

**Industrial Development Authority (IDA)
of the City of Lexington**

Monday, November 7, 2016, 5:00 p.m.

City Hall, Community Meeting Room, 300 East Washington Street, Lexington, VA

Members: John DeVogt, Chair; Nick Charles, Buddy Derrick, Anna-Lisa Fitzgerald, Dick Halseth, James Joyner, Vice Chair; Dan Vance; Noah A. Simon, Secretary; and Gary Swink, Treasurer

A. Call to Order – John DeVogt, Chair

B. Approval of IDA Minutes – John DeVogt, Chair

1. August 16, 2016*

C. Information Items – Gary Swink, Treasurer

1. IDA Financials 9-30-16* - Gary Swink

2. VHC Financials 9-30-16 (previously emailed 10-27-16)*

D. New Business

1. Memorandum of Agreement and Ordinance ORD2016-10 extending the 1% lodging tax for an additional five (5) years in support of the Virginia Horse Center debt repayment and capital improvements* - Noah A. Simon, Secretary

2. Consider Certificates of Partial Satisfaction from Robert E. Lee Properties, LLC* - City Attorney's Office

E. Adjourn – John DeVogt, Chair

Minutes
Industrial Development Authority (IDA)
Of the City of Lexington, VA
Tuesday, August 16 2016, 5:00 p.m.

Present:

IDA: John DeVogt, Chair
James Joyner, Vice-Chair
Nick Charles
Buddy Derrick
Anna-Lisa Fitzgerald
Dan Vance

Also present:

Kendal: Mina Tepper
Attorney Sam Darby, , Glenn Feldmann
Darby & Goodlatte

Staff: Noah A. Simon, Secretary
Gary Swink, Treasurer
Larry Mann, City Attorney

Absent: Dick Halseth

The Industrial Development Authority (IDA) met on August 16, 2016 in the Community Meeting Room of City Hall. Chair John DeVogt called the meeting to order at 5:00 p.m.

Approval of IDA Minutes

Chair DeVogt presented two sets of Minutes for approval. Both were unanimously approved by motion as presented: February 24, 2016 (Derrick/Vance) and March 30, 2016 (Derrick/Charles).

IDA Resolution # RES2016-02 – Bond Reissue for Lexington Retirement Communities, Inc. d/b/a Kendal at Lexington

Chair DeVogt asked Mina Tepper of Kendal at Lexington to explain the request for refinance of the 2007A Bond. M. Tepper explained that the age of the original bond and current interest rates motivated Kendal to seek to reissue the bonds for the outstanding balance for the betterment of Kendal's financial position. In answer to a question by A-L Fitzgerald, M. Tepper explained that Appendix A makes clear that Kendal at Lexington is a separate financial entity with an associate relationship with the Pennsylvania Kendal Corporation. In answer to D. Vance's inquiry about the estimate for the bond issue, Attorney Darby explained that the reissue represents a significant savings of at least 5% of the face value, but that the underwriters have not predicted the actual interest rate that will be determined at the time of the bond sale in September. In answer to D. Vance's question on the IDA administrative fee, N. Simon explained that the figure will be 1/8 of 1% and is allowed, but not specifically mentioned, in Section 4.1.(a) of the Loan Agreement. Attorney Darby recommended that the "one-time closing cost" be recorded in the minutes. In answer to H. Derrick's question about the number of investors, Attorney Darby noted that there are several investors. In answer to J. Joyner's question about new construction, Attorney Darby explained that this request does not have provide new money, but if Kendal moves forward in expansion plans, Kendal may come back to the IDA to request a new bond for new money. Chair DeVogt asked Attorney Mann to comment. Attorney Mann noted that the IDA is indemnified.

Approval of Concept and Resolution IDA2016-02

IDA member Buddy Derrick moved to approve the approximate \$32 million Series 2016 Bond refinance for Lexington Retirement Communities, Inc. d/b/a Kendal at Lexington with a one-time fee paid to the IDA

in the amount of 1/8 of 1% and to approve IDA Resolution #IDA2016-02. Dan Vance seconded. Discussion followed. Attorney Mann noted that the IDA only acts as a conduit. Attorney Darby stated 1) Kendal at Lexington meets the IDA qualifications, 2) is indemnified, and 3) that he will certify at closing that Kendal at Lexington is a nonprofit entity. The motion carried unanimously.

Bylaws

Attorney Mann noted that the marked up and final version of the Bylaws approved January 29, 2015 are provided. If anyone has questions, please contact him.

Adjournment

Chair DeVogt adjourned the meeting at 5:12 p.m. by unanimous vote (Joyner/Vance).



IDA Informational Item November 7, 2016

TOPIC:

The quarterly financial reports of the IDA for the period ended September, 2016 are provided for informational purposes only.

BACKGROUND:

During the quarter from July 1 to September 30, 2016, the City collected \$55,082 in transient occupancy taxes on behalf of the Virginia Horse Center (VHC). All of these funds, other than the September collections, had been remitted to the VHC as of September 30th. The September collections of \$17,193 are reflected in the balance sheet as accounts payable and were paid to the VHC in early October.

Amounts due to the R E Lee Hotel Properties developer for the quarter were \$14,842 and were reflected in accounts payable at the end of the quarter, as they were paid in early October.

Fees earned by the IDA associated with the issuance of bonds for Kendal in the amount of \$35,262.50 were received in October and will be reflected in next quarter's financial report. The \$45,287.50 in fees from VMI were earned and received in last fiscal year.

COST(S)/ACCOUNT NUMBER(S):

The costs are noted above.

MANAGER'S RECOMMENDATION:

This reports are provided for information only and require no action.

IDA Balance Sheet
Sept. 30, 2016

ASSETS	
Cash- SunTrust	\$ 79,719
Money Market	\$ 75,000
CD's	\$ 151,606
TOTAL ASSETS	\$ 306,325
 LIABILITIES	
Accounts Payable	\$ 32,035
 EQUITY	
Fund Balance	\$ 60,236
Reserve for R E Lee Hotel Project	\$ 214,054
TOTAL EQUITY	\$ 274,290
 TOTAL LIABILITIES & EQUITY	 \$ 306,325

IDA Income Statement
Sept. 30, 2016

REVENUE	
Interest Income	\$ -
From General Fund- Transcient Occupancy Taxes	\$ 55,082
User Fees	\$ -
REVENUE TOTAL	\$ 55,082
 EXPENSES	
Payments to Horse Center Foundation	\$ 55,082
R E Lee Hotel Incentive	\$ 14,842
EXPENSE TOTAL	\$ 69,924
 REVENUE MINUS EXPENSES	 \$ (14,842)

Virginia Horse Center Foundation
Balance Sheet
 As of September 30, 2016

	Sep 30, 16	Sep 30, 15
ASSETS		
Current Assets		
Checking/Savings		
Cash - Unrestricted	8,233.95	21,793.32
Restricted Cash	362,601.84	176,465.93
Total Checking/Savings	370,835.79	198,259.25
Accounts Receivable		
1100 · Accounts Receivable	105,952.78	50,325.85
1105 · Pledges Receivable-Current	80,016.67	15,550.00
Total Accounts Receivable	185,969.45	65,875.85
Other Current Assets		
1106 · Lodging tax receivable	460,364.71	363,894.70
1200 · Inventory	35,556.24	22,116.56
1250 · Prepays	6,517.49	6,517.49
Total Other Current Assets	502,438.44	392,528.75
Total Current Assets	1,059,243.68	656,663.85
Fixed Assets	19,212,282.77	19,738,261.92
Other Assets		
1400 · Other Assets	5,618.22	7,405.88
1401 · Pledges Receivable - LT	158,033.34	105,000.00
Total Other Assets	163,651.56	112,405.88
TOTAL ASSETS	20,435,178.01	20,507,331.65
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	322,380.32	363,032.97
Other Current Liabilities		
2001 · Accounts Payable-other	0.00	6,346.55
2002 · Accrued Expenses	8,841.55	0.00
2003 · Sales Tax Payable	13,319.46	14,349.59
2004 · County Meals Tax Payable	565.32	434.94
2005 · Occupancy Tax Payable	970.97	1,438.85
2006 · Accrued Payroll	55,949.00	48,595.00
2008 · Accrued Vacation	41,116.00	23,220.96
2009 · Accrued Interest - USDA	276,090.33	201,886.68
2010 · Accrued Interest - NRB	10,758.25	11,021.70
2012 · Deferred Sign Revenue	14,062.50	14,137.49
2013 · Show Deposits	5,000.00	4,000.00
2014 · Current Portion USDA Debt	169,191.30	48,406.65
2015 · Current Portion NRB Debt	20,484.66	19,278.59
2018 · Garnishments	0.00	-29.54
2019 · Child Support	0.00	-138.48
2022 · Rent Deposits	600.00	600.00
2023 · Mezzanine rent deposits	1,075.00	375.00
2025 · Current Sedgfield Settlement	5,000.00	5,000.00
2027 · Borrowings under LOC	112,000.00	150,000.00
2028 · Accrued contracted services	359.64	359.64
2030 · Deferred income - Raffle	0.00	24,700.00
2031 · Tips payable	0.00	102.60
2033 · Ford Credit Vehicle Loan	31,487.36	37,265.00
Total Other Current Liabilities	766,871.34	611,351.22
Total Current Liabilities	1,089,251.66	974,384.19

4:55 PM

10/24/16

Accrual Basis

Virginia Horse Center Foundation
Balance Sheet
As of September 30, 2016

	<u>Sep 30, 16</u>	<u>Sep 30, 15</u>
Long Term Liabilities		
2100 · USDA Debt	10,304,468.28	10,668,353.51
2101 · NRB Note A	662,838.06	678,774.14
2102 · NRB Note B	86,056.19	97,229.02
2104 · Sedgefield Settlement	10,000.00	15,000.00
2105 · Cornerstone deferred main note	350,000.00	0.00
Total Long Term Liabilities	<u>11,413,362.53</u>	<u>11,459,356.67</u>
Total Liabilities	12,502,614.19	12,433,740.86
Equity	<u>7,932,563.82</u>	<u>8,073,590.79</u>
TOTAL LIABILITIES & EQUITY	<u><u>20,435,178.01</u></u>	<u><u>20,507,331.65</u></u>

VHCF**Income Statement****For the Three Month Period Ended September 30, 2016 and 2015**

	<u>YTD 9/30/16</u>	<u>YTD 9/30/15</u>	Change
Income			
Contributions			
Unrestricted	\$72,454	\$53,476	18,978 A
Restricted	17,874	53,220	(35,346) B
Gifts in kind	8,760	-	8,760 C
Facility Fee	452,831	606,475	(153,644) D
Events & Show Revenue	404,852	462,698	(57,846) E
Food sales	48,398	55,706	(7,308) F
Merchandise	129,546	153,170	(23,624) G
Commissions and Advertising	9,388	8,025	1,363
Total Income	<u>1,144,103</u>	<u>1,392,770</u>	<u>(248,667)</u>
Cost of Goods Sold	100,522	169,100	(68,578) H
Gross Profit	<u>1,043,581</u>	<u>1,223,670</u>	<u>(180,089)</u>
Operating Expenses			
Facility Operations	350,102	360,972	(10,870)
Events & Show Operations	400,790	428,684	(27,894) I
Management & General	207,483	220,476	(12,993)
Fund Raising Expenses	21,853	7,180	14,673 J
Total Operating Expenses	<u>980,228</u>	<u>1,017,312</u>	<u>(37,084)</u>
Operating Income	<u>63,353</u>	<u>206,358</u>	<u>(143,005)</u>
Other Income/(Expense)			
Grants	287,167	275,179	11,988 K
Depreciation	(156,307)	(153,456)	(2,851)
Interest Expense	(128,123)	(123,838)	(4,285)
Investment Income	31	34	(3)
Other Income	930	674	256
Total Other Income/(Expense)	<u>3,698</u>	<u>(1,407)</u>	<u>5,105</u>
Net Income	<u>\$ 67,051</u>	<u>\$ 204,951</u>	<u>\$ (137,900)</u>

Virginia Horse Center Foundation
Explanations for Variances from Prior Year
For the Three Month Period Ended September 30, 2016

A – Unrestricted contributions – The increase in unrestricted contributions is the result of Jennifer’s efforts to get donors to pledge for three years. After subtracting the forgiveness of \$50,000 in debt in July 2015, unrestricted contribution were only \$3,476 in the first quarter. In 2016 pledges from Board and non-Board members are \$62,300 and cash contributions are \$7,264, including \$5,000 from Bank of America’s matching gift for Gardy’s 2015-16 gifts.

B – Restricted contributions – 2016 restricted contributions reflect contributions for the NRB debt payment and small amounts for the VA Young Horse Festival. 2015 restricted contributions reflect a contribution for NRB debt payment and also contributions by two board members: \$5,000 for footing and \$20,000 for the transition fund. These gifts were not repeated in 2016.

C – Gifts in kind – In prior years gifts in kind were recorded at the end of the year for non-monetary gifts such as items donated for prizes and the use of vehicles. In June 2016 we began recording a monthly gift in kind for the use of two Kubota tractors.

D – Facility Rent – The decrease in facility rent is the result of the US Pony Club Show not returning to VHCF. Its facility bill was \$43,600 in 2015. Additionally, Clinton Anderson with its \$15,000 facility fee did not recur. Lastly, we have not yet received the final reports for Lexington National as a result exhibitor entry fees have not been grossed up for prize money credited to exhibitor entry fees and the final allocation between entry fees and stable revenue has not yet been made. Sue Tallon will give us this report once she is home from the show season.

E – Events & Show Revenue – The decrease is due to reduced sponsorship of the Rockbridge Regional Fair as well as the fact that Lexington National exhibitor entry fees have not been grossed up for prize money credited to exhibitor entry fees.

F - Food sales decrease is due to less catering in 2016 than 2015 because of the loss of the US Pony Club show that had a catering bill of \$8,048.

G – Merchandise sales decreased due the Pony Club not returning to VHCF. They bought \$7,000 worth of hay, shavings and ice. Additionally, since the last day of ASHAV was on October 1 any stable office sales for the show that were paid for upon check out on October 1 were not recorded in September. In 2015 ASHAV check out was in September.

H – Cost of Goods Sold – Decrease of \$50,300 is due to the timing of shavings deliveries. In 2015 the stable office was ordering shavings in September for AQHA. Since AQHA is not repeating we have no ordered extra shavings. The remainder of the decrease is less cost of food related to fewer catering events.

I – Events & Show Operations – Decrease is the result of not yet recording prize money credited to Lexington National exhibitor entry fees. We are awaiting the final reports from Sue Tallon.

J – Fund Raising Expenses - Increase is the result of hiring Jennifer Donovan as a development consultant.

K – Grants – The increase is the result of \$11,954 received in July from the Commonwealth shared racing commission revenue.

Virginia Horse Center Foundation
Statements of Cash Flows
For the Three Month Period Ended September, 2016 and 2015

	<u>YTD 9/30/16</u>	<u>YTD 9/30/15</u>
OPERATING ACTIVITIES		
Net income	\$ 67,051	\$ 204,951
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	156,307	153,456
Decrease (increase) in current assets	(143,782)	(200,811)
Decrease (increase) in long term pledges	(35,533)	-
Note payable to related party forgiven and recorded as a contribution	-	(50,000)
(Decrease) increase in current liabilities	87,478	(80,093)
Net cash provided by Operating Activities	<u>131,521</u>	<u>27,503</u>
INVESTING ACTIVITIES		
Purchase of fixed assets	-	(37,265)
Net cash used by Investing Activities	<u>-</u>	<u>(37,265)</u>
FINANCING ACTIVITIES		
Payment on deferred maintenance loan	(100,000)	-
Proceeds from LOC	97,000	-
Repayment of LOC	(80,000)	-
Payments on BB&T Note	-	(7,500)
Proceeds from Ford Credit Note	-	37,265
Payments on Ford Credit Note	(1,818)	-
Payment on NRB notes	(6,666)	(6,295)
Net cash used by Financing Activities	<u>(91,484)</u>	<u>23,470</u>
Net cash decrease for period	40,037	13,708
Cash beginning of period	330,799	184,552
Cash end of period	<u>\$ 370,836</u>	<u>\$ 198,260</u>

Virginia Horse Center Foundation
Profit & Loss
 July through September 2016

	Jul - Sep 16	Jul - Sep 15
Ordinary Income/Expense		
Income		
6000 · Contributions		
6001 · Contributions	69,564.09	53,476.18
6002 · Restricted Contributions	3,874.00	35,719.55
6004 · Contributions - debt service	14,000.00	17,500.00
6005 · Annual Fund Contributions	2,890.00	0.00
6006 · Gifts in Kind	8,760.00	0.00
Total 6000 · Contributions	99,088.09	106,695.73
6102 · Shared Racing Commission Rev	11,953.96	0.00
6103 · Lodging Tax Revenue	275,212.64	275,179.22
6104 · Facility Rent	103,623.41	160,200.00
6105 · Stalls	290,880.50	366,962.50
6106 · Vendors	8,810.00	13,500.00
6107 · Security	33,272.00	43,920.00
6108 · EMT	9,608.00	11,092.00
6109 · Jumps	2,700.00	5,200.00
6111 · Parking Fees	2,906.00	11,010.25
6113 · Mezzanine Rent	375.00	400.00
6114 · Pultz House Rental	1,800.00	1,800.00
6115 · Exhibitor Entry Fees	237,439.81	251,149.79
6116 · Sponsorship	73,000.00	53,735.00
6117 · Merchandise Sales	0.36	0.00
6118 · Golf Carts	2,155.13	9,470.99
6119 · Camping-Elect & Water	52,976.96	73,637.46
6120 · Camping - Dry	3,175.00	3,475.00
6121 · Early Arrivals	7,440.00	10,575.00
6122 · Layovers	1,340.00	0.00
6123 · Straw	100.10	79.80
6125 · Shavings	114,162.22	132,520.74
6126 · Feed	1,081.50	2,054.75
6127 · Hay-Timothy	9,899.95	13,213.49
6128 · Ice	4,302.08	5,221.55
6129 · Commissions	0.00	2,879.00
6130 · Signs & Advertising	9,387.56	5,145.84
6131 · Stable Management	3,650.00	4,950.00
6132 · Custodial fees	3,550.00	6,175.00
6133 · Copies & copier rental	350.00	1,853.90
6134 · Dumpster fees	2,708.00	4,380.00
6135 · Other show income	11,502.21	16,493.37
6136 · Rules credit	-2,900.00	-2,800.00
6137 · NSF clearing	-1,261.59	-948.85
6139 · Footing	0.00	250.00
6150 · Stable Revenue to be allocated	8,582.98	21,354.84
6152 · Other merchandise sales	0.00	80.00
6200 · Food Sales	48,398.09	55,705.86
6300 · Fair	0.00	1,337.00
Total Income	1,431,269.96	1,667,949.23
Cost of Goods Sold	100,522.12	169,100.18
Gross Profit	1,330,747.84	1,498,849.05
Expense		
7020 · Repair & Maintenance	49,141.06	39,161.28
7050 · Rental	19,180.71	26,188.52
7060 · Fuel	6,453.90	10,701.68
7070 · Supplies	29,253.14	27,274.27
7090 · Landfill Fees	3,589.84	3,843.84
7100 · Exterminator	225.00	150.00
7110 · Manure-Trash-Potty	12,596.00	11,376.00
7115 · Other show costs	0.00	0.00
7120 · Contracted Services	178,321.98	181,898.02
7130 · Professional Fees	33,000.00	44,693.79

Virginia Horse Center Foundation
Profit & Loss
 July through September 2016

	<u>Jul - Sep 16</u>	<u>Jul - Sep 15</u>
7200 · Salaries & Wages	336,928.47	358,321.72
7201 · FICA	25,265.12	26,897.73
7203 · SUTA	3,831.25	5,743.14
7204 · Health Insurance	5,019.70	5,351.78
7205 · Disability Insurance	0.00	-9.36
7206 · Dental Insurance	807.78	1,006.30
7207 · PAYROLL PROCESSING FEES	1,927.55	1,637.07
7300 · Utilities	60,132.10	66,185.40
7350 · Insurance	14,787.48	16,919.13
7400 · Employee Travel	5,032.85	7,026.75
7420 · Meals & Entertainment	294.87	123.79
7450 · Advertising	1,668.17	3,125.35
7460 · Signage-Advertising	513.46	586.77
7470 · Signage - Other	0.00	677.00
7480 · Association Fees	19,682.00	24,486.00
7490 · Prizes	81,114.57	95,117.35
7500 · Show Equipment and Vehicles	7,500.00	0.00
7510 · Show and Judge Travel	37,068.10	38,313.74
7520 · Hospitality - (non food)	62.01	175.65
7521 · F&B internal bill	5,214.22	-247.10
7530 · Printing	5,705.68	5,750.55
7535 · Subscriptions and dues	559.23	208.00
7540 · Miscellaneous	-0.01	2,623.21
7570 · Postage	3,033.07	3,112.61
7580 · Taxes	92.06	7.40
7590 · Fund Raising Expenses	21,000.00	0.00
7591 · Cost of bricks	0.00	98.00
7596 · Commissions on advertisings	2,124.08	0.00
7598 · Raffle expenses	0.00	171.00
7600 · NSF	0.00	30.00
7610 · Bad Debt Expenses	484.50	0.00
7620 · Bank Service Charges	29.00	144.02
7630 · Finance Charges	1,087.65	237.55
7631 · Credit Card Processing Fees	5,177.39	5,409.61
7635 · Cash Over & Short	-27.55	-59.78
7636 · Late fees	308.85	35.00
7640 · Charitable Contributions	1,233.50	1,400.00
7650 · Licenses and Dues	810.30	1,419.00
Total Expense	980,229.08	1,017,311.78
Net Ordinary Income	350,518.76	481,537.27
Other Income/Expense		
Other Income	962.40	708.26
Other Expense		
7700 · Interest	128,122.67	123,838.28
7710 · Depreciation	156,306.99	153,455.79
Total Other Expense	284,429.66	277,294.07
Net Other Income	-283,467.26	-276,585.81
Net Income	67,051.50	204,951.46

Virginia Horse Center Foundation
Profit & Loss by Job
 July through September 2016

	4-H Horse Show (2016) 09/15-18	AHA Region 15 - (2016) 07/06-10	ASHAV (2016) 09/28 - 10/01	Andalusian Eastern Region (2016) 09/02-04	Connemara Pony (2016) 08/26-28	Dressage at Lexington (2016) 07/15-17	Dressage with a View (2016) 09/03
Ordinary Income/Expense							
Income	48,350.11	122,139.77	10,790.81	18,509.21	5,453.95	56,479.99	1,605.43
Cost of Goods Sold	0.00	0.00	0.00	0.00	0.00	1,892.25	0.00
Gross Profit	48,350.11	122,139.77	10,790.81	18,509.21	5,453.95	54,587.74	1,605.43
Expense	10,205.25	0.00	0.00	3,249.28	1,545.09	9,037.44	1,417.04
Net Ordinary Income	38,144.86	122,139.77	10,790.81	15,259.93	3,908.86	45,550.30	188.39
Other Income/Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	38,144.86	122,139.77	10,790.81	15,259.93	3,908.86	45,550.30	188.39

Virginia Horse Center Foundation
Profit & Loss by Job
 July through September 2016

	East Coast Halter Futurity (2016) 09/03	Eastern Arab (2016) 08/04-07	Extreme Mustang Makeover (2016) 08/25-27	Glenmore Hunt Pony Club (2016) 09/24	House Mtn (2016) 07/12-13	Lexington National (2016) 08/10-14	Maury River Hunter Pace (2016) 09/4
Ordinary Income/Expense							
Income	1,492.06	75,655.39	17,269.48	6,127.91	35,644.14	343,142.85	5,243.99
Cost of Goods Sold	8.10	0.00	429.30	0.00	0.00	465.60	0.00
Gross Profit	1,483.96	75,655.39	16,840.18	6,127.91	35,644.14	342,677.25	5,243.99
Expense	1,597.65	9,465.19	3,204.34	1,753.13	17,884.05	218,815.94	3,870.55
Net Ordinary Income	-113.69	66,190.20	13,635.84	4,374.78	17,760.09	123,861.31	1,373.44
Other Income/Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	-113.69	66,190.20	13,635.84	4,374.78	17,760.09	123,861.31	1,373.44

Virginia Horse Center Foundation
Profit & Loss by Job
 July through September 2016

	Maury River VHSA 9.10.16	Mounted Map - (2016) 09/24	VA State NBHA (2016) 09/23-25	National Barrel/Colonial (2016) 08/18-21	Paso Fino (2016) 07/29-31	Region 15 (2016) July 6-10	Region IX Vaulting (2016) 07/01-03
Ordinary Income/Expense							
Income	0.00	180.00	17,978.88	78,031.12	19,521.38	0.00	12,244.58
Cost of Goods Sold	0.00	0.00	849.65	4,803.30	0.00	22.40	267.10
Gross Profit	0.00	180.00	17,129.23	73,227.82	19,521.38	-22.40	11,977.48
Expense	1,096.20	0.00	2,800.58	9,099.17	3,766.73	13,564.02	2,852.50
Net Ordinary Income	-1,096.20	180.00	14,328.65	64,128.65	15,754.65	-13,586.42	9,124.98
Other Income/Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	-1,096.20	180.00	14,328.65	64,128.65	15,754.65	-13,586.42	9,124.98

Virginia Horse Center Foundation
Profit & Loss by Job
 July through September 2016

	Reynolds-Towell Clinic (2016) 08/22-23	Rockbridge Farmers Market	Rockbridge Reg Fair (2016) 07/27- 30	Sallie B. Wheeler - (2016) 08/27	Southern States Fair (2016) 07/28- 30	Trimble Ridge (2016) 09/11	VA Hunter Champ (2016) 08/09-10
Ordinary Income/Expense							
Income	6,368.97	844.67	10,239.96	1,158.80	17,406.57	3,958.98	20,771.62
Cost of Goods Sold	0.00	260.76	0.00	3.20	3.20	0.00	0.00
Gross Profit	6,368.97	583.91	10,239.96	1,155.60	17,403.37	3,958.98	20,771.62
Expense	7,273.87	0.00	19,045.58	2,806.94	9,200.13	1,203.11	527.51
Net Ordinary Income	-904.90	583.91	-8,805.62	-1,651.34	8,203.24	2,755.87	20,244.11
Other Income/Expense	0.00	500.00	0.00	0.00	0.00	0.00	0.00
Net Income	-904.90	1,083.91	-8,805.62	-1,651.34	8,203.24	2,755.87	20,244.11

Virginia Horse Center Foundation
Profit & Loss by Job
July through September 2016

	VA Young Horse Festival (2016) 08/26-27	VPHC Color Classic (2016) 09/02-04
Ordinary Income/Expense		
Income	24,088.88	18,057.18
Cost of Goods Sold	0.00	81.00
Gross Profit	24,088.88	17,976.18
Expense	13,263.62	3,780.22
Net Ordinary Income	10,825.26	14,195.96
Other Income/Expense	0.00	0.00
Net Income	10,825.26	14,195.96



IDA Agenda Item November 7, 2016

TOPIC:

Request by the Virginia Horse Center to extend the one (1%) lodging tax an additional five (5) years beginning Fiscal Year 2020

BACKGROUND:

In 2007, the City of Lexington imposed a two percent (2%) lodging tax, created by enabling legislation, to be appropriated to the Virginia Horse Center for the sole purpose of making principal and interest payments on the USDA loan. The amount collected each year is approximately \$121,500.

In 2014, the City created an additional one percent (1%) lodging tax to be levied for the Virginia Horse Center to be used for repayment on the debt and/or capital improvements. The amount collected each year is approximately \$61,000. The Virginia Horse Center is seeking an extension of the tax to service the debt and provide additional funds needed for capital improvements to the horse center to remain competitive within the industry. The extension of the tax will enable the Horse Center to leverage other funds for the capital improvements.

On Thursday, October 27, 2016, the Lexington City Council, the City's Industrial Development Authority, the Rockbridge County Board of Supervisors and the County's Economic Development Authority met with representatives of the Virginia Horse Center to discuss an additional extension of the one (1%) lodging tax.

The request by the Virginia Horse Center is for an additional five (5) years to the existing agreement.

The Virginia Horse Center staff, along with representatives of the County and City, have discussed with USDA the possibility of refinancing debt. Any debt refinanced by December 31, 2016 would be at a 2.375% interest rate. Any refinancing loan made by the USDA would have to include new debt for capital projects equaling at least \$1 more than the amount of debt being refinanced. The Virginia Horse Center proposes to refinance the outstanding loans from New River Bank through the USDA. In addition to averting the problems presented by the balloon payment due in January 2018 to New River Bank, the Virginia Horse Center would borrow \$769,380 to fund future deferred maintenance/capital improvements. The proposed borrowing would be structured with final maturity in early 2024. The projected annual debt service would be approximately \$199,000 annually. After the proposed debt refinancing, the annual debt service on all of the outstanding debt would exceed the currently anticipated collections of the three percent lodging taxes by a projected \$31,214, \$50,214, and \$42,714 over each of the next three years. Collections during the past year have exceeded debt service on the USDA loans and the CornerStone loan by an amount such that the excess could be used to cover the projected total shortfall for the next three years. Once the CornerStone loan is paid in full in July 2019, the debt service would be \$803,555 for the next four years, and then would fall to \$604,555 through 2047.

In order to service the debt from the proceeds of the transient lodging taxes, the two localities would need to extend the commitment of 3% for an additional five years. Once the CornerStone loan has been repaid in July 2019 until the final repayment of the new USDA debt, the debt service would equal approximately ninety percent of the current annual transient occupancy taxes collections, allowing for a slight downturn

in economic conditions, without creating an inability to service the debt. After 2024 until 2047 the debt service on the existing USDA debt will exceed current tax collections (at the 2% rate) by approximately \$9,000 annually.

COSTS:

As long as the USDA debt remains outstanding, the City is obligated to contribute two (2%) of lodging receipts to service the USDA debt. Extending the one (1%) lodging tax an additional five (5) years is approximately \$61,000 per year.

MANAGER'S RECOMMENDATION:

Approve the Memorandum of Understanding (MOU) between the City and the Virginia Horse Center extending the one (1%) lodging tax dedicated to the Virginia Horse Center for an additional five (5) years contingent on City Council's approval of the ordinance on November 17, 2016 and concurrence from the City of Lexington's Industrial Development Authority, Rockbridge County and the county's Economic Development Authority and authorize the City Manager to execute the MOU. Authorize the City Manager to advertise the ordinance. City Council will need to conduct a public hearing and adopt the ordinance imposing the extension of the one (1%) lodging tax at the November 17, 2016 City Council meeting.

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT, by and among, the City of Lexington, A Virginia Municipal Corporation, (“the City”), the INDUSTRIAL DEVELOPMENT AUTHORITY of the City of Lexington, Virginia, an industrial development authority organized and existing under the laws of the Commonwealth of Virginia, (“IDA”) and The Virginia Horse Center Foundation, a private not-for-profit foundation organized under laws of the Commonwealth of Virginia, (“VHC”).

WHEREAS, The City of Lexington and the County of Rockbridge, Virginia (“the County”) have previously adopted ordinances levying a two percent (2%) transient occupancy tax as authorized under Section 58.1-3825 of the Code of Virginia, which receipts were paid to VHC as provided under the terms of said Code Section; and

WHEREAS, The City and County have previously adopted ordinances levying an additional one (1%) percent transient occupancy tax for the purpose of debt service and deferred capital maintenance projects, terminating in Fiscal Year 2019, exclusive of the 2% transient occupancy tax presently dedicated to the USDA debt service as referenced in Section 366-17 of the City Code (dedicated tax); and

WHEREAS, VHC has requested that the City and the County extend the levy of the one (1%) percent transient occupancy tax for an additional five (5) years beginning in Fiscal Year 2020 and pay a sum equal to the funds derived from such levy as a grant to VHC; and

WHEREAS, The City has decided that the IDA is the appropriate entity to handle the receipt of funds from the City and payment of funds to VHC.

NOW, THEREFORE, The parties, in consideration of the promises and obligations contained herein, mutually agree as follows:

It is the City’s intention to extend the levy of the one (1%) percent transient occupancy tax for an additional five (5) years beginning in Fiscal Year 2020 and pay a sum equal to the funds derived from such levy as a grant to VHC. The grant shall be paid to the IDA and deposited in the restricted bank account referenced below. Said grant shall be for a period of five (5) additional years (fiscal years 2020, 2021, 2022, 2023 and 2024) and will be conditioned upon the following terms. (Note the 2 years subsequent to the prior amendment were FY17 & 18.)

- A. Collection and Payment of Funds: An amount equal to the receipts from this additional tax plus the receipts collected from the dedicated tax will be deposited directly into a restricted bank account (restricted account) on a monthly basis. Such funds will be restricted solely for uses authorized by this MOA.
- B. Restricted Account: The funds deposited into this account will be accounted for separately, with the dedicated tax receipts used only for USDA debt payments and the additional one percent (1%) tax receipts used for any of the expenses allowed under C. below. A quarterly accounting of these funds, including source of funds, all expenditures, and a description of the purpose of each expenditure will be submitted quarterly to the Chief Financial Officer of the City.

- C. Authorized Expenses: Expenses authorized to be made from this account include: the annual debt service payment made to the USDA for debt; replacement of the USDA debt service reserve (if required); CornerStone debt; and, capital maintenance items for upkeep and improvement of the facilities existing at the time of execution of this agreement.
- D. On or about January 1 of each year, the Horse Center will submit to the City a Five (5) Year Capital Maintenance Plan of expected projects that would be funded from the restricted account.
- E. Within one (1) month following the end of each quarter, the City Manager, Finance Director and the Chief Executive Officer of the Horse Center shall meet to review the status of the restricted account, the full finances of the Horse Center and their progress toward making the Center fully financially self-sufficient. VHC financial information shall be provided and presented to the IDA on a quarterly basis.
- F. The VHC shall coordinate and implement a shuttle service for VHC patrons to use between the Horse Center, area hotels and downtown Lexington during show events. VHC will provide ridership data to the City Manager. The VHC and the City Manager shall meet quarterly to discuss shuttle service operations, ridership and other issues associated with the shuttle; and discuss any changes if necessary to the provision of the shuttle service.
- G. The VHC shall make space available in the former gift shop for Tourism and Main Street Lexington to provide promotional opportunities for the area.
- H. Further, if the Horse Center determines to cease operations or is placed under the control of a receiver this agreement shall terminate.
- I. Failure of the VHC to provide full financial disclosure to the representatives of the City in a timely manner, as specified in this agreement, shall constitute a breach of the agreement and terminate all financial obligations of the City and the IDA.
- J. Nothing in this agreement should be construed to lessen the Horse Center's efforts to fully fund capital costs or debt service payments from other sources or to raise funds from private donors to support their operations.

VIRGINIA HORSE CENTER

DATE

CITY OF LEXINGTON

DATE

CITY OF LEXINGTON INDUSTRIAL DEVELOPMENT AUTHORITY DATE

**AN ORDINANCE AMENDING CITY CODE SECTION 366-17, TAXES LEVIED
REGARDING TRANSIENT LODGING TAX**

WHEREAS, the Legislature has passed enabling legislation, Section 58.1-3825 of the Code of Virginia, allowing the City of Lexington, Rockbridge County and the City of Buena Vista to levy an additional tax not to exceed two percent (2%) to be used for the sole purpose of making principal and interest payments on a promissory note or notes signed by the Virginia Horse Center Foundation (VHC); and,

WHEREAS, VHC has significant loan payments to meet and payments for improvements, addressing deferred maintenance. VHC has improved its financial status but seeks additional support to meet its diverse capital needs: and,

WHEREAS, The City of Lexington (the City) and the County of Rockbridge, Virginia (the County) have previously agreed to levy an additional One (1%) Percent transient occupancy tax and pay a sum equal to the funds derived from such levy as a grant to VHC as set forth in a Memorandum of Agreement dated November, 2016, entered into by the City, VHC, and the Industrial Development Authority; and,

WHEREAS, The prior commitment to VHC to levy and deliver such funds was limited to a five-year term; and

WHEREAS, VHC has requested that the term of such commitment to levy an additional One Percent (1%) transient occupancy tax be extended five (5) additional years for an overall term of ten (10) years; and

WHEREAS, the Council of the City of Lexington wishes to extend the term of the levy.

NOW THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Council of the City of Lexington, Virginia, that City Code Section 366 - 17 (formerly 29-9.1) is hereby repealed and is amended and reenacted as follows:

Sec. 366-17 Tax levied.

Beginning July 1, 2015, there is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, on each transient a tax equivalent to five percent (5%) of the total amount paid for lodging by or for any such transient to any hotel; together with an additional tax equivalent to two percent (2%) of the total amount paid for lodging by or for any such transient to any hotel as authorized by Code Section 58.1-3825. Such tax shall be collected from each transient at the time and in the manner provided by this article. The additional two percent (2%) tax shall be appropriated to the Virginia Horse Center Foundation to be used by the Foundation for the sole purpose of making principal and interest payments associated with refinancing a promissory note or notes signed or executed by either the Virginia Equine Center Foundation or the Virginia Horse Center Foundation prior to January 1, 2004, with the Rockbridge Industrial Development Authority as the obligee or payee, as part of an agreement for the Authority to issue bonds on behalf of or for improvements at the Virginia Horse Center Foundation, Virginia Equine Center Foundation or Virginia Equine Center.

In addition there is imposed a one percent (1%) transient occupancy tax exclusive of the two percent (2%) tax referenced for the following purposes: payment of any amounts owed to the USDA or other financial institutions for debt; replacement of the USDA debt service reserve (if required); and capital maintenance items of over \$10,000 for upkeep and improvements of the facilities currently existing.

Adopted: November 17, 2016

Mimi Elrod, Mayor

Brenda L. Doyle, City Clerk

This will certify that the foregoing document has been publicly posted.

Brenda Doyle, Administrative Assistant

VHC Proposal

USDA - No change

NRB - refinance through USDA program. Amortize over a period so that total debt service is less than \$804,000 annually in later years - 8 year

CS - No change

Capital project funds for VHCF 769,380

Debt Service Under Proposal

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>Annual Thereafter</u>
USDA	604,555	604,555	604,555	604,555	604,555
New River Bank	199,000	199,000	199,000	199,000	199,000
Cornerstone deferred maintenance	121,000	140,000	132,500	-	-
Total	924,555	943,555	936,055	803,555	803,555

2% Lodging taxes 595,560

3% Lodging taxes 893,341

90 % of 3% Lodging taxes 804,007

VHCF
Deferred Maintenance Budget

SUMMARY

Project

	<u>Original Budget</u>	<u>Reclassification</u>	<u>Revised Budget</u>	<u>Spent</u>	<u>Committed</u>	<u>Balance</u>
General Maintenance and Contingency	100,000	28,917	128,917	128,917	-	-
Cyber Renovation and Expansion	15,000	(15,000)	-	-	-	-
Competition Surface Maintenance and Renovation	150,000	-	150,000	146,850	-	3,150
Water Pipes Assessment and Repair	25,000	-	25,000	-	-	25,000
Well Water Usage for Ring Maintenance and Dust Suppression	20,000	-	20,000	-	-	20,000
Roadway Repair and Renovation	65,000	-	65,000	5,892	-	59,108
Facility Painting	50,000	(2,298)	47,702	11,385	-	36,317
Stall Repair	25,000	(11,619)	13,381	13,381	-	-
	450,000	-	450,000	306,424	-	143,576

VHC Debt Refinancing Request

Present Debt Structure

Prior to 2007 the Commonwealth of Virginia serviced the debt on loans used to construct the VHC facilities. In 2007 the VHC borrowed funds from the USDA to restructure the previous debt. The USDA made two loans to the VHC, both of which had a forty-year term and required interest at the rate of 4.125%. Presently this debt has an outstanding balance of \$10,473,660 and the annual debt service amount is \$604,555.

Additionally, the VHC has two outstanding loans with New River Bank (2009) in the total amount of \$769,379. These loans have a balloon payment of principal due in January 2018.

In December 2015 the VHC borrowed \$450,000 from CornerStone Bank, the purpose of which was to complete deferred capital maintenance projects. The 6% loan matures on July 15, 2019 and currently has an outstanding balance of \$350,000.

Lodging Taxes Collected on Behalf of VHC

In 2007 the County and the City adopted ordinances levying a two percent transient occupancy tax to be used to service the USDA debt. Currently, the combined collection of this tax equals \$595,560 annually. In mid-2014 both localities enacted ordinances increasing the designated tax by one percent. Initially, the additional one percent tax was authorized for a two-year period. Subsequently the localities extended the commitment for a total of five years. The City's commitment extends through the end of fiscal year 2019 (June 30, 2019); whereas, the County's commitment terminates on July 31, 2019. The combined three percent tax amounts to \$893,341 presently.

Proposed Debt Restructuring

The VHC staff, along with representatives of the County and City, have discussed with USDA the possibility of refinancing debt. Any debt refinanced by December 31, 2016 would be at a 2.375% interest rate. Any refinancing loan made by the USDA would have to include new debt for capital projects equaling at least \$1 more than the amount of debt being refinanced. The VHC proposes to refinance the outstanding loans from New River Bank through the USDA. In addition to averting the problems presented by the balloon payment due in January 2018 to New River Bank, the VHC would borrow \$769,380 to fund future deferred maintenance/capital improvements. The proposed borrowing would be structured with final maturity in early 2024. The projected annual debt service would be approximately \$199,000 annually. After the proposed debt refinancing, the annual debt service on all of the outstanding debt would exceed the currently anticipated collections of the three percent lodging taxes by a projected \$31,214, \$50,214, and \$42,714 over each of the next three years. Collections during the past year have exceeded debt service on the USDA loans and the CornerStone loan by an amount such that the excess could be used to cover the projected total shortfall for the next three years. Once the CornerStone loan is paid in full in July 2019, the debt service would be \$803,555 for the next four years, and then would fall to \$604,555 through 2047.

In order to service the debt from the proceeds of the transient lodging taxes, the two localities would need to extend the commitment of 3% for an additional five years. Once the CornerStone loan has been repaid in July 2019, until the final repayment of the new USDA debt, the debt service would equal approximately ninety percent of the current annual transient occupancy taxes collections, allowing for a slight downturn in economic conditions, without creating an inability to service the debt. After 2019 until 2047 the debt service on the existing USDA debt will exceed current tax collections (at the 2% rate) by approximately \$9,000 annually.

Even though the VHC needs and would prefer a larger loan of new money from the USDA, the simple fact is that a larger loan would require the localities to extend the three percent tax rate for an even longer period.

Virginia Horse Center Comprehensive Master Plan Pre-proposal

**Prepared by: ABL, Landscape Architecture, LLC
Civil Consulting Group, P.C.
Hirschman Water & Environment, LLC**

September 9, 2016

Contents:

- I. Introduction**
- II. Currently Emerging Ideas and Opportunities**
- III. Proposed Report Outline**
- IV. Key Map**
- V. Fee Estimates**
- VI. Contact Information**

I. Introduction

Virginia Horse Center (VHC), occupying 600 acres of pristine Rockbridge County, Maury riverfront farm and forestland in close proximity of old Lee Highway, the idyllic, historic college town Lexington, a north-south, east-west interstate crossing; and offering stunning views of both Blue Ridge and Alleghany mountain ranges, holds clear promise of becoming 21st century America's most admired major equine and general exhibition center. The Virginia Horse Center must plan well, compensating for weaknesses while capitalizing on impressive strengths, for success to be assured. Ironically, the Horse Center is entering its 30th year of operation without a current physical master plan; a simple but comprehensive future blueprint for its vast array of buildings, support facilities, and yet undeveloped open lands.

VHC is bordered to the north and northwest by approximately two miles of Maury River frontage, southwest by approximately three quarters mile frontage on Interstate 64, to the northeast by small farms and/or large residential lots, to the southeast by a subdivision development 30 acre open space buffer, and to the south by a mix of both developed and still vacant commercial parcels. The property is split by Maury River Road (State Route 39). Southern flanks of Mead Hill gradually rising to the west of Maury River Road shelter VHC's developed core: equestrian barn stalls, food concessions, visitor and staff parking areas, and both indoor and outdoor show arenas and riding rings. Dense, second-growth forest cresting the north brow of Mead Hill reaches approximately one half mile north to the Maury River. The approximately 200 acre, verdant Oak Hill property to the east of Maury River Road - remains largely undeveloped.

The absence of an underlying master plan is immediately apparent to discerning visitors encountering open movement of cars, trucks, people and horses; limited open space amenities such as shade trees, lighting, and directional signage; and overall lack of an endearing, built "sense of place".

Virginia's Horse Center should not only better exploit its magnificent, Shenandoah Valley setting; it should also better celebrate Virginia's long, colorful, and distinguished equestrian heritage. The Virginia Horse Center should not only better protect its own abundant natural resources including, water, air, geology, soils, flora and fauna; it should also lead by actively tutoring environmental stewardship. Not only a profitable, self-sustaining business in its own right; the Virginia Horse Center should better contribute to the health of local and regional economies. A well-conceived, physical master plan is mandatory to attainment of each and all above goals!

II. Currently Emerging Ideas and Opportunities

1. **Main Entrance and Visibility to I-64:**
Improve both the appearance and functionality of the main, Maury River Road entrance to better assure a favorable first impression. Generate a complete landscape concept that properly frames and emphasizes entrance sign wall, screens adjacent utilities and parking, introduces a “thematic sense of place”, better informs, filters, and distributes incoming traffic, strengthens security, and is realistic in terms of maintenance restrictions. Also consider visibility from I-64 and the possible advantage of this asset.
2. **Circulation Hierarchy:**
Better delineate circulation hierarchy to ensure both comfort and safety of passenger cars and recreational vehicles, farm and service vehicles, golf carts, pedestrians, bicycles, horses and all other show animals and/or pets. Establish principle north/south and east/west pedestrian circulation routes with an emphasis on safety, comfort, orientation, and building a keen sense of place. Increased convenience of pedestrian, bike, and electric carts should both heighten visitor satisfaction and reduce fossil fuel consumption.
3. **Character Zones:**
Build interest and spatial orientation by assigning character themes to identifiable sub-districts. For example, the venue for cattle round-up shows might take on a western theme. The area where steeplechases are typically held might be associated with pastoral scenery; the area where work horses are displayed a typical, Shenandoah Valley working farmstead.
4. **South Mead Hill Stormwater Management:**
Improvised over 30 years in several stages, VHC’s developed core stormwater management system suffers from obsolescence and failure representing not only a financial burden and regular hindrance to VHC operations but also a significant, mounting, environmental threat. Ponded water and muddy conditions exist throughout the site. Erosion of both roadways and drainage swales created to control and direct runoff is widespread. In some cases water backs-up into buildings. In some cases show rings flood causing deterioration and/or loss of costly footing materials. Manure waste pits are also temporarily exposed to precipitation resulting in runoff contamination. A key strategy for addressing stormwater problems includes reducing the amount of impervious surface area while simultaneously ensuring that rainwater enters a closed pipe system without creating muddy areas. Upgrade of movement

systems for pedestrians, vehicles, and horses might significantly decrease impervious surface in addition to improving both aesthetics and circulation. Various low impact development strategies such as filter strips and rain gardens might be incorporated in newfound, bioengineered green zones.

5. Rainwater Capture and Groundwater Resources:

8.6 acres total roof surface within the South Mead Hill developed core contributes significantly to the extremely high stormwater volumes generated by the Center. All of the roof water is gathered and discharged directly into the engineered drainage system. This creates very large volumes of water following heavy rainfall, the majority of which is discharged downstream into a failed, off-site stormwater management system which is unable to effectively accommodate this water. However, this large volume of water also offers a major opportunity for the Horse Center. Presently the Center purchases approximately 2.5 million gallons of treated water per year for dust suppression on the show rings and unpaved roadways at a cost of \$12,200. Capturing and reusing the runoff from some of these roofs would dramatically reduce the amount of water being deposited into the off-site management system and it would significantly reduce the volume of treated water being purchased by the Center. Uponor and Contech, industry leaders in the design, manufacture, and installation of large scale rainwater harvest systems, have both visited VHC and taken initial steps to prepare competing proposals for a VHC rain capture system. Well-tapped groundwater might provide a more economical alternative to rainwater harvesting but not alleviate stormwater runoff.

6. Bioretention and Biofiltration:

The present downstream stormwater management system intended to control the volume of runoff leaving the western portion of the developed core of South Mead Hill is dysfunctional. The drainage swales carrying stormwater runoff from the pipes delivering it from the developed core of the Center are severely eroded. The stormwater detention pond designed to store this runoff and discharge it downstream at a controlled rate is totally silted-in and no longer operational. The best way to address these deficiencies is to redesign these facilities to reduce the impact of the large volumes of water flowing through them by reducing runoff volumes and peak flows, and filtering out a portion of the pollutants this water contains utilizing the natural retention and absorption capabilities of soils and vegetation wherever possible. The swale should be restored utilizing stream bank restoration techniques and a riparian buffer reestablished along its banks. Pocket wetlands should be incorporated. A new state of the art detention structure should be created which incorporates bio-retention to both reduce the volume of runoff as well as filter out the pollutants which it contains. This pond would discharge into the present pond which would be converted to a constructed wetland to further filter out pollutants. There are additional opportunities for bio-filtration within the drainage area below the pond. Additional opportunities for

bio-retention will be identified as the project proceeds, with some possibly being situated adjacent to parking lots and buildings. Practices to be considered include vegetated filter strips, bioretention areas or rain gardens, dry detention basins, wet retention basins, rainwater harvest systems, and infiltration systems.

7. Landscape Amenities and Ceremonial Gardens:

Albeit surrounded by breathtaking natural landscape, VHC's South Mead Hill area is principally buildings and gravel-paved serviceways and parking lots – landscape is generally overlooked. Landscape embellishments are limited to the Anderson Coliseum, Cashvan Pavilion, and Winner's Ring. Serviceways and parking lots are treeless. Landscape that exists shows age and neglect. Many opportunities exist to both enhance existing and introduce new well designed, well-landscaped, park-like, people friendly outdoor amenities. A tree-lined pedestrian promenade with comfortable benches might link the main coliseum with Wiley Arena Grandstand. A beer garden style outdoor café space might complement the Winner's Ring. A highly refined garden featuring VHC's panoramic valley/mountainscape should be available for donor events and award presentations. This feature might also serve as a gateway to a forested equestrian and pedestrian trail-park occupying wooded terrain to the Maury. Also might consider a memorial honoring famous horses similar to what is found at the Kentucky Horse Park.

8. Plan for Oak Hill Property:

Not only is the Oak Hill property extraordinarily beautiful as a rural Virginia farmscape, it also reinforces equestrian associated links to the past. The Civil War era Cameron home was center of a 1,600 acre, prosperous plantation. The property passed to Asher Waterman Harman, Jr. in 1883, the longest serving Treasurer of Virginia in the history of the Commonwealth. Although currently boarded up, the historic plantation home appears in excellent structural condition with significant portions of its original woodwork intact. Oak Hill has been designated by the Virginia Department of Historic Resources as eligible for listing on the state and national historic registers so also eligible for tax credits. The property also features a well-preserved section of the short-lived Valley Railroad (in existence 1866 to 1874), completed only between Harrisonburg and Lexington to a point a short distance short of Oak Hill. Robert E. Lee was president of this railroad just prior to his parting. Possibilities might exist for equestrian trail use of the historic railroad bed with potential links beyond.

9. Complementary services:

There is a current trend of expansion into other, more diverse markets such as spectator sport, performing arts, and agrarian-themed show and/or festival events. The master plan might address both adaptability for non-equestrian uses and multi-event flexibility

and coordination. For example, the Maury River frontage represents a unique undeveloped but sensitive resource that should be carefully considered for appropriate recreational uses such as visitor trail riding and small-craft river access. The natural amphitheater (west of Mead's Hill) might be developed with minimal infrastructure investment and marketed as an outdoor performance facility for diverse large audiences. Many additional opportunities are present in the largely undeveloped Oak Hill property including cross country courses for both equine and human competitions. Dedicated fields for team sports, already in the planning stages, also require the benefit of a master plan.

10. Trail Systems:

Given the scale, topographic intricacy, and scenic interest of VHC's expansive property and VHC's mission *to provide recreational, educational and demonstrational opportunities for all people living and traveling in Virginia*, trails make sense. The existing trail system is neither clearly mapped nor signed, lacks hierarchy, is in need of repair, and incomplete. The master plan will address on site trails, best links to Oak Hill property across, above, or below Route 39; and external links to the Chessie Trail, downtown Lexington, the universities, Timber Ridge, Goshen, and beyond.

11. Amenities for children:

Other than the Hoofbeats Therapeutic Program, there are few active recreational opportunities for children at the Horse Center. Pony rides, an equestrian themed playground, summer camps, a day care center, and better links to Hoofbeats should be considered.

12. Improve Campgrounds for Recreational Vehicles:

During principal events, recreational vehicles overflow north and south campgrounds flooding and visually denigrating VHC's superb rolling landscape. Existing campgrounds should be renovated with focus on better safety, amenities, aesthetics, and efficiency. New campgrounds should be planned both convenient to event centers and less-disruptive of VHC's campus landscape setting.

13. Environmental Stewardship:

An overriding challenge of the Master plan is environmental stewardship. Advancing Virginia's water quality enhancement goals for the Chesapeake Bay watershed through both on-site benefits and learned BMP (Best Management Practices) behaviors by both visitor and exhibitor audiences will make these efforts very attractive to various potential design and implementation grant sources. Another opportunity at hand may be in partnering with the Rockbridge Solid Waste Authority to establish a regional organic composting capacity fueled by the VHC straw/manure waste resources and

other regionally generated organic waste materials. Such a facility could demonstrate cost effective and environmentally responsible practices for removing residual toxins and pharmaceuticals while producing revenue generating market valued composted fertilizers. At a minimum, the Horse Center requires disposal of animal and vegetative waste from livestock and property management operations. Land management plans and practices can be adopted to reduce mechanical mowing, air and sound pollution, and increase food resources for both show-stock and wildlife. Extensive tree planting will not only improve human comfort but effect quantifiable long-term carbon sequestration. The enormous southern roof area of the barns and coliseum presents a quantifiable energy resource for development as both solar electric and hot water harvesting systems become cost effective alternatives to higher and fully accounted fossil fuel burning costs. The Horse Center's new neighbor, Dominion Power, should be approached under their "Green Grants" program. The master plan can also provide appropriate bird and wildlife habitat hedgerows and pathways to sustain a healthy pastoral ecology and enrich the human experience at the Horse Center.

14. Neighboring Land Uses:

Should VHC consider either outright purchase or acquisition of any utility, access, or viewshed easements on any adjoining properties for any reason? The County has designated Maury River Road from Route 11 to Goshen Pass as a Tourism Corridor Overlay District. What protections might this offer VHC? Is VHC in compliance with Rockbridge County landscape ordinances or grandfathered?

III. Proposed Report Outline

Data Gathering and Analysis

Current programs – core and ancillary

Present condition and suitability of existing facilities to meet current program needs

Contextual issues – status and zoning of surrounding lands, VDOT plans, Art Farm

Currently contemplated program changes

Case Study Projects

Recommended Program Changes

Recommended site improvements and/or property management changes to better meet both current and prospective needs:

All forms of circulation

Wayfinding

Vehicular parking

Stormwater management

Natural areas management

Security

Lighting

Landscape amenities, arena break out, ceremonial space, beer garden café, trails etc.

Energy consumption and efficiency

Water needs and sources – well, rainwater harvesting?

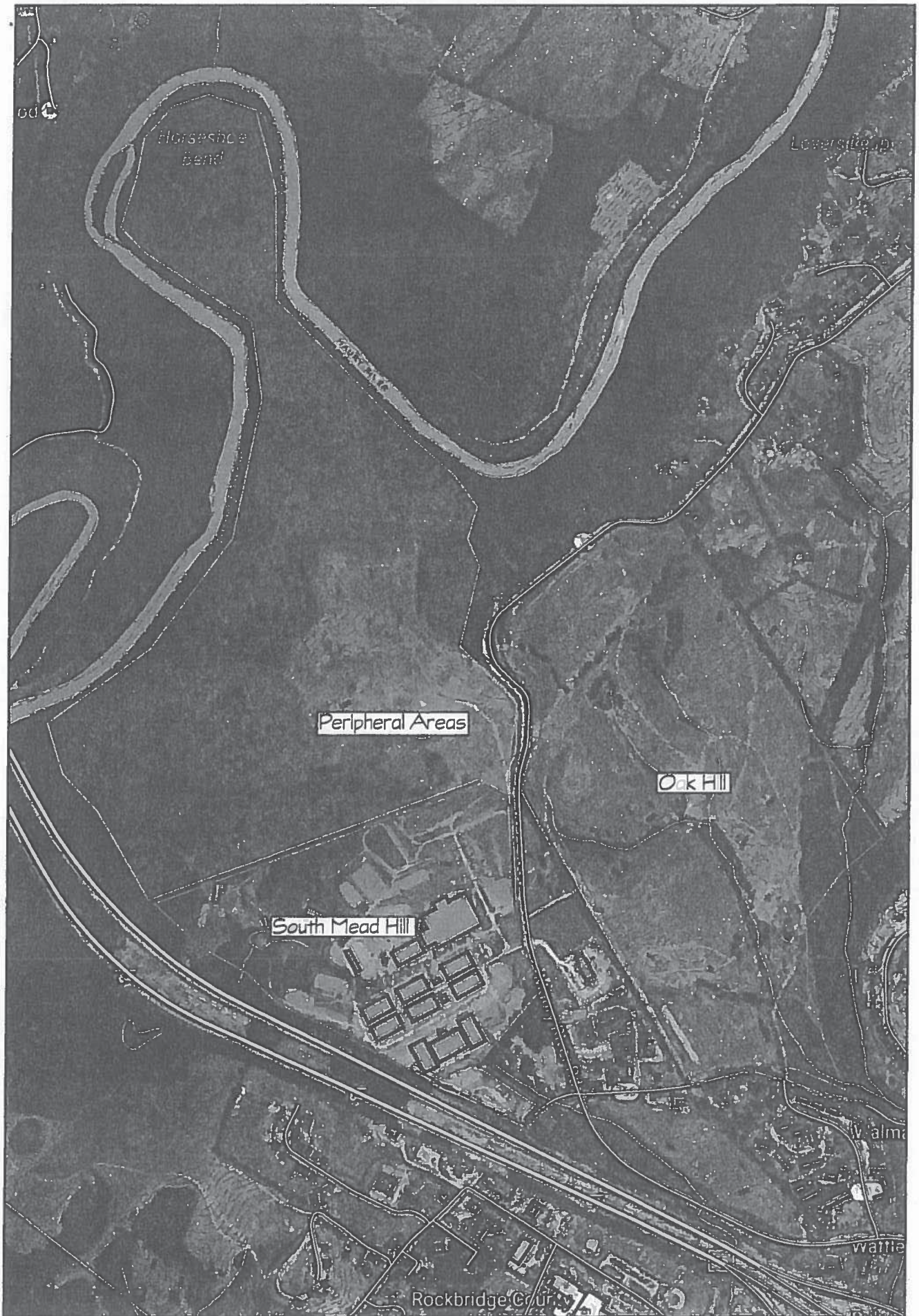
How existing major utilities such as Columbia Gas Line treated

Neighboring Land Uses

Estimated approximate construction costs

Funding prospects

Phasing recommendations



VI. Contact Information

Landscape Architect

ABL Landscape Architecture

Contact: Arthur Bartenstein

Email: arthur@ablscape.com

Phone: 540-464-3736

Website: ablscape.com

Civil Engineer

Civil Consulting Group, P.C.

Contact: Hunter Young

Email: hyoung@civcongrp.com

Phone: 540-992-2242

Website: civcongrp.com

Environmental Resource Planning

Hirschman Water & Environment, LLC

Contact: David Hirschman

Email: dave@hirschmanwater.com

Phone: 434-409-0993

Website: hirschmanwater.com

Preservation Architect

Frazier Associates

Contact: Kathy Frazier

Email: kfrazier@frazierassociates.com

Phone: 540-886-8629

Website: frazierassociates.com

AN ORDINANCE AMENDING CITY CODE SECTION 23-9.1, TAXES LEVIED
REGARDING TRANSIENT LODGING TAX

WHEREAS, the Legislature has passed enabling legislation allowing the City of Lexington, Rockbridge County and the City of Buena Vista to levy an additional tax not to exceed two percent to be used for the sole purpose of making principal and interest payments on a promissory note or notes signed by the Virginia Horse Center Foundation; and,

WHEREAS, the Council of the City of Lexington wishes to levy such a tax for that stated purpose.

NOW THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Council of the City of Lexington, Virginia, that City Code Section 23 - 9.1 is hereby repealed and is amended and reenacted as follows:

Sec. 23-9 1. Tax levied.

Beginning January 1, 2007, there is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, on each transient a tax equivalent to four percent of the total amount paid for lodging by or for any such transient to any hotel together with an additional tax equivalent to two percent of the total amount paid for lodging by or for any such transient to any hotel. Such tax shall be collected from each transient at the time and in the manner provided by this article. The additional two percent tax shall be appropriated to the Virginia Horse Center Foundation to be used by the Foundation for the sole purpose of making principal and interest payments associated with refinancing a promissory note or notes signed or executed by either the Virginia Equine Center Foundation or the Virginia Horse Center Foundation prior to January 1, 2004, with the Rockbridge Industrial Development Authority as the obligee or payee, as part of an agreement for the Authority to issue bonds on behalf of or for improvements at the Virginia Horse Center Foundation, Virginia Equine Center Foundation or Virginia Equine Center.

Adopted: *January 4, 2007*

Sharon Edwards
Sharon Edwards, Clerk

John W. Knapp

John W. Knapp., Mayor

AN ORDINANCE AMENDING CITY CODE CHAPTER 336, ARTICLE III, Section 366-17
LODGING TAX

WHEREAS, the Council of the City of Lexington has agreed to provide additional funding for the Virginia Horse Center by providing a grant, offset by the revenue received by increasing the lodging tax by 1%; and,

WHEREAS, Chapter 336, Article III, Section 366-17, dealing with *Tax Levied*, needs to be revised in order to implement said tax.

NOW THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Council of the City of Lexington, Virginia, that City Code Chapter 336, Article III, Section 366-17 is hereby amended and reenacted as follows

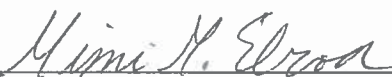
§ 366-17. Tax levied.

Beginning July 1, 2014, there is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, on each transient a tax equivalent to 5% of the total amount paid for lodging by or for any such transient to any hotel together with an additional tax equivalent to 2% of the total amount paid for lodging by or for any such transient to any hotel. Such tax shall be collected from each transient at the time and in the manner provided by this article. The additional two-percent tax shall be appropriated to the Virginia Horse Center Foundation to be used by the Foundation for the sole purpose of making principal and interest payments associated with refinancing a promissory note or notes signed or executed by either the Virginia Equine Center Foundation or the Virginia Horse Center Foundation prior to January 1, 2004, with the Rockbridge Industrial Development Authority as the obligee or payee, as part of an agreement for the Authority to issue bonds on behalf of or for improvements at the Virginia Horse Center Foundation, Virginia Equine Center Foundation or Virginia Equine Center.

Adopted: **May 19, 2014**



Brenda Doyle, Clerk



Mimi M. Elrod., Mayor

This will certify that the foregoing document has been publicly posted.



Brenda Doyle, Administrative Assistant



Office of the City Manager

July 3, 2014

Glen Petty
Interim Executive Director
Virginia Horse Center Foundation
487 Mary River Rd
Lexington, VA 24450

Dear Glen:

You have previously received an executed copy of a Memorandum of Agreement (MOA) dated May, 2014, which outlines the conditions of the additional 1% lodging tax grant that the City recently approved. As I discussed, condition H of the Agreement provides that it "...shall only be effective upon the County of Rockbridge adopting a similar tax with the proceeds to be used in a similar manner. This agreement shall terminate if the County of Rockbridge adopts a resolution or ordinance that is substantially different in its terms from the terms of this MOA unless specifically ratified by the City."

On Monday, June 23, 2014, Rockbridge County did adopt the 1% additional tax with the proceeds to be utilized according to the terms of a Performance Agreement (PA). While that PA is different from the City's MOA, City Council, at their June 19, 2014 meeting, determined that it is "similar" to the City's conditions and that it is in effect for the term of the agreement and for as long as the County contributes 100% of the additional 1% lodging tax for the purposes of the PA. Should the County not allocate the full 1% tax for this purpose, then the City's MOA would no longer be valid.

The City is ready to transfer to the restricted bank account, referenced in the MOA, the funds collected to-date from the dedicated 2% tax and will continue making these payments on a monthly basis thereafter. Then, in October, the City will begin transmitting to the restricted account the additional 1% tax that was collected in August. The person who will submit these payments will be Mr. Gary Swink, the City's Finance Director. His contact information is 462-3731 and gswink@lexingtonva.gov. Please have the appropriate person in your organization contact him concerning the details of the payments.

Please also remember that the City will expect quarterly statements of the activity of this restricted account, including the specifics of all payments from the account. The first such report should be made in October. Gary will also be the primary point of contact for the quarterly financial updates and meetings referenced in the MOA for the purpose of reviewing the overall financial status of the Horse Center. These meetings, which I anticipate being held in conjunction with the County should also begin in October.

I am so very pleased that the City could play a role in helping the Horse Center to solve its financial problems and look forward to a Horse Center that plays an even larger role in the economic well being of the region.

Sincerely,

T. Jon Ellestad, City Manager
Lexington, VA
jellestad@lexingtonva.gov

TJE/bld
cc: Gary Swink, Lexington's Finance Director

May, 2014

Memorandum of Agreement

THIS MEMORANDUM OF AGREEMENT (MOA), by and among, the City of Lexington, A Virginia Municipal Corporation, ("the City"), the INDUSTRIAL DEVELOPMENT AUTHORITY of the City of Lexington, Virginia, an industrial development authority organized and existing under the laws of the Commonwealth of Virginia, ("IDA") and The Virginia Horse Center Foundation, a private not-for-profit foundation organized under laws of the Commonwealth of Virginia, ("VHC").

WHEREAS, The City of Lexington and the County of Rockbridge, Virginia ("the County") have previously adopted ordinances levying a 2% transient occupancy tax as authorized under Section 58.1-3825 of the Code of Virginia, which receipts were paid to VHC as provided under the terms of said Code Section; and

WHEREAS, VHC has been late making loan payments and difficulty meeting its current financial obligations; and

WHEREAS, VHC has requested that the City and the County levy an additional One (1%) Percent transient occupancy tax and pay a sum equal to the funds derived from such levy as a grant to VHC; and

WHEREAS, The City has decided that the IDA is the appropriate entity to handle the receipt of funds from the City and payment of funds to VHC.


NOW, THEREFORE, The parties, in consideration of the promises and obligations contained herein, mutually agree as follows:

The City has adopted an ordinance imposing an additional One (1%) Percent transient occupancy tax (additional tax), exclusive of the 2% transient occupancy tax presently dedicated to the USDA debt service as referenced in Section 366-17 of the City Code (dedicated tax). Further, it is the City's intention to make a grant to the VHC of an amount equal to the amount collected, beginning on July 1, 2014. The grant shall be paid to the IDA to be paid over and deposited in the restricted bank account referenced below. Said grant shall be for a period of two years from that date and will be conditioned upon the following terms.

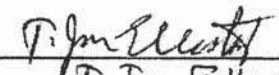
- A. Collection and Payment of Funds: An amount equal to the receipts from this additional tax plus the receipts collected from the dedicated tax since the last USDA debt payment will be deposited directly into a restricted bank account (restricted account) on a monthly basis. Such funds will be restricted solely for uses authorized by this MOA.
- B. Restricted Account: The funds deposited into this account will be accounted for separately, with the dedicated tax receipts used only for USDA debt payments and the additional 1% tax receipts used for any of the expenses allowed under C. below. The restricted account will separately account for the funds from each of these sources. A quarterly accounting of these funds,

- including source of funds, all expenditures, and a description of the purpose of each expenditure will be submitted quarterly to the Chief Financial Officer of the City and Secretary of the IDA.
- C. Authorized Expenses: Expenses authorized to be made from this account include: any past due amounts owed to the USDA for the existing debt; the annual debt service payment made to the USDA for the existing debt; replacement of the USDA debt service reserve (if required); and, capital maintenance items of over \$10,000 for upkeep of the facilities existing at the time of execution of this agreement. Capital Maintenance expenditures shall not be made or obligated at the expense of any existing USDA debt obligation or scheduled USDA debt payment.
 - D. On or about January 1 of each year, the VHC will submit to the City a 5-year Capital Maintenance Plan of expected projects that would be funded from the restricted account.
 - E. Within one month following the end of each quarter, senior staff and the President and Treasurer of the VHC shall meet with representatives of the City and the IDA to review the status of the restricted account, the full finances of the VHC, and their progress toward making the Center fully financially self-sufficient.
 - F. No later than March 30, 2016, representatives of the Horse Center shall meet with representatives of the City to discuss a possible extension of this MOA.
 - G. Nothing in this agreement should be construed to lessen the VHC's efforts to fully fund capital costs or debt service payments from other sources or to raise funds from private donors to support their operations.
 - H. This MOA shall only be effective upon the County of Rockbridge adopting a similar tax with the proceeds to be used in a similar manner. This agreement shall terminate if the County of Rockbridge adopts a resolution or ordinance that is substantially different in its terms from the terms of this MOA unless specifically ratified by the City. Further, if the VHC determines to cease operations or is placed under the control of a receiver this agreement shall terminate.
 - I. Failure of the VHC to provide full financial disclosure to the representatives of the City and IDA in a timely manner, as specified in this agreement, shall constitute a breach of the agreement and terminate all financial obligations of the City and the IDA.

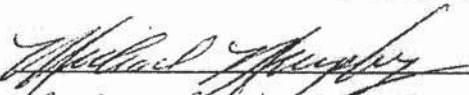
VIRGINIA HORSE CENTER FOUNDATION


 Ernest M. Oare, President, VHCF
 CITY OF LEXINGTON

DATE
 5/29/14


 T. Jon Ellstad, City Manager
 CITY OF LEXINGTON INDUSTRIAL DEVELOPMENT AUTHORITY

DATE
 6/3/14


 Michael Murphy
 City of Lexington, Chair IDA

DATE
 6/3/14

AN ORDINANCE AMENDING CITY CODE SECTION 366-17, TAXES LEVIED
REGARDING TRANSIENT LODGING TAX

WHEREAS, the Legislature has passed enabling legislation, Section 58.1-3825 of the Code of Virginia, allowing the City of Lexington, Rockbridge County and the City of Buena Vista to levy an additional tax not to exceed two percent (2%) to be used for the sole purpose of making principal and interest payments on a promissory note or notes signed by the Virginia Horse Center Foundation (VHC); and,

WHEREAS, VHC has significant loan payments to meet and payments for improvements, addressing deferred maintenance. VHC has improved its financial status but seeks additional support to meet its diverse capital needs: and,

WHEREAS, The City of Lexington (the City) and the County of Rockbridge, Virginia (the County) have previously agreed to levy an additional One (1%) Percent transient occupancy tax and pay a sum equal to the funds derived from such levy as a grant to VHC as set forth in a Memorandum of Agreement dated September, 2015, entered into by the City, VHC, and the Industrial Development Authority; and,

WHEREAS, The initial commitment to VHC to levy and deliver such funds was limited to a two-year term; and

WHEREAS, VHC has requested that the term of such commitment to levy an additional One Percent (1%) transient occupancy tax be extended three (3) additional years for an overall term of five (5) years; and

WHEREAS, the Council of the City of Lexington wishes to extend the term of the levy such a tax subject to the terms of the aforesaid Memorandum of Agreement.

NOW THEREFORE, BE IT ORDAINED AND ENACTED by the Mayor and Council of the City of Lexington, Virginia, that City Code Section 366 - 17 (formerly 29-9.1) is hereby repealed and is amended and reenacted as follows:

Sec. 366-17 Tax levied.

Beginning July 1, 2015, there is hereby levied and imposed, in addition to all other taxes and fees of every kind now imposed by law, on each transient a tax equivalent to five percent (5%) of the total amount paid for lodging by or for any such transient to any hotel; together with an additional tax equivalent to two percent (2%) of the total amount paid for lodging by or for any such transient to any hotel as authorized by Code Section 58.1-3825. Such tax shall be collected from each transient at the time and in the manner provided by this article. The additional two percent (2%) tax shall be appropriated to the Virginia Horse Center Foundation to be used by the Foundation for the sole purpose of making principal and interest payments associated with refinancing a promissory note or notes signed or executed by either the Virginia Equine Center Foundation or the Virginia Horse Center Foundation prior to January 1, 2004, with the Rockbridge Industrial Development Authority as the obligee or payee, as part of an agreement for the Authority to issue bonds on behalf of or for improvements at the Virginia Horse Center Foundation, Virginia Equine Center Foundation or Virginia Equine Center.

In addition there is imposed a one percent (1%) transient occupancy tax exclusive of the two percent (2%) tax referenced above for a period of four (4) additional years for the following purposes: payment of any past due amounts owed to the USDA for the existing debt; payment of annual debt service on said debt; replacement of the USDA debt service reserve (if required); and capital maintenance items of over \$10,000 for upkeep and improvements of the facilities currently existing.

Adopted: October 1, 2015


Mimi Elrod, Mayor


Brenda L. Doyle, City Clerk

This will certify that the foregoing document has been publicly posted.


Brenda Doyle, Administrative Assistant



**Industrial Development Authority Agenda Item
September 9, 2015**

TOPIC:

Consider extending the 1% lodging tax an additional three (3) years to the Virginia Horse Center

BACKGROUND:

In 2007, the City of Lexington imposed a two percent (2%) lodging tax, created by enabling legislation, to be appropriated to the Virginia Horse Center for the sole purpose of making principal and interest payments on the USDA loan. The amount collected each year is approximately \$106,000.

In 2014, the City created an additional one percent (1%) lodging tax to be levied for the Virginia Horse Center to be used for repayment on the debt and/or capital improvements. The amount collected each year is approximately \$53,000. The Virginia Horse Center is seeking an extension of the tax to service the debt and provide additional funds needed for capital improvements to the horse center to remain competitive within the industry. The extension of the tax will enable the Horse Center to leverage other funds for the capital improvements.

Recently, Rockbridge County approved an extension of their additional lodging tax to the Virginia Horse Center contingent upon the City's approval for the same.

I have had ongoing conversations with the Virginia Horse Center and have participated in regional and state meetings on how the Horse Center can secure additional, long-term funding to support their needs. The Virginia Horse Center has made considerable progress on the repayment of their debt as a result of the additional lodging tax revenues from the City and County. With additional horse shows scheduled, the Virginia Horse Center is making headway toward improving their operating performance. Their impact on the regional economy is significant, providing regional meals, lodging and sales tax revenues.

However, I frequently hear comments from local merchants that horse show participants don't come downtown for a variety of reasons. While this is anecdotal, I asked the Virginia Horse Center to consider as part of their request to the IDA and City Council an event-driven shuttle from the downtown, area hotels to the Virginia Horse Center and back. The folks at the Virginia Horse Center have worked on a draft proposal for the shuttle (to be arranged by the Horse Center and available for patrons). Additionally, the Virginia Horse Center will make space available in the former gift shop for Tourism and Main Street Lexington to provide promotional opportunities for the area. Finally, there are ongoing conversations between Main Street Lexington and the Virginia Horse Center to explore promotional opportunities.

COSTS:

As long as the USDA debt remains outstanding, the City is obligated to contribute 2% of lodging receipts to service the USDA debt. Extending the 1% lodging tax an additional three (3) years is approximately \$53,000 per year.

MANAGER'S RECOMMENDATION:

Approve the request for the extension of the 1% lodging tax dedicated to the Virginia Horse Center for an additional three (3) years

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT, by and among, the City of Lexington, A Virginia Municipal Corporation, ("the City"), the INDUSTRIAL DEVELOPMENT AUTHORITY of the City of Lexington, Virginia, an industrial development authority organized and existing under the laws of the Commonwealth of Virginia, ("IDA") and The Virginia Horse Center Foundation, a private not-for-profit foundation organized under laws of the Commonwealth of Virginia, ("VHC").

WHEREAS, The City of Lexington and the County of Rockbridge, Virginia ("the County") have previously adopted ordinances levying a two percent (2%) transient occupancy tax as authorized under Section 58.1-3825 of the Code of Virginia, which receipts were paid to VHC as provided under the terms of said Code Section; and

WHEREAS, VHC has requested that the City and the County extend the levy of the one (1%) percent transient occupancy tax for an additional three (3) years and pay a sum equal to the funds derived from such levy as a grant to VHC, as it has done in the last fiscal year; and

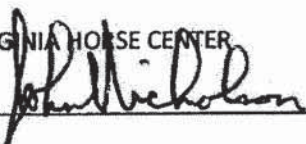
WHEREAS, The City has decided that the IDA is the appropriate entity to handle the receipt of funds from the City and payment of funds to VHC.

NOW, THEREFORE, The parties, in consideration of the promises and obligations contained herein, mutually agree as follows:


The City has previously adopted an ordinance extending the imposition of an additional one percent (1%) transient occupancy tax (additional tax) for three (3) years, exclusive of the two percent (2%) transient occupancy tax presently dedicated to the USDA debt service as referenced in Section 366-17 of the City Code (dedicated tax). Further, it is the City's intention to make a grant to the Virginia Horse Center Foundation of an amount equal to the amount collected, beginning on August 1, 2014. The grant shall be paid to the IDA and deposited in the restricted bank account referenced below. Said grant shall be for a period of three (3) additional years (fiscal years 2017, 2018 and 2019) and will be conditioned upon the following term.

- A. **Collection and Payment of Funds:** An amount equal to the receipts from this additional tax plus the receipts collected from the dedicated tax since the last USDA debt payment will be deposited directly into a restricted bank account (restricted account) on a monthly basis. Such funds will be restricted solely for uses authorized by this MOA.
- B. **Restricted Account:** The funds deposited into this account will be accounted for separately, with the dedicated tax receipts used only for USDA debt payments and the additional one percent (1%) tax receipts used for any of the expenses allowed under C. below. A quarterly accounting of these funds, including source of funds, all expenditures, and a description of the purpose of each expenditure will be submitted quarterly to the Chief Financial Officer of the City.

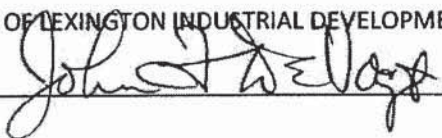
- C. Authorized Expenses: Expenses authorized to be made from this account include: any past due amounts owed to the USDA for the existing debt; the annual debt service payment made to the USDA for the existing debt; replacement of the USDA debt service reserve (if required); and, capital maintenance items for upkeep and improvement of the facilities existing at the time of execution of this agreement.
- D. On or about January 1 of each year, the Horse Center will submit to the City a 5-year Capital Maintenance Plan of expected projects that would be funded from the restricted account.
- E. Within one (1) month following the end of each quarter, the City Manager, Finance Director and the Chief Executive Officer of the Horse Center shall meet to review the status of the restricted account, the full finances of the Horse Center and their progress toward making the Center fully financially self-sufficient. VHC financial information shall be provided and presented to the IDA on a quarterly basis.
- F. The VHC shall coordinate and implement a shuttle service for VHC patrons to use between the Horse Center, area hotels and downtown Lexington during show events. VHC will provide ridership data to the City Manager. The VHC and the City Manager shall meet quarterly to discuss shuttle service operations, ridership and other issues associated with the shuttle; and discuss any changes if necessary to the provision of the shuttle service.
- G. The VHC shall make space available in the former gift shop for Tourism and Main Street Lexington to provide promotional opportunities for the area.
- H. Further, if the Horse Center determines to cease operations or is placed under the control of a receiver this agreement shall terminate.
- I. Failure of the VHC to provide full financial disclosure to the representatives of the City in a timely manner, as specified in this agreement, shall constitute a breach of the agreement and terminate all financial obligations of the City and the IDA.
- J. Nothing in this agreement should be construed to lessen the Horse Center's efforts to fully fund capital costs or debt service payments from other sources or to raise funds from private donors to support their operations.

VIRGINIA HORSE CENTER


DATE
 10/20/15

CITY OF LEXINGTON


DATE
 10/28/15

CITY OF LEXINGTON INDUSTRIAL DEVELOPMENT AUTHORITY


DATE
 10/28/15

ASSIGNMENT OF TAX DISTRIBUTION

THIS ASSIGNMENT is made this _____ day of _____, 2016 by and between **The Virginia Horse Center** ("Assignor") and **CornerStone Bank, N.A.** ("Assignee").

WHEREAS, Assignor has executed and delivered to Assignee that certain Promissory Note ("the Note") dated [Date] in the original principal amount of Four Hundred Fifty Thousand and no/100 Dollars (\$450,000) (the "Note"); and

WHEREAS, Assignor is entitled to receive periodic tax payments (the "Tax Distributions") under that certain arrangement with the City of Lexington, Virginia (the "City") dated [Date] in which Assignor is the intended recipient of the proceeds of a certain lodging and occupancy tax payable to Assignor by the City on a monthly basis; and

WHEREAS, Assignor desires to assign to Assignee the balance of the Tax Distributions after deduction of Assignor's obligation to the USDA, up to the sum owed Assignee under the terms of the Note (interest quarterly with principal reduction annually) for application to the unpaid balance of the Note and all renewals, modifications and extensions thereof, and all other indebtedness of Assignor to Assignee (the "Obligations").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns to Assignee all Assignor's right, title, and interest in the balance of the Tax Distributions after deduction of Assignor's obligation to the USDA, up to the sum owed Assignee under the terms of the Note (interest quarterly with principal reduction annually) for application to the unpaid balance of the Note and all renewals, modifications and extensions thereof, and all other indebtedness of Assignor to Assignee (the "Obligations").
2. After Assignor receives each Tax Distribution, Assignor will deposit same in a restricted account and on a quarterly basis as contained in the Note, the amount representing the prorated balance after calculating the prorated amount necessary to satisfy the USDA payment which shall remain in said account, pay to Assignee the accrued interest on the Note, or any remaining balance, if any, to reduce the unpaid principal balance of the Note, as appropriate, and the other Obligations under the terms of the Note. It is expressly agreed that Assignor's Note and Obligations shall not be reduced or credited until such time as Assignee receives each final Tax Distribution and deposits same in the restricted account for quarterly distribution. If the City fails or refuses to make a Tax Distribution sufficient to cover the obligations, Assignee shall receive no payment to reduce the

unpaid balance of Note or Obligation. Assignor's duties to Assignee under the Note and Obligations shall not be excused or modified if the City (a) fails or refuses to make a Tax Distribution, or (b) is delinquent in making any Tax Distribution.

3. Assignee shall have no obligation to the City whatsoever other than to accept each quarterly Net Tax Distribution from the restricted account for application to the indebtedness under the Note.
4. After the unpaid balance of the Note and any renewals, modifications, or extensions thereof, and after the repayment of all other Obligations and debts of Assignor to Assignee, Assignee agrees to release to Assignor all Assignee's rights created hereby within ten (10) days of the receipt by Assignee from Assignor of such a written request.
5. Assignor agrees to instruct the City to pay the Net Tax Distribution directly to the restricted account for quarterly distributions to be credited against the balance owed by Assignor.
6. This Assignment shall be binding upon and shall inure to the benefit of the parties and their respective successors, assigns, heirs and personal representatives.
7. Assignee's consent to allowing the City to make one or more Tax Distributions to Assignor is not and shall not be deemed to be a waiver of Assignee's right to directly receive all other Tax Distributions.

The Virginia Horse Center

CornerStone Bank, N. A.

By: _____

By: _____

Acknowledged:

The City of Lexington, Virginia

By: _____

PERFORMANCE AGREEMENT

This Performance Agreement (this "Agreement"), made and entered into this 1st day of August, 2014 (the "Effective Date"), by and between the ROCKBRIDGE COUNTY BOARD OF SUPERVISORS (the "County"); the ECONOMIC DEVELOPMENT AUTHORITY OF ROCKBRIDGE COUNTY, VIRGINIA (the "EDA"); and THE VIRGINIA HORSE CENTER FOUNDATION, a private not-for-profit foundation organized under laws of the Commonwealth of Virginia (the "VHC"). The County, the EDA, and the VHC are herein collectively referred to as the "Parties."

WITNESSETH:

WHEREAS, the Rockbridge County Board of Supervisors and the Economic Development Authority of Rockbridge County, Virginia, desire to promote, support and encourage the economic development and vitality of Rockbridge County and the Rockbridge region through tourism; and,

WHEREAS, the VHC is recognized as significantly contributing to and promoting economic development in the County through generating tourism and travel in the Rockbridge region; and,

WHEREAS, the VHC desires to continue its support of the local economy through tourism; and,

WHEREAS, the VHC is encouraged to continue supporting the establishment or expansion of a sports complex, be it related to equine or other sports, on property currently owned by the VHC, for the benefit of the community and complementary to the growth and success of the VHC; and,

WHEREAS, the County of Rockbridge, Virginia, and the City of Lexington, Virginia (the "City"), have previously adopted ordinances levying a two percent (2%) transient occupancy tax as authorized under Section 58.1-3825 of the Code of Virginia, the receipts from which are dedicated and disbursed to support the VHC as provided under the terms of said statute (the "Dedicated Tax"); and,

WHEREAS, the VHC has been late making loan payments and has had difficulty meeting its current financial obligations; and

WHEREAS, the VHC has requested that the County and City levy an additional one percent (1%) transient occupancy tax and pay a sum equal to the funds derived from such levy as an allocation to support the VHC; and,

WHEREAS, the City adopted an ordinance to impose an additional one percent (1%) transient occupancy tax and entered into an associated Memorandum of Understanding with the VHC on May 15, 2014, which conditionally granted a sum equal to the funds derived from said tax for purposes of servicing the VHC's United States Department of Agriculture ("USDA") debt and capital maintenance projects; and,

WHEREAS, the County has determined that a one percent (1%) increase in the transient occupancy tax to support tourism could be utilized immediately to support existing and future VHC debt service payments to the USDA; and,

WHEREAS, the County anticipates that the combined revenues generated by the Additional Tax in the City and County would, in the future, result in a surplus of generated funds beyond the USDA debt service payments (herein referred to as the "Additional Tax Surplus"); and,

WHEREAS, the VHC has requested that the Additional Tax Surplus be dedicated to support of heretofore deferred capital maintenance projects at the VHC; and,

WHEREAS, the County believes that support of the VHC capital maintenance projects should be limited to those projects which directly impact the safety of persons and horses, in the interest of ensuring that the VHC continues to attract quality events, thereby increasing positive impacts on the local tourism industry; and,

WHEREAS, the County has determined that the EDA is the appropriate entity to ensure adherence to the performance objectives described herein.

NOW, THEREFORE, in consideration of the mutual promises, covenants and obligations contained herein, which the Parties acknowledge as being sufficient

consideration for entering into this Agreement, the Parties covenant and agree as follows:

I. **Certain Definitions:**

For purposes of this Agreement, capitalized words that are used herein shall, unless the context clearly requires otherwise, have the meanings ascribed to such words below:

A. "*Receipts*" means the specified transient occupancy taxes actually received by the County, and shall not include taxes that may be payable but have not been received or collected.

B. "*USDA Debt*" means the existing debt obligation of the VHC to the USDA, created in accordance with Virginia Code §58.1-3825, and evidenced by a promissory note and the Loan Resolution Security Agreement dated February 6, 2007, and modifications thereof (provided no additional debt is incurred), and may include any past due amounts owed to the USDA on such debt and the annual debt service payment made to the USDA for such debt.

C. "Debt Service" means the annual payment of principal and interest on the USDA Debt.

II. **Term:**

This Agreement shall be in effect for a period of two (2) years from the Effective Date (the "Term").

III. **County and EDA Incentive:**

A. The County will pay the Dedicated Tax Receipts directly to the USDA on the VHC's USDA Debt to satisfy requirements of Virginia Code §58.1-3825.

B. On June 23, 2014, the County adopted an Ordinance to impose an additional one percent (1%) transient occupancy tax pursuant to Code of Virginia §58.1-

3819 (referred to herein as the "Additional Tax"), exclusive of and in addition to the Dedicated Tax. The effective date of the Additional Tax is August 1, 2014. The funds generated through the Additional Tax are expected to commence being received in September of 2014.

C. An amount up to, but not to exceed, the Additional Tax Receipts will be credited/transferred into a restricted County fund (the "Restricted Fund"). The Restricted Fund shall be designated and spent solely for tourism and travel, marketing of tourism or initiatives that attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenues in the County, in accordance with Virginia Code § 58.1-3819.

1. Expenses authorized to be made from the Additional Tax Receipts in the Restricted Fund include: payments on the VHC's USDA Debt; replacement of the USDA Debt Service reserve (if required by the USDA); and capital safety maintenance items over \$10,000 for upkeep of VHC facilities existing on the Effective Date of this Agreement. Capital safety maintenance expenditures shall not be made or obligated at the expense of any existing USDA Debt obligation or scheduled Debt Service.

2. In support of tourism and economic development, the County agrees to appropriate approved Additional Tax Receipts in the Restricted Fund to the EDA, subject to and in accordance with the conditions in this Agreement. The EDA hereby agrees that any Additional Tax Receipts to be paid directly to the USDA on the VHC's USDA Debt will be disbursed by the County directly to the USDA on behalf of the EDA.

3. The County will consider appropriation of any Additional Tax Surplus Receipts from the Restricted Fund in support of bona fide and justified safety capital improvements at the VHC, upon receipt of a Capital Safety Maintenance Plan as described herein and recommendation from the EDA. For

consideration of capital safety maintenance payments, the Parties shall observe the following procedures:

(a) On or about January 1 of each year, the VHC will submit to the EDA a 5-year Capital Safety Maintenance Plan (the "Plan") of expected projects that could be supported by the Additional Tax Surplus Receipts in the Restricted Fund. The Plan shall be presented in a standardized format and shall contain the following sections of information for each listed project:

- (1) Detailed project description.
- (2) Description of the current safety deficiency that the project will correct.
- (3) Anticipated direct and indirect benefits, if any.
- (4) Project schedule.
- (5) Total projected cost of the project.
- (6) Maximum amount (not to exceed) requested to be paid from Additional Tax Surplus Receipts, after satisfaction of all USDA Debt, to include all Debt Service due within the project schedule.
- (7) Guaranteed source of funding for the remainder of the total project costs, including contingencies such as cost overruns.
- (8) Anticipated additional maintenance or operational costs, or cost savings, resulting from the project.
- (9) Anticipated life of the maintenance improvements.

(b) Projects in the Plan shall be presented in the order of priority.

(c) Within 45 days of receipt of the Plan, the EDA shall submit a recommendation to the County, along with all supporting documentation. During the EDA's review, the EDA may submit reasonable requests for

additional information or records to the VHC; the VHC will respond promptly and the EDA's time for review and recommendation will be extended one day for each day required for the VHC's response to such requests.

(d) Upon receipt of the EDA's recommendation, the County shall consider the VHC's Plan within thirty (30) days. The County shall have the option to fully or conditionally approve any, all or none of the proposed projects in the Plan.

(e) Approved projects listed in the Plan shall be deemed approved for expenditure during the fiscal year in which the project is approved, subject to any specified conditions. Should the project span more than one fiscal year, the County (through its Board of Supervisors) may revisit the Plan to ensure continued support.

(f) Approximately 45 days prior to commencement of an approved project, the VHC shall submit a written request to the EDA and the County in a standardized format, listing the specific project for which the funds are required and the total amount requested. EDA and County staff will verify prior approval of the project and funding amounts prior to transferring funds to the VHC. Authorized payments under this Subsection 3 will be payable to the EDA and the EDA agrees to pay such funds directly to the VHC; the EDA may request that such payments be made directly from the Restricted Fund to the VHC on the EDA's behalf.

IV. **VHC Commitment:**

In addition to the VHC's obligations above, the VHC hereby agrees to the following:

A. Within one month following the end of each quarter, senior staff and the President and Treasurer of the VHC shall meet with representatives of the County and EDA to review the status of any approved Capital Safety Maintenance projects, the full finances of the VHC, and the VHC's progress toward making the Virginia Horse Center fully financially self-sufficient.

B. The VHC shall diligently continue its efforts to fully fund operations, capital costs and debt service payments from other sources and to raise funds from private donors to support the Horse Center. Nothing in this agreement shall be construed to lessen the necessity for such VHC efforts.

C. The VHC shall not: (i) refinance or restructure any of its debt, (ii) place any of its land holdings into a conservation easement, and/or (iii) dispose of (by sale, lease, exchange, gift, donation, assignment, transfer or otherwise) all or any portion of its real estate, (all of which are referred to as "Restricted Transactions") without prior written approval from the EDA and Board of Supervisors. In the event that the VHC concludes one or more of the Restricted Transactions without prior approval, the VHC shall immediately reimburse to the EDA all Additional Tax Receipts paid directly to, or paid on behalf of, the VHC during the Term of this Agreement. If the VHC fails to reimburse the Additional Tax Receipts as herein provided, the EDA shall seek payment of all sums due under this paragraph in the Circuit Court of Rockbridge County, in addition to any and all other remedies under this Agreement or otherwise available at law or in equity. Unless otherwise agreed to by the County, all sums received or recovered by the EDA pursuant to this paragraph shall be remitted to the County within thirty (30) days of receipt by the EDA. Should the EDA fail or refuse to seek reimbursement of the sums due hereunder from the VHC, the County shall be entitled to assume all rights of the

EDA hereunder and to seek payment in the Circuit Court of Rockbridge County, and to pursue any and all other remedies under this Agreement, or otherwise available at law or in equity.

D. The VHC shall not unreasonably withhold any additional information regarding operations, projects, financial records or other information as the County or EDA may, from time to time, request as deemed necessary to track progress. Failure of the VHC to provide full financial disclosure or other requested information to the County or the EDA in a timely manner, as specified in this agreement, shall constitute a breach of this Agreement.

E. No later than March 30, 2016, representatives of the VHC shall meet with representatives of the County and EDA to discuss a possible extension of this Performance Agreement.

F. The following shall constitute an Event of Default on the part of the VHC: (i) the VHC determines to cease operations; (ii) the VHC makes an arrangement with or for the benefit of its creditors or consenting to or acquiescing in the appointment of a receiver, trustee, or liquidator for a substantial part of its property; (iii) the VHC institutes a bankruptcy winding up, reorganization, insolvency, arrangement, or similar proceeding, under the laws of any jurisdiction, or if instituted against the VHC, if the VHC does not take appropriate action to dismiss said proceedings, which proceeding has not been dismissed within ninety (90) days of the institution of such proceeding; (iv) any action or answer by the VHC approving of, consenting to, or acquiescing in, any such proceeding; or (v) the event of any distress, execution, or attachment upon the property of the VHC which substantially interferes with its operations or performance hereunder.

V. **Default:**

A. In the event that there is a substantial breach of a provision of this Agreement by the VHC, and such breach has not been corrected within a seven (7) day

period after receipt of Notice by the VHC from the County, the County may immediately terminate this Agreement upon Notice to the VHC.

B. The occurrence of an Event of Default described in Section IV.E. above shall not require Notice by the County as provided in Section V.A., but shall automatically terminate this Agreement forthwith.

C. In the event of termination of this Agreement pursuant to this Section V, all financial obligations of the County and the EDA shall be automatically terminated, except for payment of Dedicated Tax Receipts on the VHC's USDA Debt.

VI. Notice.

Notice required to be given under this Agreement shall be deemed to have been given, if in writing, (i) two (2) days after deposited in the United States Mail, certified or registered, return receipt requested, with postage prepaid or (ii) delivery by hand against a written receipt, and addressed as follows, or as any Party hereto may from time to time designate by giving written Notice thereof to all other Parties:

To the County: Rockbridge County Administrator
Rockbridge County Administrative Offices
150 South Main Street
Lexington, VA 24450

With a copy to: Rockbridge County Attorney
Rockbridge County Administrative Offices
150 South Main Street
Lexington, VA 24450

To the EDA: Chairman
Rockbridge County Economic Development Authority
Rockbridge County Administrative Offices
150 South Main Street
Lexington, VA 24450

With a copy to: Lee R. Taylor, Esquire
Spencer & Taylor
401 Lime Kiln Road
Lexington, VA 24450

XI. Entire Agreement.

This Agreement constitutes the entire agreement between the parties. No modification hereof shall be effective unless in writing and signed by all Parties.

XII. Counterparts.

This Agreement shall be executed in triplicate, each of which shall constitute an original.

[The remainder of this page is intentionally left blank.]

WITNESS the following signatures and seals:

Approved as to form:

ROCKBRIDGE COUNTY
BOARD OF SUPERVISORS

Vicki Whiffman
Rockbridge County Attorney

By: Spencer H. Suter
Spencer H. Suter
County Administrator

Commonwealth of Virginia,
County/City of Lexington, to-wit:

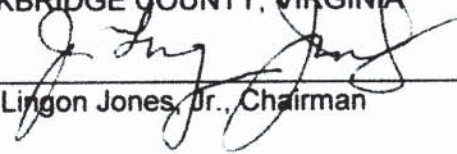
The foregoing instrument was acknowledged before me this 26th day of June, 2014, by Spencer H. Suter, County Administrator, on behalf of the Board of Supervisors of Rockbridge County, Virginia.

Brandy Leigh Whitten
Notary Public

My commission expires: September 30, 2016
Registration No. 7519049



ECONOMIC DEVELOPMENT AUTHORITY
OF ROCKBRIDGE COUNTY, VIRGINIA

By: 
J. Lingon Jones, Jr., Chairman

Commonwealth of Virginia,
County/City of Rockbridge, to-wit:

The foregoing instrument was acknowledged before me this 8th day of July, 2014, by J. Lingon Jones, Jr., Chairman, on behalf of the Economic Development Authority of Rockbridge County, Virginia.


Notary Public

My commission expires: 10/30/17
Registration No. 31281028



VIRGINIA HORSE CENTER FOUNDATION,
A Virginia not-for-profit foundation

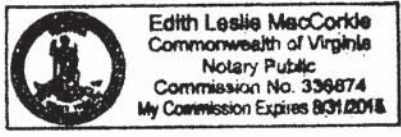
By: [Signature]
Title Pres
Ernest M. Oare

Commonwealth of Virginia,
County/City of Rockbridge to-wit:

The foregoing instrument was acknowledged before me this 1st day of July, 2014, by Ernest M. Oare, President on behalf of the Virginia Horse Center Foundation.

Edith Leslie MacCorkle
Notary Public

My commission expires: 8/31/2015
Registration No. 336874



EXTENSION OF PERFORMANCE AGREEMENT

This EXTENSION OF AGREEMENT ("Extension"), made and entered into this 23rd day of February, 2015, by and between the ROCKBRIDGE COUNTY BOARD OF SUPERVISORS (the "County"); the ECONOMIC DEVELOPMENT AUTHORITY OF ROCKBRIDGE COUNTY, VIRGINIA (the "EDA"); and THE VIRGINIA HORSE CENTER FOUNDATION, a private not-for-profit foundation organized under laws of the Commonwealth of Virginia (the "VHC"). The County, the EDA, and the VHC are herein collectively referred to as the "Parties."

WITNESSETH:

WHEREAS, the Parties entered into a Performance Agreement dated August 1, 2014 (the "Agreement"), related to the monetary and other support of the VHC through tourism incentives; and,

WHEREAS, the VHC has requested an extension on the Term of the Agreement from two (2) years to five (5) years, to allow the VHC an opportunity to leverage the anticipated funds for more immediate capital upgrades and donor contributions.

NOW, THEREFORE, in consideration of the mutual promises, covenants and obligations contained herein, which the parties hereto acknowledge as being sufficient consideration for entering into this Extension, the Parties hereby agree to extend the term of the existing Agreement as follows:

1. Section II of the Agreement is hereby amended and substituted as follows:

II. Term:

This Agreement shall be in effect for a period of five (5) years from the Effective Date (the "Term"), terminating on July 31, 2019.

2. Section IV.E. is hereby amended and substituted as follows:

IV. VHC Commitment:

E. No later than March 30, 2019, representatives of the VHC shall meet with representatives of the County and EDA to discuss a possible extension of this Performance Agreement.

3. Section V.B. is hereby amended, corrected and substituted as follows:

V. Default:

B. The occurrence of an Event of Default described in Section IV.F. above shall not require Notice by the County as provided in Section V.A., but shall automatically terminate this Agreement forthwith.

4. All other terms, conditions and provisions of the existing Agreement shall remain unchanged and in full force and effect.

WITNESS the following signatures and seals:

Approved as to form:

ROCKBRIDGE COUNTY
BOARD OF SUPERVISORS

By: *Vicki V. Huffman*
Rockbridge County Attorney

Spencer H. Suter
Spencer H. Suter
County Administrator

Commonwealth of Virginia,
County/City of Lexington, to-wit:

The foregoing instrument was acknowledged before me this 2nd day of April, 2015, by Spencer H. Suter, County Administrator, on behalf of the Board of Supervisors of Rockbridge County, Virginia.

Brandy Leigh Whitten
Notary Public

My commission expires: Sept. 30, 2016
Registration No. 7519049



ECONOMIC DEVELOPMENT AUTHORITY
OF ROCKBRIDGE COUNTY, VIRGINIA

By: *J. Lingon Jones, Jr.*
J. Lingon Jones, Jr., Chairman

Commonwealth of Virginia,
County/City of Lexington, to-wit:

The foregoing instrument was acknowledged before me this 4th day of
May, 2015, by J. Lingon Jones, Jr., Chairman, on behalf of the
Economic Development Authority of Rockbridge County, Virginia.

Brandy Leigh Whitten
Notary Public

My commission expires: September 30, 2016
Registration No. 7519049



VIRGINIA HORSE CENTER FOUNDATION,
a Virginia not-for-profit foundation

By: [Signature]
Ernest M. Oare, President

Commonwealth of Virginia,
County/City of Lexington, to-wit:

The foregoing instrument was acknowledged before me this 27th day of
May, 2015, by Ernest M. Oare, President, on behalf of the Virginia
Horse Center Foundation.

[Signature]
Notary Public

My commission expires: June 30th, 2016
Registration No. 7175833



Law Offices
SPENCER & TAYLOR, PLC
Attorneys at Law

401 Lime Kiln Road
Lexington, VA 24450
Telephone: (540) 463-7138
Facsimile: (540) 464-6500

Lee R. Taylor
Kent A. Gibson
Thomas C. Spencer (retired)

148 West 20th Street
Buena Vista, VA 24416
Telephone: (540) 261-7138
Facsimile: (540) 261-6511

October 19, 2016

Lawrence A. Mann
Lexington City Attorney
Mann, Vita, Elrod P.L.L.C.
15A E. Nelson Street
Lexington, VA 24450

Re: Robert E. Lee Properties/IDA

Dear Larry:

Please find enclosed a draft of two Certificates of Partial Satisfaction of the IDA mortgage on the above referenced property. As we have previously discussed, the two condominium units on the sixth floor of the building are being sold. The city has previously released Suite B and Mr. Benincasa is now requesting the partial release of Suites A and C with regard to the parking lot mortgage.

The seller proposes to pay the sum of fifteen thousand (\$15,000.00) dollars to the IDA upon closing of each of these transactions in consideration for these releases. The closing should occur late this month or early November.

Please let me know whether there is any question in this regard. I would appreciate your scheduling a meeting as soon as possible to seek approval for this action.

I look forward to hearing from you in this regard.

Sincerely,


Lee R. Taylor

Enclosure

cc: Ugo Benincasa

The real estate affected is 28-1-1-188A

VA.CODE Section 55-66.3 to 55-66.7

CERTIFICATE OF PARTIAL SATISFACTION

Place of record: CIRCUIT COURT OF ROCKBRIDGE COUNTY, VIRGINIA

Date of Deed of Trust: August 5, 2011

Deed of Trust Instrument Number: 110002333

Name(s) of Grantor(s): Robert E. Lee Properties, L.L.C.

Name(s) of Trustee(s): Laurence A. Mann and J. Steven Grist

Brief Description of Property to be Released: All those premises comprising a Condominium Unit in Robert E. Lee Condominium, located in the City of Lexington, Virginia, together with all appurtenances, rights and privileges thereunto belonging, including but not limited to the Common Elements of said Condominium, pursuant to the Declaration Of Condominium Covenants, Restrictions and Easements, Robert E. Lee Condominium, dated the 14th day of November 2013, of record in the Clerk's Office of the Circuit Court of Rockbridge County, Virginia, as Instrument Number 130003908, shown and described as "SUITE A, ±1,567 sq. ft.", on that certain plat, dated February 21, 2013, revised July 5, 2013, prepared by Farris P. Hotchkiss, L.S., entitled "Exhibit "D" Sixth Floor Robert E. Lee Hotel", which plat is of record in the Clerk's Office aforesaid attached to Instrument Number 130003908.

Maker(s) of Notes(s): Robert E. Lee Properties, L.L.C.

Date of Note(s): August 5, 2011

Face Amount of Note(s): \$83,300.00

The lien of the above-mentioned deed of trust securing the above-mentioned note is hereby released only insofar as the same is applicable to the real estate described above and in all other respects shall remain in full force and effect.

The undersigned is the legal holder of the evidence of debt secured by the said deed of trust.

Given under my/our hand(s) this _____ day of _____, 2016, pursuant to duly authorized authority.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, Noteholder

By: _____

Title: _____

COMMONWEALTH OF VIRGINIA,
CITY/COUNTY OF _____:

Subscribed, sworn to and acknowledged before me this _____ day of _____, 2016,
by _____ (NAME AND TITLE) as
authorized agent for the Industrial Development Authority of the City of Lexington.

My commission expires: _____.

Notary Registration Number: _____.

Notary Public

The real estate affected is 28-1-1-188C

VA.CODE Section 55-66.3 to 55-66.7

CERTIFICATE OF PARTIAL SATISFACTION

Place of record: CIRCUIT COURT OF ROCKBRIDGE COUNTY, VIRGINIA

Date of Deed of Trust: August 5, 2011

Deed of Trust Instrument Number: 110002333

Name(s) of Grantor(s): Robert E. Lee Properties, L.L.C.

Name(s) of Trustee(s): Laurence A. Mann and J. Steven Grist

Brief Description of Property to be Released: All those premises comprising a Condominium Unit in Robert E. Lee Condominium, located in the City of Lexington, Virginia, together with all appurtenances, rights and privileges thereunto belonging, including but not limited to the Common Elements of said Condominium, pursuant to the Declaration Of Condominium Covenants, Restrictions and Easements, Robert E. Lee Condominium, dated the 14th day of November 2013, of record in the Clerk's Office of the Circuit Court of Rockbridge County, Virginia, as Instrument Number 130003908, shown and described as "SUITE C, ±1,217 sq. ft.", on that certain plat, dated February 21, 2013, revised July 5, 2013, prepared by Farris P. Hotchkiss, L.S., entitled "Exhibit "D" Sixth Floor Robert E. Lee Hotel", which plat is of record in the Clerk's Office aforesaid attached to Instrument Number 130003908.

Maker(s) of Notes(s): Robert E. Lee Properties, L.L.C.

Date of Note(s): August 5, 2011

Face Amount of Note(s): \$83,300.00

The lien of the above-mentioned deed of trust securing the above-mentioned note is hereby released only insofar as the same is applicable to the real estate described above and in all other respects shall remain in full force and effect.

The undersigned is the legal holder of the evidence of debt secured by the said deed of trust.

Given under my/our hand(s) this _____ day of _____, 2016, pursuant to duly authorized authority.

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF LEXINGTON, Noteholder

By: _____

Title: _____

COMMONWEALTH OF VIRGINIA,
CITY/COUNTY OF _____:

Subscribed, sworn to and acknowledged before me this _____ day of _____, 2016,
by _____ (NAME AND TITLE) as
authorized agent for the Industrial Development Authority of the City of Lexington.

My commission expires: _____.

Notary Registration Number: _____.

Notary Public