, has been prepared by Knoxville Chamber to assist economic development stakeholders in making an evaluation of the economic and fiscal impact of business activity in the community. This report does not purport to contain all of the information that may be needed to conclude such an evaluation. This report is based on a variety of assumptions and contains forward-looking statements concerning the results of operations of the subject firm. Knoxville Chamber made reasonable efforts to ensure that the project-specific data entered into Impact Dashboard reflects realistic estimates of future activity. Estimates of future activity involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in this report.

Knoxville Chamber and Impact DataSource make no representation or warranty as to the accuracy or completeness of the information contained herein, and expressly disclaim any and all liability based on or relating to any information contained in, or errors or omissions from, this information or based on or relating to the use of this information.

## Introduction

This report presents the results of an economic impact analysis performed using Impact Dashboard, a model developed by Impact DataSource. The report estimates the impact that a potential project will have on the local economy and estimates the costs and benefits for local taxing districts over a 10-year period.

## Existing & Expanded Operations

The Project under analysis represents the expansion of an existing business. The table below illustrates the economic impact over the next 10 years including both the current and expanded operations.

ECONOMIC IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS IN CITY OF KNOXVILLE			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
<b>JOBS</b>			
Direct	385.0	165.0	550.0
Spin-off	480.7	206.0	686.8
<b>Jobs Total</b>	<b>865.7</b>	<b>371.0</b>	<b>1,236.8</b>
<b>SALARIES</b>			
Direct	\$184.14M	\$70,342,445	\$254.48M
Spin-off	\$208.79M	\$79,760,996	\$288.56M
<b>Salaries Total</b>	<b>\$392.93M</b>	<b>\$150.10M</b>	<b>\$543.04M</b>

The table below summarizes the fiscal impact, the net benefits for local taxing districts, over the next 10 years including both the current and expanded operations.

FISCAL IMPACT OF CURRENT & EXPANDED OPERATIONS OVER 10 YEARS			
NET BENEFITS LESS INCENTIVES			
	CURRENT OPERATIONS	EXPANSION	CURRENT & EXPANDED OPERATIONS
City of Knoxville	\$4,757,650	\$2,099,758	\$6,857,408
Knox County	\$3,436,319	\$1,508,805	\$4,945,125
	<b>\$8,193,969</b>	<b>\$3,608,563</b>	<b>\$11,802,532</b>

The remainder of this report will focus on only the economic and fiscal impact associated with the expansion.

### Economic Impact Overview

The table below summarizes the economic impact of the project over the first 10 years in terms of job creation, salaries paid to workers, and taxable sales.

SUMMARY OF ECONOMIC IMPACT OVER 10 YEARS IN CITY OF KNOXVILLE			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Jobs	165.0	206.0	<b>371.0</b>
Annual Salaries/Wages at Full Ops (Yr 3)	\$7,498,371	\$8,502,370	<b>\$16,000,741</b>
Salaries/Wages over 10 Years	\$70,342,445	\$79,760,996	<b>\$150.10M</b>
Taxable Sales/Purchases in City of Knoxville	\$17,027,653	\$4,985,062	<b>\$22,012,715</b>

Totals may not sum due to rounding

The Project may result in new residents moving to the community and potentially new residential properties being constructed as summarized below.

SUMMARY OF POPULATION IMPACT OVER 10 YEARS IN CITY OF KNOXVILLE			
IMPACT	DIRECT	SPIN-OFF	TOTAL
Workers who will move to City of Knoxville	19.8	24.7	<b>44.5</b>
New residents in City of Knoxville	51.5	64.3	<b>115.8</b>
New residential properties constructed in City of Knoxville	3.0	3.7	<b>6.7</b>
New students to attend local school district	9.9	12.4	<b>22.3</b>

Totals may not sum due to rounding

The new taxable property to be supported by the Project over the next 10 years is summarized in the following table.

SUMMARY OF TAXABLE PROPERTY OVER THE FIRST 10 YEARS IN CITY OF KNOXVILLE						
YR.	NEW RESIDENTIAL PROPERTY	LAND	BUILDINGS...	FF&E	NON-RESIDENTIAL PROPERTY	TOTAL PROPERTY
1	\$48,273	\$0	\$13,200,000	\$5,280,000	\$18,480,000	\$18,528,273
2	\$140,681	\$0	\$13,464,000	\$4,500,000	\$17,964,000	\$18,104,681
3	\$236,766	\$0	\$13,733,280	\$3,780,000	\$17,513,280	\$17,750,046
4	\$241,501	\$0	\$14,007,946	\$3,000,000	\$17,007,946	\$17,249,447
5	\$246,331	\$0	\$14,288,105	\$2,280,000	\$16,568,105	\$16,814,436
6	\$251,258	\$0	\$14,573,867	\$1,500,000	\$16,073,867	\$16,325,125
7	\$256,283	\$0	\$14,865,344	\$1,200,000	\$16,065,344	\$16,321,627
8	\$261,409	\$0	\$15,162,651	\$1,200,000	\$16,362,651	\$16,624,060
9	\$266,637	\$0	\$15,465,904	\$1,200,000	\$16,665,904	\$16,932,541
10	\$271,970	\$0	\$15,775,222	\$1,200,000	\$16,975,222	\$17,247,192

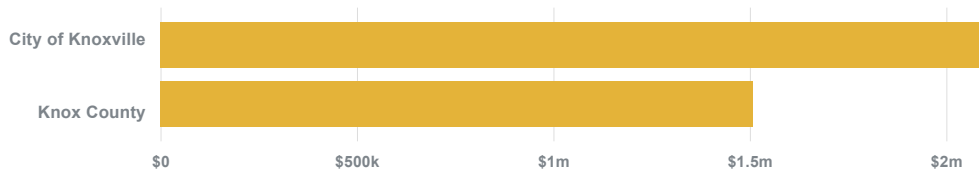
### Fiscal Impact Overview

The Project will generate additional benefits and costs, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages.

FISCAL NET BENEFITS OVER THE NEXT 10 YEARS					
	BENEFITS	COSTS	INCENTIVES	NET BENEFITS LESS INCENTIVES	PRESENT VALUE*
City of Knoxville	\$4,421,742	(\$435,116)	(\$1,886,868)	\$2,099,758	\$1,489,011
Knox County	\$4,652,707	(\$1,783,634)	(\$1,360,268)	\$1,508,805	\$1,063,010
<b>Total</b>	<b>\$9,074,449</b>	<b>(\$2,218,749)</b>	<b>(\$3,247,136)</b>	<b>\$3,608,563</b>	<b>\$2,552,020</b>

\*The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 5.0% to make the dollars comparable.

Net Benefits Less Incentives Over the Next 10 Years



### Public Support Overview

A summary of the total Public Support modeled in this analysis is shown below.

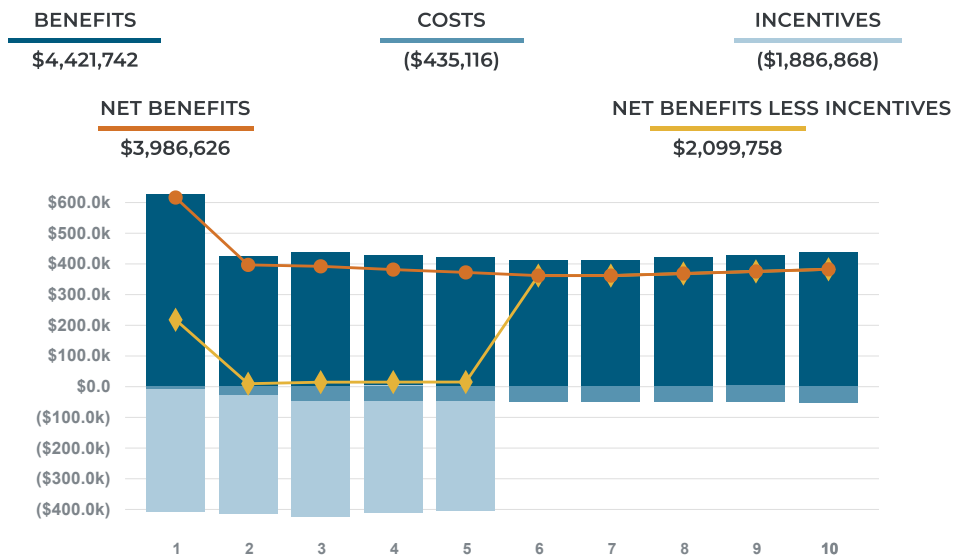
VALUE OF PUBLIC SUPPORT UNDER CONSIDERATION		
	PROPERTY TAX INCENTIVE	TOTAL
City of Knoxville	\$1,886,868	\$1,886,868
Knox County	\$1,360,268	\$1,360,268
<b>Total</b>	<b>\$3,247,136</b>	<b>\$3,247,136</b>

### City of Knoxville Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by City of Knoxville over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: CITY OF KNOXVILLE			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Sales Taxes	\$213,152	\$158,312	\$371,465
Real Property Taxes	\$3,115,625	\$0	\$3,115,625
FF&E Property Taxes	\$541,918	\$0	\$541,918
New Residential Property Taxes	\$0	\$47,878	\$47,878
Hotel Motel Taxes	\$0	\$0	\$0
Building Permits and Fees	\$0	\$0	\$0
Miscellaneous Taxes and User Fees	\$215,794	\$129,062	\$344,856
<b>Benefits Subtotal</b>	<b>\$4,086,489</b>	<b>\$335,253</b>	<b>\$4,421,742</b>
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$272,158)	(\$162,957)	(\$435,116)
<b>Costs Subtotal</b>	<b>(\$272,158)</b>	<b>(\$162,957)</b>	<b>(\$435,116)</b>
<b>Net Benefits</b>	<b>\$3,814,331</b>	<b>\$172,295</b>	<b>\$3,986,626</b>
INCENTIVES	PROJECT	HOUSEHOLDS	TOTAL
Property Taxes Abated	(\$1,886,868)	\$0	(\$1,886,868)
<b>Incentives Subtotal</b>	<b>(\$1,886,868)</b>	<b>\$0</b>	<b>(\$1,886,868)</b>
<b>Net Benefits Less Incentives</b>	<b>\$1,927,462</b>	<b>\$172,295</b>	<b>\$2,099,758</b>

Annual Fiscal Net Benefits for City of Knoxville





## City of Knoxville Public Support

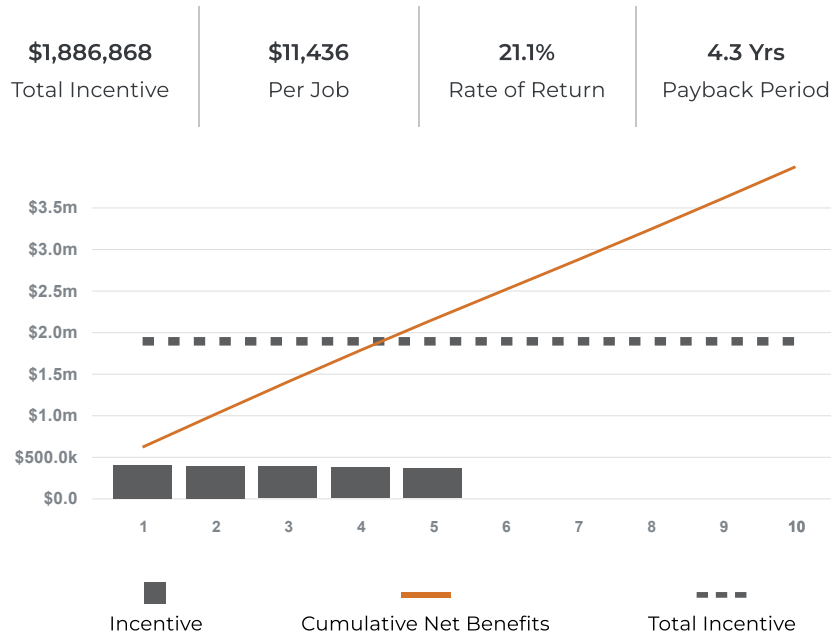
### Total Incentives

City of Knoxville is considering the following incentives for the Project.

INCENTIVES UNDER CONSIDERATION		
YEAR	PROPERTY TAX ABATEMENT	TOTAL
1	\$398,355	\$398,355
2	\$387,232	\$387,232
3	\$377,516	\$377,516
4	\$366,623	\$366,623
5	\$357,142	\$357,142
<b>Total</b>	<b>\$1,886,868</b>	<b>\$1,886,868</b>

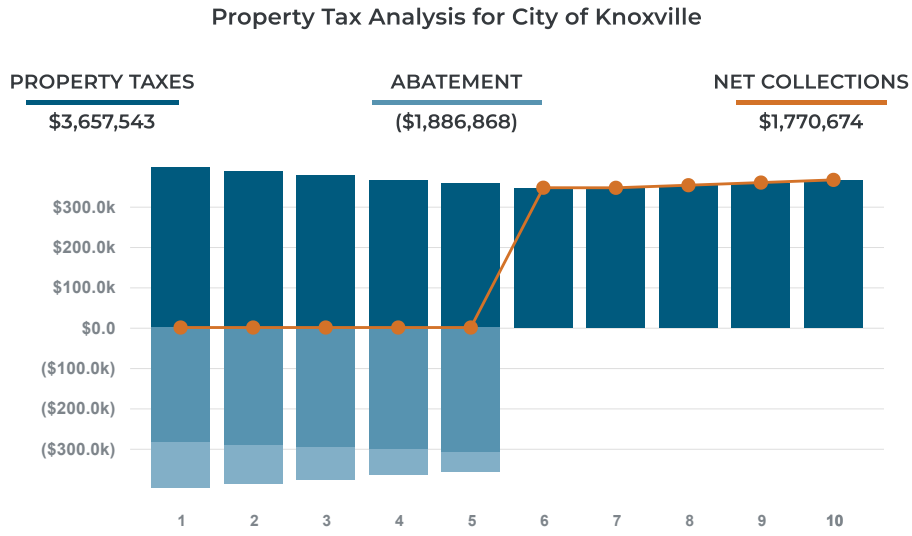
The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to City of Knoxville. The intersection indicates the length of time until the incentives are paid back.

Total Incentive vs. Net Benefits for City of Knoxville



### Tax Incentives

The following property tax incentive is modeled for City of Knoxville in this analysis.

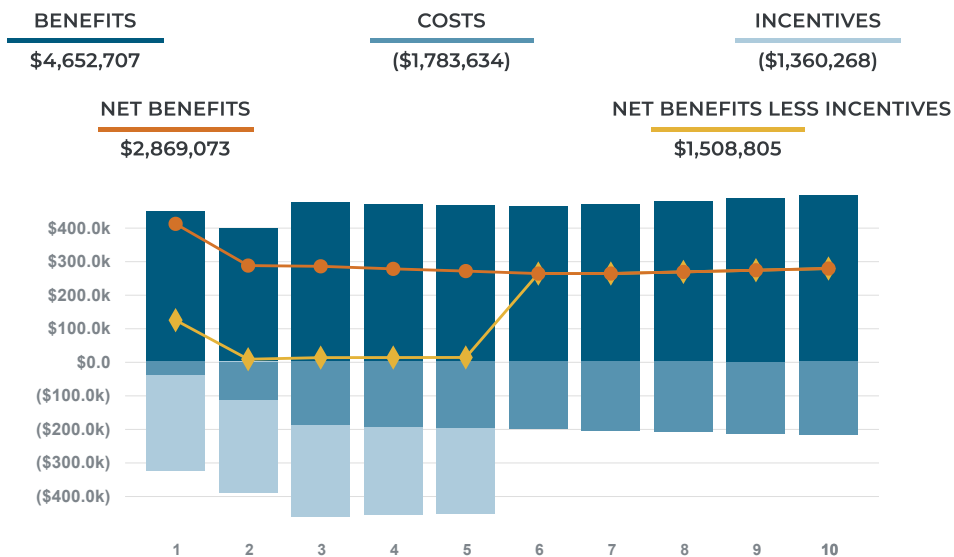


## Knox County Fiscal Impact

The table below displays the estimated additional benefits, costs, and net benefits to be received by Knox County over the next 10 years of the Project.

NET BENEFITS OVER 10 YEARS: KNOX COUNTY			
BENEFITS	PROJECT	HOUSEHOLDS	TOTAL
Sales Taxes	\$121,043	\$125,889	\$246,932
Real Property Taxes	\$2,246,094	\$0	\$2,246,094
FF&E Property Taxes	\$390,676	\$0	\$390,676
New Residential Property Taxes	\$0	\$75,724	\$75,724
Hotel Motel Taxes	\$0	\$0	\$0
Miscellaneous Taxes and User Fees	\$82,131	\$87,952	\$170,083
Addtl. State & Federal School Funding	\$0	\$1,523,199	\$1,523,199
<b>Benefits Subtotal</b>	<b>\$2,839,944</b>	<b>\$1,812,764</b>	<b>\$4,652,707</b>
COSTS	PROJECT	HOUSEHOLDS	TOTAL
Cost of Government Services	(\$132,053)	(\$141,858)	(\$273,911)
Cost to Educate New Students	\$0	(\$1,509,723)	(\$1,509,723)
<b>Costs Subtotal</b>	<b>(\$132,053)</b>	<b>(\$1,651,581)</b>	<b>(\$1,783,634)</b>
<b>Net Benefits</b>	<b>\$2,707,890</b>	<b>\$161,183</b>	<b>\$2,869,073</b>
INCENTIVES	PROJECT	HOUSEHOLDS	TOTAL
Property Taxes Abated	(\$1,360,268)	\$0	(\$1,360,268)
<b>Incentives Subtotal</b>	<b>(\$1,360,268)</b>	<b>\$0</b>	<b>(\$1,360,268)</b>
<b>Net Benefits Less Incentives</b>	<b>\$1,347,622</b>	<b>\$161,183</b>	<b>\$1,508,805</b>

Annual Fiscal Net Benefits for Knox County



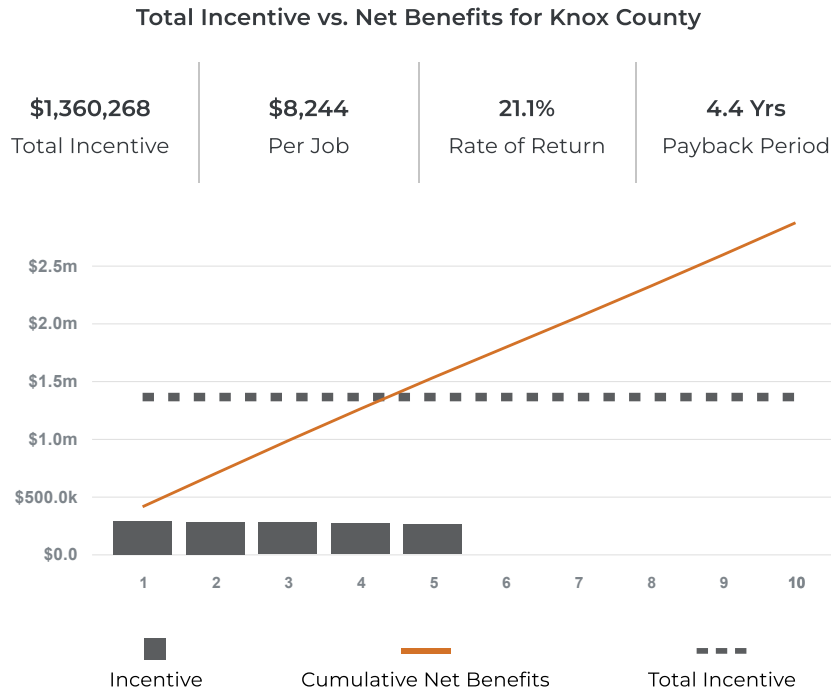
## Knox County Public Support

### Total Incentives

Knox County is considering the following incentives for the Project.

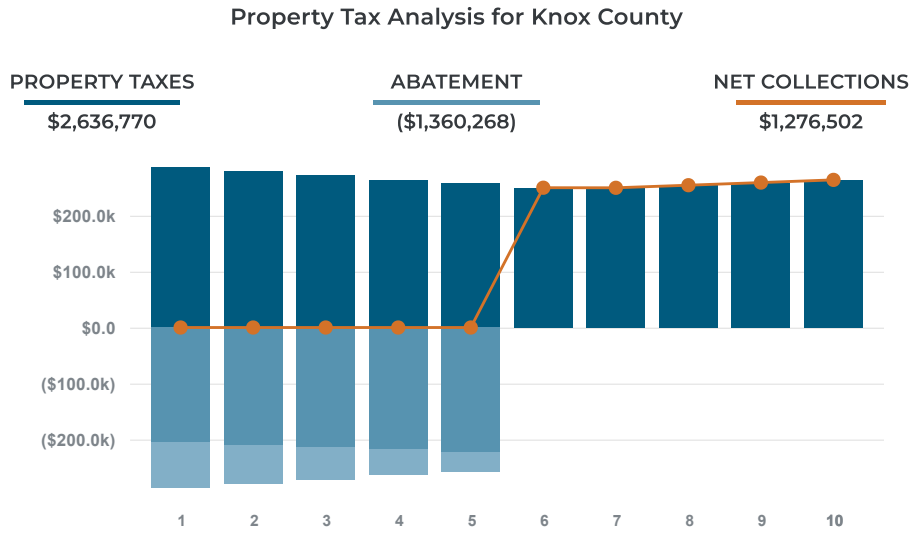
INCENTIVES UNDER CONSIDERATION		
YEAR	PROPERTY TAX ABATEMENT	TOTAL
1	\$287,179	\$287,179
2	\$279,161	\$279,161
3	\$272,156	\$272,156
4	\$264,303	\$264,303
5	\$257,468	\$257,468
<b>Total</b>	<b>\$1,360,268</b>	<b>\$1,360,268</b>

The graph below depicts the total incentives currently under consideration versus the cumulative net benefits to Knox County. The intersection indicates the length of time until the incentives are paid back.



### Tax Incentives

The following property tax incentive is modeled for Knox County in this analysis.



## Methodology

### Overview of Methodology

The Impact DashBoard model combines project-specific attributes with community data, tax rates, and assumptions to estimate the economic impact of the Project and the fiscal impact for local taxing districts over a 10-year period.

The economic impact as calculated in this report can be categorized into two main types of impacts. First, the direct economic impacts are the jobs and payroll directly created by the Project. Second, this economic impact analysis calculates the spin-off or indirect and induced impacts that result from the Project. Indirect jobs and salaries are created in new or existing area firms, such as maintenance companies and service firms, that may supply goods and services for the Project. In addition, induced jobs and salaries are created in new or existing local businesses, such as retail stores, gas stations, banks, restaurants, and service companies that may supply goods and services to new workers and their families.

The economic impact estimates in this report are based on the Regional Input-Output Modeling System (RIMS II), a widely used regional input-output model developed by the U. S. Department of Commerce, Bureau of Economic Analysis. The RIMS II model is a standard tool used to estimate regional economic impacts. The economic impacts estimated using the RIMS II model are generally recognized as reasonable and plausible assuming the data input into the model is accurate or based on reasonable assumptions. Impact DataSource utilizes adjusted county-level multipliers to estimate the impact occurring at the sub-county level.

Two types of regional economic multipliers were used in this analysis: an employment multiplier and an earnings multiplier. An employment multiplier was used to estimate the number of indirect and induced jobs created or supported in the area. An earnings multiplier was used to estimate the amount of salaries to be paid to workers in these new indirect and induced jobs. The employment multiplier shows the estimated number of total jobs created for each direct job. The earnings multiplier shows the estimated amount of total salaries paid to these workers for every dollar paid to a direct worker. The multipliers used in this analysis are listed below:

311999 ALL OTHER MISCELLANEOUS FOOD MANUFACTURING		CITY OF KNOXVILLE
Employment Multiplier	(Type II Direct Effect)	2.2487
Earnings Multiplier	(Type II Direct Effect)	2.1339

Most of the revenues estimated in this study result from calculations relying on (1) attributes of the Project, (2) assumptions to derive the value of associated taxable property or sales, and (3) local tax rates. In some cases, revenues are estimated on a per new household, per new worker, or per new school student basis.

The company or Project developer was not asked, nor could reasonably provide data for calculating some other revenues. For example, while the city will likely receive revenues from fines paid on speeding tickets given to new workers, the company does not know the propensity of its workers to speed. Therefore, some revenues are calculated using an average revenue approach.

This approach uses relies on two assumptions:

1. The taxing entity has two general revenue sources: revenues from residents and revenues from businesses.
2. The taxing entity will collect (a) about the same amount of miscellaneous taxes and user fees from each new household that results from the Project as it currently collects from existing households on average, and (b) the same amount of miscellaneous taxes and user fees from the new business (on a per worker basis) will be collected as it collects from existing businesses.

In the case of the school district, some additional state and federal revenues are estimated on a per new school student basis consistent with historical funding levels.

Additionally, this analysis sought to estimate the additional expenditures faced by local jurisdictions to provide services to new households and new businesses. A marginal cost approach was used to calculate these additional costs.

This approach relies on two assumptions:

1. The taxing entity spends money on services for two general groups: revenues from residents and revenues from businesses.
2. The taxing entity will spend slightly less than its current average cost to provide local government services (police, fire, EMS, etc.) to (a) new residents and (b) businesses on a per worker basis.

In the case of the school district, the marginal cost to educate new students was estimated based on a portion of the school's current expenditures per student and applied to the headcount of new school students resulting from the Project.

### About Impact DataSource

Established in 1993, Impact DataSource is an Austin, Texas-based economic consulting firm. Impact DataSource provides high-quality economic research, specializing in economic and fiscal impact analyses. The company is highly focused on supporting economic development professionals and organizations through its consulting services and software. Impact DataSource has conducted thousands of economic impact analyses of new businesses, retention and expansion projects, developments, and activities in all industry groups throughout the U.S.

For more information on Impact DataSource, LLC and our product Impact DashBoard, please visit our website [www.impactdatasource.com](http://www.impactdatasource.com)

Appendix

CITY OF KNOXVILLE PROPERTY TAX ABATEMENT				
YR.	LAND	BUILDINGS...	FF&E	TOTAL
1	\$0	\$284,539	\$113,816	<b>\$398,355</b>
2	\$0	\$290,230	\$97,002	<b>\$387,232</b>
3	\$0	\$296,035	\$81,482	<b>\$377,516</b>
4	\$0	\$301,955	\$64,668	<b>\$366,623</b>
5	\$0	\$307,994	\$49,148	<b>\$357,142</b>
6	\$0	\$0	\$0	<b>\$0</b>
7	\$0	\$0	\$0	<b>\$0</b>
8	\$0	\$0	\$0	<b>\$0</b>
9	\$0	\$0	\$0	<b>\$0</b>
10	\$0	\$0	\$0	<b>\$0</b>
<b>Total</b>	<b>\$0</b>	<b>\$1,480,753</b>	<b>\$406,115</b>	<b>\$1,886,868</b>

CITY OF KNOXVILLE PROPERTY TAX ABATEMENT SCHEDULE			
YR.	LAND	BUILDINGS...	FF&E
1	100.0%	100.0%	100.0%
2	100.0%	100.0%	100.0%
3	100.0%	100.0%	100.0%
4	100.0%	100.0%	100.0%
5	100.0%	100.0%	100.0%
6	0.0%	0.0%	0.0%
7	0.0%	0.0%	0.0%
8	0.0%	0.0%	0.0%
9	0.0%	0.0%	0.0%
10	0.0%	0.0%	0.0%

KNOX COUNTY PROPERTY TAX ABATEMENT				
YR.	LAND	BUILDINGS...	FF&E	TOTAL
1	\$0	\$205,128	\$82,051	<b>\$287,179</b>
2	\$0	\$209,231	\$69,930	<b>\$279,161</b>
3	\$0	\$213,415	\$58,741	<b>\$272,156</b>
4	\$0	\$217,683	\$46,620	<b>\$264,303</b>
5	\$0	\$222,037	\$35,431	<b>\$257,468</b>
6	\$0	\$0	\$0	<b>\$0</b>
7	\$0	\$0	\$0	<b>\$0</b>
8	\$0	\$0	\$0	<b>\$0</b>
9	\$0	\$0	\$0	<b>\$0</b>
10	\$0	\$0	\$0	<b>\$0</b>
<b>Total</b>	<b>\$0</b>	<b>\$1,067,494</b>	<b>\$292,774</b>	<b>\$1,360,268</b>

KNOX COUNTY PROPERTY TAX ABATEMENT SCHEDULE			
YR.	LAND	BUILDINGS...	FF&E
1	100.0%	100.0%	100.0%
2	100.0%	100.0%	100.0%
3	100.0%	100.0%	100.0%
4	100.0%	100.0%	100.0%
5	100.0%	100.0%	100.0%
6	0.0%	0.0%	0.0%
7	0.0%	0.0%	0.0%
8	0.0%	0.0%	0.0%
9	0.0%	0.0%	0.0%
10	0.0%	0.0%	0.0%



5-years, 100% (v2)





**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL  
DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
APPROVING THE PILOT APPLICATION OF  
CUSTOM FOODS OF AMERICA INC.**

WHEREAS, THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX (“IDB”) is a nonprofit public corporation organized by Knox County as an industrial development board pursuant to Tenn. Code Ann. §§7-53-301 et seq. (the “Act”) and as such is a public instrumentality of Knox County performing a public function; and

WHEREAS, the IDB’s statutory purposes include financing, owning, and leasing certain real and personal properties, which will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee and Knox County, in particular; and

WHEREAS, Tenn. Code Ann. §7-53-305 provides that the IDB and all properties at any time owned by it, and the income and revenues therefrom, and all bonds issued by it, and the income therefrom are exempt from all taxation in the State of Tennessee; and

WHEREAS, pursuant to a Resolution dated January 27, 2003, the Commission of Knox County, Tennessee (the “Commission”) delegated to the IDB the authority to negotiate and accept from lessees payments in lieu of ad valorem taxes, found that such payments are deemed to be in furtherance of the IDB’s public purposes as set forth in the Act, and adopted the IDB’s Property Tax Incentive Program; by a Resolution dated December 20, 2004, the Commission adopted certain amendments to the IDB’s Tax Incentive Program in accordance with the Act (as so amended, the “Tax Incentive Program”); and

WHEREAS, CUSTOM FOODS OF AMERICA, INC. (“Applicant”) has submitted an application (“Application”) to the IDB for a Payment-In-Lieu-of-Taxes Tax Incentive Grant (PILOT) under the Tax Incentive Program in connection with the construction of a 200 sq. ft. expansion to the Applicant’s existing facilities on real property of Applicant or its affiliates located at or around 3600 Pleasant Ridge Road, Knoxville, Tennessee 37921 (“Project”); and

WHEREAS, the Application Review Committee (the “Committee”) of the Board of Directors of the IDB (the “Board”) has considered the Application under the Tax Incentive Program and recommended the Board’s approval of a PILOT for real and personal property having a term-length of five (5) years, with annual payments-in-lieu of tax equal to the amount of the real property taxes currently assessed against the subject real property.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE IDB AS FOLLOWS:

1. The Board finds that the Project and grant of tax incentives under the Tax Incentive Program to Applicant by the IDB will have the effect of maintaining and increasing employment and otherwise promoting new industry, commerce and trade in Tennessee and Knox County, in particular.
2. The Application is hereby approved by the Board.
3. The staff and legal counsel of the IDB are hereby authorized to proceed in the preparation and finalization for presentment to the Board of a Lease Agreement and other documents deemed necessary and convenient by such staff and legal counsel to accomplish the proposed payment in lieu of tax transaction (“Transaction Documents”). Such Transaction Documents shall provide for (a) the acquisition by the IDB and lease to the Applicant of certain real property constituting the Project, with the term of such lease having

a term-length of five (5) years; (b) annual payments-in-lieu of tax equal to the amount of the real property taxes currently assessed against the subject real property, and (c) such other terms and conditions set forth in the Application approved by the Board, required by the Property Tax Incentive Program or otherwise deemed necessary and convenient by the staff and legal counsel of the IDB. The PILOT transaction approved hereby must close by December 31, 2023, and upon failure to close by such date (or such later date approved by the Board pursuant to a separate resolution), the approval evidenced hereby shall expire and be of no further force and effect.

[The remainder of this page intentionally left blank.]

**STATE OF TENNESSEE  
COUNTY OF KNOX**

I, Paul M. Fortunato, Chair of The Industrial Development Board of the County of Knox (the “IDB”), do hereby certify that the foregoing is a true and complete extract of the minutes of the Board of Directors of the IDB at a meeting duly called and held on September 12, 2023, and sets forth so much of said minutes as in any way relates to the introduction, consideration and passage of the resolution therein set forth. Public notice of said meeting was given pursuant to and in compliance with all provisions of law.

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE COUNTY OF KNOX**

---

Chair

Dated: September 12, 2023



SECOND AMENDMENT OF BOND DOCUMENTS

THIS SECOND AMENDMENT OF BOND DOCUMENTS effective as of the \_\_\_ day of \_\_\_\_\_, 2023 by and among The Industrial Development Board of the County of Knox (the “Board”), The Change Center, a Tennessee nonprofit corporation (the “Borrower”), and Home Federal Bank of Tennessee (the “Bank”).

WITNESSETH:

WHEREAS, the Board has heretofore issued and sold its Revenue Bond (The Change Center Project) Series 2017 in the original principal amount of \$2,300,000, as amended and restated pursuant to that certain Amended and Restated Revenue Bond (The Change Center Project) Series 2017 dated as of July 31, 2022 in the original principal amount of \$855,000 (as amended, the "Existing Bond"); and

WHEREAS, the Board loaned the proceeds of the Existing Bond to the Borrower pursuant to a Promissory Note dated July 31, 2017 from the Borrower in favor of the Board, as amended and restated pursuant to that certain Amended and Restated Promissory Note dated as of July 31, 2022 from the Borrower in favor of the Board (as amended, the “Existing Note”) and a Loan Agreement dated as of July 31, 2017 between the Board and the Borrower (as previously amended, the “Loan Agreement”; capitalized terms used but not otherwise defined in this Amendment shall have the meanings assigned to such terms in the Loan Agreement); and

WHEREAS, in order to induce the Bank to purchase the Existing Bond, the Board entered into an Assignment and Security Agreement with the Bank dated as of July 31, 2017 pursuant to which the Board assigned to the Bank the Existing Note and the Loan Agreement (other than certain reserved rights); and

WHEREAS, the Borrower has requested the Board to make certain additional changes to the Existing Bond, the Existing Note and the other Bond Documents (as defined in the Loan Agreement) in accordance with the terms set forth herein.

NOW, THEREFORE, in consideration of the premises, the parties hereby agree as follows:

1. The parties hereto acknowledge that the outstanding principal balance under the Existing Bond and Existing Note is equal to \$855,000. The Bank hereby agrees that the principal payment that was due under the Existing Bond and Existing Note on July 31, 2023 is hereby postponed until January 31, 2024. The second sentence of Section 4 of the Existing Bond and Existing Note is hereby amended and restated as follows: “Principal payments shall be made such that the outstanding principal balance hereunder shall be no greater than \$570,000 on January 31, 2024 and no greater than \$285,000 on July 31, 2024.”

2. All references in the Loan Agreement and the other Bond Documents to the Existing Bond and the Existing Note shall be deemed to mean the Existing Bond and the Existing Note, respectively, as amended hereunder.

3. The Borrower hereby covenants and agrees to execute and deliver, or cause to be executed and delivered, and to do or make, or cause to be done or made, upon the request of the Bank, any and all instruments, papers, deeds, acts or things, supplemental, confirmatory or otherwise, as may be required by the Bank for the purpose of effecting the modifications described herein.

4. The representations and warranties of the Borrower in the Bond Documents, as modified, are true and correct on and as of the date hereof as though made on this date.

5. Except as expressly modified by or provided for in this Amendment, the terms and provisions of the Bond Documents, as modified, shall remain in full force and effect as originally executed.

6. Except as described herein, as of the date hereof, the Borrower is in full compliance with all of the terms and provisions set forth in the Bond Documents, as modified, and no default nor any event which, upon notice, lapse of time, or both, would constitute a default, has occurred or is continuing.

7. The liens providing security for the Loan shall continue as before the execution of this Amendment and the security provided thereby shall remain in full force and effect. This Amendment does not constitute a discharge or novation of the Existing Note, the Existing Bond or any other Bond Documents.

8. Borrower hereby acknowledges and stipulates that it has no claims or causes of action of any kind whatsoever against Bank, its affiliates, officers, directors, employees or agents. Borrower hereby releases Bank, its affiliates, officers, directors, employees and agents, from any and all claims, causes of action, demands and liabilities of any kind whatsoever whether direct or indirect fixed or contingent, liquidated or unliquidated, disputed or undisputed, known or unknown, which Borrower has or may acquire in the future relating in any way to any event, circumstance, action or failure to act to the date of this Amendment. The release by Borrower herein, together with the other terms and provisions of this Amendment, are executed by Borrower advisedly and without coercion or duress from Bank, Borrower having determined that the execution of this Amendment, and all its terms and provisions are in Borrower's economic best interest.

9. This Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

10. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same document.

11. No covenant, agreement or obligation contained in this Amendment shall be deemed to be a covenant, agreement or obligation of any present or future director, officer, employee or agent of the Board in his or her individual capacity, and neither the directors of the Board nor any officer thereof executing this Amendment shall be liable personally hereon or be subject to any personal liability or accountability by reason of the execution and delivery hereof. No director, officer, employee or agent of the Board shall incur any personal liability with respect to any other action taken by him pursuant to this Amendment or any of the transactions contemplated hereby.

12. The obligations of the Board under this Amendment are not general obligations of the Board but are limited obligations payable solely out of the revenues and receipts pledged under the Bond Documents, as amended hereby. None of the agreements or obligations of the Board under this Amendment shall be construed to constitute any indebtedness of Knox County, Tennessee, within the meaning of any constitutional or statutory provision whatsoever, and Knox County, Tennessee, shall not in any event be liable for the performance of any pledge, mortgage, obligation, or agreement of any kind whatsoever which may be undertaken by the Board, under this Amendment or otherwise.

*[signatures follow]*

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX

Attest:

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

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

THE CHANGE CENTER

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HOME FEDERAL BANK OF TENNESSEE

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

36259217.1





**RESOLUTION OF THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX RELATING TO THE AMENDMENT OF REVENUE BOND (THE CHANGE CENTER PROJECT), SERIES 2017**

WHEREAS, the Board of Directors of The Industrial Development Board of the County of Knox (the “Issuer”), has met pursuant to proper notice; and

WHEREAS, the Issuer has issued its Revenue Bond (The Change Center Project), Series 2017 in the original principal amount of \$2,300,000, as amended and restated pursuant to that certain Amended and Restated Revenue Bond (The Change Center Project) Series 2017 dated as of July 31, 2022 in the original principal amount of \$855,000 (as amended, the “Bond”); and

WHEREAS, the proceeds of the Bond were loaned to The Change Center, a Tennessee non-profit corporation (the “Borrower”), pursuant to a Loan Agreement dated as of July 31, 2017; and

WHEREAS, the proceeds of the Bond were used by the Borrower to finance the building out of a youth recreational facility (the “Project”) in Knox County, Tennessee; and

WHEREAS, the Bond was originally purchased by Home Federal Bank of Tennessee (the “Bondholder”) and is still held by the Bondholder; and

WHEREAS, the Borrower has requested that the Issuer approve an amendment to the Bond and the documents related thereto to postpone a scheduled principal payment; and

WHEREAS, there has been submitted to the Issuer the form of a Second Amendment of Bond Documents (the “Amendment”) among the Borrower, the Issuer and the Bondholder, to carry out the transactions described above, a copy of which instrument shall be filed with the records of the Issuer.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX:

1. The Chair or Vice Chair of the Issuer is hereby authorized and directed to execute and either is authorized and directed to deliver the Amendment to the other parties thereto.

2. The Amendment shall be in substantially the form submitted, which is hereby approved, with such completions, omissions, insertions and changes as may be approved by the officer executing it, his or her execution to constitute conclusive evidence of his or her approval of any such omissions, insertions and changes.

3. The officers of the Issuer are hereby authorized and directed to execute, deliver and file such other certificates and instruments and to take all such further action as they may consider necessary or desirable in connection with the consummation of the transactions described above, including, without limitation, an amended and restated bond to reflect the amendments described herein and in the Amendment.

4. Any authorization herein to execute any document shall include authorization to record such document where appropriate.

5. All other acts of the officers of the Issuer which are in conformity with the purposes and intent of this resolution are hereby approved and confirmed.

The undersigned Secretary hereby certifies that the foregoing resolution was duly adopted at a meeting of the Board of Directors of The Industrial Development Board of the County of Knox held on September 12, 2023.

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Secretary

36259340.1





Dear Board Members,

Lifetime Products, Inc. (Lifetime) has requested that the IDB reevaluate certain measurement requirements in their payment-in-lieu-of-taxes (PILOT) agreement originally approved by the board in July 2016 for their manufacturing and distribution facility in Eastbridge Business Park. The term of the agreement is for 8-years with an initial measurement date after year 5 or July 2021. Due to the impacts of the global COVID pandemic, Lifetime has been unable to fully satisfy their capital investment and employee headcount requirements. In 2021 and 2022 the IDB approved one-year extensions of the measurement date which brings us to where we are now at the 7-year measurement.

Lifetime has informed us that they are not able meet the \$115,686,000 capital investment and 400 jobs (80% of 500 jobs) requirements this year or next year when the 8-year term expires. To date, Lifetime has invested \$100,071,494 (87% of target), has 250 employees with 11 open positions (50% of target), and has exceeded their average wage benchmark (18% over target). The following pages detail the PILOT measurement requirements vs. their current state, as well as the Younger and Associates analysis and recommendation used in the 2016 approval.

Per the Younger and Associates scoring assessment, Lifetime qualified for a 12-year pilot, and they were granted an 8-year PILOT with an option to extend if the project numbers qualified for additional years after the measurement date. While Lifetime did not meet certain measurement requirements, they would still qualify for a 9-10-year term using their current numbers. Lifetime is asking that the IDB reevaluate the employee headcount and capital investment requirements of their PILOT agreement to account for unanticipated fluctuations in the demand for consumer products as well as the availability and costs of labor due to the COVID pandemic.

Sincerely,

*Mac McWhorter*

Mac McWhorter

<b>PILOT Measurement Requirements</b>				
<b>Category</b>	<b>Data</b>	<b>Points</b>		
Job creation	500	50		
Wages	\$37,984.00	7.2		
Capex	\$115,686,000.00	30		
Location		0		
Add'l points	Capex	36.7		
		<b>Total Points</b>	<b>Max Term</b>	<b>Term Granted</b>
		<b>123.9</b>	<b>12 Years</b>	<b>8 Years</b>

<b>Current state - Sep-23</b>				
<b>Category</b>	<b>Data</b>	<b>Points</b>		
Job creation	250	25		
Wages	\$44,678.40	10		
Capex	\$100,071,494.00	30		
Location		0		
Add'l points	Capex	35.04		
		<b>Total Points</b>	<b>Max Term</b>	<b>Term Granted</b>
		<b>100.04</b>	<b>9-10 years</b>	<b>8 Years</b>



## Project Summary

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<b>Company/Applicant:</b>	<u>Project Holston</u>
<b>Capital Investment:*</b>	<u>\$ 115,686,000</u>
<b>Jobs:</b>	<u>500</u>
<b>Annual Average Wage:</b>	<u>\$ 37,984</u>
<b>Recommended PILOT Length: (years)</b>	<u>8</u>
<b>Total Incentive:</b>	<u>\$ 3,254,100</u>
<b>Local Tax Benefit:</b>	<u>\$ 10,503,838</u>
<b>Benefit/Cost Ratio:</b>	<u>3.23</u>

*\*Includes the purchase of an existing facility.*



**Knox County, TN  
Project Holston  
Tax Incentive Eligibility Analysis  
Scoring Matrix**

<b>Category</b>	<b>Project Data</b>	<b>Points</b>
Job Creation	500	50.0
Wages*	\$37,984	7.2
Capital Investment	\$115,686,000	30.0
Location		0.0
Additional Special Circumstance Points	Capital Investment	36.7
<b>Total</b>		<b>123.9</b>

**Length of tax incentive: (years)**

12  
**Awarded 8**

\*Wages Calculation

2015 Knox County Annual Average Wage	\$	45,755
Project Wages (Average)	\$	37,984
Project wages as a % of Target Wage		83.0

Baseline Points for Wages	10
Extra/Less Points**	(2.8)
Total Points	7

\*\*Add 2 points for every 5% over 110%, maximum 30 points

\*\*Subtract 2 points for every 5% under 90%

**Knox County, TN  
Project Holston  
Economic Impact Analysis**

<b>Impact From All Operations</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Employment, Direct (NEW full-time equivalent)	125	225	325	425	500
Wages & Benefits, Direct Jobs	\$ 5,935,000	\$ 10,683,000	\$ 15,431,000	\$ 20,179,000	\$ 23,740,000
Direct Effect Employment Multiplier <sup>1</sup>	2.522	2.522	2.522	2.522	2.522
Total Employment	315	567	820	1,072	1,261
Employment, Indirect	190	342	495	647	761
2015 Projected Knox County Annual Average Wage <sup>2</sup>	\$ 45,755	\$ 45,755	\$ 45,755	\$ 45,755	\$ 45,755
Wages, Indirect Jobs	\$ 8,704,889	\$ 15,668,800	\$ 22,632,711	\$ 29,596,622	\$ 34,819,555
Total Wages - Direct & Indirect Jobs	\$ 14,639,889	\$ 26,351,800	\$ 38,063,711	\$ 49,775,622	\$ 58,559,555
Sales Tax Revenue <sup>3</sup>	\$ 166,016	\$ 298,829	\$ 431,642	\$ 564,456	\$ 664,065
Other Tax Revenue <sup>4</sup>	\$ 65,410	\$ 117,739	\$ 170,067	\$ 222,395	\$ 261,642
Residential/Commercial Property Tax Revenue <sup>5</sup>	\$ 120,025	\$ 216,045	\$ 312,065	\$ 408,085	\$ 480,100
Total Tax Revenue	\$ 351,452	\$ 632,613	\$ 913,775	\$ 1,194,936	\$ 1,405,807

**Knox County, TN  
Project Holston  
Economic Impact Analysis**

<b>Impact From All Operations</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>8-YR Total</b>
Employment, Direct (NEW full-time equivalent)	500	500	500	500
Wages & Benefits, Direct Jobs	\$ 23,740,000	\$ 23,740,000	\$ 23,740,000	\$ 147,188,000
Direct Effect Employment Multiplier <sup>1</sup>	2.522	2.522	2.522	
Total Employment	1,261	1,261	1,261	1,261
Employment, Indirect	761	761	761	761
2015 Projected Knox County Annual Average Wage <sup>2</sup>	\$ 45,755	\$ 45,755	\$ 45,755	
Wages, Indirect Jobs	\$ 34,819,555	\$ 34,819,555	\$ 34,819,555	\$ 215,881,241
Total Wages - Direct & Indirect Jobs	\$ 58,559,555	\$ 58,559,555	\$ 58,559,555	\$ 363,069,241
Sales Tax Revenue <sup>3</sup>	\$ 664,065	\$ 664,065	\$ 664,065	\$ 4,117,205
Other Tax Revenue <sup>4</sup>	\$ 261,642	\$ 261,642	\$ 261,642	\$ 1,622,179
Residential/Commercial Property Tax Revenue <sup>5</sup>	\$ 480,100	\$ 480,100	\$ 480,100	\$ 2,976,620
Total Tax Revenue	\$ 1,405,807	\$ 1,405,807	\$ 1,405,807	\$ 8,716,004

**Knox County, TN  
Project Holston  
Economic Impact Analysis**

**One Time Expansion Impact**

Total Capital Investment	\$	106,314,200
Building (Improvements)	\$	14,814,200
Economic Impact Multiplier <sup>6</sup>		1.8153
Economic Impact	\$	26,892,217
Equipment Purchase/Set-up	\$	91,500,000
Economic Impact Multiplier <sup>7</sup>		1.7162
Economic Impact	\$	157,032,300
Total Economic Impact	\$	183,924,517
Sales Tax Revenue <sup>3</sup>	\$	880,101
Other Tax Revenue <sup>4</sup>	\$	321,237
Total Tax Revenue	\$	1,201,338

Knox County, TN - Tax Schedule  
Project Holston

Real Property - Current Facility				Real Property - Improvements					
Knox County Tax Rate: \$2.32	Full Taxes	% of taxes paid	Taxes Paid (frozen at current level)	Taxes Abated	Knox County Tax Rate: \$2.32	Full Taxes	% of taxes paid	Payments Made in lieu of Tax	Taxes Abated
<b>Value</b>	<b>\$ 9,371,800</b>				<b>Value</b>	<b>\$ 14,814,200</b>			
Year 1			\$ 73,312		Year 1	\$ 137,476	0%	\$ -	\$ 137,476
Year 2			\$ 73,312		Year 2	\$ 137,476	0%	\$ -	\$ 137,476
Year 3			\$ 73,312		Year 3	\$ 137,476	0%	\$ -	\$ 137,476
Year 4			\$ 73,312		Year 4	\$ 137,476	0%	\$ -	\$ 137,476
Year 5			\$ 73,312		Year 5	\$ 137,476	0%	\$ -	\$ 137,476
Year 6			\$ 73,312		Year 6	\$ 137,476	0%	\$ -	\$ 137,476
Year 7			\$ 73,312		Year 7	\$ 137,476	0%	\$ -	\$ 137,476
Year 8			\$ 73,312		Year 8	\$ 137,476	0%	\$ -	\$ 137,476
<b>Total</b>	<b>\$ -</b>		<b>\$ 586,496</b>	<b>\$ -</b>	<b>Total</b>	<b>\$ 1,099,806</b>		<b>\$ -</b>	<b>\$ 1,099,806</b>

Taxes Paid on Existing Property \$ -  
 Total Payments Made in Lieu of Tax: \$ 586,496  
 Total Taxes Abated on Real Property: \$ 1,099,806

Knox County, TN - Tax Schedule  
Project Holston

Knox County Tax Rate: \$2.32	Personal Property - Year 1					
	Value	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated
	\$ 16,200,000					
Year 1	\$ 99,222		0.88	0%	\$ -	\$ 99,222
Year 2	\$ 84,564		0.75	0%	\$ -	\$ 84,564
Year 3	\$ 71,034		0.63	0%	\$ -	\$ 71,034
Year 4	\$ 56,376		0.50	0%	\$ -	\$ 56,376
Year 5	\$ 42,846		0.38	0%	\$ -	\$ 42,846
Year 6	\$ 28,188		0.25	0%	\$ -	\$ 28,188
Year 7	\$ 22,550		0.20	0%	\$ -	\$ 22,550
Year 8	\$ 22,550		0.20	0%	\$ -	\$ 22,550
<b>Total</b>	\$ 427,330				\$ -	\$ 427,330

Personal Property - Year 2					
Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	
\$ 30,300,000					
\$ 185,581	0.88	0%	\$ -	\$ 185,581	
\$ 158,166	0.75	0%	\$ -	\$ 158,166	
\$ 132,859	0.63	0%	\$ -	\$ 132,859	
\$ 105,444	0.50	0%	\$ -	\$ 105,444	
\$ 80,137	0.38	0%	\$ -	\$ 80,137	
\$ 52,722	0.25	0%	\$ -	\$ 52,722	
\$ 42,178	0.20	0%	\$ -	\$ 42,178	
\$ 757,088			\$ -	\$ 757,088	

Knox County, TN - Tax Schedule  
Project Holston

Personal Property - Year 3						
Knox County Tax Rate: \$2.32	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	
Value	\$ 15,000,000					
Year 1						
Year 2						
Year 3	\$ 91,872	0.88	0%	\$ -	\$ 91,872	
Year 4	\$ 78,300	0.75	0%	\$ -	\$ 78,300	
Year 5	\$ 65,772	0.63	0%	\$ -	\$ 65,772	
Year 6	\$ 52,200	0.50	0%	\$ -	\$ 52,200	
Year 7	\$ 39,672	0.38	0%	\$ -	\$ 39,672	
Year 8	\$ 26,100	0.25	0%	\$ -	\$ 26,100	
<b>Total</b>	<b>\$ 353,916</b>			<b>\$ -</b>	<b>\$ 353,916</b>	

Personal Property - Year 4						
Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated		
\$ 15,000,000						
\$ 91,872	0.88	0%	\$ -	\$ 91,872		
\$ 78,300	0.75	0%	\$ -	\$ 78,300		
\$ 65,772	0.63	0%	\$ -	\$ 65,772		
\$ 52,200	0.50	0%	\$ -	\$ 52,200		
\$ 39,672	0.38	0%	\$ -	\$ 39,672		
<b>\$ 327,816</b>			<b>\$ -</b>	<b>\$ 327,816</b>		



Knox County, TN - Tax Schedule  
Project Holston

Personal Property - Year 5						
Knox County Tax Rate: \$2.32	Full Taxes	Depreciation Rate	% of taxes paid	Taxes Paid after Abatement	Taxes Abated	
Value	\$ 15,000,000					
Year 1						
Year 2						
Year 3						
Year 4						
Year 5	\$ 91,872	0.88	0%	\$ -	\$ 91,872	
Year 6	\$ 78,300	0.75	0%	\$ -	\$ 78,300	
Year 7	\$ 65,772	0.63	0%	\$ -	\$ 65,772	
Year 8	\$ 52,200	0.50	0%	\$ -	\$ 52,200	
<b>Total</b>	<b>\$ 288,144</b>			<b>\$ -</b>	<b>\$ 288,144</b>	

Total Payments Made in Lieu of Tax: \$ -  
Total Taxes Abated on Personal Property: \$ 2,154,294



**Knox County, TN  
Project Holston  
Economic Impact and Benefit/Cost Analysis**

**Payback Summary**

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Length of PILOT (Years)		8	
Hard Costs Contributed	\$	-	
Taxes Forgone	\$	3,254,100	
Total Hard Costs/Taxes Forgone	\$	3,254,100	
Tax Revenues From Construction	\$	1,201,338	
Tax Revenues From Operations During PILOT Period	\$	8,716,004	
New Property Tax Revenues Received During PILOT Period	\$	586,496	
Total Tax Revenues Received During PILOT Period	\$	10,503,838	
Benefit/Cost Ratio		3.23	

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**Projected Costs:**  
*Hard Costs* (land, infrastructure, etc.)  
 None.

*Opportunity Costs*  
 Local government is requested to forgo for a period of years the opportunity to collect taxes on site improvement, building, and industrial equipment that are a part of the project.

**Payback:**

Benefit/Cost Ratio: The sum of tax revenues from construction, operations and property during the PILOT period divided by the total taxes forgone.

## Notes for Project Holston:

1. U.S. Bureau of Economic Analysis, RIMS II, aggregate direct effect employment multiplier for Knox County, Tennessee. This multiplier represents the number of indirect jobs created per direct job for sporting and athletic goods.
2. Based upon data from Tennessee Department of Labor; Annual Average Wage for Knox County, 2014 with a 3.5% inflation factor applied for 2015.
3. U.S. Department of Labor, "Consumer Expenditure Survey, Southern US" 2013; factor applied to determine the rate of indirect or "downstream" expenditures on sales taxable goods and services at the local option tax rate of .0225. It is assumed all purchases associated with construction and capital equipment will be sales tax exempt.
4. Based upon July 2014 - June 2015 collections of Business, Alcohol, Motor Vehicle and other local taxes compared to sales tax for Knox County.
5. Property taxes on new property value created by new jobs based upon historical trend. This is not property tax on the direct project. The new property value may be new single family homes, new rental property, expansions or improvements to existing residential or commercial property. Although commercial property value is included, the residential rate of assessment is used as a conservative measure. The assessment rate of 25% and a combined Knox County tax rate of \$2.32 per \$100 of assessed value is used.
6. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate output multiplier for construction for Knox County, Tennessee.
7. U.S. Bureau of Economic Analysis, RIMS II final demand aggregate output multiplier for wholesale trade for Knox County, Tennessee.

\* Constant 2015 dollars. No tax rate increases are assumed.



31 August 2023

Re: Lifetime Products Inc PILOT agreement dated 29 July 2016

Dear Knox County Industrial Development Board:

We are requesting a reevaluation of the requirements of our PILOT agreement referenced above. The extension request letters sent in both 2021 and 2022 represented the issues facing our company in obtaining sufficient staffing levels during the challenges that resulted from the worldwide COVID 19 pandemic. Both of these letters are attached herein.

In the wake of the COVID pandemic, there have been several unanticipated fluctuations in the demand for consumer products as well as the availability and costs of labor. As demand decreases and cost of labor increases, the need for more efficient manufacturing is more important than ever. Getting the right balance of manufacturing capacity, labor levels, distribution space and inventory has been our biggest challenge with so many unanticipated and unpredictable economic factors.

When we first set up our PILOT program, we had planned for a footprint of 21 blow-molding machines. These machines would take up about one quarter of the total building and assembly & packaging lines would take up another quarter of the building. These two quarters, or the new half, represent the entire new addition to the pre-existing building. The pre-existing building, or the old half, would serve as distribution for the products produced. We quickly realized that producing, storing and shipping large kayaks and paddleboards would take up more space than we had with the new half and the old half combined. We cannot add any more blow-molding capacity in Mascot until we have more distribution space available to free up the space we had originally planned to use for production. This issue was masked in our initial planning phase where our production site in Utah had used several smaller buildings for storage, production, and distribution. We did not factor those multiple smaller footprints into our plan for the Mascot facility. We have already been renting an offsite finished goods storage warehouse to be able to store inventory during our peak production times.

Our initial PILOT lease agreement was to have 500 employees and spend \$115 million for all six phases. We have currently invested capital of approximately \$100 million into our Mascot facility and have only completed three of our original six phases. We have put in place 12 out of 21 blow-molding machines. The next three phases are for three additional machines per phase. Each phase will also require substantial investments in infrastructure and support machinery. These investments include chillers, granulators, conveyor systems, and more automated robotics. Phases four and five would be for the next six machines and would cost about \$30M total including all these additional items.

A new distribution building is required for any future expansion phases. The new building would be approximately 500,000 square feet and would cost about \$50-\$60 million in total including a significant amount of land preparation that would be required. The current economic situation makes it difficult to commit to exactly when we plan to build the distribution center and complete our final phases of production expansion.

We currently do not meet the required 500-job threshold set up in our initial PILOT agreement. In retrospect, we should have set up our PILOT program with 300 jobs and an investment of \$100 million. Since the facility opened, we have struggled to predict demand as we initially built out our production

capability, then were derailed by the COVID pandemic and subsequent recovery, and are now dealing with the looming threat of a recession.

Our initial PILOT agreement with 500 jobs and \$115 million investment with a lower than average wages qualified us for a 12-year lease period. Based on our calculations from the original PILOT lease agreement with a revised 300 jobs, \$100 million investment, and high average annual wages (98% of the Knox average annual wage) we qualify for a 10-year lease. We have invested more than we planned on up to this phase and we have raised our average annual wage, we have mainly struggled with the employment requirement.

Our request is that we change the PILOT lease agreement to reduce jobs from 500 to 300 and reduce the capital investment amount from \$115 million to \$100 million. This allows us to be in compliance at our current levels of investment and hiring and finish out the balance of the PILOT lease agreement. When the market is right for our additional investment to continue our expansion plan, we can revisit a new PILOT lease agreement to potentially include the existing building, new machinery, and new building.

As mentioned previously, we were able to gain new kayak business with Dick's Sporting Goods due in large part to having our facility in Mascot. This production should begin towards the end of 2023 for shipment in the spring of 2024. We are also growing additional business in our OEM line by producing roadway barriers and security barricades. This new business growth, as well as other business opportunities we have identified, will require us to continue to grow our production capacities in an efficient and competitive manner. We continue to benefit from, and are extremely pleased by, our decision to expand in Mascot and look forward to continuing to cultivate our manufacturing proficiencies to meet the growing demands and stay competitive. We appreciate the partnerships with the Knoxville Chamber, Knox County IDB, TVA & KUB, and other local groups and look forward to continuing to deepen and expand these partnerships. Thanks again for your continued support of our business.

Sincerely,



Brian Slagle  
Chief Financial Officer  
Lifetime Products, Inc.

***Appendix: Letter submitted May 2022 requesting second extension***

29 June 2022

Re: Lifetime Products Inc PILOT agreement dated 29 July 2016

Dear Knox County Industrial Development Board:

We are requesting an additional one year extension on the determination date of our PILOT agreement referenced above. The letter sent last year requesting the initial extension period is attached herein as an appendix.

There continues to be unanticipated effects in our business, and the economy as a whole, from the COVID pandemic. We are over two years into this pandemic and it is still unclear when the difficulties will subside, especially with employment. We have continued to struggle to get employees through our temporary staffing agencies as well as through our own efforts.

The average fill rate for the temporary staffing agencies over the last two and a half years has been 48.99%. As our main hiring source we're not getting enough people based on what we request and we have had struggles getting them converted into to full time employees. In 2020 we converted 106 temporary associates to full time employees and we converted 155 in 2021. In 2022 we have already converted 51 temporary associates to full time.

In addition, we also have experienced increased turnover with our full time employees. Our turnover rate for full time employees in 2020 was 39.4% and for 2021 it was 55.9%. We currently only have 294 full-time employees and 144 temporary associates, 438 total workers. Additionally, we have 27 open positions. We have 465 jobs in our Mascot facility right now and we are converting temporary associates to full time employees on a weekly basis.

We are exceeding wage requirements for our PILOT agreement. We have recently raised wages \$2.00 per hour (\$17/hour day shift) and increased the differential \$.50 per hour (\$3/hour differential for swing and grave shifts) across the entire employee base in TN. This was an effort to attract more employees and entice them to stay for longer. We still have to continue to be very conscious with our rising labor costs in addition to continued rising material costs in order to stay competitive and not lose business, especially to offshore producers that have lower labor and material costs.

We are continuing to invest in our facility in Mascot. It was originally designed for 21 machines and we only have 12 machines in the facility currently. We have discovered that we cannot support the full 21 machines with our existing footprint. The space needed to store raw materials, work in process pieces, package and assemble products, store finished goods inventory, and stage it for shipping is greater than our current space.

As mentioned in the previous letter, we plan to build a new distribution center on land directly north of our existing facility. This new building will free up space in our existing building to expand manufacturing and hire additional people to support the new machines. We have recently completed a new distribution center in Clearfield, UT and plan to copy the same building on a reduced scale in Mascot.

We have already spent over \$98 million of the initially agreed upon \$115 million capital expenditure requirements for our PILOT agreement and we have not completed the existing facility as initially planned. By the time we are done with the new building and additional machines with necessary support equipment in our existing facility we will plan to spend an additional \$78M (\$50M for the building and \$28M for 6 additional machines and infrastructure) and hire an additional 150 employees. This would take our total capital expenditure to \$176 million and total full time employees (excluding temporary associates) to 444.

There is still more expansion potential beyond this additional spend and employee count. We have begun architectural drawings and done soil sample testing so that we are ready for the new building, if and when the time is right. If we lose these incentives, it will be a set back to our expansion plans.

With additional infrastructure and growth at our Mascot location, we are positioned to win new business with Dick's Sporting Goods to become a primary supplier of kayaks for their business. Without continued expansion in Mascot, we would be unable to support this business. We continue to receive new opportunities in our business due to our Mascot facility and are grateful for the wonderful working relationship we have with all levels of city, county, and state government that help make it all possible.

Sincerely,

Brian Slagle  
CFO  
Lifetime Products, Inc.

**Appendix: Letter submitted June 2021 requesting initial extension**

18 June 2021

Re: Lifetime Products Inc PILOT agreement dated 29 July 2016

Dear Knox County Industrial Development Board:

We are requesting a one year extension on the determination date as defined and mentioned in Section 4.02 of our PILOT lease agreement with the Knox County IDB. We feel that there are two factors that warrant an extension.

First, the commencement date of the lease (July 29, 2016) was 15 months prior to our receiving the certificate of occupancy for our new manufacturing facility (October 11, 2017). During the first year of our lease agreement we were unable to hire employees to produce product and progress towards our compliance goal. We missed 15 months of time to grow our employee base. The first three production machines were operational and we started hiring employees as soon as we received the certificate of occupancy. We had three additional machines on order when that certificate of occupancy was received.

Second, the worldwide coronavirus pandemic caused many changes to our business both positive and negative. As a company our sales were up 20% in 2020 and are up another 10% in 2021. However, March-May 2020 was a very uncertain time period for our company and we did not know that sales would pick up and that we would need so many employees. Nor could we foresee the difficulties in getting and retaining employees to produce the product that our customers were demanding. We have faced, and continue to face, significant staffing challenges due to the pandemic.

All of our hiring for our production and production support groups is done through temporary staffing agencies. When the pandemic first struck, it took several weeks for these agencies to set their own staff up to work from home and conduct interviews virtually. Additionally, drug tests and background checks took longer. In March 2020 we sent all of our temporary associates home because we thought production would be down as we expected orders to be down. When everything picked back up and increased over our initial 2020 plan, we couldn't get enough temporary associates to come back to work. Some of our own employees wouldn't come back to work due to fear, increased unemployment benefits, and quarantine requirements.

We also couldn't hold as many, or as large of, meetings as we would like to hire, train, and orient new temporary associates and new employees due to CDC guidelines on how many people can be in a room and how far apart they have to be spaced. Our ability to get temporary associates in our facility and then convert them to full time employees was significantly hampered by the coronavirus pandemic. At one point we were worried about keeping our facility open and for a period of time tried to limit exposure to new people in our facility by not bringing in temporary associates who were not already currently working with us.

The temporary staffing agency fill rates (the number of people they send to us versus the number we request) averaged 46% over the last 6 months. We try to never turn away a temporary associate that comes to our facility. We will work with them and train them and find a place for them to be. We also convert 100% of the temporary associates who complete the 320 hour minimum requirement of



working time with the temporary staffing agency to full time employees at Lifetime. Every one of our line supervisors started as a temporary associate. If we could find enough people, we would hire them and they would have opportunities for promotion.

Every summer our schedule typically slows down but that did not happen in 2020 or 2021 and we couldn't get enough people to fill our needs. At this current point in time our ideal production staffing would be 123 employees per shift and we run 3 shifts. Then we have an additional 50-60 people in production support positions which would be more than 400 employees today if we could get them in our doors.

The pandemic further caused problems in procuring additional machines. We had to find a new supplier for our large, custom-made blow-molding machines. Without additional machines we could not increase production or increase hiring but we likely would not have had the people to staff those machines even if we had them installed and running.

The current PILOT lease agreement requires that we have at least 400 employees with an average wage of \$37,984 on July 29, 2021. We currently only have 261 full-time employees and 183 temporary associates but our average wage is \$38,297. Additionally, we have 43 open positions. We have 487 jobs in our Mascot facility right now and we are converting temporary associates to full time employees on a weekly basis.

The agreement also requires that we invest \$115 million into this project. We have currently only invested \$95 million but we are on track to invest a total of \$120 million by 2023.

Our future plans for our Mascot facility involve continued investment and additional growth. By 2023 we plan to have invested \$120M into our existing facility and have 456 employees. Additionally, we plan to build a 650,000 square foot distribution center to support customer shipping requirements and the increased production from our Mascot facility.

Building this facility in Tennessee has been a great asset to our company and has helped us take advantage of opportunities in the market and support our growth as a company. Without this facility we would not have been able to win kayak business across Walmart's 4,000 stores, capitalize on competitors going out of business, supply products from the US when international supply chains collapsed, or take advantage of the stay at home trend sparked by the coronavirus pandemic and the demand for outdoor lifestyle products.

We are grateful to the state of Tennessee, Knox County, and the cities of Knoxville and Mascot that have welcomed us with open arms and helped us build a strong Lifetime presence in your backyard. We appreciate the friendliness and professionalism that each interaction brings and are privileged to have made so many new friends on our visits to our Mascot facility. We are confident that we can meet the originally agreed upon milestones with a one year extension.



## LEASE AGREEMENT

This **LEASE AGREEMENT** (this “Lease”), is made and entered into as of the 29<sup>th</sup> day of July, 2016, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, a public nonprofit corporation organized under the laws of the State of Tennessee, (“Landlord”), and **LIFETIME PRODUCTS, INC.**, a corporation organized under the laws of the State of Utah (“Tenant”).

### RECITALS

Landlord is a public nonprofit corporation organized pursuant to the provisions of Sections 7-53-101 to 7-53-316, inclusive, of the Tennessee Code Annotated, as amended, and is authorized thereunder to acquire, own, lease and dispose of certain real and personal properties, in order to (i) maintain and increase employment, (ii) promote and develop trade, new industry, and commerce, and (iii) induce manufacturing, industrial, governmental and commercial ventures to remain or locate in the State of Tennessee.

In connection therewith and in response to Tenant’s application and request under Landlord’s Property Tax Incentive Program, Landlord has acquired the Real Property (as defined below).

To induce Tenant to operate a sports equipment manufacturing facility on the Real Property, building a new building on the Real Property, invest at least \$115,686,000 in Capital Investments on the Real Property and employ at least 500 employees, Landlord has acquired the Real Property and will authorize Tenant to improve, renovate, construct, and operate a sports equipment manufacturing facility on the Real Property, building a new building on the Real Property, invest at least \$115,686,000 in Capital Investments and employ at least 500 employees in accordance with Tenant’s requirements, and Landlord will lease the Real Property, the facility and certain related personal property, to Tenant on the terms and conditions of this Lease.

NOW, THEREFORE, LANDLORD AND TENANT AGREE AS FOLLOWS:

Landlord, for and in consideration of the payments stipulated herein to be made by Tenant, the covenants and agreements hereinafter contained and to be kept and performed by Tenant, does hereby demise, lease, and let unto Tenant, and Tenant hereby hires, leases and rents from Landlord, for the Term and upon the conditions stated herein, the Premises, the Equipment and the Project.

### **ARTICLE I DEFINITIONS**

Section 1.01. Definitions. In addition to words and terms defined in the introductory paragraphs and the Recitals, the following terms and variations thereof have the meanings specified or referred to in this Article I:

“**Act**” means Sections 7-53-101 to 7-53-316, inclusive, of the Tennessee Code Annotated, as amended.

“**Additional Rent**” shall mean all amounts payable by Tenant under this Lease other than Base Rent, including, without limitation, those amounts described in Section 4.04.

**“Application”** means the Application for PILOT as included in the Board Packet distributed at Landlord’s meeting on December 8, 2015, as the same may be amended with the written consent of Landlord.

**“Authorized Tenant Representative”** means Tenant’s Chief Executive Officer, President, or other executive acceptable to Landlord.

**“Base Rent”** has the meaning provided in Section 4.03.

**“Capital Investment”** means capital expenditures of Tenant, including land acquisition costs, construction costs, site preparation work, other tax producing improvements to the Real Property, and Equipment purchases.

**“Commencement Date”** means the date this Lease is executed.

**“Compliance Report”** has the meaning provided in Section 5.06(c).

**“Default”** means the happening of any occurrence which, together with the giving of any required notice or the passage of any required period of time, or both, would constitute an Event of Default.

**“Determination Date Points”** has the meaning provided in Section 4.02(b).

**“Environmental Claims”** has the meaning provided in Section 13.03(a).

**“Environmental Laws”** has the meaning provided in Section 13.01(a).

**“Equipment”** means the equipment, machinery, and other personal property, which are (a) described in Exhibit B attached hereto and incorporated herein by reference, as the same may be amended, modified, or supplemented from time to time, and (b) acquired or are to be acquired in connection with Tenant’s operation of the Improvements.

**“Event of Default”** has the meaning provided in Section 9.01.

**“Existing Tax Payment”** has the meaning provided in Section 6.02.

**“Governmental Authority”** means the United States, the State of Tennessee, any political subdivision of either, any court of either of them, and any agency, department, commission, board, bureau or instrumentality of either of them.

**“Hazardous Waste”** has the meaning provided in Section 13.01(a).

**“Improvements”** means the improvements constructed or to be constructed upon the Real Property and affixed thereto, as provided in the Application, including, without limitation, an approximate 360,000 square foot expansion of the manufacturing building on the Real Property as of the date hereof.

**“Jobs”** means permanent full time and full time-equivalent positions of employment with Tenant; the minimum number of Jobs for purposes of this Lease shall be 500 positions. Employees who work at

least 36 hours per week and are eligible for full benefits, as provided from time to time during the Term, will be included in any calculation of Jobs under this Lease.

**“Landlord’s Agents”** has the meaning provided in Section 5.05(c).

**“Lease Compliance Information”** has the meaning provided in Section 5.06(a).

**“Legal Requirement”** means any federal, state, local, municipal, foreign, international, multinational or other constitution, law, ordinance, principle of common law, code, regulation, statute or treaty and any court order applicable to the Premises.

**“Lender”** means any lending institution which has extended credit to Tenant that is secured by a Security Instrument.

**“Measurement Period”** means the time period covering the five (5) years after the Commencement Date.

**“Municipality”** has the meaning provided in Section 6.02(b).

**“Organizational Documents”** means with respect to any particular entity, (a) if a corporation, the articles or charter of incorporation and the bylaws; (b) if a general partnership, the partnership agreement and any statement of partnership; (c) if a limited partnership, the limited partnership agreement and the certificate of limited partnership; (d) if a limited liability company, the articles of organization and operating agreement; (e) if another type of Person, any other charter or similar document adopted or filed in connection with the creation, formation or organization of the Person; (f) all equity holders’ agreements, voting agreements, voting trust agreements, joint venture agreements, registration rights agreements or other agreements or documents relating to the organization, management or operation of any Person or relating to the rights, duties and obligations of the equity holders of any Person; and (g) any amendment or supplement to any of the foregoing.

**“Permitted Encumbrances”** means the encumbrances on the Real Property as described in Exhibit C, which is attached hereto and incorporated herein.

**“Person”** means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Authority.

**“Phase I Report”** has the meaning provided in Section 13.01(b).

**“Plans and Specifications”** means the plans and specifications for the construction of the Improvements prepared by Tenant and submitted to Landlord, together with any addenda thereto and modifications thereof.

**“Premises”** means the Real Property, together with the Improvements on such Real Property and the Equipment, all whether located on the Real Property at the time of the execution of this Lease, or at any time thereafter.

**“Project”** means the completed Improvements by Tenant, the Equipment, the conveyance of the Real Property to Landlord, the leasing of the Real Property and Equipment by Tenant from Landlord, and

the work of constructing the Improvements on the Real Property, as well as the expenditure of the Capital Investment, and the creation and maintenance and/or retention of the Jobs and the Wages pursuant to the terms of this Lease and the Application.

“**PTIP**” means Landlord’s Property Tax Incentive Program and the payments in lieu of taxes to be paid in accordance with Section 6.02 hereof.

“**PTIP Policies and Procedures**” means the Policies and Procedures of Landlord with regard to the PTIP, a copy of which is attached hereto as Exhibit E and incorporated herein by reference, as the same may be modified from time to time by Landlord.

“**Purchase Option**” has the meaning provided in Section 11.01.

“**Real Property**” means the real property generally referred to as 2015 Eastbridge Boulevard, Mascot, TN 37806, described in Exhibit A attached to this Lease and the Improvements.

“**Related Documents**” has the meaning provided in Section 12.06.

“**Report**” has the meaning provided in Section 5.06(a).

“**Security Instrument**” means any deed of trust, security agreement, assignment, pledge, hypothecation, conditional sale agreement, chattel paper, financing statement or other instrument or document encumbering the Real Property or Tenant’s leasehold interest therein or the Equipment, all as amended from time to time.

“**Tax Year**” has the meaning provided in Section 6.02.

“**Tenant**” means the legal entity or natural person identified in the first paragraph of this Lease, or any permitted transferee or assignee pursuant to Section 3.06.

“**Tenant Documents**” means this Lease and such deeds, bills of sale, assignments, subleases, estoppel certificates, subordination agreements, nondisturbance and attornment agreements and other instruments and documents evidencing and providing for the transactions and obligations contemplated herein, as the same may be amended, modified and supplemented from time to time.

“**Term**” means the term of this Lease, as provided in Section 4.01.

“**Wages**” means wages paid by Tenant to its employees on an annual basis.

Section 1.02. Usage.

- (a) In this Lease, unless a clear contrary intention appears:
  - (i) the singular number includes the plural number and vice versa;
  - (ii) reference to any Person includes such Person’s successors and assigns but, if applicable, only if such successors and assigns are not prohibited by this Lease, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(iii) reference to any gender includes each other gender;

(iv) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(v) reference to any Legal Requirement means such Legal Requirement as amended, modified, codified, replaced or reenacted, in whole or in part, and in effect from time to time, including rules and regulations promulgated thereunder, and reference to any section or other provision of any Legal Requirement means that provision of such Legal Requirement from time to time in effect and constituting the substantive amendment, modification, codification, replacement or reenactment of such section or other provision;

(vi) “hereunder,” “hereof,” “hereto,” and words of similar import shall be deemed references to this Lease as a whole and not to any particular Article, Section or other provision hereof;

(vii) “including” (and with correlative meaning “include”) means including without limiting the generality of any description preceding such term;

(viii) “or” is used in the inclusive sense of “and/or”;

(ix) with respect to the determination of any period of time, “from” means “from and including” and “to” means “to but excluding”; and

(x) references to documents, instruments or agreements shall be deemed to refer as well to all addenda, exhibits, schedules or amendments thereto.

(b) This Lease was negotiated by the parties with the benefit of legal representation, and any rule of construction or interpretation otherwise requiring this Lease to be construed or interpreted against any party shall not apply to any construction or interpretation hereof.

(c) Any capitalized terms not specifically defined herein shall have the meanings assigned to them in the Application.

## **ARTICLE II CONSTRUCTION AND/OR RESTORATION**

Section 2.01 Capital Investment; Construction. Tenant shall make the Capital Investment provided in the Application and shall cause the Project to be undertaken and the Improvements to be completed at its expense in accordance with the Plans and Specifications and the Application within the Measurement Period. In order to accomplish the construction of the Improvements, Tenant is hereby authorized to execute in its own name, without reference to Landlord, all necessary contracts, agreements, purchase orders, and related documents. In no event shall Landlord be liable under any such contracts, agreements, purchase orders, and other related documents. For purposes of this Agreement, the term “completed” shall mean the issuance by applicable Governmental Authorities of a certificate of occupancy with respect to each element of the Improvements.

Section 2.02 Rights against Contractors, Etc.

(a) Tenant agrees, pursuant to the authority and power granted in the preceding paragraph, to proceed with the construction, renovation and equipping of the Improvements with due diligence, in a good and workmanlike manner and in compliance with all Legal Requirements.

(b) Upon completion of the Improvements and the request of Tenant, Landlord will assign to Tenant (if any of the following inure to the benefit of Landlord) (i) all warranties and guaranties of any and all contractors, subcontractors, suppliers, and architects for the furnishing of labor, materials or supervision in connection with the Improvements or any part thereof, and (ii) any and all rights or causes of action against any of the foregoing Persons.

(c) If any contractor or subcontractor breaches any contract with Tenant or Tenant's contractor related to the Improvements, Tenant may, at its expense, either in its own name or in the name of Landlord, prosecute or defend any action or proceeding related to the construction and equipping of the Project or take any other action involving any such contractor, subcontractor, surety, or supplier that Tenant deems reasonably necessary. Landlord will cooperate fully with Tenant and, at Tenant's expense, will take all action necessary to effect any necessary substitution of Tenant for Landlord in such action or proceeding related to the construction and equipping of the Project. Tenant shall indemnify Landlord from all claims, damages, liability, attorneys' fees, and court costs, if Tenant prosecutes or defends any such action or proceeding or takes any other action in Landlord's name. Landlord shall pay to Tenant any net amounts recovered and actually received by Landlord as damages, refunds, adjustments, or otherwise in connection with the foregoing.

Section 2.03 Agency Appointment. Landlord hereby makes, constitutes and appoints Tenant as its true and lawful agent, and Tenant hereby accepts such agency, (a) to construct the Improvements and acquire the Equipment, (b) to make, execute, acknowledge and deliver any contracts, order, receipts, writings and instructions, either in Tenant's name or as the stated agent for Landlord, with any other Person, and in general to do all things which may be requisite or proper, all for the construction of the Improvements and the acquisition of the Equipment with the same powers and with the same validity as Landlord could do if acting in its own behalf, (c) pursuant to the provisions of this Lease, to pay all fees, costs and expenses incurred in the construction of the Improvements and the acquisition of the Equipment, and (d) to ask, demand, sue for, levy, recover and receive all such sums of money, debts, dues and other demands whatsoever that may be due, owing and payable to Landlord under the terms of any contract, order, receipt, writing or instruction in connection with the construction of the Improvements and the acquisition of the Equipment, and to enforce the provisions of any contract, agreement, obligation, bond or other performance security. So long as an Event of Default has not occurred, this appointment of Tenant to act as agent and all authority hereby conferred are granted and conferred irrevocably to the completion date of the Project and thereafter until all activities in connection with the construction and equipping of the Project shall have been completed, and shall not be terminated prior thereto by any act of Landlord or of Tenant or by operation of law.

Section 2.04 Equipment. In connection with the acquisition of the Equipment or the reimbursement of Tenant therefor, Tenant, following the acquisition of each item of Equipment, shall deliver to Landlord a bill of sale (naming Landlord as purchaser) specifically listing and identifying each such item of Equipment. Exhibit B shall be deemed to be amended upon delivery of each such bill of sale to include the information therefrom. Each such bill of sale shall be promptly delivered to Landlord after the acquisition of each such item of Equipment, but in no event later than the end of the calendar year in which the Equipment was acquired. Upon the completion of the Project, Tenant shall prepare and deliver to Landlord a revised Exhibit B specifically identifying each item of Equipment leased hereunder. At any



time, Tenant may add or substitute items of Equipment identified on Exhibit B and may replace or substitute items of equipment of equal or better value by delivering a bill of sale for each additional item of Equipment naming Landlord as purchaser and by delivering a revised Exhibit B to Landlord. In addition, Tenant may delete items of Equipment in accordance with Section 8.05.

### **ARTICLE III TERM AND CONCURRENT AGREEMENTS**

Section 3.01 Capital Investment, Jobs and Wages. Tenant ratifies its representations made in the Application, agrees to comply with all terms and conditions of the Application, and acknowledges that it has represented the following, among other things, in the Application:

(a) That the Project will result in the creation during the Measurement Period of at least **500** Jobs paying Wages, on average of **\$37,984** per Job; and

(b) That the Tenant will make a Capital Investment in the Project of at least **\$115,686,000.00** during the Measurement Period;

provided, however, that Tenant shall not be deemed to have breached these covenants, warranties and representations as to Jobs, Wages, and Capital Investment, unless an Event of Default exists pursuant to Section 9.01(b).

Section 3.02 Use of Project and Compliance with Laws. Tenant shall promptly comply, cause compliance with, or obtain waivers of, all Legal Requirements applicable to the Premises, at no expense to Landlord, whether or not the same are foreseen or unforeseen, ordinary or extraordinary. Tenant shall throughout the term of this Lease cause the Premises to be used in a manner that will constitute a “project” within the meaning of Section 7-53-101 of the Act. Tenant has represented to Landlord in the Application that it will complete and use the Project solely for the purpose of operating an outdoor products manufacturing facility and create and retain the Jobs at the Wages and make the Capital Investment, all as set out and defined in the Application. Any proposed changes in the use and operation of the Premises from the terms of this Agreement must be submitted to Landlord for advance written approval. Pursuant and subject to the provisions of Article IX of this Lease, Landlord reserves the right to terminate this Lease if the use of the Premises becomes materially inconsistent with the representations summarized above and as stated in the Application; but no such termination shall be effective unless Landlord shall first give Tenant not less than ninety (90) days’ notice of intent to terminate and Tenant shall not have cured such default within such ninety (90) day period. All representations and warranties in the Application shall be deemed representations and warranties under this Lease.

Section 3.03 Contesting Laws. Tenant shall not be required to comply or cause compliance with the Legal Requirements referred to in Section 3.02, so long as Tenant shall give written notice to Landlord, and at its expense, shall contest the same or the validity thereof in good faith and in accordance with applicable law. Such contests may be made by Tenant in the name of Landlord or of Tenant, or both, as Tenant shall determine, and Landlord agrees that it will, at Tenant’s expense, cooperate with Tenant therein, as Tenant may reasonably request. At Landlord’s option, Tenant shall provide Landlord with such security reasonably satisfactory to Landlord for the purpose of indemnifying Landlord from all claims, damages, liabilities, attorneys’ fees, and court costs, if Tenant shall pursue any claim or right in Landlord’s name.

Section 3.04 Landlord's Title to Real Property. Landlord has or will acquire title to the Real Property subject to the Permitted Encumbrances. Until such time as this Lease has been terminated after the occurrence of an Event of Default, Landlord will not, without the prior written consent of Tenant, directly or indirectly create or consent to the creation or existence of any lien or encumbrance (other than as requested by Tenant in writing) upon the Premises or Landlord's interest therein, or convey title to the Premises in any manner whatsoever, except as otherwise provided herein or as requested or approved by Tenant in writing. Landlord will promptly consent to, and allow Tenant to place, any easements (including, but not limited to, the dedication of a portion or portions of the Real Property for public use) on the Real Property, which Tenant believes are necessary for the operation thereof. Landlord will promptly execute any and all documents reasonably requested by Tenant to grant such easements. The form and content of such documents shall be acceptable to Landlord and its counsel and shall provide that Landlord and its agents will not incur any obligations or liabilities as a result of granting and otherwise entering into such easements. Notwithstanding the foregoing sentence or any provision to the contrary in the documents granting any such easements, Tenant agrees to pay and perform any and all obligations and liabilities of the grantor or Landlord set forth in such documents and shall indemnify Landlord and hold Landlord harmless from and against any and all such obligations and liabilities.

Section 3.05 Additional Encumbrances: Subordination; Estoppel.

(a) Provided that no Event of Default shall have occurred hereunder, and provided that Landlord is notified in writing of the details of any proposed transaction prior to the closing of such transaction, Tenant shall have the right to encumber by one or more Security Instruments its right to use and occupy the Premises, or portions thereof. Any and all such encumbrances of Tenant's leasehold estate shall, however, at all times be subject to the fee interest of Landlord (unless subordinated to such encumbrances as hereinafter provided) and shall impose no personal liability on Landlord. Tenant shall indemnify Landlord against any losses, costs or expenses (including reasonable attorneys fees), which Landlord may incur as the result of executing any such encumbrance or subordination agreement requested by Tenant. Upon the execution and recordation of any Security Instrument, Tenant shall notify Landlord that such Security Instrument has been executed and delivered by Tenant, and Landlord shall also be furnished with the address of the Lender involved in such encumbrance, to which copies of notices are to be mailed. Landlord will thereafter contemporaneously mail to such Lender a duplicate copy of any and all notices in writing that Landlord may, from time to time, give or serve upon Tenant under this Lease. If a Lender requires Landlord to execute any certificate or other closing documents, Tenant shall be responsible to reimburse Landlord's actual expenses, costs, and reasonable attorneys' fees incurred in reviewing closing documents or otherwise expended by Landlord as a result of Tenant's transactions.

(b) Any Lender may, at its option, at any time before the rights of Tenant shall have been terminated, as provided for herein, pay any of the rent due hereunder or do any other act or thing required of Tenant by the terms hereof, or do any act or thing which may be necessary and proper to be done in the observance of the covenants and conditions hereof, in order to prevent the termination of this Lease. All payments so made, and all things so done and performed, by such Lender shall be as effective to prevent a termination of the rights of Tenant hereunder as the same would have been, if done and performed by Tenant.

(c) Any Security Interest to be executed by Landlord at the request of Tenant shall include no-recourse provisions stating that Landlord shall incur no personal or individual liability whatsoever as a result of entering into the Security Instrument, and these provisions shall have no exceptions to, or carve-outs from, the no-recourse covenant. In addition, any lien, encumbrance, mortgage or security interest

evidenced by the Security Instrument shall be subordinate in right and dignity to the lien in favor of Landlord securing Tenant's obligation to make the rent payments, the payments in lieu of taxes and other amounts due to Landlord under this Lease.

(d) If requested by Tenant, Landlord shall subordinate its fee interest in the Premises to any Security Instrument in favor of any Lender, and to the right, title and interest of any Lender in and to the Premises. The subordination shall be in the form and content reasonably requested by Tenant on behalf of such Lender, including, without limitation, the execution of a Security Instrument in favor of such Lender encumbering the fee interest of Landlord; provided, however, in the event of Landlord's execution of any such subordination or Security Instrument, Tenant agrees to indemnify Landlord against any losses, costs or expenses which Landlord may incur as a result of executing any such subordination or Security Instrument. Any such subordination or Security Instrument shall provide that Landlord shall incur no personal liability or obligation as a result of entering into the subordination or the Security Agreement.

Landlord acknowledges that, subject to the statutory lien for payments in lieu of taxes, the interests of a Lender in the Premises shall take priority at all times as necessary in order to protect and preserve the existence and priority of the collateral or security interest and/or lien rights of such Lender in and to the Premises, while at the same time preserving for such Lender the rights set forth herein and in Section 9.03 to cure any defaults by Tenant hereunder.

Section 3.06 Subletting and Assignment. Tenant shall not assign its interest in this Lease or sublet the Premises or any interest therein without the prior written consent of Landlord. Any permitted assignment or subletting of the Premises shall be only for the purposes set forth in the Application and this Lease. Any permitted sublease shall be subject and subordinate to the terms of this Lease. Tenant shall give Landlord thirty (30) days' notice of any proposed assignment or subletting of the Premises, and if Landlord consents thereto, shall provide Landlord with an instrument executed by the assignee or sublessee(s) of the Premises certifying that the assignment or sublease of the Premises is in force and is subject to all of the terms and provisions of this Lease. If a transfer, assignment or sublease will, in Landlord's opinion, result in a change in the use and operation of the Premises from that specified in the Application or if, as a result of any proposed sublease or assignment of the Premises, the beneficiary of the PTIP incentives would be a party other than Tenant, then Landlord may withhold its consent. Granting any consent under this Section will be at the sole discretion of Landlord and, if granted, may be subject to Tenant and the transferee, assignee, and sublessee filing a new application for PTIP incentives with Landlord, paying any fees due with respect to such new application or transfer, and otherwise complying with the PTIP Policies and Procedures.

#### **ARTICLE IV TERM AND RENT**

Section 4.01 Demise and Term. Subject to the terms and provisions of this Lease, this Lease shall be and remain in full force and effect for a term commencing on the date of this Lease and ending on July 29, 2024 ("Term"). The Lease may be terminated at an earlier date or extended in accordance with the terms and conditions of this Lease.

Section 4.02 Report on Determination Date. Within thirty (30) days after the fifth (5<sup>th</sup>) anniversary of the Commencement Date ("Determination Date"), the Tenant shall deliver to Landlord the Compliance Report in accordance with Section 5.06(c) which Landlord shall use to determine the Determination Date Points (as defined below) in accordance with this Section 4.02.

(a) Landlord will evaluate the Compliance Report in accordance with the following criteria and award points based upon Tenant's actual performance and compliance with the Application and this Lease in accordance with the following criteria:

(i) Landlord will award points based on the Capital Investment made by Tenant respecting the Project as of the Determination Date as described in the PTIP Policies and Procedures in effect as of the date hereof, provided that points for Capital Investment will be awarded on the basis of five (5) points for each \$10,000,000 of invested capital in excess of \$30,000,000.00.

(ii) The Board will award additional points based upon the number of Jobs, which were created and maintained over the Determination Period, and the average Wages paid per such Job, in each case, as described in the PTIP Policies and Procedures in effect as of the date hereof.

Landlord will determine the number of points for which Tenant qualified pursuant to the above criteria (the "Determination Date Points") and will evaluate the performance of Tenant under this Lease and the Application. Landlord and Tenant agree to extend or reduce the Term of the Lease in accordance with Sections 4.06 and 4.07.

(b) Tenant shall pay all reasonable expenses incurred by Landlord in evaluating Tenant's performance, including consulting fees, auditing fees and reasonable attorney fees.

Section 4.03 Base Rent. Tenant shall pay to Landlord without notice, setoff or demand as base rent ("Base Rent") the sum of One Thousand Dollars (\$1,000.00) per annum, payable on the date on which the payment in lieu of taxes is required pursuant to Section 6.02 herein is due and payable, as rent for the Premises.

Section 4.04 Additional Rent.

(a) Tenant covenants and agrees at its expense to acquire and construct the Improvements and Equipment as described in the Application and Section 2.01 hereof, and in connection therewith, Tenant agrees to incur capital expenditures of not less than **\$115,686,000**. It is understood and agreed that such Improvements shall become the property of Landlord and part of the Premises leased hereunder. The cost of the acquisition and construction of the Improvements and Equipment shall be treated as "Additional Rent" payable by Tenant under this Lease.

(b) Tenant shall also pay, as Additional Rent, those amounts set out in Article VI hereof and all other sums which Tenant shall be obligated to pay hereunder, whether or not such sums are specifically designated as Additional Rent, and debt service payable by Tenant with respect to any loan secured in whole or in part by a security interest in the Premises or Tenant's interest therein. Tenant shall also pay, as Additional Rent, all reasonable sums advanced by Landlord for or on behalf of Tenant hereunder. The Additional Rent shall be due by Tenant in accordance with the applicable provisions of this Lease and, if no date is specified, then on demand. Any sums advanced by Landlord for or on behalf of Tenant shall bear interest at the prime rate of interest as published in the Wall Street Journal, as adjusted from time to time, plus 2.00% per annum, and shall be due and payable on demand.

Section 4.05 Net Lease. This Lease is a "net lease" and the Base Rent, Additional Rent and all other sums payable hereunder to or for the account of Landlord shall be paid promptly and without set-off, counterclaim, abatement, suspension, deduction, diminution or defense.

Section 4.06 Extension of Term. In the event Determination Date Points qualify the Tenant for a Lease in excess of the current Term, Landlord will extend the Term to the total number of years for which Tenant qualifies under the standard scoring matrix set forth in the PTIP Policies and Procedures in effect as of the date hereof, such determination to be made using the Determination Date Points.

(a) Notwithstanding anything contained in this Lease to the contrary, in no event shall the Term of the Lease exceed fifteen (15) years.

(b) Landlord will be under no obligation to extend the Term if a Default or Event of Default has occurred, or but for the giving of notice or the passage of time, or both, would have occurred.

(c) Tenant shall pay all reasonable expenses incurred by Landlord in evaluating Tenant's performance and determining if an extension of this Lease is in order, including consulting fees, auditing fees and reasonable attorney fees.

(d) If Tenant qualifies for an extension of the Term, (i) Landlord will submit to Tenant, and Tenant will execute and deliver to Landlord within ninety (90) days of Tenant's receipt thereof, an amendment to this Lease or other documentation reasonably required by Landlord to memorialize or effect such extension of the Term, and (ii) upon executing and delivering such documents to Landlord, Tenant shall pay to Landlord an extension fee equal to 5.00% of the property tax savings from which Tenant will benefit for the extended Term (the "Extension Fee"). Landlord will calculate the tax savings based upon the assessed values and tax rates in effect at the time of the extension, and if the Municipality has not set a rate, the Board will use the assessments and tax rates in effect for the prior year. In the event Tenant fails to execute any such documents required by Lender or to pay the Extension Fee within such ninety (90)-day period, Landlord shall be under no obligation to extend the Lease as provided herein.

Section 4.07 Reduction in Term. In the event the Determination Date Points are insufficient to qualify the Tenant for a Lease equal to the Term, the parties agree to amend the Lease Term to a term equal to the total number of years for which Tenant qualifies under the standard scoring matrix set forth in the PTIP Policies and Procedures in effect as of the date hereof, such determination to be made using the Determination Date Points.

(a) Tenant shall pay all reasonable expenses incurred by Landlord in evaluating Tenant's performance and determining if reduction of the Term of this Lease is in order, including consulting fees, auditing fees and reasonable attorney fees.

(b) If the calculated Term of the Lease is less than the Measurement Period, then the Lease shall be terminated effective thirty (30) days after written notice from Landlord to Tenant. If Tenant fails to satisfy the Jobs and Wages requirements under Section 9.01(b) by the Measurement Date, then Tenant will have defaulted under the Lease and Tenant will be required to pay the Recapture Payment as provided in Section 9.04(c).

(c) If the calculated term of the Lease is greater than the Measurement Period but less than the current Term, (i) Landlord will provide written notice to Tenant of the calculated term of the Lease and the Lease will be automatically amended to comply with the new calculated term of the Lease, such amendment to be effective thirty (30) days after the written notice from Landlord to Tenant, and

Tenant agrees to execute an amendment to this Lease, an amendment to any memorandum of Lease of record with the Knox County Register of Deeds office or other documentation reasonably required by Landlord to memorialize or effect such new period of the Term, and (ii) upon executing and delivering such documents to Landlord, Tenant shall pay to Landlord any fees required hereunder including consulting fees, auditing fees and reasonable attorney fees.

**ARTICLE V**  
**REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION; COMPLIANCE REPORT**

Section 5.01 Representations and Covenants of Landlord. Landlord is a public nonprofit corporation, duly incorporated, validly existing and in good standing under the laws of the State of Tennessee, and is validly organized pursuant to the provisions of the Act. Landlord is authorized and empowered by the provisions of the Act, and has all requisite corporate power and authority to execute and deliver and perform its obligations under this Lease. No consents of any third parties are required nor are any regulatory filings required to be made in order for Landlord to execute this Lease and consummate the transactions herein. This Lease has been duly authorized, executed and delivered on behalf of Landlord and constitutes the legal, valid and binding obligation of Landlord enforceable in accordance with its terms subject to bankruptcy and other creditors' rights laws and principles of equity. The execution, delivery and performance by Landlord of this Lease will not contravene or constitute a default under any provision of any Legal Requirement, the Organizational Documents of Landlord or of any contract, agreement, judgment, order, decree, or other instrument binding on Landlord.

Section 5.02 Representations and Warranties of Tenant. Tenant hereby represents and warrants as follows to Landlord:

(a) Tenant is a corporation duly incorporated, validly existing, and in good standing under the laws of its jurisdiction of incorporation, with full corporate power and authority to conduct its business as it is now being conducted and to own or use the properties and assets that it purports to own or use. Tenant is duly qualified to do business as a foreign corporation and is in good standing under the laws of the State of Tennessee.

(b) Tenant has all requisite power, authority and legal right to: (i) execute and deliver this Lease and all other instruments and documents to be executed and delivered by Tenant pursuant hereto; (ii) perform and observe the provisions thereof; and (iii) carry out the transactions contemplated thereby. All action on the part of Tenant which is required for the execution, delivery, performance and observance by Tenant of this Lease has been duly authorized and effectively taken.

(c) Tenant has directed Landlord to acquire the Real Property in accordance with the PTIP.

(d) This Lease constitutes the legal, valid and binding obligation of Tenant enforceable against Tenant in accordance with its terms subject to bankruptcy and other creditors' rights laws and principles of equity.

(e) The Application does not contain any untrue statement or omit to state a material fact necessary to make the statements therein or in this Lease, in light of the circumstances in which they were made, not misleading. No representation of Tenant, or information disclosed by Tenant, in the

Application omits to state a material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(f) Tenant is not in material default under or violating, and none of the execution and delivery of this Lease, consummation of the transactions contemplated hereby or compliance with the terms and conditions hereof will conflict with, constitute a breach of or a default under, or violate, any material agreement or instrument to which Tenant is a party or by which Tenant or any of Tenant's property is bound and which has not been waived, or to Tenant's knowledge, any Legal Requirement. To Tenant's knowledge no event has occurred or is continuing which constitutes a default under or which, with the lapse of time or giving of notice or both, would constitute a default under any of the foregoing.

(g) There is no action, suit or proceeding at law or in equity or by or before any Governmental Authority now pending or, to the knowledge of Tenant, threatened against Tenant or any of its properties which might adversely affect the validity of this Lease or the transactions contemplated hereby.

(h) Neither the execution and delivery of this Lease or the other Tenant Documents nor the consummation or performance of any of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(i) breach (A) any provision of any of the Organizational Documents of Tenant or (B) any resolution adopted by the board of directors or the shareholders of Tenant;

(ii) breach any of the transactions contemplated by the Tenant Documents or give any Governmental Authority or other Person the right to exercise any remedy or obtain any relief under any Legal Requirement or any judgment or order to which Tenant may be subject;

(iii) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Authority the right to revoke, withdraw, suspend, cancel, terminate or modify, any license, permit, or other authorization that is held by Tenant or that otherwise relates to the Premises or to the business of Tenant; or

(iv) breach any provision of, or give any Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or payment under, or to cancel, terminate or modify, any agreement, document or contract to which Tenant is a party or by which Tenant may be bound.

(i) Except as may be required by its Organizational Documents, Tenant is not required to give any notice to or obtain any consent from any Person in connection with the execution and delivery of this Lease, the other Tenant Documents, or the consummation or performance of any of the transactions contemplated therein.

(j) Tenant estimates the cost of all Improvements and Equipment for acquiring, constructing and equipping the Project to be **\$115,686,000.00**.

(k) Tenant assumes responsibility for and will comply with all covenants and deed restrictions on the Premises, including those of record in the Register of Deeds' office for Knox County, Tennessee, and any covenants and restrictions specifically listed on Exhibit A, and specifically including any common area maintenance assessments, special assessments, or other fees payable to TDC under the

EastBridge Business Park Design Standards and Restrictive Covenants dated June 13, 1997 and recorded in Warranty Book 2253 Pages 1-44 as Instrument #78541 in the Knox County Register of Deeds office.

Section 5.03 **Acceptance of Improvements, No Warranties.** Tenant acknowledges and agrees that (a) it has examined and is fully familiar with the Premises, (b) the Plans and Specifications for the construction of the Improvements have been prepared at Tenant's direction and (c) the Improvements are to be constructed under its supervision. Accordingly, Landlord makes no representation or warranty, either express or implied, and offers no assurance to Tenant or any other Person regarding the condition or title of the Premises, the suitability of the Improvements for Tenant's purposes or needs, or the availability or sufficiency of funds to pay in full the cost of the Project. As to Landlord, Tenant accepts the Premises in their AS-IS CONDITION WITH ALL FAULTS as of the date of the commencement of the Term, and assumes all risks, if any, resulting from the failure of the Project to be completed or to comply with all applicable Legal Requirements.

Section 5.04 **Failure or Defect in Title.** Landlord shall not be liable to Tenant or to anyone for any damages resulting from (a) failure of, or any defect in, Landlord's title which interferes with, prevents, or renders burdensome the use or occupancy of the Premises or the compliance by Tenant with any of the terms of this Lease, or (b) delay in obtaining possession of all or any part thereof, from any cause whatsoever. No such failure of, or defect in, Landlord's title or delay in possession shall terminate this Lease or entitle Tenant to any abatement in whole or in part, of Base Rent, Additional Rent, or any other sums payable by Tenant pursuant to the terms of this Lease.

Section 5.05 **Release and Indemnification.**

(a) Tenant hereby releases and forever discharges Landlord, including any incorporator, member, director, officer, employee, counsel or agent of Landlord, and its successors and assigns from any claims, demands, causes of action, accounting, or any other matter arising in connection with the Project.

(b) Tenant covenants and agrees, at its expense, to pay, and to indemnify and save harmless Landlord, and any incorporator, officer, director, agent, counsel, or employee of Landlord (collectively, "Landlord's Agents"), against and from any and all claims by or on behalf of any Person, arising from (i) the occupation, use, possession, conduct, or management of, or from any work done in or about, the Premises or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, and Legal Requirements affecting the Project or the occupancy or use of the Premises, (ii) any condition of the Premises and the adjoining sidewalks and passageways, (iii) any breach or default on the part of Tenant in the performance of any covenant or agreement to be performed by Tenant pursuant to this Lease, (iv) any act or negligence of Tenant, or any of its agents, contractors, servants, employees, or licensees, (v) any accident, injury, or damage whatsoever caused to any Person in or about the Premises or upon or under the sidewalks, (vi) Landlord's ownership of the Premises, the making of this Lease or any transactions related thereto, and from and against all costs, reasonable attorneys' fees, expenses, and liabilities incurred by reason of any claim referred to in this Section, and (vii) any obligations arising under any easements granted by Landlord at the request of Tenant.

(c) Upon notice from Landlord, Tenant shall defend Landlord or any of Landlord's Agents, in any action or proceeding brought in connection with any of the above. In the event Tenant shall fail or refuse to defend Landlord or Landlord's Agents after receipt of such notice or shall fail to diligently prosecute or defend any action subject to this Section 5.05, Landlord shall be entitled to provide its own



defense of itself and Landlord's Agents and charge Tenant with the costs and expenses incurred in connection therewith which such amount shall be payable by Tenant upon demand by Landlord.

(d) The provisions of this Section 5.05 shall survive the termination of this Lease.

Section 5.06 Reports; Compliance Report.

(a) On or before the February 28 after the anniversary of the execution of this Lease and thereafter on or before the February 28 of each year during the Term of this Lease, Tenant shall file or cause to be filed with Landlord a report in the form of Exhibit D attached hereto and incorporated herein by reference, as such form may be revised by Landlord from time to time (the "Report"), containing all information required by Landlord to determine Tenant's compliance with the terms and requirements of this Lease and the Application and such other information reasonably requested by Landlord ("Lease Compliance Information"). Each Report shall be certified by an Authorized Tenant Representative. Upon the request of Landlord, Tenant shall provide any and all other additional information reasonably requested by Landlord to determine Tenant's compliance with the Lease and the Application.

(b) Within ninety (90) days after the Measurement Date, Tenant shall file or cause to be filed with Landlord the following (collectively, the "Compliance Report"):

(i) a report in the form attached hereto as Exhibit D detailing the information required pursuant to Section 5.06(a) above as of the Measurement Date;

(ii) a certified listing of all full time employees of Tenant employed at the Project as of the Measured Date which includes for each employee their title, date hired, and annual wage (assuming 2080 hours per year for hourly employees) ("Employee Listing"), and attaching (in each case, redacting any personally identifiable information of any employees, as applicable) (A) a copy of Tenant's most recently filed Form 940, highlighting the information applicable to the employees employed at the Project, (B) a copy of each Form 941 filed by Tenant since such most recently filed Form 940, highlighting the information applicable to the employees employed at the Project, and (D) statements from Tenant's payroll processor detailing unemployment insurance premiums paid to the state of Tennessee during the Determination Period, together with a copy of Tenant's most recently filed wage and premium filings with the Department of Labor and Workforce Development for the State of Tennessee and, if applicable, the most recently filed Multiple Worksite Report filed with such department;

(iii) a certified listing of each invoice paid by Tenant evidencing the Capital Investment of Tenant with respect to the Project as of the Measurement Date which includes for each such invoice the invoice date, date of payment, payee name, amount, and brief description of expenditure/purpose ("Capital Improvements Invoice Listing"), together with copies of each such invoice; and

(iv) such other detail, backup and supporting information requested by Landlord in its sole and absolute discretion which confirms the expenditures evidencing the Capital Investment and the number of Jobs and average Wages, in each case, as of the Measurement Date.

Such Compliance Report shall be certified by an Authorized Tenant Representative. The obligations of Tenant under this Section 5.06(b) shall survive the termination of this Lease. The parties acknowledge that Landlord shall utilize the information required to be provided pursuant to this Section 5.06(b) to assist in determining by Landlord the final length of the term of this Lease pursuant to Sections 4.06 and 4.07 and whether a Recapture Payment is due and payable by Tenant pursuant to Section 9.04(c).

(c) Tenant shall prepare and file with the State of Tennessee's State Board of Equalization by October 1 of each year during the term hereof an annual report containing all of the information required pursuant to Tennessee Code Annotated § 7-53-305(e) in the form attached hereto as Exhibit G, together with such other information, and using such forms, as such Board of Equalization may require from time to time. A copy of the annual report so filed by Tenant shall be filed with the property assessor's office of Knox County, Tennessee by the immediately succeeding October 15, and a copy concurrently provided to Landlord.

(d) Upon the request of Landlord, Tenant shall provide any and all information reasonably requested by Landlord to determine Tenant's compliance with the Lease and the Application. Further, Landlord shall have the right during the Term and for 3 years thereafter to audit the books and records of Tenant to ensure compliance with Section 5.06 and this Lease.

## **ARTICLE VI TAXES, OTHER CHARGES AND EXPENSES OF LANDLORD**

Section 6.01 Agreement to Pay Additional Rent. Tenant agrees to pay and discharge, as Additional Rent, during the Term hereof, punctually, as and when the same shall become due and payable:

(a) All expenses and obligations of every kind and nature, foreseen or unforeseen, for the payment of which Landlord or Tenant is or shall become liable by reason of their respective estates or interests in the Premises or any portion thereof, by reason of any right or interest of Landlord or Tenant in or under this Lease, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use, or occupancy of the Premises or requirements of this Lease.

(b) All taxes of every type and description, assessments (including, but not limited to, assessments for public improvements or benefits), payments in lieu of taxes, and all other impositions and charges of every kind and nature, extraordinary or ordinary, general or special, which at any time during the Term shall be or become due and payable by Landlord or Tenant which shall be levied, assessed, or imposed in connection with the Project or the Premises.

(c) All charges for gas, water, sewer, electricity, light, heat, power, telephone, and other utilities and services used, rendered or supplied to or in connection with the Premises which are required to be paid by Landlord. Tenant agrees that Landlord is not, nor shall it be required, to furnish to Tenant or any other occupant, any gas, water, sewer, electricity, light, heat, power, or any other facilities, equipment, labor, materials, or services of any kind. Landlord will extend any rights it may have to

Tenant, and will cooperate with Tenant, at Tenant's expense, in connection with obtaining the use of any such utilities and other facilities and services.

(d) The reasonable out of pocket expenses of Landlord which are incurred in connection with administering the Premises and the Project or performing any act which it is required to do or deems necessary under this Lease, but specifically excluding salaries, office overhead, depreciation, or security.

(e) All of Landlord's closing costs and reasonable expenses, including reasonable attorneys' fees, incurred in connection with the acquisition of the Real Property by Landlord and the negotiation, execution and delivery of this Lease.

(f) An application fee in the amount of **\$4,000** which shall be credited against the amount of the closing fee when such closing fee is paid and upon the execution of the Lease so long as such execution occurs within six (6) months from the date of the resolution of the Board of Directors of Landlord approving the Project (or as soon thereafter based upon reasonable conditions for the Project related to security financing and similar project requirements).

(g) Tenant shall pay a closing fee in an amount equal to **\$162,705** at the execution and delivery of this Lease by Tenant, such payment to be a condition precedent to the effectiveness of this Lease.

(h) All fees and charges required by the Application.

Tenant covenants to furnish to Landlord, promptly upon request, proof of the payment of any amount or charge required to be paid by Tenant hereunder.

#### Section 6.02    Payments in Lieu of Taxes.

(a) Landlord and Tenant recognize that under present law, including specifically Section 7-53-305 of the Act, the properties owned by Landlord are exempt from all taxation in the State of Tennessee. Tenant agrees, however, as long as this Lease is in effect, to make payments in lieu of taxes ("PTIP Payments") to Knox County, Tennessee, in accordance with the provisions of this Section 6.02.

(i) Beginning on the date of the Lease and for any successive Tax Years during the Term, Tenant shall be required to pay to Knox County, Tennessee as payments in lieu of taxes an amount equal to the real property taxes payable to such Governmental Authority with respect to the Premises owned or leased by Tenant Knox County, Tennessee as of January 1, 2016 ("Existing Tax Payment"). The parties agree that the real property taxes for 2016 are \$68,816.00 for Knox County and any amounts payable with respect to any partial Tax Years included within the Term will be prorated based upon the actual number of days included within the Term. Any obligation to make a payment in lieu of tax pursuant to this Lease that is not due until after the date this Lease expires or terminates shall survive the expiration or termination of this Lease.

(ii) It is the parties' intent that during the Tax Years identified above, Tenant shall not be required to pay an amount in real and personal property taxes with respect to the Premises constituting the Project in excess of the Existing Tax Payment. Such reduction shall not apply (a) in the event that Tenant assumes ownership of the Premises; or (b) with regard to any other tax assessed against Tenant, its income, or its other real or personal property. Upon the acquisition of the Project by Tenant, Tenant shall begin paying all applicable ad valorem and other taxes directly to Knox County, Tennessee,

as assessed, but shall not make, from the date of such acquisition, any in lieu payments with respect to such property. "Tax Year" means each annual period beginning on January 1 in each year.

(iii) It is the intent of this Section 6.02 that Knox County, Tennessee shall receive the amounts that would be payable if the Project were privately owned and fully subject to property taxation, minus those applicable reductions detailed above, notwithstanding Landlord's ownership of all or any part thereof. However, nothing contained in this Section 6.02 is intended or shall be construed to require the payment by Tenant of any greater amounts in lieu of taxes than would be payable as taxes if the Project was privately owned as aforesaid. It is accordingly understood and agreed that the amount payable by Tenant in any Tax Year under the provisions of this Section 6.02 shall be reduced by the amount of any taxes lawfully levied by Knox County upon the Project or any part thereof, or upon Tenant's leasehold estate therein, and actually paid by Tenant pursuant to the requirements of Section 6.02 hereof.

(iv) The payments in lieu of taxes provided in this Section 6.02 for each year shall accrue on October 1 of each Tax Year and shall be due on or before the last day of the February immediately following the Tax Year with respect to which such payment relates, and the obligation to make any such payments shall survive the termination of this Lease as to any payments that accrue prior to such termination. With respect to any payments made pursuant to this Section, prior to the date they are due, Tenant shall be entitled to the same discounts, if any, as any taxpayer in Knox County is entitled to receive with respect to the payment of property taxes prior to the date such taxes are due.

(v) These payments in lieu of taxes shall be paid in the same manner and to the same tax collector as are ad valorem taxes paid in Knox County. Notwithstanding the foregoing or any other provisions of this Lease, however, it is the express intention of the parties hereto that, pursuant to the provisions of Tennessee Code Annotated Section 7-53-305, the Premises and the leasehold interests therein of Tenant, or any sublessee, shall be exempt from all taxation in the State of Tennessee, and that the PTIP payments as provided for in this Section 6.02 shall be made by and accepted from Tenant in lieu of all ad valorem taxes which are or may be assessed against the Premises and the leasehold interests therein of Tenant or any sublessee for and during the term of this Lease. If, following an Event of Default, the Premises should legally be placed on the ad valorem tax rolls of either the City of Knoxville or Knox County or both, the payment in lieu of taxes shall terminate and Tenant shall thereafter pay ad valorem taxes as required of a tax-paying entity. In the event Tenant's leasehold interest, but not Landlord's fee interest, shall become subject to ad valorem taxation, the payment in lieu of taxes called for hereunder shall continue, but shall be reduced on a cumulative basis by the amount of ad valorem taxes paid by Tenant with regard to its leasehold estate in the Premises. In the event the payment in lieu of taxes obligation terminates, Tenant shall still have the right to exercise its option to purchase the Premises as set forth in Section 11.01 hereof. In such event, the provisions of Sections 11.01 and 11.03 shall apply and Landlord shall reconvey the Premises to Tenant, subject to any then existing indebtedness created or incurred by or at the request of Tenant; and Tenant shall pay to Landlord, as consideration therefore, the sum of One Thousand Dollars (\$1,000.00).

(vi) All tax bills for payments in lieu of taxes as provided for in Section 6.02 shall be sent to Tenant at: P.O. Box 160010, Clearfield, UT 84016, or to such other entity or address as Tenant may hereafter designate and provide to the tax collectors.

(b) In the event that the Premises are not, at the commencement of the Term hereof, situated within the City of Knoxville, Tennessee or some other municipality (collectively, a "Municipality") so as to be subject to ad valorem taxation as a part of a Municipality, but subsequently, by annexation or incorporation, becomes part of a Municipality during the Term, then Tenant shall make additional

payments in lieu of taxes, as Additional Rent, in lieu of the ad valorem taxes of the Municipality from and after the effective date of the annexation or incorporation of the Premises into the Municipality. These payments will be billed to Tenant, and Tenant shall pay the same to the appropriate tax collector for the Municipality, upon the same terms and conditions and in the same manner as provided for the PTIP Payments provided in subsection (a) above.

(c) If any such PTIP Payments are not paid by the applicable dates on which they are due, then Tenant shall pay a penalty with respect to such delinquent PTIP Payment from and after the delinquency date in the same amount as the penalty and all other charges which would be due on the corresponding Knox County ad valorem taxes.

Section 6.03 Other Taxes, Assessments, or Other Charges. Except as provided for in Sections 6.02(b) and (c) above, if any Governmental Authority enacts or imposes any tax, assessment, or other charge on realty or leasehold interests which are not in existence or collected as of the date of this Lease, Tenant shall pay said tax, assessment, or other charge as Additional Rent under this Lease and said tax, assessment, or other charge, if based on the assessment assigned to realty, shall be calculated on an assessment determined as though the Premises were owned by a tax-paying entity.

Section 6.04 Survival. The obligations of Tenant to pay any amount due at the termination of this Lease pursuant to this Article VI, shall survive the termination of this Lease.

## **ARTICLE VII INSURANCE**

Section 7.01 General Requirements. Tenant shall keep the Premises, now existing or hereafter constructed, erected, installed and purchased constantly and satisfactorily insured by an insurance company or companies lawfully doing business in Tennessee against losses under an All Risks Special Form Policy, in an amount not less than the full replacement costs of the Premises without deduction for depreciation. The policy evidencing this coverage shall be endorsed with a Replacement Cost Endorsement. The amount of the coverage shall be reviewed annually and increased if necessary so as to provide coverage at all times in an amount necessary to restore the Premises to the conditions existing just prior to the destruction or damage.

Tenant shall further keep or maintain or cause to be carried commercial general liability insurance on the Premises covering claims for bodily injury, death and property damage with a combined single limit of not less than Two Million Dollars (\$2,000,000.00), with “umbrella” liability coverage in an amount not less than Five Million Dollars (\$5,000,000.00), or such greater amounts as may from time to time be reasonably required by Landlord. Landlord shall be named as an additional insured on policies referred to in this paragraph.

Tenant shall further maintain the following insurance:

(a) During the course of any construction or repair of improvements on the Premises, Builder’s Risk insurance under a Builder’s All Risk Policy against “all risks of physical loss,” including collapse and transit coverage, during construction of such improvements covering the total value of work performed and equipment, supplies and materials furnished.

(b) If any part of the Premises lies within a “special flood hazard area” as defined and specified by the United States Department of Housing and Urban Development pursuant to the Flood

Disaster Protection Act of 1973, Tenant shall (i) promptly purchase and pay the premiums for flood insurance policies as Landlord deems required so that Landlord shall be deemed in compliance with the rules and regulations and provisions of the Flood Disaster Protection Act of 1973 as then in effect; and (ii) deliver such policies to Landlord together with evidence satisfactory to Landlord that the premiums therefor have been paid. Such policies of flood insurance shall be in a form reasonably satisfactory to Landlord, shall name Landlord as an insured thereunder, shall be for an amount at least equal to the maximum limit of coverage made available with respect to the Premises under the National Flood Insurance Act of 1968, as amended, whichever is less.

(c) Such other insurance on the Premises, or any replacements or substitutions therefor, in such amounts as may from time to time be reasonably required by Landlord against other insurable casualties which at that time are commonly insured against in the case of properties of similar character and location, due regard being given to the height and type of the Improvements, their construction, location, use and occupancy, or any replacements or substitutions therefor.

Provided that no Event of Default has occurred and remained uncured for any applicable cure period, Tenant shall have the option to apply all insurance proceeds either to the repair, restoration and replacement of the Premises, or to retain the proceeds upon the exercise of its option to purchase the Premises in accordance with Article XI. Notwithstanding the foregoing, Landlord's or Tenant's entitlement to insurance proceeds shall be subject to the rights of any Lender under a Security Instrument.

Section 7.02 Additional Covenants. All insurance policies and renewals thereof shall be in form reasonably acceptable to Landlord, shall be issued by a company or companies acceptable to Landlord, and shall name Landlord as the named insured or an additional insured, as its interest may appear. Said policies and renewals shall provide for no less than thirty (30) days' written notice to Landlord of any cancellation or amendment thereof. Certificates of said insurance policies and renewals satisfactory to Landlord shall be provided Landlord prior to the effective date thereof, or, upon written request, Landlord shall have the right to hold the policies and renewals thereof. Upon the request of Landlord, Tenant shall promptly furnish to Landlord all renewal notices and all receipts for paid premiums. At least thirty (30) days prior to the expiration date of any of the policies, Tenant shall deliver to Landlord renewal policies in form reasonably satisfactory to Landlord together with receipts evidencing the payment for such policies and renewals. If Tenant fails to maintain the insurance required hereunder, Landlord may, at its option, pay such premiums, or take such other actions, as may be necessary in order to keep any such insurance in full force and effect. In such event, Tenant shall promptly reimburse Landlord for any such payments on demand, or, at the option of Landlord, all sums so paid by Landlord shall bear interest at the highest maximum rate at the time of the advance. All premiums on insurance policies shall be paid promptly when due.

## **ARTICLE VIII MAINTENANCE, REPAIR, IMPROVEMENTS AND REPLACEMENT**

Section 8.01 Tenant's Agreement to Maintain and Repair. Tenant acknowledges that Tenant is accepting the Premises "As-Is" and "With All Faults" and that LANDLORD MAKES NO WARRANTY TO TENANT WHATSOEVER, WHETHER EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PREMISES ALL OF SUCH WARRANTIES BEING EXPRESSLY DISCLAIMED BY LANDLORD, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE. Tenant agrees that at its expense it will keep and maintain the Improvements and the Premises in good repair and condition, reasonable wear and tear, and damage by fire or other casualty expressly excepted. Tenant shall

promptly make or cause to be made all interior and exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen repairs, including the maintenance, repair, and replacement necessary to keep the equipment installed in the Premises in good repair and operating condition to the end that the Improvements and the Premises are kept in good and lawful order and condition, wear and tear from reasonable use and damage by fire and other casualty being expressly excepted, whether or not such repairs are due to any Legal Requirement. All permanent replacements, renewals, attachments, and accessories made to, placed on, or affixed to any part of the Real Property, which become fixtures under applicable law, shall become a part of the Real Property, provided, however, in the event that the Premises are transferred to Tenant, whether as a result of the exercise by Tenant of its right to purchase pursuant to Article XI hereof, or otherwise, any deed or instrument of transfer shall include not only the Improvements to the Premises, but also all such replacements, renewals, attachments and accessories constituting fixtures.

Section 8.02 Landlord's Repairs. At any time an Event of Default has occurred and is continuing, and if such Event of Default is not cured within any applicable cure period, then after notice to Tenant, Landlord may, but shall not be required to, rebuild or make any repairs, replacements, or renewals of any nature or description in connection with this Lease or maintain the Improvements or the Premises in any way. Tenant expressly waives the right contained in any Legal Requirement now or hereafter in effect to make any repairs at the expense of Landlord. If Landlord shall (in its sole discretion) advance funds with which to make such repairs, replacements, renewals, or other expenditures, such sums shall be payable by Tenant as Additional Rent hereunder pursuant to Section 4.04 above.

Section 8.03 Additions to Premises. Subject to Sections 2.01 and 3.04, Tenant shall have the right to make replacements for, additions to, alterations of, and improvements to the Premises, structural or otherwise, to construct and equip additions thereto, to attach machinery, equipment, and fixtures thereto, as part of the real estate, and to modify all of the above at its expense, as Tenant in its discretion may determine appropriate, provided that the same shall not materially decrease the value of the Premises or materially change the use thereof. All work done in connection with such additions, alterations or improvements shall be done promptly and in a good and workmanlike manner. Tenant shall pay the cost of such replacements, additions, alterations and improvements. Upon the expiration or termination of this Lease, all such replacements, additions, alterations and improvements which have been affixed to the Real Property and are fixtures under applicable law, shall remain and shall belong to and be the property of Landlord, subject, however, to Tenant's option to purchase under Section 11.01.

Section 8.04 Personal Property. Tenant or its permitted sublessee(s) may at any time or times during the Term hereof install or commence the installation of any machinery, equipment, furnishings, trade fixtures, and other personal property to such extent as Tenant may deem desirable, provided however, that such installation shall not be permitted to interfere materially with the use and operation of the Premises as set forth in the Application.

Section 8.05 Removal of Personal Property. In the event Tenant determines that any improvements or items of personal property installed within the Premises have become inadequate, obsolete, or worn-out and that the removal thereof will not interfere with the operation or substantially decrease the use of the Project for the purposes of this Lease, Tenant may remove such items of personal property from the Premises and sell, trade-in, exchange, or otherwise dispose of the same, and Landlord will execute and deliver to Tenant, at Tenant's request, a bill of sale effecting the transfer of such item to Tenant.

**ARTICLE IX  
DEFAULT; REMEDIES**

Section 9.01 Events of Default. Any one or more of the following events shall constitute an “Event of Default”:

(a) Tenant fails to pay the Base Rent or any Additional Rent, as and when due and within thirty (30) days after written notice of such failure to Tenant from Landlord.

(b) To the extent provided in this Section 9.01(b), Tenant breaches the representations and warranties contained in the Application or in Sections 3.01(a), 4.04(a) or 5.02(j) of this Lease dealing with the creation and/or maintenance of Jobs or Wages or the amount of the Capital Investment, if Tenant fails to create, within the Measurement Period, and to maintain during the last six (6) months of the Measurement Period, at least 400 Jobs paying average Wages of \$37,984.00 per Job.

In the event Tenant fails to submit to Landlord a Report by the date required under Section 4.02 or Section 5.06(c) hereof and within thirty (30) days of Tenant’s receipt of notice of such failure from Landlord, or in the event the Report contains information which is untrue in any material respect, an Event of Default shall be conclusively deemed to have occurred under this Section 9.01(b).

(c) Except with respect to the matters set forth in Section 9.01(b) above (which Section shall govern with respect to such matters), any other representation or warranty made by Tenant herein or in the Application, or any other representation or warranty made by Tenant in any statement or certificate furnished by Tenant either required hereby or in connection with the execution and delivery of this Lease, proves to be untrue in any material respect as of the date it was made.

(d) Tenant ceases to operate the Project or abandons the Project for a period of sixty (60) days or more.

(e) Tenant fails to complete construction of the Improvements by the time set forth in the Application, subject to the provisions of Section 9.02 hereof.

(f) Tenant fails to file on time any Report or Compliance Report (or any related financial statements) required under Section 5.06.

(g) Any information contained in any Report or Compliance Report proves to be untrue in any material respect.

(h) A default or an event of default (including, in any case, the expiration of any permitted period for the curing of any such default) occurs under any Tenant Document or other agreement between Landlord and Tenant, or any default occurs under any document executed by Tenant related to the Project or the Premises, including, without limitation, any Security Instrument, but only if any such default or event of default causes the Premises to be disqualified as, or cease to constitute, a “project” within the meaning of the Act.

(i) Any material adverse change occurs in the use or operation of the Premises and/or the Project from that set forth in the Application without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.



(j) Tenant fails to continuously operate a going business on the Premises, in such a manner as to cause an Event of Default pursuant to Section 9.01(b).

(k) Tenant fails in the due performance of, or compliance with, any of the other terms of this Lease.

Except for (i) Events of Default based on subsection (a) and (b) above, for which cure periods have been specifically provided, or (ii) Events of Default based on subsection (b), (c), and (g), no Event of Default shall occur under this Section 9.01 until a default continues for thirty (30) days after Landlord shall have given Tenant written notice of such default.

Section 9.02 Force Majeure. The provisions of Sections 9.01 and 2.01 are subject to the limitation that if by reason of Force Majeure, as defined below, Tenant is unable, in whole or in part, to carry out its agreements and covenants herein contained, other than its obligation to pay Base Rent and Additional Rent, Tenant shall not be deemed in default during the continuance of such inability.

The term “Force Majeure” as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts, acts of public enemies, order of any Governmental Authority, or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, fire, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, or any other cause or event not reasonably within the control of Tenant.

Tenant agrees, however, to remedy with all reasonable dispatch the cause or causes preventing it (as the case may be) from carrying out its agreements and covenants.

Section 9.03 Rights to Cure. Except with respect to the matters set forth in Section 9.01(b) above, if an Event of Default occurs, Landlord may (but shall not be obligated to), advance funds, make payments and perform any such acts for the account of Tenant and at its expense, may enter upon the Premises for any purpose, and take all other actions as may be reasonably necessary or appropriate to protect its interest under this Lease. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all necessary and incidental costs and expenses (including, without limitation, reasonable attorneys’ fees and expenses) incurred by Landlord, together with interest at the maximum rate of interest allowed by law, shall be due and payable by Tenant as Additional Rent and may be credited against any sums due to Tenant.

Section 9.04 Landlord’s Rights Upon Default.

(a) Except as otherwise expressly provided herein, if any Event of Default, as defined in Section 9.01, occurs and is not cured within any applicable cure period, Landlord may exercise its right to terminate this Lease under Section 9.01 and without further notice may enter upon and repossess the Premises and may remove Tenant and all other persons and any and all property from the Premises.

(b) Except as otherwise expressly provided herein, if an Event of Default occurs and is not cured within any applicable cure period, Landlord shall have the right of entry, repossession, and removal prior to the expiration of the Term of this Lease. Landlord shall be under no obligation to terminate this Lease prior to exercising its rights of entry, repossession and removal. If Landlord exercises such rights without terminating this Lease, this Lease shall continue in full force and effect for the balance of its Term, except that Tenant shall have no right of possession from the date of the exercise of such right.

(c) If an Event of Default described in Section 9.01(b) occurs, Tenant shall be obligated to pay (or cause to be paid) to the appropriate tax collectors, as an additional payment in lieu of taxes under Section 6.02 hereof an amount (hereinafter called the “Recapture Payment”) equal to the difference, if any, between (i) the total amount of the payments in lieu of taxes actually paid by or required to be paid by, or for the account of, Tenant during the Measurement Period, and (ii) the total amount of the payments in lieu of taxes for which Tenant would have been obligated to pay Landlord for a Lease term equal to the total number of years for which Tenant qualifies for at the Determination Date under the standard scoring matrix set forth in the PTIP Policies and Procedures in effect as of the date hereof, such determination to be made using the Determination Date Points. The obligation for any Recapture Payment(s) required pursuant to this Section 9.04(d) shall survive the termination of this Lease and shall be the obligation of Tenant, and the same shall constitute a lien upon the Premises.

(d) Tenant covenants and agrees to pay, and to indemnify Landlord from and against, all costs and charges, including reasonable attorneys’ fees, lawfully and reasonably incurred in (i) obtaining possession of the Premises after default by Tenant or upon expiration or earlier termination of the Term hereof, and (ii) enforcing any provision of this Lease.

(e) Tenant hereby (i) irrevocably submits to the exclusive jurisdiction of the state courts of the State of Tennessee located in Knox County, Tennessee and to the jurisdiction of the United States District Court for the Eastern District of Tennessee located in Knox County, Tennessee, for the purpose of any suit, action, or other proceeding arising out of or based upon this Lease, the Tenant Documents or any other document or transaction related directly or indirectly to the transactions contemplated herein; (ii) waive and agree not to assert by way of motion, as a defense, or otherwise, in any such suit, action, or proceeding, any claim (A) that each is not subject personally to the jurisdiction of the above-named courts, (B) that the suit, action, or proceeding is brought in any inconvenient forum, (C) that the venue of the suit, action, or proceeding is improper, or (D) that this Lease or any of the Loan Documents or the subject matter hereof or thereof may not be enforced in or by such court.

Section 9.05 Reletting. Except as otherwise provided herein, at any time or from time to time after the termination of this Lease pursuant to Section 9.04(a), Landlord may, (but shall be under no obligation to) relet the Premises or any part thereof for the account of Tenant, in the name of Tenant or Landlord, or otherwise without notice to Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), on such conditions and for such uses as Landlord in its discretion may determine. Landlord may collect and receive the rents therefor. Landlord shall have the same right to relet if it exercises its right of entry, repossession, or removal without termination of this Lease as provided in Section 9.04(b). Landlord shall not be responsible or liable for any failure to relet the Premises or any part thereof, or for any failure to collect any rent due upon any such reletting. Any such reletting pursuant to this Section 9.05 shall, in all events, be subject to and expire upon the exercise of Tenant’s purchase option set forth in Article XI.

Section 9.06 Survival of Tenant’s Obligations. No termination of this Lease pursuant to Section 9.04(a) or repossession of the Premises pursuant to Section 9.04(b), or otherwise, shall relieve Tenant of its respective liabilities and obligations hereunder, all of which shall survive any such termination or repossession. If this Lease is terminated pursuant to Section 9.04(a) or if Landlord exercises its right of entry without termination of the Lease as provided in Section 9.04(b), Tenant shall pay to Landlord the Base Rent and all Additional Rent and other charges required to be paid under this Lease or otherwise, by Tenant up to the time of such termination or repossession. Thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such termination or repossession and whether or not the Premises or any part thereof shall have been relet, shall be liable for

and shall pay to Landlord as and for liquidated and agreed current damages for Tenant's default the following:

The Base Rent, Additional Rent, and other charges which would be payable under this Lease by Tenant if the Term of this Lease had not been terminated or the Premises repossessed, less the net proceeds, if any, of any reletting effected for the account of Tenant pursuant to the provisions of Section 9.05. In addition, Tenant shall pay on demand all of Landlord's necessary and incidental expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorneys' fees and expenses, employees' expenses, alteration costs and expenses of preparation for such reletting.

Section 9.07 Additional Remedies. In addition to the right to terminate this Lease and any other remedies provided for herein, when any Event of Default occurs and is not cured within any applicable cure period, Landlord may take whatever other action at law or in equity may appear necessary or desirable to collect the Base Rent, Additional Rent, and any other monetary obligation of Tenant hereunder when due, or to enforce any obligation, covenant, or agreement of Tenant under this Lease. If Landlord elects to terminate this Lease after an Event of Default, Landlord's remedies shall include, but are not limited to, Landlord's right to convey the Premises to Tenant and retain a vendor's lien for all sums due and payable to Landlord by Tenant at the time of the conveyance.

## **ARTICLE X CONDEMNATION AND CASUALTY**

Section 10.01 Condemnation Proceeds. If all or any part of the Premises is taken by the exercise of the power of eminent domain or condemnation, Tenant shall receive the entire award for the taking. If the award is disbursed by the condemning authorities to Landlord, Landlord shall immediately pay the award to Tenant. Tenant shall be entitled to the proceeds of any condemnation award or portion thereof separately awarded for damages to, or takings of, Tenant's property, or for damages on account of the taking or an interference with Tenant's right to possession, use, or occupancy of the Premises.

Section 10.02 Termination of Lease Upon Condemnation. If all or substantially all of the Premises are taken by the exercise of the power of eminent domain or condemnation, or if the exercise of the power of eminent domain renders the Premises and the use thereof unsatisfactory to Tenant for the purposes for which they were intended, Tenant shall have the right to either acquire the Premises pursuant to the provisions of Section 11.01 or terminate this Lease. Until the purchase or termination has taken place, this Lease shall continue in full force and effect without abatement of rent.

Section 10.03 Continuation of Lease Upon Condemnation. If a lesser portion of the Premises are taken by the exercise of the power of eminent domain or condemnation, this Lease shall nevertheless continue in full force and effect without abatement of rent. If such taking causes damage to, or necessitates the restoration or rebuilding of the Premises or a portion thereof, Tenant, at its sole cost and expense, shall promptly and diligently restore and rebuild to such condition as it shall deem reasonable in view of the nature of the taking and the then intended use of the Premises by Tenant.

Section 10.04 Minor Casualty. If a minor part of the Premises is destroyed or damaged, Tenant shall promptly notify Landlord and at Tenant's expense, Tenant shall promptly and diligently rebuild, restore, replace, and repair the same to such condition as it shall deem reasonable in view of the nature of the damage and the then intended use of the Premises by Tenant.

Section 10.05 Substantial or Complete Casualty. If the entire Premises, or a substantial part thereof, shall be damaged or destroyed to such an extent that restoration thereof cannot be accomplished within ninety (90) days from the date of damage, Tenant shall have the right to either restore the Premises as provided in Section 10.04, acquire the Premises pursuant to the provisions of Section 11.01, or terminate this Lease. If Tenant acquires the Premises, Landlord shall then assign to Tenant (to the extent not previously paid to Landlord) or shall then pay to Tenant (to the extent the same have previously been paid to Landlord but not applied to the repair or restoration of the Premises) all insurance proceeds arising out of such damage or destruction. The foregoing shall in no way, however, supersede or modify the rights of Tenant and any permitted sublessee.

## **ARTICLE XI OPTION TO PURCHASE, INVESTMENT TAX CREDIT AND LIMITATIONS**

Section 11.01 Option to Purchase. Tenant shall have the option (the "Purchase Option") at any time during the Term of this Lease or within one hundred eighty (180) days after the expiration or termination of this Lease for any reason whatsoever, including, without limitation, an Event of Default, to purchase the Premises, subject to any then existing indebtedness created by or for the account of Tenant, as permitted or provided for in this Lease. The purchase price will be the sum of One Thousand Dollars (\$1,000.00), payable in collected funds. If the Lease is terminated by Landlord for any reason prior to the expiration of the Term, and Tenant has not exercised the Purchase Option, the Landlord shall provide written notice of same to Tenant within ten (10) days after the date of such termination. The exercise of such option by Tenant shall not relieve Tenant from the payment of any monetary obligations which shall be due and payable, or shall have accrued, under this Lease as of the date of conveyance. Tenant shall notify Landlord in writing thirty (30) days before the proposed date of purchase that Tenant desires to exercise its option to purchase hereunder. Upon payment by Tenant of the purchase price in collected funds plus all expenses related thereto and any other sums due and payable hereunder, Landlord shall convey the Premises to Tenant, subject always to the liens of any Security Instrument.

Section 11.02 Investment Tax Credit. Landlord and Tenant hereby elect and agree that Tenant shall be entitled to any investment tax or similar credit, or grants, with respect to the Premises now or hereafter authorized by the Internal Revenue Code, or other legislation, and Landlord agrees to take all reasonable action necessary to make such investment tax election and obtain the benefits for same for Tenant at Tenant's request and expense, and to obtain such grants.

Section 11.03 Conveyance of Title. In the event of any purchase of the Premises or any portion thereof by Tenant pursuant to any provision of this Lease, Landlord shall convey title by a quitclaim deed to Tenant subject to Permitted Encumbrances and other encumbrances and interests thereafter created by or for the account of Tenant. Landlord shall not otherwise be obligated to convey any better title to Tenant than existed on the first day of the Term of this Lease; provided, however, that Landlord acknowledges and agrees that Landlord has no authority or right to encumber the Premises or Landlord's interest therein by any encumbrances other than (i) the Permitted Encumbrances, (ii) those which Tenant has subsequently requested to be placed, or caused to be placed, against the Premises, (iii) those which Tenant has subsequently approved in writing to be placed against the Premises, and (iv) those for which Tenant is responsible under the terms and provisions of this Lease and which arise out of any default by Tenant in the performance of its obligations under this Lease. Any other conveyance or encumbrance (other than those described in clauses (i) through (iv) inclusive of the preceding sentence) by or for the account of Landlord shall in all respects be subject and subordinate to Tenant's leasehold

interest as created under this Lease and to Tenant's right to acquire title to the Premises, free and clear of any such other conveyances or encumbrances, pursuant to Tenant's exercise of its option to purchase the Premises pursuant to this Article XI; and any such other conveyance or encumbrance, and any rights or liens created thereunder or arising therefrom shall be automatically terminated, released and extinguished by the conveyance of the Premises to Tenant by Landlord by a Quitclaim Deed as provided for in this Section 11.03, and thereafter all such conveyances, encumbrances, rights or liens shall be void and of no further effect. Tenant shall accept such title, subject, however, to (i) any liens, encumbrances, charges, exceptions, and restrictions not created or caused by Landlord or Landlord's Agents, and (ii) any Legal Requirements.

Section 11.04 Survival of Rights. All provisions of this Article XI shall survive the expiration of the Term of this Lease (including any extensions therefore) or the termination of this Lease pursuant to any provision hereof (including, but not limited to, any termination pursuant to Article IX or Article X).

## **ARTICLE XII MISCELLANEOUS PROVISIONS**

Section 12.01 Recording. This Lease or a memorandum thereof shall be executed and recorded in the proper public office for the recordation of deeds in Knox County, Tennessee.

Section 12.02 Waivers. No waiver of any breach shall affect or alter this Lease or constitute a waiver of any other then-existing or subsequent breach.

Section 12.03 Remedies. Subject to the express provisions and limitations of this Lease, each right, power, and remedy of Landlord or Tenant provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers, and remedies are sought to be enforced. The exercise of any one or more of the rights, powers, or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Landlord or Tenant of any or all such other rights, powers, or remedies.

Section 12.04 No Claims against Landlord. Except as provided herein, nothing contained in this Lease shall constitute any consent or request by Landlord, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof, nor give Tenant any right, power, or authority to contract for, or permit the performance of, any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any personal claim against Landlord.

Section 12.05 Quiet Enjoyment. Landlord does not make any representation or covenant that Tenant shall have quiet and peaceful possession of the Premises. Landlord, however, agrees that it will not take any action to interfere with Tenant's peaceful and quiet enjoyment of the Premises and that in the event the peaceful and quiet enjoyment of the Premises shall be denied to Tenant or contested by anyone, Landlord shall upon request of Tenant join when necessary in any proceeding to protect and defend the quiet enjoyment of Tenant, provided that Tenant shall pay the entire cost of any such proceeding and reimburse, indemnify, and hold harmless Landlord from any cost or liability whatsoever.

Section 12.06 Governing Law; Entire Agreement. This Lease shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Tennessee, and, together with the action taken by Landlord granting the PTIP incentives with respect to the Project set forth in the minutes of the meeting of the Board of Directors of Landlord held on December 8, 2015, and the Application (collectively, the “Related Documents”), expresses the entire agreement of the parties hereto. No party hereto shall be bound by any agreement or representation to any other party which is not expressly set forth in this Lease, the Related Documents, or Reports.

Section 12.07 Severability. In the event that any clause or provision of this Lease shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.

Section 12.08 Notice. All notices, certificates, demands, requests, consents, approvals, and other similar instruments under this Lease shall be in writing and shall be deemed to have been properly given and received if (i) delivered in person, (ii) sent by United States certified or registered mail, postage prepaid, or (iii) sent by recognized overnight service providing proof of delivery, to Landlord or Tenant, as applicable at such addresses as either may have designated from time to time in writing, and if to any Lenders under Section 3.05, or any permitted sublessee(s) under Section 3.06, addressed to their principal offices, or at such addresses as said Lenders or said permitted sublessee(s) shall have designated from time to time in writing to Landlord and Tenant. At the commencement of this Lease:

Landlord’s address is 17 Market Square #201, Knoxville, Tennessee 37902 with a mandatory copy to counsel for the Board, R. Christopher Trump, Egerton, McAfee, Armistead & Davis, P.C., 1400 Riverview Tower, 900 South Gay Street, Knoxville, Tennessee 37902;

Tenant’s address is P.O. Box 160010, Clearfield, Utah 84016, Attn: Bob Adams, with a mandatory copy to Tenant’s counsel: Tim Schade, General Counsel, P.O. Box 160010, Clearfield, Utah 84016..

Delivery in person shall be effective on the date of delivery. Delivery by mail shall be effective three (3) days from the date of posting in the United States Mail. Delivery by recognized overnight courier shall be effective the next business day following the date the notice is delivered to the recognized overnight courier for the delivery.

Section 12.09 Signs. At the request of Landlord and the expense of Tenant any development or construction signs located at or on the Premises shall read: “The Industrial Development Board of the County of Knox has provided financial incentives and other assistance for this Project.”

Section 12.10 No Default Certificates. Landlord and Tenant agree at any time and from time to time, upon not less than twenty (20) days prior written request by the other party or by any Lender, or by any permitted sublessee(s), to execute, acknowledge, and deliver a statement in writing certifying that this Lease is in full force and effect and that they know of no default (or if there is a default, the grounds therefor) and the date to which the Base Rent and other charges have been paid in advance, if any.

Section 12.11 Headings. Headings in this Lease are for convenience of reference only and shall not define or limit the provisions thereof.

Section 12.12 Successors. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 12.13 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one agreement. The signature of any party on a signature page intended by such party to be appended to a counterpart shall be deemed to be a signature to, and may be appended to, any counterpart, and the signature of any party to any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

Section 12.14 Amendments. This Lease may be modified or amended only by an instrument in writing signed by the parties (or their respective successors or assigns).

Section 12.15 Landlord's Limitation of Liability - No Personal Liability. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the Premises for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and/or performed by Landlord. No other property or assets of Landlord shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies hereunder.

### **ARTICLE XIII ENVIRONMENTAL MATTERS**

Section 13.01 Tenant's Environmental Representations and Warranties. Tenant represents, warrants and covenants to Landlord and its successors and assigns that:

(a) In connection with the ownership, use, maintenance or operation of the Premises and the conduct of the business related thereto and therein, Tenant is not in violation of, and has not violated and will not violate, any applicable federal, state, county or local statute, law, regulation, rule, ordinance, code, license or permit relating to environmental matters, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. 9601 et seq., the Resource Conservation and Recovery Act of 1976 as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. § 6901 et seq., the Clean Air Act of 1986, as amended, 42 U.S.C. § 7401, et seq., the Clean Water Act of 1977, as amended, 33 U.S.C. § 1251, the Toxic Substances Control Act of 1976, 15 U.S.C. § 2601, et seq., the National Environmental Policy Act of 1975, 42 U.S.C. § 4321, the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. § 300, et seq., the Emergency Planning and Right-to-Know Act of 1982, 42 U.S.C. § 11001, et seq., the Tennessee Water Quality Control Act, Tenn. Code Ann. § 69-3-101, et seq., the Tennessee Air Quality Act, Tenn. Code Ann. § 68-201-101, et seq., the Tennessee Solid Waste Disposal Act, Tenn. Code Ann. § 68-211-101, et seq., the Tennessee Hazardous Waste Management Act, Tenn. Code Ann. § 68-212-101, et seq., the Tennessee Petroleum Underground Storage Tank Act, Tenn. Code Ann. §68-215-101, et seq., or any other Legal Requirements regulating, relating to or imposing liability or standards of conduct concerning any petroleum, petroleum byproduct (including, but not limited to, crude oil, diesel oil, fuel oil, gasoline, lubrication oil, oil refuse, oil mixed with other waste, oil sludge, and all other liquid hydrocarbons, regardless of specific gravity), natural or synthetic gas, or hazardous, toxic, radioactive or any other regulated substance, product, material, waste, pollutant or contaminant which are defined as "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," or other similar designations by Legal Requirements (hereinafter "Hazardous Waste"), as may now or at any time hereafter be in effect (hereinafter "Environmental Laws").

(b) Without limiting the generality of Section 13.01, Tenant represents and warrants to Landlord, its successors and assigns that:

(i) Prior to the conveyance of the Premises to Landlord, Tenant has not (except in strict compliance with all applicable Environmental Laws) received, handled, used, stored, treated, shipped or disposed of any Hazardous Waste on the Premises; and subsequent to the conveyance of the Premises to Landlord, Tenant will (and will require any permitted sublessee of the Premises) at all times receive, handle, use, store, treat, ship and dispose of all Hazardous Waste in strict compliance with all applicable Environmental Laws, and will continue to do so during the Term of this Lease and any extension thereof.

(ii) Tenant has delivered (or caused to be delivered) to Landlord a copy of that certain Phase I Environmental Site Assessment prepared by GEOServices, LLC for Tenant (the "Phase I Report") concerning the environmental condition of the Premises. Except as may be shown in the Phase I Report, Tenant has no knowledge of or information regarding any Hazardous Waste on the Premises.

(iii) There are no violations of any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the Premises, and Tenant has no knowledge or information, nor has Tenant received any notice of any such violations.

(iv) Other than matters disclosed in the Phase I Report, Tenant is not aware of any of the following circumstances or events related to the presence of Hazardous Wastes at, on, or near the Premises:

A. any release into the environment, deposit, discharge, placement, or disposal of Hazardous Wastes at, on, or near the Premises, or the use of the Premises at any time by any person or entity as a landfill or a waste disposal site.

B. any violation of any Environmental Laws relating to the Premises or the use of the Premises; any writs, injunctions, decrees, orders or judgments outstanding relating to the Premises or the use of the Premises in violation of Environmental Laws; any lawsuits, claims, proceedings or investigations pending or threatened relating to the ownership, use, maintenance or operation of the Premises in violation of Environmental Laws; or any basis for such lawsuits, claims, proceedings or investigations being instituted or filed.

C. monitoring wells for monitoring Hazardous Waste; underground storage tanks; PCB contamination from any power transformer, capacitor, or any other source; or asbestos containing material.

D. any fact or circumstance that may give rise to any future civil, criminal, or administrative proceedings against it relating to Hazardous Waste involving the Premises.

Section 13.02 Tenant's Continuing Responsibility for Environmental Matters.

(a) Tenant covenants at its sole cost and expense, to remove or take remedial action required by any Environmental Law with regard to any Hazardous Waste released to the environment at, on, or from the Premises while under Tenant's possession and control during the Term of this Lease or any extension thereof.



(b) No removal or remedial action shall be taken except after reasonable advance written notice to Landlord; provided, however, that no notice shall be required if immediate action is required in order to comply with the requirements of any Legal Requirements or if immediate action would diminish the extent of any environmental problem or hazardous condition.

(c) Tenant shall indemnify Landlord for any action taken by Tenant, in accordance with Section 13.03 hereof to Landlord's satisfaction.

(d) Tenant shall at all times retain any and all liabilities arising from the handling, treatment, storage, transportation or disposal of any Hazardous Waste by Tenant or by any of Tenant's contractors.

Section 13.03 Tenant's Indemnification.

(a) Tenant shall indemnify and hold Landlord and its officers, directors, agents, counsel and employees harmless from and against any and all liabilities, losses, claims, penalties, damages (including, without limitation, consequential damages, interest, penalties, fines and monetary sanctions), and costs, and reasonable attorneys' and consultants' fees and expenses, court costs and all other out-of-pocket expenses incurred or suffered by Landlord by reason of, resulting from, or in connection with, or arising in any manner whatsoever out of the following ("Environmental Claims"):

(i) the breach of any warranty or covenant or the inaccuracy of any representation of Tenant contained or referred to in this Article XIII.

(ii) any violation or breach by Tenant or the Premises of any Environmental Laws, or the violation or breach of any obligations imposed on Tenant or the Premises under any Environmental Laws;

(iii) to the extent arising out of, or relating to Tenant or the Premises, any of the following: (A) pollution or contamination of the environment; (B) handling, treatment, storage, disposal, or transportation of Hazardous Waste; (C) exposure to Hazardous Waste; (D) the manufacture, processing, distribution in commerce, use, or storage of Hazardous Waste; (E) injury to or death of any person or persons directly or indirectly connected with Hazardous Waste on, under, over, or transported or released to or from the Premises or any portion thereof; or (F) contamination of any property caused by Hazardous Waste on, under, over, or transported or released to or from the Premises or any portion thereof;

(iv) the failure by Tenant, or any other party directly or indirectly connected with the Premises, or any portion thereof, to obtain, maintain, or comply with any permit, license, approval, or other authorization with respect to any activities, operations, or businesses conducted on or in relation to the Premises, or any portion thereof, required under any applicable Environmental Laws; or

(v) the presence or existence of Hazardous Waste on, under, over, or released or transported from the Premises, or any portion thereof,

Landlord shall be entitled to conduct its own investigation in connection therewith and provide its own defense and charge Tenant with its reasonable and actual expense incurred in connection therewith. The term "Environmental Claim" also includes (i) the costs of removal of any and all Hazardous Waste from all or any portion of the Premises, (ii) costs required to take necessary precautions to protect against the

release of Hazardous Waste on, in, under, or affecting the Premises, or any portion thereof, and (iii) costs incurred to comply, in connection with all or any portion of the Premises or any surrounding areas affected by Hazardous Waste on, under, over, or transported or released to or from the Premises, with all applicable Environmental Laws.

(b) All representations, warranties, covenants, agreements and indemnities of Tenant contained in this Article XIII shall survive the Term of this Lease or any extensions hereof and the consummation of the transactions contemplated in this Lease, and shall not be affected by an investigation by or on behalf of Tenant or by any information Tenant may have or obtain with respect thereof.

Section 13.04 Cost Benefit Analysis. Pursuant to Tenn. Code Ann. § 7-53-305(b), the Cost Benefit Analysis created in accordance with the PTIP is attached hereto as Exhibit F.

*[Signatures on Following Page]*

[SIGNATURE PAGE FOR LEASE AGREEMENT]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

LIFETIME PRODUCTS, INC.

By: [Signature]

Name: Brian Slagle

Title: CFO

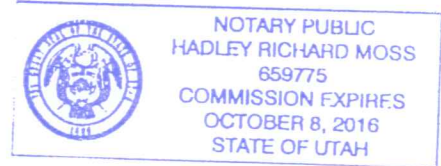
STATE OF Utah  
COUNTY OF Davis

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Brian Slagle, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the CFO of **LIFETIME PRODUCTS, INC.**, the within named bargainor, a Delaware corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such CFO.

Witness my hand and official seal at office in the aforesaid county, this 29 day of July, 2016.

[Signature]  
Notary Public

My Commission expires: 10/8/16



[SIGNATURE PAGE FOR LEASE AGREEMENT]

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX**

By: [Signature]

Name: William R. Coleman, III

Title: Vice Chair

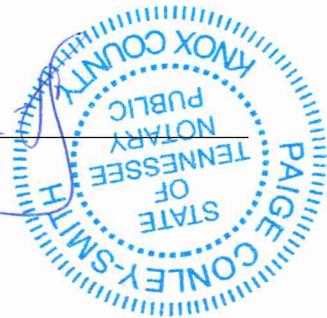
**STATE OF TENNESSEE  
COUNTY OF KNOX**

Before me, the undersigned authority, a Notary Public in and for said county and state personally appeared William R. Coleman, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the Vice Chair of **The Industrial Development Board of the County of Knox** within named bargainor a corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said Public nonprofit corporation by himself/herself as such Vice Chair.

WITNESS my hand, at office, this 11th day of July, 2016.

[Signature]  
Notary Public

My commission expires: December 21, 2016



**EXHIBIT A**  
**PROPERTY DESCRIPTION**

**SITUATE** in the Eighth (8th) Civil District of Knox County, Tennessee, within the EastBridge Business Park, and being more particularly described as follows:

**BEGINNING** at an iron pin at the intersection of the north right of way line of Mascot Road with the west right of way line of Boulevard "A" of the Eastbridge Business Park; thence with the north right of way line of Mascot Road, said right of way line being located 40 feet from the centerline of Mascot Road, the following three (3) calls and distances: 1) South 80 deg. 41 min. 24 sec. West, 868.79 feet to an iron pin; 2) along a curve to the right, said curve having a radius of 532.96 feet, an arc length of 640.53, and a chord bearing and distance of North 64 deg. 52 min. 48 sec. West, 602.67 feet to an iron pin; and 3) North 30 deg. 27 min. 00 sec. West, 997.82 feet to an iron pin; thence leaving the right of way line of Mascot Road, North 41 deg. 24 min. 30 sec. East, 927.84 feet to an iron pin; thence North 70 deg. 24 min. 30 sec. East, 810.00 feet to an iron pin on the west right of way line of Boulevard "A"; thence with the west right of way line of Boulevard "A", said right of way line being located 60 feet from the centerline of Boulevard "A", the following four (4) calls and distances: 1) South 19 deg. 35 min. 30 sec. East, 1,246.10 feet to an iron pin; 2) along a curve to the right, said curve having a radius of 1,849.86 feet, an arc length of 331.96 feet, and a chord bearing and distance of South 14 deg. 27 min. 03 sec. East, 331.51 feet to an iron pin; 3) South 09 deg. 18 min. 36 sec. East, 392.18 feet to an iron pin; and 4) South 27 deg. 45 min. 50 sec. West, 68.93 feet to the **POINT OF BEGINNING**, containing 60.941 acres (2,654,572 square feet) as per survey of Wilbur Smith Associated of Knoxville, Tennessee, dated September 28, 1988, filed for record in Plat Cabinet L, Slide 70-B and Slide 70-C in the Knox County Register of Deeds Office, and according to legal description of Robert H. Callaway, RLS, dated October 20, 1988.

**SUBJECT TO** 2016 taxes, which shall be prorated as of the date of closing and paid, and the following matters:

Matters depicted and disclosed by plat filed for record in Plat Cabinet L, Slides 70-B and 70-C in the Knox County Register of Deeds Office.

Restrictive Covenants and Development Standards for EastBridge Business Park dated November 28, 1988, filed for record in Warranty Book 1963, page 762, as corrected by instrument filed for record in Warranty Book 2060, page 95 1, both in the Knox County Register of Deed Office.

EastBridge Business Park Design Standards and Restrictive Covenants dated June 13, 1997, filed for record in Warranty Book 2253, page 1, as amended by instrument dated as of June 8, 2006, filed for record as Instrument No. 200606090103849, both in the Knox County Register of Deeds Office.

Rights of upper and lower riparian owners in and to the use of and the continued uninterrupted flow of any creeks, streams or branches flowing through or abutting subject property.

**BEING** the same property conveyed to Lifetime Products, Inc., by Special Warranty Deed from Warehouse and Industrial Builders, a Tennessee general partnership, successor to Warehouse and Industrial Builders, L.L.C., being successor by conversion to Warehouse and Industrial Builders, a Tennessee general partnership, dated November 24, 2015 and recorded as Instrument No. 201511240032358, in the Register's Office for Knox County, Tennessee.

**TOGETHER WITH**, but without warranty, all right, title and interest of First Party in and to any streets, alleyways, walkways, roadways, appurtenant easements for access and/or utilities and any strips or gores of land adjacent to, abutting or adjoining the property conveyed hereby on all sides thereof.

**EXHIBIT B**  
**DESCRIPTION OF PERSONAL PROPERTY**

N/A

**EXHIBIT C**  
**PERMITTED ENCUMBRANCES**

1. Easements, or claims of easements, not shown by the public records.
2. Any discrepancies, conflicts, encroachments, servitudes, shortages in area and boundaries or other facts which a correct survey would show.
3. Taxes and/or assessments levied or assessed against the subject property pursuant to the provisions of TCA 67-5-601, et seq., which have not been assessed and are not payable, as of the date of this Policy.
4. Taxes for the year 2016, and all taxes for subsequent years.
5. Matters depicted and disclosed by plat filed for record in Plat Cabinet L, Slides 70-B and 70-C in the Knox County Register of Deeds Office, to include the following:
  - a) permanent drainage easement along the southerly and westerly boundary lines of subject property; and
  - b) sewer easement running across the southeasterly corner of subject property.
6. Restrictive Covenants and Development Standards for EastBridge Business Park dated November 28, 1988, filed for record in Warranty Book 1963, page 762, as corrected by instrument filed for record in Warranty Book 2060, page 951, both in the Knox County Register of Deed Office.
7. EastBridge Business Park Design Standards and Restrictive Covenants dated June 13, 1997, filed for record in Warranty Book 2253, page 1, as amended by instrument dated as of June 8, 2006, filed for record as Instrument No. 200606090103849, both in the Knox County Register of Deeds Office.
8. Title to that portion of the property within the bounds of any roads and/or highways.
9. Rights of upper and lower riparian owners in and to the use of and the continued uninterrupted flow of any creeks, streams or branches flowing through or abutting subject property.
10. Unrecorded Lease by and between Warehouse & Industrial Builders, a Tennessee general partnership, and The Timken Corporation, an Ohio corporation, dated September 18, 2014.



**EXHIBIT D**

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX  
PROPERTY TAX INCENTIVE PROGRAM (PTIP)**

***PTIP COMPLIANCE REPORT***

Please complete the following contact information:

Company Name: \_\_\_\_\_

Local Contact: \_\_\_\_\_

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

Local Address: \_\_\_\_\_

\_\_\_\_\_

Local Phone: \_\_\_\_\_

Local Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Person Responsible for completing Report (If different from the local contact)

Name: \_\_\_\_\_

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

Address: \_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Please submit completed and signed materials to:  
The Development Corporation of Knox County  
Attn: Robin Holt  
17 Market Square, #201  
Knoxville, TN 37902-1405

**DEADLINE:** \_\_\_\_\_

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX  
PROPERTY TAX INCENTIVE PROGRAM (PTIP)**

**PTIP REPORT/COMPLIANCE REPORT**  
as of \_\_\_\_\_, 20\_\_\_\_

**Project Data:**

Recipient of Property Tax Incentive (Company Name): \_\_\_\_\_

Address of Property Subject to Payment in Lieu of Tax Transaction (PILOT):

\_\_\_\_\_

\_\_\_\_\_

**Capital Investment:**

Identify the total Capital Investment in the Project as of \_\_\_\_\_, 20\_\_\_\_.

<b>Purpose</b>	<b>Amount</b>
Land Acquisition	\$ _____
Site Development Costs	\$ _____
Building Improvements	\$ _____
Machinery and Equipment	\$ _____
Air Quality/Pollution Control Equipment	\$ _____
Other (please describe)	\$ _____
Total	\$ _____

Capitalized terms not specifically defined will have the meanings assigned to them in the Lease Agreement between the IDB and the Company and in the Policies and Procedures of the PTIP.

**Employee Report / Job Creation & Wages:**

List the following information for all new employees of the Company currently holding positions as a result of the Project. In a separate document list part-time, contract, or seasonal workers who reside in Knox County or a contiguous county and the gross salaries of employees who reside in Knox County or a contiguous county. (These jobs shall be reported in job classifications as required by the Board.) Also indicate the total on-site employment as of \_\_\_\_\_, 20\_\_\_\_.

<b>Position (job classification or title)</b>	<b>Number of Employees (full time equivalent)</b>	<b>Annual Wage (salary without benefits)</b>
TOTALS:		

**TOTAL ON-SITE EMPLOYMENT:** \_\_\_\_\_

**Vendor Support Report:**

The annual and cumulative gross dollars spent locally on supplier and professional service contracts, to demonstrate the amounts by contract awarded and performed by Knox County Persons.

<b>Knox County Suppliers (by type)</b>	<b>Calendar Expenditures</b>	<b>Year</b>	<b>Cumulative Expenditures for PILOT Term</b>

**Minority/Small Businesses:**

The dollar amount of contracts awarded to Minority/Small Business for the term of the PILOT.

<b>Minority/Small Business by Type</b>	<b>Amount of Contract</b>
Total	

**Insurance Requirements:**

In accordance with the Lease Agreement provide a certificate of insurance showing insurance coverage in the proper amounts and listing The Industrial Development Board of the County of Knox as an additional insured on all liability policies. The form of the Certificate must comply with the Lease Agreement. It should provide an obligation on the part of the insurer to provide 30 days' notice of cancellation or a material change in coverage.

The following language normally contained in Accord Certificate 25-S is NOT acceptable:

- (i) the insurer “will endeavor to mail notice to “ the certificate holder; and
- (ii) “This certificate is issued as a matter of information only and confers no rights upon the certificate holder. The certificate does not amend, extend, or alter the coverage afforded by the policies below.”

The Company may provide an insurance binder, a summary of declarations showing the coverage and the notice requirements, or a copy of the actual policies.

**CERTIFICATE**

The undersigned hereby represents, warrants and certifies to The Industrial Development Board of the County of Knox (“IDB”) as follows:

- (i) The undersigned is the incumbent holder of the office or official position set forth below and is authorized by the Company to execute and deliver this Compliance Report to the IDB;
- (ii) the undersigned has examined the information contained in this Compliance Report and the accompanying Employee Listing and accompanying Capital Improvements Invoice Listing, if applicable, and the information contained therein is true, complete and accurate as of the date set forth below;
- (iii) no Event of Default has occurred under the Lease Agreement between the Company and the IDB, or would have occurred but for the giving of notice or the passage of time, or both;
- (iv) no circumstance exists that could serve as the basis for an Event of Default referred to above; and
- (v) the Company has performed all of its obligations under the Lease Agreement between the Company and the IDB, as amended, that are required to be performed by it at or prior to the date set forth below.

\_\_\_\_\_  
Print name and title of authorized Company representative

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who upon oath acknowledged himself/herself to be the \_\_\_\_\_ of \_\_\_\_\_, the within named bargainer, a \_\_\_\_\_, and that he/she as such \_\_\_\_\_ being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said \_\_\_\_\_ by himself/herself as such \_\_\_\_\_.

Witness my hand and official seal at office in the aforesaid county, this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

---

Notary Public  
My Commission expires: \_\_\_\_\_

**Please submit completed and signed materials to:**  
The Development Corporation of Knox County  
Attn: Robin Holt  
17 Market Square, #201  
Knoxville, TN 37902-1405  
**For assistance call: 865-546-5887**

**EXHIBIT E**  
**PTIP POLICIES AND PROCEDURES**  
**[SEE ATTACHED]**

**EXHIBIT F**  
**COST BENEFIT ANALYSIS**  
**[SEE ATTACHED]**

**EXHIBIT G**

**BOARD OF EQUALIZATION REPORT**

**REPORT OF PROPERTIES OWNED BY HEALTH AND EDUCATIONAL, INDUSTRIAL DEVELOPMENT AND SPORTS AUTHORITY BOARDS**

**(Rev. 2013)**

**(Note: late fee due after October 1)**

Tennessee law requires businesses leasing property from certain public boards and authorities to annually report to the State Board of Equalization concerning the leased properties.

<p><b>GENERAL INFORMATION</b>      County: _____ Year: _____</p> <p>Owner name: _____</p> <p>Lessee name and address: _____</p>	<p>This property is owned in the name of (select one):</p> <p><input type="checkbox"/> Industrial Development Board (T.C.A. §7-53-301)</p> <p><input type="checkbox"/> Health, Housing &amp; Educational Facility Board (T.C.A. §48-101-307)</p> <p><input type="checkbox"/> Sports Authority Board (T.C.A. §7-67-108)</p>
---	--

Has lessee name changed since last filing? Yes \_\_\_ No \_\_\_

Person filing this report:

Name: \_\_\_\_\_

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

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

**1. PROPERTY LISTING:** List all the real and personal property owned by the IDH&ED Board which is leased or subleased by this lessee as of last January 1. List each property separately if it has a separate parcel or account number in the assessor's records:

A. _____	Assessor's id. no.
B. _____	State the city where the property is located
C. _____	_____



D. \_\_\_\_\_  
 E. \_\_\_\_\_

2. PROPERTY DETAIL: For each of the above properties, provide the following information:

Item	EST. VALUE	DATE1	TERM	RENT	PILOT/CITY	PILOT/CO.	DATE2	L/H TAX (IF ANY)
A								
B								
C								
D								
E								

EST. VALUE: Good faith estimate of value    DATE1: Lease date    TERM: Lease term (mos.,yrs.)

RENT: Amount of stated rent per the lease.

PILOT/CITY: Annual payments in lieu of property taxes payable to or for the benefit of a city

PILOT/COUNTY: Annual payments in lieu of property taxes to or for the benefit of a county

DATE2: Date the property is scheduled to return to the regular tax rolls

L/H TAX: If the county assessor has recorded a positive value for the leasehold interest, state the amount of tax due (confirm with county assessor).

*This report must be completed and submitted to the State Board of Equalization annually by October 1. The report is late if postmarked after October 1. Late filed reports must be accompanied by a late fee of \$50. The report may be submitted electronically through our web site at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).*

A copy of this report must be filed with the county assessor of property by Oct. 15. Has a copy of this report been filed with the county assessor?  
 Yes \_\_\_ No \_\_\_

For questions, call or write the Board or visit our website at <http://www.comptroller.state.tn.us/sb/faq.htm>.

State Board of Equalization  
 9<sup>th</sup> Floor, W.R. Snodgrass TN Tower  
 312 Rosa Parks Avenue  
 Nashville, Tennessee 37243-1102  
 (615)401-7883



## FIRST AMENDMENT TO LEASE AGREEMENT

This **AMENDMENT TO LEASE AGREEMENT** (hereinafter "Agreement"), is made and entered into as of the 10th day of August, 2021, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, a public nonprofit corporation organized under the laws of the State of Tennessee, ("Landlord"), and **LIFETIME PRODUCTS, INC.**, a corporation organized under the laws of the State of Utah ("Tenant").

### RECITALS

A. Landlord and Tenant entered into that certain Lease Agreement dated July 29, 2016, as evidenced by that certain Memorandum of Lease of even date recorded at Instrument No. 201608250013106 in the Knox County Register of Deeds office (the "Lease Agreement") as a part of a payment-in-lieu of tax transaction between Landlord and Tenant and pursuant to which Landlord leases to Tenant certain real property and improvements more particularly described therein.

B. Landlord and Tenant have agreed to make certain amendments to the Lease Agreement more particularly described herein.

**NOW, THEREFORE**, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. **Amendments to Lease Agreement.** The Lease Agreement is hereby amended as follows:
  - a. The definition of the term "Measurement Period" as set forth in **Section 1.01** of the Lease Agreement is hereby amended and restated in its entirety as follows:

**"Measurement Period"** means the time period covering the six (6) years after the Commencement Date.

- b. Section 4.02 of the Lease Agreement is hereby amended and restated as follows:

**Section 4.02. Report on Determination Date.** Within thirty (30) days after the sixth (6<sup>th</sup>) anniversary of the Commencement Date ("Determination Date"), the Tenant shall deliver to Landlord the Compliance Report in Accordance with Section 5.06(c) which Landlord shall use to determine the Determination Date Points (as defined below) in accordance with this Section 4.02.

Subsections 4.02(a) and 4.02(b) remain unchanged.

2. The Lease Agreement is not amended in any other respect.
3. **Ratification of Lease Agreement.** Each of the parties hereto affirms its respective obligations under the Lease Agreement, as amended hereby, and each such party agrees that such obligations are valid and binding, enforceable in accordance with its terms, subject to no defense, counterclaim, or objection.

*[Signatures on Following Page]*

My Commission expires: \_\_\_\_\_

Notary Public

Witness my hand and official seal at office in the aforesaid county, this \_\_\_\_\_ day of August, 2021.

Before me, the undersigned authority, a Notary Public in and for said county and state personally appeared Greg McWhorter, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chair of The Industrial Development Board of the County of Knox the within named bargainor a corporation, and that he as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said Public nonprofit corporation by himself as such Chair.

STATE OF TENNESSEE  
COUNTY OF KNOX

By: \_\_\_\_\_  
Name: Greg McWhorter, Chair

THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX



My Commission expires: 4/21/2024

Notary Public

*TASW*

Witness my hand and official seal at office in the aforesaid county, this 16<sup>th</sup> day of August, 2021.

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared Brian Staley, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the CEO of LIFETIME PRODUCTS, INC., the within named bargainor, a Utah corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such CEO

STATE OF UTAH  
COUNTY OF DAVIS

LIFETIME PRODUCTS, INC.

By: \_\_\_\_\_  
Name: Brian Staley  
Title: CEO

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

[SIGNATURE PAGE FOR AMENDMENT TO LEASE AGREEMENT]

[SIGNATURE PAGE FOR AMENDMENT TO LEASE AGREEMENT]

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

LIFETIME PRODUCTS, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared \_\_\_\_\_, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the \_\_\_\_\_ of LIFETIME PRODUCTS, INC., the within named bargainer, a Utah corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such \_\_\_\_\_.

Witness my hand and official seal at office in the aforesaid county, this \_\_\_\_ day of August, 2021.

\_\_\_\_\_  
Notary Public

My Commission expires: \_\_\_\_\_

THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX

By: [Signature]  
Name: Greg McWhorter, Chair

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, the undersigned authority, a Notary Public in and for said county and state personally appeared Greg McWhorter, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chair of **The Industrial Development Board of the County of Knox** the within named bargainer a corporation, and that he as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said Public nonprofit corporation by himself as such Chair.

Witness my hand and official seal at office in the aforesaid county, this 10th day of August, 2021.

[Signature]  
Notary Public

My Commission expires: Aug 3, 2024





## SECOND AMENDMENT TO LEASE AGREEMENT

This **SECOND AMENDMENT TO LEASE AGREEMENT** (hereinafter "Agreement"), is made and entered into as of the 12th day of July, 2022, by and between **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**, a public nonprofit corporation organized under the laws of the State of Tennessee, ("Landlord"), and **LIFETIME PRODUCTS, INC.**, a corporation organized under the laws of the State of Utah ("Tenant").

### RECITALS

A. Landlord and Tenant entered into that certain Lease Agreement dated July 29, 2016, as evidenced by that certain Memorandum of Lease of even date recorded at Instrument No. 201608250013106 in the Knox County Register of Deeds office (as previously amended, the "Lease Agreement") as a part of a payment-in-lieu of tax transaction between Landlord and Tenant and pursuant to which Landlord leases to Tenant certain real property and improvements more particularly described therein.

B. Landlord and Tenant have agreed to make certain amendments to the Lease Agreement more particularly described herein.

**NOW, THEREFORE**, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. **Amendments to Lease Agreement.** The Lease Agreement is hereby amended as follows:
  - a. The definition of the term "Measurement Period" as set forth in **Section 1.01** of the Lease Agreement is hereby amended and restated in its entirety as follows:

**"Measurement Period"** means the time period commencing on the date hereof and ending on July 29, 2022.

- b. Section 4.02 of the Lease Agreement is hereby amended and restated as follows:

**Section 4.02. Report on Determination Date.** Within thirty (30) days of the expiration of the Measurement Period ("Extension Determination Date"), the Tenant shall deliver to Landlord the Compliance Report in Accordance with Section 5.06(c) which Landlord shall use to determine the Determination Date Points (as defined below) in accordance with this Section 4.02.

Subsections 4.02(a) and 4.02(b) remain unchanged.

The Lease Agreement is not amended in any other respect.

2. **Ratification of Lease Agreement.** Each of the parties hereto affirms its respective obligations under the Lease Agreement, as amended hereby, and each such party agrees that such obligations are valid and binding, enforceable in accordance with its terms, subject to no defense, counterclaim, or objection.

[SIGNATURE PAGES FOR AMENDMENT TO LEASE AGREEMENT]

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

LIFETIME PRODUCTS, INC.

By: \_\_\_\_\_  
Name: Brian Stagle  
Title: CFO

STATE OF UTAH  
COUNTY OF DAVES

Before me, the undersigned authority, a Notary Public in and for said county and state, personally appeared BRIAN STAGLE, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself/herself to be the CFO of LIFETIME PRODUCTS, INC., the within named bargainer, a Utah corporation, and that he/she as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said corporation by himself/herself as such CFO.

Witness my hand and official seal at office in the aforesaid county, this 17<sup>th</sup> day of AUGUST, 2022.

TBSM  
\_\_\_\_\_  
Notary Public

My Commission expires: 4/21/2024





[SIGNATURE PAGES FOR AMENDMENT TO LEASE AGREEMENT]

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
THE COUNTY OF KNOX**

By: [Signature]  
Name Greg McWhorter

**STATE OF TENNESSEE  
COUNTY OF KNOX**

Before me, the undersigned authority, a Notary Public in and for said county and state personally appeared Greg McWhorter, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the Chair of **The Industrial Development Board of the County of Knox** the within named bargainor a corporation, and that he as such officer being authorized so to do, executed the within instrument for the purposes therein contained by signing the name of said Public nonprofit corporation by himself as such Chair.

Witness my hand and official seal at office in the aforesaid county, this 12<sup>th</sup> day of July, 2022.

[Signature]  
Notary Public

My Commission expires: 08/02/2025





**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE COUNTY OF KNOX**

**AGREED-UPON PROCEDURES**

**DECEMBER 31, 2022**

DRAFT

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Board of Directors and Senior Management  
The Industrial Development Board of the County of Knox  
Knoxville, Tennessee

We have performed the procedures enumerated below, which were agreed to by The Industrial Development Board of the County of Knox (the "Board"), solely to assist the Board in assessing whether all applicable information has been submitted and whether the lessees have complied with the requirements of the leases as of December 31, 2022. The Board's management is responsible for the administration of the leases.

The Board has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the Board in assessing whether all applicable information has been submitted and whether the lessees have complied with the requirements of the leases as of December 31, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures and findings are as follows:

1. We reviewed the listing of companies participating in the Property Tax Incentive Program to determine if all companies have submitted the required information as per the lease sections as follows:
  - a. 6.11 for Ridgebrook II, L.P. - No exceptions noted.
  - b. 7.4 for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
  - c. 7.4 for Oakwood Senior Living, LLC - No exceptions noted.
  - d. 5.06 for Markets at Choto, LLC - No exceptions noted.
  - e. 5.06 for Marble Alley Lofts, LLC - No exceptions noted.
  - f. 5.06 for Lifetime Products, Inc. - No exceptions noted.
  - g. 5.06 for Fresenius USA Manufacturing, Inc. - No exceptions noted.



- h. 5.06 for America's Collectibles Network, Inc. - No exception noted.
  - i. 7.4 for Dover Development Corp. (Knox High Independent Living) - No exceptions noted.
  - j. 7.4 for White Oak Crossing, L.P. - No exceptions noted.
  - k. 5.06 for SCAPA Tapes North America, LLC - No exceptions noted.
  - l. 4.02 for ELO Touch Solutions, Inc. - No exceptions noted.
2. We reviewed the annual Property Tax Incentive Program Performance Reports ("Performance Report") submitted to verify the documents are complete and properly certified as evidenced by a signature – Reports appeared complete and properly certified when filed, however there were 4 performance reports not filed by the deadline agreed upon in the lease agreement. The following annual Performance Reports were not submitted by the deadline agreed upon in the lease agreement:
- a. Oakwood Senior Living, LLC
  - b. Marble Alley Lofts, LLC
  - c. Lifetime Products, Inc.
  - d. White Oak Crossing, L.P.
3. We reviewed the information contained in the Property Tax Incentive Program Performance Reports and compared it to the application data to verify the participant has complied with the project investment, the job requirements, and the wage requirements within the specified time frame as well as the environmental requirements as stated in the lease sections as follows:
- a. 6.11(d) for Ridgebrook II, L.P. - No exceptions noted.
  - b. 10.1(b) for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
  - c. 3.2 for Oakwood Senior Living, LLC - No exceptions noted.
  - d. 2.01 for Markets at Choto, LLC - No exceptions noted.
  - e. 9.01(b) for Marble Alley Lofts, LLC - No exceptions noted.



- f. 3.01 for Lifetime Products, Inc. - No exceptions noted as Lifetime Products compliance with project investment, job requirements, and wage requirements are not yet required. Lifetime was approved a one-year extension of the Measurement Period to meet its employment and capital investment thresholds through July 29, 2023.
  - g. 3.01 for Fresenius USA Manufacturing, Inc. - While Fresenius USA has well exceeded the capital improvements and wages requirement under the lease agreement, the applicant has not satisfied the number of jobs required by the lease agreement. The Board has approved the extension; therefore, compliance is not required until December 31, 2024.
  - h. 3.01 for America's Collectibles Network, Inc. - No exceptions noted.
  - i. 3.1 for Dover Development Corp. (Knox High Independent Living) - No exceptions noted.
  - j. 3.1 for White Oak Crossing, L.P. - No exceptions noted.
  - k. 5.06 (c) for SCAPA Tapes North America, LLC - No exceptions noted.
  - l. 9.01 (b) for ELO Touch Solutions, Inc. - No exceptions noted.
4. We compared the information contained in the certificate of liability insurance and verified if it is adequate as compared to the requirements in the lease sections as follows:
- a. 6.4(c) and 6.4(f) for Ridgebrook II, L.P. - No exceptions noted.
  - b. 8.1 and 8.2 for Green Mountain Coffee Roasters, Inc. - No exceptions noted.
  - c. 8.1 and 8.2 for Oakwood Senior Living, LLC - No exceptions noted.
  - d. 7.01 and 7.02 for Markets at Choto, LLC - No exceptions noted.
  - e. 7.01 and 7.02 for Marble Alley Lofts, LLC - No exceptions noted.
  - f. 7.01 and 7.02 for Lifetime Products, Inc. - No exceptions noted.
  - g. 7.01 and 7.02 for Fresenius USA Manufacturing, Inc. - No exceptions noted.
  - h. 7.01 and 7.02 for America's Collectibles Network, Inc. – Exception – Proper umbrella coverage was not maintained from 5/17/2022 through 5/17/2023. Adequate coverage was maintained during the remainder of the calendar year.



- i. 8.1 and 8.2 for Dover Development Corp. (Knox High Independent Living) – Exception - Proper commercial general liability or umbrella coverage was not maintained from 4/1/2022 through 10/6/2022. Adequate coverage was maintained during the remainder of the calendar year.
- j. 8.1 and 8.2 for White Oak Crossing, L.P. - No exceptions noted.
- k. 7.01 for SCAPA Tapes North America, LLC – Exception – Adequate umbrella coverage was not maintained from 1/1/2022 through 11/30/2022, however proper coverage was obtained during December 2022.
- l. 7.01 for ELO Touch Solutions, Inc. - No exceptions noted.

\* \* \* \* \*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the compliance with the leases. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than the specified party.

*Crosslin, PLLC*

Nashville, Tennessee  
August 25, 2023







*The Industrial Development Board  
of the County of Knox*

*The Health, Educational and Housing  
Facility Board of the County of Knox*

*Communication with Those  
Charged with Governance  
Results of the March 31, 2023 Audit*





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August 18, 2023

To the Board of Directors of  
The Industrial Development Board of the County of Knox and  
The Health, Educational and Housing Facility Board of the County of Knox

Thank you very much for the opportunity to continue to serve as your independent auditors. We are pleased to provide to you our report on the results of the audits of the financial statements of The Industrial Development Board of the County of Knox, and The Housing Educational and Housing Facility Board of the County of Knox (the "Boards") for the year ended March 31, 2023.

A direct line of communication between our Firm and those charged with financial governance is essential to the proper exercise of our respective responsibilities. Our appointment involves the responsibility on our part to call to your attention any significant matters which we believe require your consideration.

The accompanying report is intended solely for the use of the Board of Directors and management and presents information regarding the audit and certain other information which we believe will be of assistance to you.

We would like to take this opportunity to express our appreciation for the assistance and courtesy extended to us by your employees. We appreciate working with you, and we look forward to a continued relationship with the Boards.

Very truly yours,

CROSSLIN, PLLC

A handwritten signature in black ink that reads "Curtis Payne". The signature is written in a cursive style.

Curtis Payne  
Director



***The Industrial Development Board of the County of Knox, and  
The Health, Educational and Housing Facility Board of the County of Knox  
Report on Results of the March 31, 2023 Audit***

---

***Report on Financial Statements***

We have audited the financial statements of The Industrial Development Board of the County of Knox, and The Health, Educational and Housing Facility Board of the County of Knox for the year ended March 31, 2023, and have issued our reports thereon dated August 17, 2023 and August 18, 2023, respectively.

---

***Required Communications***

Professional standards require that we provide the Board of Directors with the following information related to our audit:

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***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Our audits of the financial statements do not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audits, we considered the internal control of the Boards solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



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### ***Planned Scope and Timing of the Audit***

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We conducted our audits consistent with the planned scope and timing we previously communicated to you.

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### ***Engagement Personnel***

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David Hunt	Concurring Review
Curtis Payne	Audit Director
Haley Bigney	Audit Senior

---

### ***Significant Accounting Policies***

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Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Boards is included in Note 1 to each of the financial statements. There have been no changes in significant accounting policies or their application during fiscal year 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. We believe the Boards' significant accounting policies are appropriate and comprehensive.

---

### ***Accounting Estimates***

---

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is the estimated useful lives of capital assets and collectibility of receivables.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.



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### ***Audit Adjustments***

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For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on an organization's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed one entry to adjust prepaid expenses to actual at year end.

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### ***Disagreements with Management***

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For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing that could be significant to the financial statements of the auditors' report. We are pleased to report that no such disagreements arose during the course of the audits.

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### ***Representations Required from Management***

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We will require certain written representation from management, which we included in the attached letters (Appendices A and B).

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### ***Consultations with Other Independent Accountants***

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In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to an organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, the Boards made no such consultations with other accountants.

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### ***Issues Discussed Prior to our Selection as Independent Auditors***

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We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to our selection as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our selection as the Boards' auditors.



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### ***Difficulties Encountered in Performing the Audit***

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We encountered no significant difficulties in performing and completing our audits.

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### ***Fraud and Illegal Acts***

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We did not identify any fraudulent or illegal acts during the course of our audits.

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### ***Independence***

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We are not aware of any relations between Crosslin, PLLC and the Boards that, in our professional judgment may reasonably be thought to bear on our independence that have occurred during the period from April 1, 2022 through the date of our opinion.

We hereby confirm that as of the date of our audit opinion, we are independent with respect to the Boards within the meaning of Rule 101 of the Code of Professional Conduct of the American Institute of Certified Public Accountants and *Government Auditing Standards*.

---

### ***Other Written Communications***

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- Included as Appendices A and B are drafts of the representation letters we will receive from management.



August 17, 2023

Crosslin, PLLC  
The Astoria  
3803 Bedford Avenue, Suite 103  
Nashville, TN 37215

This representation letter is provided in connection with your audit of the financial statements of the Industrial Development Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2023 and 2022, and the respective statements of revenue, expenses and changes in financial position and cash flows for the years then ended, and the related notes to the financial statements (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits:

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 22, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.

17 Market Square, #201, Knoxville, TN 37902  
(865) 637-4550



- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.
- 10) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

### **Information Provided**

11) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audits.
  - c) Unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - 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.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Board's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the names of the Board's related parties and all the related party relationships and transactions, including any side agreements.

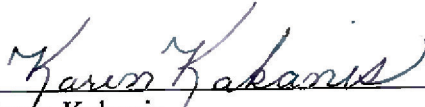
**Government—specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 21) We are responsible for compliance with the laws, regulations, and provision of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 22) We have appropriately disclosed all information for conduit debt obligations in accordance with GASB No. 91.
- 23) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

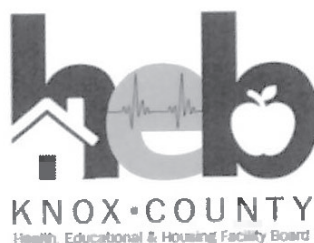
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating Karen Kakanis, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 26) 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.
- 27) 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.
- 28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 30) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net assets date and have been appropriately reduced to their estimated net realizable value.
- 31) Provisions for uncollectible receivables have been properly identified and recorded.
- 32) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 33) Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position.
- 34) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 35) We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- 36) 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.
- 37) We confirm that there were no expenditures of federal awards for the year and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- 38) In connection with any electronic presentation of the financial statements and your audit report thereon on our website, we acknowledge that:
- a) We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
  - b) If your audit report is presented on our website, the full financial statements upon which you reported and to which you appended your signed report will be presented.
  - c) We will clearly indicate in the electronic presentation on our website the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented to us on or in connection with our website that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
  - d) We have assessed the security over financial statement information and the audit report presented on our website and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our website through internal failure or external manipulation.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

  
\_\_\_\_\_  
Karen Kakanis  
Director of Financial Operations, Knoxville Chamber

  
\_\_\_\_\_  
Mike Odom  
President & CEO, Knoxville Chamber



August 18, 2023

Crosslin, PLLC  
 The Astoria  
 3803 Bedford Avenue, Suite 103  
 Nashville, TN 37215

This representation letter is provided in connection with your audits of the financial statements of The Health, Education and Housing Facility Board of the County of Knox (the “Board”), which comprise the statements of net position as of March 31, 2023 and 2022, and the respective statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audits:

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 1, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and includes all information required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

17 Market Square, #201, Knoxville, TN 37902  
 (865) 637-4550

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.
- 11) Tax abatement agreements have been properly disclosed in the notes to the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.

#### **Information Provided**

12) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audits.
- c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.

- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - 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.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 19) We have disclosed to you the names of the entity's related parties and all the related party relationships and transactions, including any side agreements.

**Government—specific**

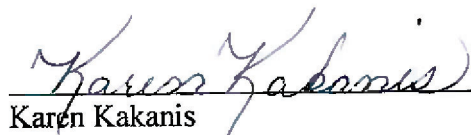
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) The Board has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 22) 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 legal and contractual provisions for reposting specific activities in separate funds.
- 23) We have appropriately disclosed all information for conduit debt obligations in accordance with GASBA No. 91.
- 24) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

- 25) There are no 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.
- 26) As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating Karen Kakanis, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 27) 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.
- 28) 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.
- 29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 30) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 31) Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net assets date and have been appropriately reduced to their estimated net realizable value.
- 32) Provisions for uncollectible receivables have been properly identified and recorded.
- 33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 34) Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position.
- 35) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 36) We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.



- 37) 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.
- 38) We confirm that there were no expenditures of federal awards for the year and we were not required to have an audit in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
- 39) In connection with any electronic presentation of the financial statements and your audit report thereon on our website, we acknowledge that:
- a) We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.
  - b) If your audit report is presented on our website, the full financial statements upon which you reported and to which you appended your signed report will be presented.
  - c) We will clearly indicate in the electronic presentation on our website the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented to us on or in connection with our website that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.
  - d) We have assessed the security over financial statement information and the audit report presented on our website and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our website through internal failure or external manipulation.

THE HEALTH, EDUCATION AND HOUSING FACILITY BOARD OF THE COUNTY OF KNOX



Karen Kakonis  
Director of Financial Operations, Knoxville Chamber



Mike Odom  
President & CEO, Knoxville Chamber



**THE INDUSTRIAL DEVELOPMENT BOARD  
OF THE COUNTY OF KNOX**

**FINANCIAL STATEMENTS**

**YEARS ENDED MARCH 31, 2023 AND 2022**

DRAFT

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

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THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX

BOARD MEMBERS  
At March 31, 2023

Board Members

Paul Fortunato  
Tiffany Gardner  
Shannon Coleman Egle  
Terry Henley

Chairman  
Vice Chairman  
Secretary/Treasurer  
Asst. Secretary/Treasurer

Other Board Members

Alvin J. Nance  
Anthony Wise  
Charley Bible  
J. Ford Little  
Lisa Rottman  
Lou Moran, III  
Mike George

Legal Counsel

R. Christopher Trump

Legal Counsel to the Board

Independent Auditor's Report

To the Board of Directors of  
The Industrial Development Board of the County of Knox  
Knoxville, Tennessee

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of The Industrial Development Board of the County of Knox (the "Board"), which comprise the statements of net position as of March 31, 2023 and 2022, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board as of March 31, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audits 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. 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 the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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.



To the Board of Directors of  
The Industrial Development Board of the County of Knox

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 Board'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Board'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 Board'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 audits.



To the Board of Directors of  
The Industrial Development Board of the County of Knox

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 7 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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the schedule of board members but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2023 on our consideration of the Board'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 the Board's 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 Board's internal control over financial reporting and compliance.

*Crosslin, PLLC*

Nashville, Tennessee  
August 17, 2023



THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEARS ENDED MARCH 31, 2023 AND 2022

This section of the Industrial Development Board of the County of Knox’s (the “Board”) annual financial report presents a discussion and analysis of the Board’s financial performance during the fiscal year ended March 31, 2023. Please read it in conjunction with the Board’s financial statements following this section. The 2022 and 2021 information is provided for comparative purposes.

**Financial Highlights**

- The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$556,275 (net position). Net position amounted to \$610,068 and \$687,578 at March 31, 2022 and 2021, respectively.
- The Board’s net position decreased by \$53,793, \$77,510, and \$72,744 in 2023, 2022, and 2021, respectively. The decrease in 2021 is primarily related to the decrease in PILOT and fee revenue. The decrease in 2022 is primarily related to no closing revenue occurring during the year. Although net position declined in fiscal 2023, there was improvement in income from operations due to an increase in assignment fee income along with a decrease in professional service fees.
- The Board’s total liabilities decreased by \$729,182 in 2023 and increased by \$858,019 in 2022. The fluctuation for both years is related to the ending funds held for the Grassy Creek Project.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Board’s financial statements.

The *Statements of Net Position* present information on all the Board’s assets and liabilities, with the difference between the two reported as net position.

The *Statements of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent fiscal year. Revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The principal operating revenues of the Board include fee income associated with the programs, contributions, and sale of land. Operating expenses include the cost of the land sold, land maintenance costs, contractual services, and professional fees. Revenues and expenses also include lease payments under the Knox County Property Tax Incentive Program (also referred to as the payments in lieu of property taxes or PILOT program). Previously, lease payments were made directly to the taxing authority but are now collected by the Board to ensure compliance with the lease agreement.

The *Statements of Cash Flows* present cash receipts and cash payments for the fiscal year.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

**Overview of the Financial Statements - Continued**

*Notes to the financial statements* are an integral part of the statements and should be read in conjunction with the financial statements and the Management’s Discussion and Analysis.

**Financial Analysis**

The table below provides a summary of the Board’s net position as of March 31, 2023, 2022, and 2021:

	<b><u>Statements of Net Position</u></b>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 1,050,945	\$ 1,913,956	\$ 1,057,024
Accounts receivable	80,000	-	2,000
Other receivables	-	-	74,919
Prepaid expenses	3,970	3,934	3,438
Total current assets	<u>1,134,915</u>	<u>1,917,890</u>	<u>1,137,381</u>
Other receivables, long-term	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
Total assets	<u>1,584,915</u>	<u>2,367,890</u>	<u>1,587,381</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable and accrued expenses	77,301	5,663	279,464
Other liabilities	951,339	1,752,159	620,339
Total liabilities	<u>1,028,640</u>	<u>1,757,822</u>	<u>899,803</u>
<b>NET POSITION</b>			
Unrestricted	<u>556,275</u>	<u>610,068</u>	<u>687,578</u>
Total net position	<u>\$ 556,275</u>	<u>\$ 610,068</u>	<u>\$ 687,578</u>

- At the close of the 2023 fiscal year, the Board’s assets exceeded liabilities by \$556,275. At the close of the 2022 and 2021 fiscal years, the Board’s assets exceeded liabilities by \$610,068 and \$687,578, respectively. The Board’s net position decreased by \$53,793, \$77,510, and \$72,744 in 2023, 2022, and 2021, respectively.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

**Financial Analysis - Continued**

The following table provides a summary of the changes in net position for fiscal year 2023, 2022 and 2021:

**Statements of Revenues, Expenses and Changes in Net Position**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenue			
Closing revenue	\$ 1,000	\$ -	\$ 11,325
PILOT	426,993	409,924	365,333
Base rent revenue	10,700	10,700	8,700
Oakwood Senior Living	77,000	77,000	77,000
Fees	10,000	4,000	-
Agenda revenue	-	-	500
Grant revenue	583,112	1,724,755	-
Other revenue	12,771	-	-
Total operating revenue	<u>1,121,576</u>	<u>2,226,379</u>	<u>462,858</u>
Operating Expenses			
PILOT	426,993	409,924	365,333
Professional services	31,835	37,563	34,038
Administrative	49,000	49,000	49,000
Insurance	4,295	3,796	3,661
Operating	1,890	1,001	911
Advertising	1,283	924	1,971
Bad debt	-	-	3,748
Grant expense	583,112	1,724,755	-
Total operating expenses	<u>1,098,408</u>	<u>2,226,963</u>	<u>458,662</u>
Operating income (loss)	23,168	(584)	4,196
Non-Operating (Expense) Income			
Contribution of investments to outside entity	(77,000)	(77,000)	(77,000)
Interest income	39	74	60
Total non-operating expense, net	<u>(76,961)</u>	<u>(76,926)</u>	<u>(76,940)</u>
Change in net position	(53,793)	(77,510)	(72,744)
Net position at the beginning of the year	<u>610,068</u>	<u>687,578</u>	<u>760,322</u>
Net position at the end of the year	<u>\$ 556,275</u>	<u>\$ 610,068</u>	<u>\$ 687,578</u>

The Board’s net position as of March 31, 2023 totaled \$556,275. The unrestricted balance may be used to meet the Board’s ongoing objectives and obligations of promoting economic development in Knox County.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

**Financial Analysis - Continued**

The Board’s operating revenue continues to come from two sources: fee and closing income and interest on investments, with other revenues representing flow through transactions. The following table provides a summary of cash receipts and disbursements for fiscal years 2023, 2022, and 2021:

**Statements of Cash Flows**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities			
Receipts from PILOT program	\$ 426,993	\$ 409,924	\$ 365,333
Receipts from base rent revenue	10,700	10,700	8,700
Receipts from closing revenue	1,000	-	11,325
Receipts from agenda revenue	-	-	500
Receipt from third party building renovations	77,000	77,000	77,000
Receipt from fees and other revenue	(57,229)	6,000	35,459
Receipts from grants	583,112	1,724,755	-
Payments for grants	(1,383,932)	(592,935)	(1,040,816)
Payments for PILOT program	(426,993)	(409,924)	(239,910)
Payments to vendors	32,299	(317,581)	(32,941)
Payments to administrators	(49,000)	(49,000)	(49,000)
	<u>(786,050)</u>	<u>858,939</u>	<u>(864,350)</u>
Net cash flows (used in) provided by operating activities			
Cash Flows from Investing Activities			
Contribution of funds to related party	(77,000)	(77,000)	(77,000)
Receipt of long-term receivable	-	74,919	37,459
Interest received	39	74	60
	<u>(76,961)</u>	<u>(2,007)</u>	<u>(39,481)</u>
Net cash flows used in investing activities			
Net change in cash and cash equivalents	(863,011)	856,932	(903,831)
Cash and cash equivalents at the beginning of the year	<u>1,913,956</u>	<u>1,057,024</u>	<u>1,960,855</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,050,945</u>	<u>\$ 1,913,956</u>	<u>\$ 1,057,024</u>

**Request for Information**

This financial report is designed to provide a general overview of the Board’s finances for all of those with an interest in the Board’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chair, The Industrial Development Board of the County of Knox, 17 Market Square, #201, Knoxville, Tennessee 37902-1405.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**  
**STATEMENTS OF NET POSITION**  
**MARCH 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,050,945	\$ 1,913,956
Accounts receivable	80,000	-
Prepaid expenses	3,970	3,934
Total current assets	1,134,915	1,917,890
Other receivables, long-term	450,000	450,000
Total assets	1,584,915	2,367,890
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	77,301	5,663
Other liabilities	951,339	1,752,159
Total liabilities	1,028,640	1,757,822
<b>NET POSITION</b>		
Unrestricted	556,275	610,068
Total net position	\$ 556,275	\$ 610,068

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
Operating Revenue		
Closing revenue	\$ 1,000	\$ -
PILOT	426,993	409,924
Base rent revenue	10,700	10,700
Oakwood Senior Living	77,000	77,000
Fees	10,000	4,000
Grant revenue	583,112	1,724,755
Other revenue	12,771	-
Total operating revenue	1,121,576	2,226,379
Operating Expenses		
PILOT	426,993	409,924
Professional services	31,835	37,563
Administrative	49,000	49,000
Insurance	4,295	3,796
Operating	1,890	1,001
Advertising	1,283	924
Grant expense	583,112	1,724,755
Total operating expenses	1,098,408	2,226,963
Operating income (loss)	23,168	(584)
Non-Operating (Expense) Income		
Contribution of investments to outside entity	(77,000)	(77,000)
Interest income	39	74
Total non-operating expense, net	(76,961)	(76,926)
Change in net position	(53,793)	(77,510)
Net position at the beginning of the year	610,068	687,578
Net position at the end of the year	\$ 556,275	\$ 610,068

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED MARCH 31, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities		
Receipts from PILOT program	\$ 426,993	\$ 409,924
Receipts from base rent revenue	10,700	10,700
Receipts from closing revenue	1,000	-
Receipt from third party building renovations	77,000	77,000
Receipt from fees and other revenue	(57,229)	6,000
Receipts from grants	583,112	1,724,755
Payments for grants	(1,383,932)	(592,935)
Payments for PILOT program	(426,993)	(409,924)
Payments to vendors	32,299	(317,581)
Payments to administrators	(49,000)	(49,000)
	<u>(786,050)</u>	<u>858,939</u>
Net cash flows (used in) provided by operating activities		
Cash Flows from Investing Activities		
Contribution of funds to related party	(77,000)	(77,000)
Receipt of long-term receivable	-	74,919
Interest received	39	74
	<u>(76,961)</u>	<u>(2,007)</u>
Net cash flows used in investing activities		
Net change in cash and cash equivalents	(863,011)	856,932
Cash and cash equivalents at the beginning of the year	<u>1,913,956</u>	<u>1,057,024</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,050,945</u>	<u>\$ 1,913,956</u>
Reconciliation of operating income (loss) to net cash (used in) provided by operating activities		
Operating income (loss)	\$ 23,168	\$ (584)
(Increase) decrease in accounts receivable	(80,000)	2,000
Increase in prepaids	(36)	(496)
Increase (decrease) in accounts payable	71,638	(273,801)
(Decrease) increase in other liabilities	(800,820)	1,131,820
	<u>(800,820)</u>	<u>1,131,820</u>
Net cash (used in) provided by operating activities	<u>\$ (786,050)</u>	<u>\$ 858,939</u>

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

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Entity

The Industrial Development Board of the County of Knox (the “Board”) is a non-profit corporation formed pursuant to the specific authority granted at Tennessee Code Annotated Section 7-53-101 et seq (the “Act”). The Board performs public functions on behalf of Knox County (the “County”) and its purpose is to undertake the financing and development of projects deemed by the Act to promote industry, trade, commerce, tourism and recreation, and housing construction. The Board participates in economic development activities by serving as a non-recourse conduit for taxable or tax-free financing for industrial projects. Some projects are structured as lease transactions, with the Board holding title to the property and leasing the property to the tenant. The lease may then be pledged to a lender to secure project financing. In other cases, title of the property remains in the leasing business entity, and the Board serves as a conduit lender, with the real estate project pledged as collateral.

The Board periodically issues tax exempt revenue bonds in accordance with the Board’s enabling legislation. The bonds are payable solely from the revenues of the projects and the assets of the applicable borrower.

Financial Reporting Entity

The Board is not considered to be a component unit of the County because the County does not exercise significant influence over operations or have accountability for the Board. However, the Board was created to carry out functions for the County government and the Knox County Commission appoints the Board members. Therefore, the entities are considered to be related parties.

In evaluating how to define the Board for financial reporting purposes, management has determined there are no entities over which the Board exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Board. Therefore, the Board has no component units.



THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Basis of Accounting

The Board's operations are accounted for as a proprietary fund. The financial statements are presented on the accrual basis of accounting, using the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board include fee income associated with the programs, contributions, remittance of property tax, property leasing income, and sale of land. Operating expenses include the cost of the land sold, land maintenance costs, contractual services, remittance of property tax and professional fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Position Classification

Net position represents the difference between assets and liabilities. Net position is classified into three components as defined below:

- Restricted net position - This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations or other governments or restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This amount is the net position that does not meet the definition "restricted." These net positions are available for current use by the Board.
- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets.

When both restricted and unrestricted net position balances are available for use, it is the Board's policy to use restricted net position balance first, then use unrestricted net position.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Board considers certificates of deposit and highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Conduit Debt Obligations

From time to time, the Board has entered into conduit debt arrangements in accordance with the Board's enabling legislation to provide financial assistance to private-sector entities for acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The conduit debt obligations are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the debts, ownership of the acquired facilities transfers to the private-sector entity serviced by the conduit debt issuance. The Board is not obligated in any manner for repayment of the obligations. Accordingly, the obligations are not reported as liabilities in the accompanying financial statements. At March 31, 2023, the Board had the following conduit debt arrangements being tracked. Any such agreements entered into prior to the tracking implementation would have matured or be close enough to maturity that management deems them to be immaterial.

- In September 2011, the Board approved a tax increment financing for Northshore Market Investors, LLC for the Northshore Town Center Project. The notes are to be paid from the increase in tax revenue in the plan area. The Board will receive, as a conduit, \$6,000,000 from the County and \$3,000,000 from the City in tax increment revenue. As of March 31, 2023, the \$3,000,000 from the City has been retired and the \$6,000,000 from the County has been refinanced at \$2,507,841. The tax increment notes mature October 5, 2027. The Board has no obligation to pay if they do not receive the monies from the City and County.
- In July 2017, the Board approved a tax-exempt revenue bond for The Change Center which will be used to fund capital expenditures. The face amount of the debt obligation is \$2,300,000. The Board is not responsible for any of this amount.
- In August 2019, the Board approved a tax-exempt revenue bond for the Knoxville Zoological Garden, Inc. which will be used to fund capital expenditures. The face amount of the debt obligation is \$15,000,000. The Board is not responsible for any of this amount.
- In September 2019, the Board approved a tax-exempt revenue bond for the Young Men's Christian Assistance of East Tennessee to refund existing bonds. The face of the debt obligation is \$5,500,000. The Board is not responsible for this amount.
- In November 2019, the Board approved a tax-exempt revenue bond for Grassy Creek to fund capital expenditures. The face of the debt obligation is \$2,500,000. The Board is not responsible for this amount.
- In December 2022, the Board approved a tax-exempt revenue bond for the Tompaul Knoxville LLC Recycling Project. The face of the debt obligation is \$47,100,000. The Board is not responsible for this amount.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

As of March 31, 2023, the Board had total outstanding debt obligations, for the debt listed above, in the amount of \$57,045,154. The face value for the debt obligations totaled \$74,907,841.

Revenue Recognition

Project fees are recorded at the time the fee is earned. Any fees earned but not received as of period end are recorded as accounts receivable.

Contributions

From time to time, the Board receives contributions from other governments to promote projects that benefit the region. These funds are then utilized by the Board or contributed to local developers or others who facilitate the projects.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2 - CONCENTRATIONS OF CREDIT RISKS**

As of March 31, 2023, the Board maintained one deposit account with Regions bank with a balance of \$267,590. In addition, the Board maintains one deposit account with Pinnacle Bank for a total balance of \$752,486, and one deposit account with SmartBank for a total balance of \$80,853.

At March 31, 2023 and 2022, all of the Board's bank accounts were fully insured either by the FDIC or by the Board's participation in the State of Tennessee's collateral pool.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 3 - ADMINISTRATIVE SERVICES AGREEMENT**

The Board has an administrative services agreement with The Development Corporation. The Development Corporation provides administrative services to the Board for a fee of \$4,083 per month (\$49,000 per year). These services include clerical and personnel services and other ordinary, necessary services for the Board, including the retention and maintenance of records. The fee will be paid from the proceeds from the sale or lease of all or any part of the Board's properties or as a result of any agreement entered into. The fees will be payable at such time as the Board and The Development Corporation shall agree and only to the extent that the Board has received proceeds from such properties sufficient to pay the same, and after payment of any expenses incurred by the Board in connection with such properties. From such proceeds, the Board shall repay any other expenses advanced or incurred by The Development Corporation in connection with the administrative services rendered.

**NOTE 4 - KNOX COUNTY PROPERTY TAX INCENTIVE PROGRAM**

In January 2003, Knox County, Tennessee approved policies related to the establishment of a Property Tax Incentive Program (the "Program"), to be administered by the Board. The Program is an economic development incentive that can be provided to industrial, pollution control, distribution, office and service projects based on the potential economic benefit to the City/County. The primary role the Board serves for the County is to determine whether a project is in the public interest, according to objective criteria based upon the economic and physical development policies of the County, and to determine the term of the tax incentive transaction for each project. Under the Program, City and County property values are normally frozen at the pre-development level for a period of time (up to 15 years). During the freeze period, "payments in lieu of property taxes" ("PILOT") are made to the Board, which then transfers the payments to the City of Knoxville (the "City") and the County. The Board serves as a pass-through agent for these payments, which are due on or before the last day of February immediately following the tax year with respect to which the payments relate. Title to the property is transferred to the Board for the period of the tax freeze, and is then returned to the business at the end of the period for a nominal fee. The Board does not record the property as an asset on its balance sheet, since there would be an offsetting liability back to the business in a like amount.

The property is leased to the business under a triple net lease during the freeze period for a base rent of a nominal amount, plus additional payments consisting of expenses paid and/or obligations incurred by the Board related to the premises or requirements of the lease.

The Board receives fees from the Program's applicants for the various stages of the administration. There were no closings during fiscal year 2023 or 2022. There are a total of twelve current projects.

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2023 AND 2022

**NOTE 5 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board's risks of loss are covered by a commercial package directors and officers' insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 6 - SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through August 17, 2023, the date at which the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

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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 of  
The Industrial Development Board of the County of Knox  
Knoxville, Tennessee

We have audited, in accordance with the 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 The Industrial Development Board of the County of Knox (the "Board"), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 17, 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 audit 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



To the Board of Directors of  
The Industrial Development Board of the County of Knox

### **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 financial statements. 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 Board'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.

*Crosslin, PLLC*

Nashville, Tennessee  
August 17, 2023

THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED MARCH 31, 2023

The Board had no prior year audit findings.

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