

ECONOMIC DEVELOPMENT AUTHORITY MINUTES (EDA)

SPECIAL MEETING

Monday, May 10, 2010

11:30 A.M. – 12:00 Noon • Lunch for Members of the Board

12:00 Noon • Special Meeting

Conference Room 218 (Second Floor)

City Hall, 715 Princess Anne Street

Dana Herlong, Chair

Prior to the meeting a video on Kalahari was shown by Mr. Scott Little, of the Silver Companies, to the Board from 11:30 a.m. – 12:00 Noon, in Conference Room 218, City Hall.

The Economic Development Authority of the City of Fredericksburg, Virginia met in a special session on Monday, May 10, 2010, beginning at 12:10 p.m. in Conference Room 214 City Hall, 715 Princess Anne Street

Present. Dana Herlong, Joe Wilson, Mary Jane O’Neill, Rick Pullen, Chris Hornung, Chris Limbrick, and Amy LaMarca.

Absent. None

Also Present: Silver Companies: Scott Little; **Kaufman & Canoles:** George Consolvo; **Troutman Sanders:** Chuck Shimer; **The Free Lance-Star:** Bill Freehling; Michael Colangelo; Joe Whitchurch; **City of Fredericksburg: City Councilman,** Matt Kelly; **City Manager,** Bev Cameron; **Assistant City Manager:** Mark Whitley; **Attorney:** Blanton Massey; **Department of Economic Development and Tourism: Interim Director:** Karen Hedelt; **Economic Development Manager:** Richard Tremblay; and **Marketing and Information Specialist:** JoAnn Locklair.

Chair Herlong called the Special Meeting to order at 12:10 p.m. in Conference Room 214.

DETERMINATION OF A QUORUM.

Ms. O’Neill, Secretary, determined that a quorum was present.

APPROVAL OF AGENDA.

Ms. LaMarca made a motion to approve the agenda as submitted. It was seconded by Ms. O’Neill and passed by the following recorded votes. Ayes (7). Dana Herlong, Joe Wilson, Mary Jane O’Neill, Rick Pullen, Chris Hornung, Chris Limbrick, and Amy LaMarca. Nays (0). None.

***EDA Minutes
Special Meeting
May 10, 2010
Page 2***

Chair Herlong gave an overview of the Kalahari proposed bond financing, including tax-exempt Recovery Zone (RZ) Bond and proposed taxable municipal bonds. She stated the issue before the EDA is to consider being a conduit for a potential taxable municipal bond issuance for the Kalahari project in the amount of approximately \$240 million. In response to Kalahari's request for an EDA annual fee waiver, the EDA offered to hold the special meeting to review the justification of a fee modification and to consider the possible fee structure for such a bond. The City Manager will present a proposal for the EDA to consider annual bond fees for tax-exempt bonds for Kalahari Resort.

Kalahari Resort Project Update – Chair Herlong turned the meeting over to Scott Little, Director of Development, Celebrate Virginia South, Silver Companies who gave an update on the Kalahari Resort project. Mr. Little explained the financing alternative comparison of traditional bank financing, bond financing, and RZ Bond financing (see attached spreadsheet).

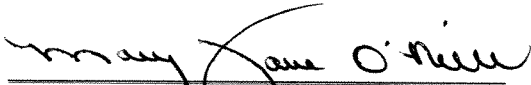
Consider Annual Bond Fees for Taxable Bonds for the Kalahari Resort – Chair Herlong turned the meeting over to Beverly Cameron, City Manager, who discussed a proposal he developed for payment of EDA bond fees on the taxable series. The fee amount paid to the Authority would be \$125,000 annually for ten years, a cash value of \$1.25 million (see attached spreadsheet). This fee is to be paid from the room occupancy tax on the Kalahari Resort through an amendment to the Performance Agreement, with the City's share being 52.5% or \$65,625 per year and the Kalahari's share being 47.5% or \$59,375 per year. He urged the members of the EDA to consider this compromise proposal, in lieu of the standard annual fee of 1/8 of 1% of principal balance over the full term.

After discussions, among members, Scott Little, George Consolvo, staff, and Matt Kelly, Kalahari and Silver representative indicated that proposed alternatives would not be acceptable. Ms. LaMarca moved that the EDA limit the fee calculation amount on the taxable bonds to the \$100 million amount. It was seconded by Mr. Pullen. Discussion followed. With no apparent consensus on the motion, Chair Herlong suggested the meeting be adjourned and continued. She asked members, staff and Kalahari representatives to take a look at some of the alternatives that have been discussed at this meeting and to come back to the Board with recommendations. Ms. O'Neill made a motion to adjourn the meeting to Friday, May 14th at 4:00 p.m. in Conference Room 218, City Hall, and 715 Princess Anne Street, Fredericksburg, VA. It was seconded by Mr. Limbrick and passed by the following recorded votes. Ayes (7). Dana Herlong, Joe Wilson, Mary Jane O'Neill, Rick Pullen, Chris Hornung, Chris Limbrick, and Amy LaMarca. Nays (0). None.

*EDA Minutes
Special Meeting
May 10, 2010
Page 3*

ADJOURNMENT.

There being no further business to come before the Economic Development Authority, at this time, the meeting adjourned at 2:27 p.m.



Mary Jane O'Neill, Secretary