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May 12, 2016

VIA ELECTRONIC MAIL ONLY

Mr. Ronny Lott
Chancery Clerk, Madison County, Mississippi
146 West Center Street
P.O. Box 404
Canton, MS 39046

RE: Inducement Agreement / Arrowhead Real Estate, LLC / Hederman Brothers, LLC

Dear Ronny:

Please accept this correspondence as my confirmation that the MCEDA Board, at its regular meeting on May 12, 2016, did consider and approve the attached Inducement Agreement for recommendation to the Madison County Board of Supervisors.

Following Ms. Snell's review and approval, I ask that this be placed on the Board's agenda for consideration at first opportunity.

With kindest personal regards, I am

Very truly yours,



ANDY J. CLARK

attachment

cc: Katie Bryant Snell (via email only)
Tony Greer (via email only)
Don Cannada (via email only)
Gene Magee (via email only)
Doug Hederman (via email only)

INDUCEMENT AGREEMENT

PREAMBLE

This INDUCEMENT AGREEMENT ("**Agreement**") is made and entered into as of the last date of its execution by and among the following: the Board of Supervisors ("**Board**") of Madison County ("**County**"); the State of Mississippi ("**State**"); Arrowhead Real Estate, LLC, a Mississippi limited liability company ("**Arrowhead**"); and Hederman Brothers, LLC, a Mississippi limited liability company ("**Hederman**" and, together with Arrowhead and any Permitted Assignees [as defined in Section 1.4 below], collectively "**Project Owners**"¹ and, together with the Board and County, collectively "**Parties**").

BACKGROUND

(1) Hederman has operated its enterprise for the printing, manufacturing, and warehousing of various printed materials and related products ("**Enterprise**") at its facility located at 500 Steed Road at the corner of the West Frontage Road of I-55 North in the City of Ridgeland in the County ("**Current Facility**") since 1993.

(2) The Current Facility no longer serves the business needs for the continuing and future operations of the Enterprise. Technology has changed dramatically in the printing industry in the past twenty-three (23) years, necessitating a different type of workplace and equipment. This new technology not only requires a different workflow than is available in the Current Facility without dramatic modifications but would also require an expensive retrofit of the Current Facility for the new equipment. Considering the cost of such modifications to and retrofitting of the Current Facility, as well as the steadily increasing cost of maintenance thereof, Hederman reached a business decision that a new facility - designed especially with the new equipment and workflow requirements in mind - was the more practical and economical approach. After consideration of other possible locations both inside and outside of the County, Hederman desires to relocate the modernized Enterprise to a parcel of land consisting of approximately ten (10) acres located on Industrial Drive North in the Gluckstadt Industrial Park in the unincorporated County ("**New Site**"), a legal description and survey of which is attached hereto as Exhibit (2).

(3) Project Owners propose to acquire the New Site and to construct and equip a new printing facility in order to relocate and continue the Enterprise ("**New Facility**"). Arrowhead will acquire the New Site and will also make certain improvements on the New Site in the form of a building and other real property improvements (together with the New Site, collectively "**Leased Property**"). Arrowhead will then lease the Leased Property to Hederman pursuant to a net lease arrangement ("**Lease**") under which Hederman will be responsible for the ad valorem property taxes ("**Taxes**") thereon and will have a leasehold interest in the Leased Property ("**Leasehold Interest**" and, together with the Leased Property, collectively the "**New Real Property**").

(4) The New Facility will be composed of both: (a) the Leased Property to be acquired, constructed, and owned by Arrowhead and leased to Hederman; and (b) certain fixtures, machinery, equipment, furniture, furnishings, leasehold improvements to the Leased Property ("**Leasehold Improvements**"), and other items of personal property, both new and used/reconditioned (collectively "**New Personal Property**") to be purchased, installed, and owned

¹ Project Owners are related by or through certain family relationships and are affiliated entities although the ownership interests therein are not identical.

or leased by Hederman and used in the Enterprise at the New Facility. However, the New Personal Property does not include any of the existing personal property owned by Hederman and currently used in the Enterprise at the Current Facility which will be moved and relocated to, and continue to be used at, the New Facility (collectively "**Existing Property**").

(5) While the Existing Property will be utilized in the New Facility, only the Leased Property, the New Personal Property, and the Leasehold Interest will constitute new items of property used at the New Facility (collectively "**New Facility Property**"). Consequently, the New Facility Property, for all purposes of this Agreement, will consist solely of the Leased Property, the New Personal Property, and the Leasehold Interest and shall exclude the Existing Property.

(6) Nevertheless, while the Leased Property will be assessed to Arrowhead by the Tax Assessor of Madison County ("**Assessor**"), the Lease will require Hederman to pay the Taxes on the Leased Property. Therefore, even though title to such Leased Property will remain in the name of Arrowhead, Hederman will bear the ultimate responsibility and burden for the payment of any and all Taxes with respect to the Leased Property. A lessee of property owned by the lessor but utilized by the lessee in an enterprise qualifying for an Expansion Exemption may be granted an Expansion Exemption on its leasehold interest in such leased property based upon the lessee's qualifying use of the leased property and its leasehold interest therein in its enterprise where the lessee is leasing such property from the lessor under a lease which obligates the lessee to pay any Taxes on such leased property and its leasehold interest therein.

(7) Therefore, Hederman's decision not to move its Enterprise outside the County but instead to relocate to, and expand its Enterprise at, the New Facility in the County will result in its replacement of certain property currently used in the Enterprise at the Current Facility, in the addition of certain other new property to be used in its Enterprise at the New Facility, and in the expansion of its Enterprise in the County.

(8) The New Facility and Enterprise will consist of the New Facility Property. Project Owners estimate that the total true value of the Leased Property will be approximately Three Million Five Hundred Thousand Dollars and Zero Cents (\$3,500,000.00); that the total true value of the New Personal Property will be approximately Four Million Five Hundred Thousand Dollars and Zero Cents (\$4,500,000.00); and that the total true value of the New Facility Property comprising the New Facility will thus be approximately Eight Million Dollars and Zero Cents (\$8,000,000.00) ("**Capital Investment**"), but such value excludes the values of the Existing Property, the Leasehold Interest, and the inventories of raw materials and work-in-process (collectively "**Process Inventories**").

(9) As a result of the relocation of the Enterprise to, and expansion at, the New Facility, Hederman will continue to operate the Enterprise in the County, which will prevent a loss of the jobs and payroll in the County and result in the retention in the County of employment associated with the Enterprise for approximately ninety (90) current employees, with an approximate payroll in the County for 2015 of Four Million One Hundred Sixty Thousand Dollars and Zero Cents (\$4,160,000.00); should create additional jobs and payroll at the New Facility in the future as a result of the expansion; will create numerous temporary construction jobs; and will assist both in the retention and creation of other ancillary jobs in the County (collectively "**County Jobs**"), through which Hederman will continue to make a major direct contribution and commitment to the present and future economic development of the County and will also have an additional overall positive indirect economic benefit to the County (together with the Capital Investment and County Jobs, collectively "**Economic Impact**").

(10) The Mississippi Business Finance Corporation (“**MBFC**”) is authorized by Sections 57-10-201, *et seq.*, and 401, *et seq.*, of the Mississippi Business Financing Act (“**MBFC Act**”), of the Mississippi Code Annotated of 1972, as amended (“**Code**”), to issue certain industrial revenue bonds (“**MBFC Bonds**”) for the purpose of providing funds to finance all or part of the cost of a new manufacturing/warehousing enterprise or other commercial enterprise, and the MBFC may be requested to provide such financing for all or part of the New Facility Property.

(11) Sections 57-10-255(2) and 57-10-439(2) of the MBFC Act grant an exemption from ad valorem property taxes (“**Taxes**”) on real and personal property, excluding Taxes for school district purposes (together with Taxes for local community colleges, collectively “**School Taxes**”), for a project financed with MBFC Bonds (“**Bond Exemption**”) upon approval therefor being given by the appropriate local ad valorem taxing authority. The Board is thus authorized to grant the Bond Exemption to Project Owners, or either one of them, for the New Facility Property, as well as indicate the term thereof, to the extent that such New Facility Property is purchased or reimbursed out of the proceeds (“**Bond Proceeds**”) of MBFC Bonds (“**Bond Assets**”) for the New Facility and Enterprise.

(12) The County is also authorized by Section 27-31-105(1), *inter alia* (“**Statutes**”), of the Code to grant a certain exemption from Taxes on real and personal property, excluding the 1.0 mills for reappraisal maintenance mandated by § 27-39-329(2)(b)&(c) of the Code and any other Taxes mandated by State law (“**State Taxes**”), School Taxes and any other Taxes not exemptible under the laws (“**Laws**”) of the State (together with State Taxes and School Taxes, collectively “**Non-Exempt Taxes**”), in connection with the expansion of, additions to, or replacements of property at manufacturing/warehousing enterprises (“**Expansion Exemption**” and together with the Bond Exemption, collectively “**Exemptions**” or “**Inducements**”), and is thus authorized to grant the Expansion Exemption for any portion of the New Facility Property which is not subject to the Bond Exemption for any reason but which qualifies for the Expansion Exemption, as well as for the Process Inventories of the Enterprise and the Leasehold Interest in the Leased Property (collectively “**Non-Bond Assets**”).

(13) The Statutes and MBFC Act provide that the Exemptions have a maximum term of ten (10) years (“**Term**”).

STATEMENT OF CONSIDERATION

Recognizing and acknowledging that the Inducements provided and to be provided herein on behalf of the County constitute inducements to Project Owners which will thus play a major role in Project Owners’ decision to relocate the Enterprise and to locate the New Facility Property within the County and that Project Owners will be making business decisions and expending funds in reliance upon the Inducements contained in this Agreement (“**Project Owners Performance**”), which the Board acknowledges, represents and agrees is being entered into on behalf of the County expressly in order to provide the Inducements for the purpose of inducing Project Owners to relocate and expand the Enterprise in the County and of the Enterprise remaining in the County, and that sufficient consideration in the form of the Economic Impact and certain other good and valuable nonmonetary consideration will be received by the County in order to support both the actual current granting of the Bond Exemption for any Bond Assets and their agreement to grant and the actual subsequent granting of the Expansion Exemption for the Non-Bond Assets of the New Facility and Expansion, to Project Owners pursuant to this Agreement, **NOW, THEREFORE**, the Board and Project Owners, **IN CONSIDERATION OF** the premises recited

in the Background, the Inducements, the Economic Impact, the mutual promises and covenants contained herein, and other good and valuable consideration each to the other given (collectively “**Consideration**”), the receipt and sufficiency of all of which are both hereby expressly acknowledged, intending that the obligations set forth herein are the valid and legally binding obligations of each such Party, enforceable against such Party in accordance with the terms hereof, do hereby mutually agree as follows:

AGREEMENT

1.0 COUNTY OBLIGATIONS

The Board does hereby declare its intention and agreement as follows and as more specifically hereinafter described:

- 1.1. Bond Exemption.** Subject to the issuance of MBFC Bonds for all or any part of the New Facility Property, hereby grant the Bond Exemption for any part of the Bond Assets which are paid for out of Bond Proceeds, which Bond Exemption will exempt all of the Bond Assets from all Taxes, excepting Non-Exempt Taxes, for the Term. The Bond Exemption hereby granted shall become effective automatically and without any additional necessary action being required to be taken by the Board upon the filing by the Project Owners, or any one of them as applicable, with the Board, following completion of the New Facility, of a copy of the Certificate of Public Convenience and Necessity issued by the Mississippi Development Authority to the MBFC for the issuance of the MBFC Bonds for all or any part of the New Facility Property and a report of the specific Bond Assets purchased using Bond Proceeds.
- 1.2. Expansion Exemption.** Subject to the filing by Hederman, following completion of the New Facility, of proper, timely, and complete applications with respect to the Expansion Exemption, proof of qualification with all applicable requirements of the Statutes and Laws therefor, and receipt by the County of any required certifications of approval of eligibility therefor from the Mississippi Department of Revenue (“**MDOR**”):

 - 1.2.1 Non-Bond Assets.** To grant the Expansion Exemption for the Non-Bond Assets qualifying therefor and constituting part of the New Facility Property and Expansion from all Taxes, excepting the Non-Exempt Taxes, for the Term; or
 - 1.2.2. Limited Grant.** To grant, irrespective of whether or not the Expansion Exemption is also being granted to cover a portion of the New Facility Property, the Expansion Exemption which will exempt all of the Process Inventories and the Leasehold Interest of Hederman qualifying therefor from all Taxes, excepting the Non-Exempt Taxes, for the Term.
- 1.3. Term of Exemptions.** Pursuant to the MBFC Act and Statutes, the Exemptions commence upon the date of completion of the expansion of, additions to, or replacements at the Enterprise (“**Completion Date**”) and continue for a maximum period thereafter equal to the Term. (The Completion Date shall be the date of commencement of commercial operations of the New Facility, *i.e.*, the production of product for sale to customers as opposed to any pre-production testing of the New Facility.) The Exemptions shall become effective as of the first day of January immediately after the Completion Date (“**Commencement Date**”) and shall continue in effect thereafter for the Term.

1.4. Assignment. The County hereby consents to the assignment by Project Owners, or any one of them, to any hereinafter described assignees in accordance with the following terms and conditions (collectively “**Permitted Assignees**”):

1.4.1 Related Assignees. To any other entity or entities related to one or both of the Project Owners of all or part of their rights, benefits and obligations under this Agreement with respect to the Inducements for the New Facility Property and Enterprise without the necessity of any additional consent being obtained from the County for such assignments to such a related-entity assignee; *provided, however*, that the assigning Project Owner shall furnish the County with written notice of the legal identity of any such related-entity assignee and of the scope and effective date of each such assignment thereto.

1.4.2 Acquiring Assignees. The County acknowledges that the Inducements provided or to be provided herein are being provided to the Enterprise with respect to the New Facility Property. Consequently, this Agreement and the Exemptions provided or to be provided herein shall also be assignable by Project Owners, or either one of them as applicable, to any third-party acquiring the Enterprise or all or part of the New Facility Property, but only upon the prior written consent of the County, which consent shall not, however, be unreasonably withheld;

1.4.3 Effect of Assignment. *Provided, however*, that, following notice being given to the County of an assignment to a related assignee under section 1.4.1 or any consent by the County to a third-party assignee under Section 1.4.2, all of the terms and provisions of this Agreement shall remain in full force and effect with respect to such Permitted Assignee and, as a condition precedent to the assignment to a permitted Assignee in section 1.4.1 becoming effective or to the County’s consent to such Permitted Assignee under Section 1.4.2, such a proposed Permitted Assignee shall deliver to the County, in a form reasonably satisfactory to legal counsel for the County, a written acknowledgement and assumption of the rights and obligations of the applicable assigning Project Owner under this Agreement and the Exemptions, with the County’s approval thereof thus releasing the applicable assigning Project Owner from its obligations under this Agreement and the Exemptions in substitution for such Permitted Assignee.

1.4.4 Transfer of Exemptions. To the extent permitted by Law, either:

1.4.4.1 The Bond Exemptions granted herein and/or the Expansion Exemption subsequently granted to Project Owners pursuant to this Agreement will continue in full force and effect following a subsequent transfer of all or any part of the New Facility Property or of the Enterprise to a Permitted Assignee; or

1.4.4.2 The County will, if necessary and permissible but at no expense to the County, transfer the Exemption or grant a new Exemption to such Permitted Assignee following a subsequent transfer of all or any part of the New Facility Property or of the Enterprise thereto for the remaining balance of the Term for, and upon the same terms and conditions under, which the original Exemption was granted; and

1.4.4.3 The County will provide in the subsequent grant of any Expansion

Exemption that, upon any future assignment thereof permitted under Sections 1.4.1 & 1.4.2, the Expansion Exemption being granted pursuant to this Agreement will continue in full force and effect in accordance with Section 1.4.2 above or that the County will, if necessary and permissible but at no expense to the County, transfer Expansion Exemption or grant a new Expansion Exemption to such Permitted Assignee for the remaining balance of the Term for, and upon the same terms and conditions under, which the original Expansion Exemption, was granted.

2.0 PROJECT OWNERS OBLIGATIONS

Project Owners do hereby declare their intention and agreement that they will comply with each of the following terms and conditions of this Agreement:

- 2.1 **Development.** Project Owners agree that they will commence and cause the development, construction, installation and operation of the Enterprise at the New Facility as described in the Background of this Agreement.
- 2.2. **Annual Tax Filings and Payments.** Project Owners will, as applicable, annually file with the Tax Assessor of the County (“**Assessor**”), by the due date required by Law, a Personal Property Rendition using forms and/or in a format prescribed by the Assessor and will annually pay to the Tax Collector of the County, by the due date required by Law, its Taxes which are not subject to the Exemptions.

3.0 MISCELLANEOUS

- 3.1. **Severability.** If any provision of this Agreement be held invalid by any court, the invalidity of such provision shall not affect any of the remaining provisions hereof, and this Agreement shall be construed and enforced as if such invalid provision had not been contained herein.
- 3.2. **Amendments.** Any amendment or waiver of any term of this Agreement shall be in writing and signed by all Parties who are affected by such amendment or waiver.
- 3.3. **Applicable Law and Venue Selection.** This Agreement shall be governed by and construed under the laws of the State without regard to its conflicts of laws provisions. Venue for any legal or equitable action arising from this Agreement shall be in the applicable Circuit or Chancery Court of Madison County.
- 3.4. **Successors.** All of the provisions herein contained shall be binding upon and for the benefit of the respective successors and assigns of the Parties hereto, to the same extent as if each successor and assign were in each case named as a Party to this Agreement.
- 3.5. **Entire Agreement.** This Agreement constitutes the operative terms of the agreement among the Parties for the purposes stated herein, and thus constitutes the entire agreement among the Parties, superseding all previous agreements, promises, proposals, representations, understandings, and negotiations (whether oral or written), with the result that no other offers, agreements, understandings, warranties, or representations exist between or among the Parties pertaining to the subject matter of this Agreement.
- 3.6. **Nature of Agreement.** The Board hereby expressly acknowledges and agrees that,

immediately upon the acquisition of the New Site by Arrowhead, Project Owners will have commenced Project Owners Performance of this Agreement in reliance upon the Inducements provided and to be provided by the County for the Enterprise in accordance with this Agreement and that this Agreement will, consequently, no longer be executory in nature and shall be fully enforceable between and among the Parties to the fullest extent provided by Law.

3.7 Incorporation by Reference. Any and all exhibits referenced in this Agreement as being attached hereto are hereby incorporated herein by reference and expressly made a part hereof for all purposes as if fully copied herein.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on behalf of the Parties by their duly authorized officers or public officials having legal authority and capacity to bind such Party, to the extent provide by Law, as applicable, on the dates set forth opposite their respective names.

BOARD AND COUNTY:

BOARD OF SUPERVISORS OF
MADISON COUNTY, MISSISSIPPI

June ____, 2016

Trey Baxter
President

CLERK OF THE BOARD
OF SUPERVISORS OF
MADISON COUNTY

Ronny Lott, Chancery Clerk

PROJECT OWNERS:

ARROWHEAD REAL ESTATE, LLC

June ____, 2016

By: Doug Hederman
Its; Manager

HEDERMAN BROTHERS, LLC

June ____, 2016

By: Doug Hederman
Its; President & CEO