Minutes of the Board of Directors of the
Economic Development Growth Engine (EDGE) Industrial Development Board
of the City of Memphis and County of Shelby, Tennessee
Wednesday, October 17, 2012

The Meeting of the Board of Directors of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee was held on Wednesday, October 17, 2012, at the Memphis Bioworks Foundation, 20 S. Dudley Street, Breakout Room #2, 1st Floor, Memphis, TN 38103, Wednesday, October 17, 2012, commencing at 3:43 p.m.

Members Present:
Al Bright, Jr., Chairman
Thomas Dyer, Vice Chairman
Natasha Donerson, Secretary
Larry Jackson, Treasurer
Charlie Goforth
Mark Halperin
Deidre Malone
Jack Moore
Johnny Moore

Members Absent:
Councilman Shea Flinn
Commissioner Mike Ritz

Also Present:
Reid Dulberger, President/CEO
Mayor Mark H. Luttrell, Jr., Shelby County
David Lenoir, Shelby County Trustee
Kim Hackney, Deputy County CAO, Sr. Policy Advisor, Office of the Mayor
Attorney Martin Regan
Attorney Van Turner
Attorney Kevin Bruce
Attorney Casey Shannon
Attorney Monice Hagler
Keith Dilliburt, EDGE
Trey Heath, EDGE
Carmen Franklin, EDGE
Sharon Taylor McKinney, EDGE
Stan Klenk, Allen & Hoshall
Al Cousins, Allen & Hoshall
Michael Hooks, Jr., All World Project Mgmt.
Joann Massey, TN ECD

Upon determination of a quorum, the meeting was called to order by EDGE Board Chairman Al Bright, Jr. and declared open to the public at 3:43 p.m.

The first item of business to come before the Board was a review of the minutes of the EDGE Board Meeting held on Wednesday, September 19, 2012. Mark Halperin moved that the EDGE Board minutes be approved as presented. The motion was seconded by Tom Dyer. The EDGE Board minutes were approved on an affirmative vote of the following members:

Al Bright, Jr.  Mark Halperin
Thomas Dyer  Deidre Malone
Natasha Donerson  Charlie Goforth
Larry Jackson  Johnny Moore
Jack Moore
Memphis Consulting Group Update:

The next item to come before the Board was an update by Jonathan Nyaku, President, and Richard Landry, Principal Consultant, Memphis Consulting Group. Memphis Consulting Group was engaged by the EDGE Board to review basic and diversity PILOT compliance. They are currently reviewing the 2011 data and will report to the PILOT Performance and Review Committee in December. Memphis Consulting will then begin work on the 2012 evaluation. Mr. Nyaku reported on work performed, work in progress, and future achievements.

Johnny Moore suggested that as part of the review process, PILOT recipients should be asked to certify compliance or non-compliance with the terms and conditions of their PILOT incentive. Mr. Nyaku will work on this suggestion.

The Memphis Consulting Group is currently conducting on-site audits of selected PILOT recipients. Ten firms were selected for audit, based on a statistical review by Memphis Consulting Group. Board members requested a cost estimated to do on-site audits of all active PILOTs.

Financial Report:

Reid Dulberger provided financial reports on EDGE, the Depot, and IDB compiled by Cannon & Co. Financially the IDB's only activity is as funding agent for construction of the Paul R. Lowry Road Project and as a conduit for State funds for the Electrolux Project. There were no revenues or expenses for the IDB for August. The Depot has little beyond maintenance of the 80+ acres owned and participation in the Depot Owners Association. For August there were revenues of approximately $5,000 and expenses of $2,000. For EDGE for the month of August, there were revenues of $7,800 which were primarily PILOT application fees; expenses were just under $145,000 with the largest categories being legal fees. The day-to-day expenses for all three organizations will continue under the EDGE umbrella.

Jackson Moore advised the Board that it needs to make sure all deposits are insured since unlimited FDIC insurance expires at the end of the year. Johnny Moore added that since EDGE is a government entity it qualifies for programs designed to insure large-scale deposits. President Dulberger was tasked with following-up with a report to the Board before the end of the year.

President's Report:

Reid Dulberger reported on the discussion held during the Port Commission Board meeting of the integration of the Port Commission with EDGE. The next steps will be to bring the Port Commission staffing under EDGE. A Port Commission Committee has been formed to assist with this transition and includes Johnny Moore, Port Commission Chairman; Mark Halperin, and Deidre Malone. The three individuals who work outside the Port office will be offered employment with EDGE and the three office positions will be posted for competitive consideration. Ms. Davis is part of the City's "Drop Retirement Program," scheduled for the Spring of 2013, posting her position will wait until after her retirement.

Dates need to be considered for the upcoming Board meeting since the next scheduled meeting date falls on November 21st, the day before the Thanksgiving holidays and in December the scheduled meeting date falls within the week before Christmas. Alternative dates will be sent to the Board for consideration.

EDGE has relocated to 100 Peabody Place, Suite 1100. Appreciation was given to Mark Halperin and Boye Investment for all their support while EDGE was looking for permanent office space.

Electrolux and Paul R. Lowery Road Reports:

Stan Klenk reported the Electrolux project continues making good progress. The contractor's latest draw request approved on the building construction project brought their earn-to-date up to $70 million from a project total of $88 million.
MWBE participation to date is tracking towards a participation of approximately 29%, higher than original forecast. The MWBE subcontractors have received payments of $17.3 million. This amount has been verified as payments received.

Spending with local suppliers and subcontractors on the facilities project has increased from $54.2 million to $57.6 million, which is tracking towards a local participation of approximately 65%. The local spend represents Memphis/Shelby County.

The completion of the Paul R. Lowry Road project is on schedule for the first week in December.

**Other:**

Mayor Luttrell provided an overview of an initiative credited to Tom Dyer of a Memorandum of Understanding (MOU) which pledges mutual support by seven chambers of commerce in Shelby County. At a meeting in his office, representatives from the Shelby County chambers agreed to work together on retention and recruitment of companies and to respect the boundaries of each other. The chambers were asked to reach out to EDGE to create a similar MOU between them.

The Mayor expressed his appreciation of EDGE and the EDGE Board members.

Representatives present from the various chambers were recognized.

**New Business:**

**Nike PILOT Request**

Keith Dillihunt, Economic Specialist, EDGE, presented a PILOT application for Nike, Inc. Nike is looking to construct a 1.8 million sq. ft. addition at its Northridge location. The construction process is expected to take approximately four years. Nike will retain 669 positions at the Northridge location and add 250 new jobs averaging $35,000 per annum. Nike will also make an investment of $25 million in its Shelby Drive location, where 993 existing jobs will be retained. Nike is requesting a 15-year PILOT with a ramp-up period lasting 4 years, or one year after receiving a Certificate of Occupancy on the Northridge expansion, whichever comes first. The project has a benefit cost ratio of $1.82 of new revenue for every $1.00 of tax abated. Staff recommends the 15-year PILOT. Willie Gregory, Nike, stated their intent to maintain a footprint in Memphis.

Jackson Moore moved that the Nike PILOT request be approved as presented. The motion was seconded by Tom Dyer. The Nike PILOT request was approved on an affirmative vote of the following members:

- Al Bright, Jr.
- Mark Halperin
- Thomas Dyer
- Deidre Malone
- Natasha Donerson
- Charlie Goforth
- Larry Jackson
- Johnny Moore
- Jack Moore

The Chairman requested Mr. Gregory to consider using Memphis/Shelby County contractors and suppliers for the construction of the facility.
PILOT Term Sheet: Nike, Inc.

Staff recommends a 15-year PILOT for Nike, Inc. to enable the company to expand its Northridge facility (Northridge 090078 00028 and part of 090078 00024), retain 1,662 jobs, add 250 new jobs and invest $301 million.

Nike will end its lease at its 8400 Winchester building allowing the company to construct a 1.8 million-square-foot expansion of its Northridge facility at 3100 New Frayser Blvd. Nike will transition its Winchester employees over to a newly expanded Shelby Drive facility.

Nike will invest $167 million in real property and another $134 million in personal property.

Nike’s ramp up period will be either four years or one year after certificate of occupancy at its Northridge expansion, whichever comes first.

The 15-year PILOT for Nike, Inc., is based on the following terms:

<table>
<thead>
<tr>
<th>CITY OF MEMPHIS TERMS - % PAID</th>
<th>SHELBY COUNTY TERMS - % PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Property</td>
<td>Year 1-15</td>
</tr>
<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Real Property</td>
<td>Year 1-15</td>
</tr>
<tr>
<td></td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Project Breakdown

<table>
<thead>
<tr>
<th>Location</th>
<th>New Jobs</th>
<th>Retained Jobs</th>
<th>Personal Property</th>
<th>Real Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shelby Drive</td>
<td>-</td>
<td>993</td>
<td>$25 million</td>
<td>-</td>
</tr>
<tr>
<td>Northridge</td>
<td>250</td>
<td>669</td>
<td>$109 million</td>
<td>$167 million</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>1662</td>
<td>$134 million</td>
<td>$167 million</td>
</tr>
</tbody>
</table>

PILOT Evaluation Matrix

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>DATA</th>
<th>POINTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained Jobs</td>
<td>1,662</td>
<td>166.2</td>
</tr>
<tr>
<td>New Jobs</td>
<td>250</td>
<td>30.2</td>
</tr>
<tr>
<td>Wages</td>
<td>$35,000</td>
<td>0.0</td>
</tr>
<tr>
<td>Investment</td>
<td>$301,000,000</td>
<td>301.0</td>
</tr>
<tr>
<td>CRC</td>
<td>$0</td>
<td>0.0</td>
</tr>
<tr>
<td>Location</td>
<td>City of Memphis</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>307</td>
</tr>
<tr>
<td>Special Circumstances (Not to exceed 25% of total points)</td>
<td>127</td>
<td>15</td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td>522</td>
</tr>
<tr>
<td>Special Considerations</td>
<td>Special Circumstances</td>
<td>Points</td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Environmental Plan</td>
<td>Targeted Industry (Manufacturing)</td>
<td>5</td>
</tr>
<tr>
<td>Prisoner Re-entry</td>
<td>Headquarters</td>
<td>-</td>
</tr>
<tr>
<td>Diversity Plan</td>
<td>Fortune 500 Industry Leader</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Major Employer</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Minority/Women-owned</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Benefit to Cost Ratio Bonus</td>
<td>-</td>
</tr>
<tr>
<td>Total Points</td>
<td>Total Points</td>
<td>15</td>
</tr>
</tbody>
</table>

### Benefit to Cost Ratio Summary

<table>
<thead>
<tr>
<th>Payback Summary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of PILOT</td>
<td>15 years</td>
</tr>
<tr>
<td><strong>Tax Revenues</strong></td>
<td></td>
</tr>
<tr>
<td>Tax Revenues From Construction</td>
<td>$3,762,812</td>
</tr>
<tr>
<td>Tax Revenues From Operations during PILOT Period</td>
<td>$38,459,515</td>
</tr>
<tr>
<td>Property Tax Revenues Received During PILOT Period</td>
<td>$13,089,434</td>
</tr>
<tr>
<td><strong>Total Tax Revenues Received During PILOT Period</strong></td>
<td>$105,308,761</td>
</tr>
<tr>
<td>Total Taxes Forgone</td>
<td>$57,828,558</td>
</tr>
<tr>
<td><strong>Benefit/Cost Ratio</strong></td>
<td>1.82</td>
</tr>
</tbody>
</table>

**Benefit-to-Cost Ratio: $1.82 of new tax revenue for every $1 of abated taxes.**

### Diversity Plan

<table>
<thead>
<tr>
<th>M/WBE &amp; LOSB</th>
<th>Total Spend</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating/Production Supplies &amp; Tools</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Office Related</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Steel Purchases</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The PILOT will be subject to approval of Nike’s diversity plan by EDGE consultants.

### Conditions

Award of a PILOT in accordance with the recommendations of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee staff, as set forth herein, is subject to the following conditions.

1. The award is subject to the review and approval of the Board’s counsel.

2. The award is subject to the review and approval of the Applicant’s environmental impact study.

3. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby.

4. The EDGE Board (the “Board”) reserves the right to assign the PILOT, or its rights with respect thereto, to the Memphis and Shelby County Industrial Development Board (the “IDB”), in accordance with the service agreement between the Board and the IDB, if the Board ultimately deems it beneficial.

5. The PILOT will be subject to approval of Nike’s diversity plan by EDGE consultants.
Praxair IDB Grant Request

Johnny Moore recused himself from voting on the grant request.

Keith Dillihunt reported that EDGE has an opportunity to serve as a conduit for a grant by the Tennessee Department of Economic & Community Development for Praxair. Praxair received a PILOT in October, 2011 that aided a project to add 15 new jobs and $46 million in capital investment. Joann Massey, TN ECO, noted that because these are State funds, they have to be administered through a municipality and EDGE is the appointed authority for Memphis/Shelby County. No EDGE funds are involved.

Mark Haiperin moved that the Praxair IDB Grant request be approved as presented. The motion was seconded by Deidre Malone. The Praxair IDB Grant request was approved on an affirmative vote of the following members:

Al Bright, Jr.  
Thomas Dyer  
Natasha Donerson  
Larry Jackson  
Jack Moore  
Mark Haiperin  
Deidre Malone  
Charlie Goforth  
Johnny Moore

Old Business:

NuVasive Diversity Plan

The next item to come before the Board was the NuVasive Diversity Plan. Mr. Hooks and Mr. Cousins worked with the company to identify 23 contract categories and 350 potential suppliers. The Diversity Consultants recommended approval of the Diversity Plan.

Deidre Malone moved that the Board approve the NuVasive Diversity Plan as presented. The motion was seconded by Natasha Donerson. The NuVasive Diversity Plan was approved on an affirmative vote of the following members:

Al Bright, Jr.  
Thomas Dyer  
Natasha Donerson  
Larry Jackson  
Jack Moore  
Mark Haiperin  
Deidre Malone  
Charlie Goforth  
Johnny Moore

Reconsideration of Franklin Sports

The next item to come before the Board was a reconsideration of Franklin Sports, a manufacturer of sporting equipment who employs people from the Prison Work Release Program. Franklin Sports received a PILOT in 2003 for their 300,000± square foot facility. In August 2012 EDGE approved a new PILOT to assist a project to add an additional 100,000± square feet and create another 40 jobs, 30 of which would come from the Work Release program. The PILOT approved by the Board in August 2012 was for 3-years, with the potential of an additional 3-years if all 30 Work Release positions were filled, plus a potential seventh year for an exceptional Diversity Plan. At that time, Franklin Sports expressed the need for more incentive during the first three years of the project, and a willingness to forgo a longer PILOT in return for that assistance. At that time, EDGE and Franklin Sports agreed to continue discussions.

During the interim period EDGE staff and Franklin Sports executives have further discussed the project. They were unable to identify a mutually agreeable alternative. As a result, staff recommended the Board not amend the PILOT approved in August.

Price Morrison and Harry Sefkos, legal counsel, Martin Tate and Pat Manning, Manager, Franklin Sports spoke on behalf of amending the PILOT and provided additional documentation.

Board members expressed multiple concerns including the precedent that might be set, and the uncertainty about the additional 100,000± square feet.
After lengthy discussion Natasha Donerson moved to reject the Franklin Sports reconsideration request. The motion was seconded by Tom Dyer. The rejection of the Franklin Sports reconsideration request was approved on an affirmative vote of the following members:

Al Bright, Jr.       Mark Halperin
Thomas Dyer         Deidre Malone
Natasha Donerson    Charlie Goforth
Jack Moore          Johnny Moore

Larry Jackson opposed the rejection of the reconsideration request.

Franklin Sports Diversity Plan

The next item to come before the Board was the Franklin Sports Diversity Plan which was presented by diversity consultants Michael Hooks, Jr. and Al Cousins. Franklin Sports agreed to a total of 41% MWBE and LOSB participation. A list of approximately 350 MWBE/LOSB firms was provided to them. The diversity consultants recommended approval of the Franklin Sports Diversity Plan.

Tom Dyer moved that the Board approve the Franklin Sports Diversity Plan as presented. The motion was seconded by Jackson Moore. The Franklin Sports Diversity Plan was approved on an affirmative vote of the following members:

Al Bright, Jr.       Mark Halperin
Thomas Dyer         Deidre Malone
Natasha Donerson    Charlie Goforth
Larry Jackson       Johnny Moore
Jack Moore

Other / Remarks for the Good of the Order:

Jackson Moore suggested moving to the Action Items to front of the agenda and The Board agreed this was a good suggestion.

Natasha Donerson commended Trey Heath, Information Specialist, EDGE for his diligence and performance in spite of the terminal illness of his grandfather. The Board also expressed their appreciation and concern.

There being no further business before the Board, the meeting was adjourned at 5:45 p.m.

[Signature]

EDGE Secretary