

**VIRGINIA:**

At a joint recessed meeting of the Washington County Board of Supervisors and Washington County Industrial Development Authority held Thursday, November 8, 2007, at 7:00 p.m., at the County Administration Building in Abingdon, Virginia the following were present:

**PRESENT:**

**Board of Supervisors:**

Kenneth O. Reynolds, Chairman  
Jack R. McCrady, Jr., Vice Chairman  
Phillip B. McCall  
Dulcie M. Mumpower  
Odell Owens  
Paul O. Price

Mark K. Reeter, County Administrator  
Lucy E. Phillips, County Attorney  
Naoma A. Mullins, Recording Clerk

**Industrial Development Authority:**

Russell U. Owens, Chairman  
David Cline  
Henry S. Snodgrass  
Curtis R. Woodward  
Clarence B. "C.B." Hale  
Jack Hagy

David Rose, Davenport & Company  
Dan Siegel, Sands Anderson Marks and Miller

**ABSENT:**

**Board of Supervisors:**

Anthony S. Rector

**Industrial Development Authority:**

Eugene P. Baker

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**1. Call to Order**

**Board of Supervisors:**

The meeting was called to order by Mr. Kenneth Reynolds, Chairman of the Board.

**Industrial Development Authority:**

Russell Owens called the Industrial Development Authority (IDA) to order.

**2. Welcome, Introductions and Opening Remarks**

Mr. Reeter recognized Board of Supervisor Elect Tom Taylor and congratulated him on his victory. He further congratulated Supervisors Phil McCall and Odell Owens for their re-election to the Board of Supervisors.

At this time, Mr. Reeter introduced David Rose, Senior Vice President of Public Finance with Davenport & Company who is the official financial advisor to both the Board of Supervisors and the IDA. He also introduced Dan Siegel, Attorney with Sands Anderson Marks and Miller who has been retained by the Board of Supervisors and IDA to act as Bond Counsel. Mr. Reeter explained that these gentlemen will provide a review of the materials. He further explained the Board and IDA will consider Resolutions approving the plan of financing for The Highlands Project.

Mr. Reeter reviewed the following amendments to the Agenda and further explained that the Agenda reflects some reordering of a number of the business items:

New Item 8:

Review of Washington County ICR's by Standard & Poor's and Moody's Investor Services

New Item 11:

Consideration of Resolution Honoring Washington County Veterans of World War I (Board of Supervisors)

New Item 12:

Discussion of December 17 Reception (Board of Supervisors)

**3. Approval of Agenda**

**Board of Supervisors:**

*On motion of Mr. Owens, second by Mrs. Mumpower, it was resolved to approve the Agenda with the following amendments:*

New Item 8:

*Review of Washington County ICR's by Standard & Poor's and Moody's*

**New Item 11:**

***Consideration of Resolution Honoring Washington County Veterans of World War I (Board of Supervisors)***

**New Item 12:**

***Discussion of December 17 Reception (Board of Supervisors)***

***The vote on this motion was as follows: (6-0)***

<b><i>Mr. McCall</i></b>	<b><i>Aye</i></b>
<b><i>Mr. McCrady</i></b>	<b><i>Aye</i></b>
<b><i>Mrs. Mumpower</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Owens</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Price</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Reynolds</i></b>	<b><i>Aye</i></b>

**Industrial Development Authority:**

***On motion of Mr. Snodgrass, second by Mr. Hale, it was resolved to approve the agenda as amended.***

***The vote on this motion was as follows: (6-0)***

<b><i>Mr. Hagy</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Hale</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Owens</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Snodgrass</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Cline</i></b>	<b><i>Aye</i></b>
<b><i>Mr. Woodward</i></b>	<b><i>Aye</i></b>

**4. Review of Memorandum of Understanding between County, IDA and NOM Concerning The Highlands Commercial Development Project**

County Attorney Lucy Phillips and IDA Attorney Joe Lyle provided a review of the Memorandum of Understanding (MOA) between the County, IDA and Newton Oldacre McDonald (NOM) concerning The Highlands Commercial Development Project that sets out the incentive package that was made on October 24, 2006.

**5. Presentation of Public Infrastructure Facilities Lease Revenue Bond Financing and Preliminary Limited Offering Memorandum**

Mr. David Rose provided a review of the Public Infrastructure Facilities Revenue Bond Financing and the Preliminary Limited Offering Memorandum. Mr. Rose explained that the bonds will fund upfront a \$3,000,000.00 incentive payment to NOM for The Highlands Project per the MOA. He noted that the interest cost and upfront costs of the issuance related to the bonds is to be “netted out” of the balance of the NOM incentive. Mr. Rose stated that the interest rate will not exceed six percent and that he believes that it will not be more than five percent. He further explained that the bonds will be bid out to the tax-exempt, bank qualified investor market. The credit structure for the bonds will be a non-collateralized

moral obligation of Washington County subject to appropriation and further secured by a debt service reserve fund in the amount of \$360,000.00. The Bonds are to have a ten year stated maturity with a five year call provision. Mr. Rose said that the County anticipates repaying the bonds in full within six years from incremental tax revenues generated by The Highlands Project. The estimated size of the bond transaction is approximately \$3,610,000.00 (\$3,000,000 upfront payment to NOM; \$250,000 costs of issuance; \$360,000 debt service reserve). He explained the bonds are scheduled to be sold on November 15 with the sign bond purchase agreement taking place on November 16. The Pre-Closing and Closing for the bonds is scheduled for November 28/29.

Discussions ensued among the Board of Supervisors and IDA.

At this time, Mr. Rose addressed the bond ratings the County received from Standard & Poor's and Moody's Investors Service, the two major national credit rating agencies. Mr. Rose explained that when the Southwest Virginia Regional Jail Project was set to be financed the County sought and obtained a strong investment grade rating of A3 and in doing so became the catalyst in the sale of bonds for the regional jail project. Several years have now passed and with The Highlands Project it was discussed that with the positive economic benefits of the center it was recommended that the County again approach Standard & Poor's with a request that the County's credit rating be upgraded. Standard & Poor's gave the County an A+ rating and Moody's come back and upgraded the County's rating from A2 to A3. Mr. Rose stated that Washington County is the only A rated County in the southwest region of Virginia. The strong credit ratings allowed the County the flexibility to have an uncollateralized loan. He further stated the County received the strong credit ratings because of the strong economic base, strong management and low debt level.

Mr. Reeter stated that the County's strong credit ratings put the County in a strong position to market itself to prospective business and industry as a rated investment grade community. He further stated that the strong credit ratings are attributed to the solid management of the local governing body.

*Scrivener's Note: The Public Infrastructure Facilities Lease Revenue Bond Financing and Preliminary Limited Offering Memorandum referenced above is included as Minutes Exhibit Item 2007-11-08-A.*

## **6. Review of Agreements and Adoption of Resolutions:**

### **a. Review of Financing Agreement between Board of Supervisors and IDA**

Mr. Siegel provided a review of the Financing Agreement. He explained that this agreement says that the IDA is agreeing with the County that the IDA will issue bonds up to \$3,700,000.00 for The Highlands Project, and the County agrees to make payments to the IDA or its assignee for the basic payments each year subject to annual appropriations on the bond debt. The County will make the payments from sales tax revenue. Mr. Siegel explained that the Agreement makes it clear that the IDA has limited liability. He further explained that the moral obligation part of the Financing Agreement basically states that the Board of Supervisors shall direct the County Administrator or other officer charged with preparing the County's Annual budget to include in the proposed budget for each fiscal year as a single appropriation the amount of all basic payments and estimated additional payments coming due during each fiscal year. Mr. Siegel explained that the Agreement speaks to tax exempt bonds and what happens in the event of default. Also, there is a section that speaks to an Arbitrage Rebate Fund. He stated that the County and IDA are exempt from the Arbitrage portion of the bonds.

Discussions ensued among the Board of Supervisors and IDA. Responding to an inquiry, Mr. Siegel explained that there is no personal liability to the Board of Supervisors or IDA regarding the bonds.

*Scruener's Note: The Financing Agreement referenced above is included as Minutes Exhibits Item 2007-11-08-B.*

b. Review of Bond Purchase Agreement

Mr. Siegel provided a review of the Bond Purchase Agreement. This Agreement sets forth the terms and agreement of Davenport & Company to purchase up to \$3,700,000.00 in bonds.

*Scruener's Note: The Bond Purchase Agreement referenced above is included as Minutes Exhibits Item 2007-11-08-C.*

c. Review of Agreement of Trust, Assignment Agreement & First Supplemental Agreement of Trust between IDA and Regions Bank

Mr. Siegel provided a review of the Agreement of Trust, Assignment Agreement and the First Supplemental Agreement of Trust between the IDA and Regions Bank.

Discussions ensued.

*Scruener's Note: The Agreement of Trust, Assignment Agreement & First Supplemental Agreement of Trust between IDA and Regions Bank referenced above is included as Minutes Exhibits Item 2007-11-08-D.*

d. Consideration of Adoption of Resolution of the Board of Supervisors Approving Plan of Financing with IDA for *The Highlands* Project

Mr. Siegel reviewed the proposed resolutions to be considered by the Board of Supervisors and IDA.

Discussions ensued among the Board of Supervisors and IDA. Subsequently, the following action was taken:

*On motion of Mrs. Mumpower, second by Mr. McCrady, the Board acted to adopt the following Resolution:*

**RESOLUTION 2007-34  
APPROVING A PLAN OF FINANCING WITH THE INDUSTRIAL DEVELOPMENT  
AUTHORITY OF WASHINGTON COUNTY, VIRGINIA, FOR THE  
ACQUISITION, DESIGN, CONSTRUCTION, EQUIPPING AND INSTALLATION OF  
THE HIGHLANDS PROJECT**

*WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County of Washington County, Virginia (the "County"), desires to undertake, in conjunction with the Industrial Development Authority of Washington County, Virginia (the "Authority"), a program of financing the acquisition, design, construction, equipping and installation of certain infrastructure improvements at an area of the County known as "The Highlands" near Exit 7 off Interstate 81 (the "Project");*

*WHEREAS, the Authority, pursuant to the Industrial Development and Revenue Bond Act (the "Act") under which it was created, is authorized to exercise all of the powers set forth in the Act, which powers include, among other things, the power to enter contracts and agreements; to finance facilities for use by, among others, a county, and to issue revenue bonds, notes and other obligations from time to time for such purpose; and to pledge all or any part of the revenues and receipts derived from payments received from the use of such facilities or from any source as security for the payment of principal of and interest on any such obligations;*

*WHEREAS, in furtherance of the purposes of the Act, the County has requested the Authority to undertake the Project, and the Authority has determined to issue its public infrastructure facilities revenue bonds and to use the proceeds therefrom to finance costs incurred in connection with the Project for the benefit of the County;*

*WHEREAS, the County and the Authority entered into a Memorandum of Agreement with certain investors concerning the Project pursuant to a joint resolution which was approved by the Board of Supervisors and the Authority on July 11, 2006;*

*WHEREAS, the Board of Supervisors desires that the Authority issue its Public Infrastructure Facilities Lease Revenue Bonds (The Highlands Project), Series 2007 (the "Bonds"), to finance the Project, fund a debt service reserve fund for the Bonds and to pay the costs of issuing the Bonds;*

*WHEREAS, Davenport & Co. LLC (the "Underwriter") has agreed to purchase the Bonds pursuant to the terms and conditions set forth below and the County desires that the Bonds be sold to the Underwriter;*

*WHEREAS, the County Administrator and the County Attorney have recommended that Sands, Anderson, Marks & Miller, a Professional Corporation, Richmond, Virginia, be retained as Bond Counsel; and*

*WHEREAS, the County Treasurer, in his capacity as Fiscal Agent for the Authority for the purposes of the Project has recommended that Regions Bank be approved as Trustee for the Bonds;*

*WHEREAS, there have been presented to this meeting drafts of the following documents (the "Documents"), proposed in connection with the undertaking of the Project and the issuance and sale of the Bonds:*

- (a) Preliminary Limited Offering Memorandum, relating to the offer and sale of the Bonds;*
- (b) Agreement of Trust, dated as of November 1, 2007, as supplemented by a First Supplemental Agreement of Trust, dated as of November 1, 2007, including the form of the Bonds (collectively, the "Trust Agreement"), each between the Authority and Regions Bank, Richmond, Virginia (the "Trustee"), pursuant to which the Bonds are to be issued and which is to be acknowledged and consented to by the County;*
- (c) Financing Agreement, dated as of November 1, 2007, between the Authority and the County (the "Financing Agreement") pursuant to which the Authority will loan the proceeds of the Bonds to the County and the County, subject to annual appropriation,*

*will make payments to the Authority in amounts sufficient to pay the principal of and interest on the Bonds;*

- (d) Bond Purchase Agreement, dated as of November 1, 2007, among the Underwriter, the County and the Authority (the "Bond Purchase Agreement") wherein the terms and conditions for the sale of the Bonds to the Underwriter are set forth;*
- (e) Assignment Agreement, dated as of November 1, 2007, between the Authority and the Trustee (the "Assignment Agreement"), which is consented to by the County whereby the rights of the Authority under the Financing Agreement are assigned to the Trustee;*

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF WASHINGTON, VIRGINIA:**

*1. The following plan for financing the Project is hereby approved. The Authority will issue the Bonds in an aggregate principal amount not to exceed \$3,700,000. The Authority will use the proceeds of the Bonds to finance the costs of the Project, to fund a debt service reserve fund for the Bonds and to pay the costs of issuing the Bonds. Pursuant to the Financing Agreement, the County will make Basic Payments and Additional Payments (as each is defined in the Financing Agreement) to the Authority in amounts sufficient to amortize the Bonds, to pay the fees or expenses of the Authority and the Trustee and to pay certain other related costs. The obligation of the Authority to pay principal of and premium, if any, and interest on the Bonds will be limited to Basic Payments and Additional Payments received from the County. The Bonds will be secured by an assignment of the Basic Payments and certain Additional Payments due under the Financing Agreement pursuant to the Assignment Agreement, all for the benefit of the holders of the Bonds. The undertaking by the County to make Basic Payments and Additional Payments will be subject to the appropriation by the County Board of Supervisors from time to time of sufficient amounts for such purposes. The plan of financing for the Project shall contain such additional requirements and provisions as may be approved by the County Administrator and the Chairman of the Authority.*

*2. In the Financing Agreement, the County Administrator, in collaboration with the Underwriter, shall provide for Basic Payments in amounts equivalent to the payment on the Bonds, which shall include the following terms: the Bonds shall be sold to the Underwriter at a purchase price equal to not less than 96% of the principal amount thereof, (2) shall be dated the date of its delivery, (3) shall bear interest at a rate not to exceed 6.00% per year, calculated on the basis of a 360-day year and of twelve 30-day months, payable semiannually on each January 15 and July 15, commencing July 15, 2008, (4) shall mature no later than January 15, 2018, payable in installments on January 15 in the years and amounts determined by the County Administrator and the County Treasurer, and (5) shall be subject to redemption at the option of the Authority, at the direction of the County, in whole or in part, at any time, on or after January 15, 2013 upon payment of 100% of the outstanding principal balance of the Bonds plus a redemption premium, if any, not to exceed 2% of the outstanding principal amount to be redeemed and interest accrued but unpaid to the date set for redemption. The execution and delivery of the Financing Agreement by the County shall constitute conclusive evidence of the County Administrator's and Chairman's approval of the final terms of the Bonds and no further approval is required by the Board of Supervisors.*

*3. The Authority is hereby requested to undertake the issuance of the Bonds, to loan the proceeds of the Bonds to the County for the Project and to secure the Bonds as set forth Trust Agreement.*

4. *The Board of Supervisors, while recognizing that it is not empowered to make any binding commitment to make appropriations beyond the current fiscal year, hereby states its intent to make annual appropriations in future fiscal years in amounts sufficient to make all Basic Payments and Additional Payments under the Financing Agreement and hereby recommends that future Boards of Supervisors do likewise during the terms of the Financing Agreement. The Board of Supervisors further directs the County Administrator or other officer charged with the responsibility for preparing the County's Annual Budget to include in the proposed budget for each fiscal year, as a single appropriation, the amount of all Basic Payments and estimated Additional Payments coming due during such fiscal year.*

5. *The County Administrator, Chairman or Vice Chairman and County Treasurer are each hereby authorized and directed to execute the Documents, which shall be in substantially the forms submitted to this meeting, which are approved, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the County Administrator, Chairman or Vice Chairman or County Treasurer, his execution to constitute conclusive evidence of his approval of any such completions, omissions, insertions and changes.*

6. *All costs and expenses in connection with the undertaking of the Project and the issuance of the Bonds, including the Authority's fees and expenses and the fees and expenses of Bond Counsel, counsel for the Authority and the Underwriter shall be paid from the proceeds of the Bonds. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the County from its legally available funds and that the Authority shall have no responsibility therefor.*

7. *The Board of Supervisors recommends to the Authority that Sands, Anderson, Marks & Miller, a Professional Corporation, Richmond, Virginia, be appointed as Bond Counsel.*

8. *The Board of Supervisors recommends to the Authority that Regions Bank be appointed as Trustee for the Bonds.*

9. *The County Administrator, the County Treasurer, the Chairman and Vice Chairman and all other officers of the County are hereby authorized and directed to work with representatives of the Authority, its Counsel, Sands, Anderson, Marks & Miller, a Professional Corporation, as Bond Counsel, and the Underwriter to perform all services and to prepare, execute, deliver and file all certificates and documents and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds, including without limitation (a) approving the final form of the Documents, (b) executing a certificate or certificates setting forth the expected use and investment of the proceeds of the Bonds to show that such expected use and investment will not violate the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder, applicable to "arbitrage bonds," (c) making any elections that such officers deem desirable regarding any provision requiring rebate to the United States of "arbitrage profits" earned on investment of proceeds of the Bonds, (d) executing any certificates providing for the County to pay any such rebate amount and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds and the undertaking of the Project. The foregoing shall be subject to the advice, approval and direction of Bond Counsel.*

10. *The County covenants that it shall not take or omit to take any action the taking or omission of which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or otherwise cause interest on the Bonds to be includable in the gross income for Federal income tax*

*purposes of the registered owners thereof under existing law. Without limiting the generality of the foregoing, the County shall comply with any provision of law that may require the County at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bonds. The County shall pay from its legally available general funds any amount required to be rebated to the United States of America pursuant to the Code.*

*11. The County agrees to the designation by the Authority of the Bonds as “qualified tax-exempt obligations” for the purpose of Section 265(b)(3) of the Code. The County represents and warrants on behalf of itself, as follows:*

*(a) The County will in no event designate more than \$10,000,000 of obligations as qualified tax-exempt obligations in calendar year 2007, including the Bonds for the purpose of such Section 265(b)(3);*

*(b) The County, all its “subordinate entities,” within the meaning of Section 265(b)(3) of the Code, and all entities that issue tax-exempt obligations on behalf of the County and its subordinate entities have together not issued more than \$10,000,000 of tax-exempt obligations in calendar year 2007 (not including “private activity bonds,” within the meaning of Section 141 of the Code, other than “qualified 501(c)(3) bonds,” within the meaning of Section 145 of the Code), including the Bonds;*

*(c) Barring circumstances unforeseen as of the date of delivery of the Bonds, the County will not issue tax-exempt obligations itself or approve the issuance of tax-exempt obligations of any of such other entities if the issuance of such tax-exempt obligations would, when aggregated with all other tax-exempt obligations theretofore issued in calendar year 2007 by the County and such other entities, result in the County and such other entities having issued a total of more than \$10,000,000 of tax-exempt obligations in calendar year 2007 (not including private activity bonds other than qualified 501(c)(3) bonds), including the Bonds; and*

*(d) The County has no reason to believe that the County and such other entities will issue tax-exempt obligations in calendar year 2007 in an aggregate amount that will exceed such \$10,000,000 limit; provided, however, that if the County receives an opinion of nationally recognized bond counsel that compliance with any covenant set forth in (a) or (c) above is not required for the Bonds to be qualified tax-exempt obligations, the County need not comply with such covenant.*

*12. The Board on behalf of the County hereby designates the Bonds as eligible for the “small issuer exception” to the rebate requirements of Section 148(f)(2) and (3) of the Code pursuant to Section 148(f)(D)(vii) of the Code, as the Authority is a subordinate entity of the County under Section 148(f)(4)(D) of the Code and the County is a governmental unit with general taxing powers, no bond which is a part of the Bonds will be a private activity bond, 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Authority and the County, and the aggregate face amount of all tax-exempt bonds, excluding private activity bonds to be issued by the County and the Authority during the calendar year 2007 is not reasonably expected to exceed \$5,000,000 increased by the lesser of \$10,000,000 attributable to financing the construction of public school facilities within the meaning of Section 148(f)(D)(vii) of the Code or so much of the aggregate face amount of bonds as are attributable to financing the construction of public school facilities within the meaning of Section 148(f)(D)(vii) of the Code. The Board of Supervisors on behalf of the County hereby allocates to the Authority \$3,700,000 of its small issuer size limitation for the calendar year 2007 to the Bonds for purposes of Section 148(f)(4)(D) of the Code.*

13. *The Board of Supervisors hereby declares, in accordance with U.S. Treasury Regulation Section 1.150-2, as amended from time to time, the County’s intent to reimburse the County with the proceeds of the Bonds for expenditures with respect to the Project, made on or after May 11, 2006, which date is no more than 60 days prior to the date of the adoption of the joint resolution referred to in the preambles of this Resolution. The County and the Authority reasonably expect that the County or the Authority will reimburse itself for the expenditures, with the proceeds of the Bonds. The maximum principal amount of the Bonds expected to be issued for the Project is \$3,700,000.*

14. *Any authorization herein to execute a document shall include authorization to deliver it to the other parties thereto and to record such document where appropriate.*

15. *All costs and expenses in connection with the undertaking of the Project and the issuance and sale of the Bonds, including the Authority’s fees and expenses and expenses of Bond Counsel, Counsel for the Authority, the Underwriter and the Trustee, shall be paid from the proceeds of the Bonds. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the County from its legally available funds and that the Authority shall have no responsibility therefor.*

16. *All other acts of the County Administrator and other officers of the County that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds and the undertaking of the Project are hereby approved and ratified.*

17. *This Resolution shall take effect immediately.*

*The vote on this motion was as follows: (6-0)*

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Price</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>

e. Consideration of Adoption of Resolution of the IDA Approving Plan of Financing for *The Highlands Project*

*On motion of Mr. Hale, second by Mr. Hagy, the IDA acted to adopt the following Resolution:*

**RESOLUTION 2007-35  
 APPROVING A PLAN OF FINANCING WITH  
 THE COUNTY OF WASHINGTON, VIRGINIA, FOR THE  
 ACQUISITION, DESIGN, CONSTRUCTION, EQUIPPING AND INSTALLATION OF  
 THE HIGHLANDS PROJECT**

*WHEREAS, the Industrial Development Authority of Washington County, Virginia (the “Authority”), pursuant to the Industrial Development and Revenue Bond Act (the “Act”) under which it is created, is authorized to exercise all of the powers set forth in the Act, which powers include, among other things, the power to enter contracts and agreements; to finance facilities for use by, among others, a county, and to issue revenue bonds, notes and other obligations from time to time for such purpose; and to pledge all or any part of the revenues and receipts derived from payments*

*received from the use of such facilities or from any source as security for the payment of principal of and interest on any such obligations;*

*WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County of Washington, Virginia (the "County"), desires to undertake, in conjunction with the Authority, a program of financing the acquisition, design, construction, equipping and installation of certain infrastructure improvements in an area of the County known as "The Highlands" near Exit 7 of Interstate 81 (the "Project");*

*WHEREAS, the County and the Authority entered into a Memorandum of Agreement relating to the Project with certain investors pursuant to a joint resolution approved by the Board of Supervisors and the Authority on July 11, 2006;*

*WHEREAS, in furtherance of the purposes of the Act, the County has requested the Authority to undertake the Project, and the Authority has determined to issue its public infrastructure facilities revenue bonds and to use the proceeds therefrom to finance costs incurred in connection with the Project for the benefit of the County;*

*WHEREAS, the Authority proposes to issue its Public Infrastructure Facilities Lease Revenue Bonds (The Highlands Project), Series 2007 (the "Bonds"), in a principal amount not to exceed \$3,700,000 to finance the Project, to fund a debt service reserve fund for the Bonds and to pay the costs of issuing the Bonds;*

*WHEREAS, Davenport & Co. LLC (the "Underwriter") has agreed to purchase the Bonds on the terms set forth below and the County has recommended that the Bonds be sold to the Underwriter; WHEREAS, the Board of Supervisors has recommended that Sands, Anderson, Marks & Miller, a Professional Corporation, Richmond, Virginia, be retained as bond counsel;*

*WHEREAS, the Board of Supervisors has recommended that Regions Bank be appointed as trustee for the Bonds;*

*WHEREAS, there have been presented to this meeting drafts of the following documents (the "Documents"), proposed in connection with the undertaking of the Project and the issuance and sale of the Bonds:*

- (a) Preliminary Limited Offering Memorandum relating the offering and sale of the Bonds,*
- (b) Agreement of Trust, dated as of November 1, 2007, as supplemented by a First Supplemental Agreement of Trust, dated as of November 1, 2007, including the form of the Bonds (collectively, the "Trust Agreement"), each between the Authority and Regions Bank, Richmond, Virginia (the "Trustee"), pursuant to which the Bonds are to be issued and which is to be acknowledged and consented to by the County;*

- (c) *Financing Agreement, dated as of November 1, 2007, between the Authority and the County (the "Financing Agreement") pursuant to which the Authority will loan the proceeds of the Bonds to the County and the County, subject to annual appropriation, will make payments to the Authority in amounts sufficient to pay the principal of and interest on the Bonds;*
- (d) *Bond Purchase Agreement, dated as of November 1, 2007 (the "Assignment Agreement"), among the Underwriter, the County and the Authority (the "Bond Purchase Agreement"), setting forth the terms and conditions for the purchase of the Bonds by the Underwriter; and*
- (e) *Assignment Agreement, dated as of November 1, 2007, between the Authority and the Trustee, which is consented to by the County whereby the rights of the Authority under the Financing Agreement are assigned to the Trustee;*

**NOW, THEREFORE, BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY OF WASHINGTON COUNTY, VIRGINIA:**

*1. The following plan for financing the Project is hereby approved. The Authority will issue the Bonds in an aggregate principal amount not to exceed \$3,700,000. The Authority will use the proceeds of the Bonds to finance the costs of the Project, to fund a debt service reserve fund for the Bonds and to pay the costs of issuing the Bonds. Pursuant to the Financing Agreement, the County will make certain Basic Payments and Additional Payments (each as defined in the Financing Agreement) in amounts sufficient to amortize the Bonds, to pay the fees or expenses of the Authority and the Trustee and to pay certain other related costs. The obligation of the Authority to pay principal of and premium, if any, and interest on the Bonds will be limited to payments of Basic Payments and Additional Payments received from the County. The Bonds will be secured by an assignment of the Basic Payments and certain Additional Payments due under the Financing Agreement pursuant to the Assignment Agreement, all for the benefit of the holder of the Bonds. The undertaking by the County to make Basic Payments and Additional Payments will be subject to annual appropriation by the County Board of Supervisors of sufficient amounts for such purposes. The plan of financing for the Project shall contain such additional requirements and provisions as may be approved by the County Administrator, the Chairman or Vice Chairman of the County Board of Supervisors and the Chairman of the Authority.*

*2. The Authority hereby authorizes the issuance of the Bonds pursuant to the Trust Agreement and in accordance with the following provisions. The Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Agreement upon payment of a purchase price equal to not less than 96% of the principal amount thereof. The Bonds shall be dated the date of its delivery, shall be in a principal amount not to exceed \$3,700,000 and shall bear interest at a rate not to exceed 6.00% per year, calculated on the basis of a 360-day year and of twelve 30-day months, payable semiannually on each January 15 and July 15, commencing July 15, 2008. The Bonds shall mature no later than January 15, 2018, payable in installments on January 15 in the years and amounts as determined by the Chairman of the Authority in consultation with the County Administrator and County Treasurer. The Bonds shall be subject to redemption at the option of the Authority, at the direction of the County, in whole or in part, at any time, on or after January 15, 2013 upon payment of the outstanding principal balance of the Bonds plus a redemption premium, if any, not to exceed 2% of the principal amount to be redeemed and interest accrued but unpaid to the date set for redemption. The execution and delivery of the Bonds by the authorized officers of the Authority shall constitute conclusive evidence of*

*such officers approval of the final terms of the Bonds, and no further approval will be required of the Authority.*

*3. The Chairman and Vice Chairman of the Authority, either of whom may act, are hereby authorized and directed to execute the Documents, which shall be in substantially the forms submitted to this meeting, which are approved, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officer executing them, his execution to constitute conclusive evidence of his approval of any such completions, omissions, insertions and changes.*

*4. The Chairman and Vice-Chairman of the Authority, either of whom may act, are hereby authorized and directed to execute the Bonds by manual or facsimile signature, the Secretary and Assistant Secretary, either of whom may act, are hereby authorized and directed to affix the seal of the Authority to or print a facsimile thereof on the Bonds and attest the same by manual or facsimile signature, and the officers of the Authority are hereby authorized and directed to deliver the Bonds to the Trustee for authentication and delivery to the Underwriter.*

*5. All costs and expenses in connection with the undertaking of the Project and the issuance of the Bonds, including the Authority's fees and expenses and the fees and expenses of Bond Counsel, Counsel for the Authority and the Underwriter shall be paid from the proceeds of the Bonds. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the County from its legally available funds and that the Authority shall have no responsibility therefor.*

*6. The Authority agrees to the recommendation of the Board of Supervisors that Sands, Anderson, Marks & Miller, a Professional Corporation, Richmond, Virginia, be retained as Bond Counsel.*

*7. The Authority agrees to the recommendation of the Board of Supervisors that Regions Bank be appointed as Trustee for the Bonds.*

*8. The officers of the Authority are hereby authorized and directed to execute, deliver and file all certificates and documents and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds, including without limitation (a) execution and delivery of a certificate or certificates setting forth the expected use and investment of the proceeds of the Bonds to show that such expected use and investment will not violate the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations thereunder, applicable to "arbitrage bonds," (b) making any elections, at the request of the County, that such officers deem desirable regarding any provision requiring rebate to the United States of "arbitrage profits" earned on investment of proceeds of the Bonds, (c) providing for the County to pay any such rebate amount, and (d) filing Internal Revenue Service Form 8038-G, and to take all such further action as they may consider necessary or desirable in connection with the issuance and sale of the Bonds and the undertaking of the Project. The foregoing shall be subject to the advice, approval and direction of Bond Counsel.*

*9. The Authority designates the Bonds as "qualified tax-exempt obligations" for the purpose of Section 265(b)(3) of the Code. The Authority represents and covenants as follows:*

(a) *The Authority will in no event designate more than \$10,000,000 of obligations as qualified tax-exempt obligations in calendar year 2007, including the Bonds, for the purpose of such Section 265(b)(3);*

(b) *The Authority, all its “subordinate entities,” within the meaning of Section 265(b)(3) of the Code, and all entities that issue tax-exempt obligations on behalf of the County and its subordinate entities have together not issued more than \$10,000,000 of tax-exempt obligations in calendar year 2007 (not including “private activity bonds,” within the meaning of Section 141 of the Code, other than “qualified 501(c)(3) bonds,” within the meaning of Section 145 of the Code), including the Bonds;*

(c) *Barring circumstances unforeseen as of the date of delivery of the Bonds, the Authority will not issue tax-exempt obligations itself or approve the issuance of tax-exempt obligations of any of such other entities if the issuance of such tax-exempt obligations would, when aggregated with all other tax-exempt obligations theretofore issued in calendar year 2007 by the Authority and such other entities, result in the Authority and such other entities having issued a total of more than \$10,000,000 of tax-exempt obligations in calendar year 2007 (not including private activity bonds other than qualified 501(c)(3) bonds), including the Bonds; and*

(d) *The Authority has no reason to believe that the Authority and such other entities will issue tax-exempt obligations in calendar year 2007 in an aggregate amount that will exceed such \$10,000,000 limit; provided, however, that if the Authority receives an opinion of nationally recognized bond counsel that compliance with any covenant set forth in (a) or (c) above is not required for the Bonds to be qualified tax-exempt obligations, the Authority need not comply with such covenant.*

*10. The Authority hereby designates the Bonds as eligible for the “small issuer exception” to the rebate requirements of Section 148(f)(2) and (3) of the Code pursuant to Section 148(f)(D)(vii) of the Code, as the Authority is a subordinate entity of the County under Section 148(f)(4)(D) of the Code and the County is a governmental unit with general taxing powers, no bond which is a part of the Bonds will be a private activity bond, 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Authority and the County, and the aggregate face amount of all tax-exempt bonds, excluding private activity bonds to be issued by the County and the Authority during the calendar year 2007 is not reasonably expected to exceed \$5,000,000 increased by the lesser of \$10,000,000 attributable to financing the construction of public school facilities within the meaning of Section 148(f)(D)(vii) of the Code or so much of the aggregate face amount of bonds as are attributable to financing the construction of public school facilities within the meaning of Section 148(f)(D)(vii) of the Code. The Authority hereby allocates to the Authority up to \$3,700,000 of its small issuer size limitation for the calendar year 2007 to the Bonds for purposes of Section 148(f)(4)(D) of the Code.*

*11. The Authority hereby declares, in accordance with U.S. Treasury Regulation Section 1.150-2, as amended from time to time, the Authority’s intent to reimburse the County or the Authority with the proceeds of the Bonds for expenditures with respect to the Project, made on or after May 11, 2006, which date is no more than 60 days prior to the date of the adoption of the joint resolution referred to in the preambles of this Resolution. The Authority and the County reasonably expect that the County or the Authority will reimburse itself for the expenditures, with the proceeds of the Bonds. The maximum principal amount of the Bonds expected to be issued for the Project is \$3,700,000.*

12. Any authorization herein to execute a document shall include authorization to deliver it to the other parties thereto and to record such document where appropriate.

13. All other acts of the officers of the Authority that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds and the undertaking of the Project are hereby approved and ratified.

14. This Resolution shall take effect immediately.

The vote on this motion was as follows: (6-0)

Mr. Hagy	Aye
Mr. Hale	Aye
Mr. Owens	Aye
Mr. Snodgrass	Aye
Mr. Cline	Aye
Mr. Woodward	Aye

7. Review of Washington County ICR's by Standard & Poor's and Moody's

Reviewed under Item 5.

8. Final Questions, Comments and Closing Remarks:

- a. Board of Supervisors
- b. Industrial Development Authority

Discussions ensued among the Board of Supervisors and IDA. Mr. McCall inquired if the County needs to be conservative now concerning debt. Mr. Rose explained that County is well positioned to do projects in the future. Mr. Reynolds commented that the credit rating agencies not only asked financial questions, but asked about the well being of the County in general. He further commented that the County was able to answer the questions without hesitation. Mrs. Mumpower commented that she is proud of the bond rating the County has obtained. She stated that she is proud of the County staff, the County Treasurer and everyone else involved with assisting the County to obtain the outstanding credit rating.

9. Adjourn or Recess – Industrial Development Authority

On motion of Mr. Snodgrass, second by Mr. Cline, it was resolved to adjourn the meeting.

The vote on this motion was as follows: (6-0)

Mr. Hagy	Aye
Mr. Hale	Aye
Mr. Owens	Aye
Mr. Snodgrass	Aye
Mr. Cline	Aye

Mr. Woodward Aye

The Board of Supervisors took a five minute recess.

**10. Consideration of Resolution Honoring Washington County Veterans of World War I – Board of Supervisors**

*On motion of Mr. Owens, second by Mr. McCrady, it was resolved to adopt the following Resolution:*

**RESOLUTION 2007-36  
RECOGNIZING WASHINGTON COUNTY VETERANS OF WORLD WAR I**

*WHEREAS, Veterans Day originated as “Armistice Day” on November 11, 1919, the first anniversary of the end of World War I; and*

*WHEREAS, in 1926 Congress passed a resolution for an annual observance of Armistice Day, and November 11 became a national holiday beginning in 1938; and*

*WHEREAS, President Dwight D. Eisenhower signed legislation in 1954 to change the name to “Veterans Day” as a way to honor those who served in all American wars; and*

*WHEREAS, 73 patriotic men and women from Washington County and Bristol sacrificed their lives in service to their country during World War I in order that others may be free; and*

*WHEREAS, now as then men and women of Washington County continue to proudly serve in this country’s armed forces both at home and throughout the world;*

*NOW, THEREFORE BE IT RESOLVED, that the Washington County Board of Supervisors and the citizens of Washington County do hereby recognize and honor the men and women from Washington County who served in World War I; and*

*BE IT FURTHER RESOLVED, that the Washington County Board of Supervisors and the citizens of Washington County further acknowledge our indebtedness to all the men and women and their families who have given and continue to give of their lives, hopes, and dreams so that others may be free.*

*The vote on this motion was as follows: (6-0)*

Mr. McCall Aye  
Mr. McCrady Aye  
Mrs. Mumpower Aye  
Mr. Owens Aye  
Mr. Price Aye  
Mr. Reynolds Aye

**11. Discussion of December 17 Reception – Board of Supervisors**

Discussion ensued among the Board concerning a Board of Supervisors reception proposed for Monday, December 17 to honor Board of Supervisor Elect Tom Taylor, the new Constitutional Officers and the new General Manager of the Washington County Service Authority. It was proposed that the Board also honor the retiring Constitutional Officer and retiring Director of the Department of Social Services. No action was taken at this time.

**12. Adjourn to November 13, 2007 Regular Meeting – Board of Supervisors**

*On motion of Mrs. Mumpower, second by Mr. Owens, it was resolved to adjourn.*

*The vote on this motion was as follows: (6-0)*

<i>Mr. McCall</i>	<i>Aye</i>
<i>Mr. McCrady</i>	<i>Aye</i>
<i>Mrs. Mumpower</i>	<i>Aye</i>
<i>Mr. Owens</i>	<i>Aye</i>
<i>Mr. Price</i>	<i>Aye</i>
<i>Mr. Reynolds</i>	<i>Aye</i>

\*\*\*\*\*

**Prepared by:**

\_\_\_\_\_  
Naoma A. Mullins, Recording Clerk

**Approved by the Washington County Board of Supervisors:**

\_\_\_\_\_  
Kenneth O. Reynolds, Chairman