

RESOLUTION 62-2018

RESOLUTION AUTHORIZING FUNDING REVIEW OF PROPOSED TIRE RECYCLING FACILITY WITH FINANCING BY CREDIT LEASE INVESTMENTS, LLC AND TO BE OPERATED BY ENVIRONMENTALLY SAFE ENERGY, LLC

WHEREAS, Environmentally Safe Energy, LLC (ESE) has developed a plan for construction of a tire recycling facility on property owned by the Millington Industrial Development Board (MIDB) adjacent to the airport; and

WHEREAS, ESE would obtain funding for the project from Credit Lease Investments, LLC (CLI); and

WHEREAS, The proposed facility would involve the purchase of land from the IDB for \$1,400,000.00, the employment of at least 165 people in Millington with an average wage of \$24.00 per hour by the third year of operation and the recycling of over 5 million tires a year without any negative environmental effect in the area; and

WHEREAS, A summary of the City's understanding of the details of this project is attached as Exhibit A; and

WHEREAS, The proposed project would be owned by CLI and leased to the MIDB, who would sub-lease to ESE; and

WHEREAS, The City would guarantee the ability of the MIDB to make lease payments; and

WHEREAS, Final approval of this project and the City's guarantee will be subject to review and approval of all final documents by the Board of Mayor and Aldermen; and

WHEREAS, ESE has requested the City to authorize CLI to initiate the funding review and placement process as shown on attached Exhibit B.

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Millington, Tennessee that based on the City's preliminary review of the proposed project, it is prepared to move forward subject to further review, acceptance and approval of all final legal and financial documents by the Board of Mayor and Aldermen.

BE IT FURTHER RESOLVED, That any final approval of this project and related legal documents will be subject to any required approvals by the State Comptroller.

BE IT FURTHER RESOLVED, That the City Clerk shall provide a copy of this resolution to ESE and CLI.

This Resolution is adopted this 10<sup>th</sup> day of December 2018.

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Terry G. Jones, Mayor

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Karen Findley, City Clerk

## Tire Plant

### Millington's Understanding of this Project:

1. CLI will provide funding consisting of \$52 million consisting of:
 

Lease Payment Reserve (deposited into ED Fund controlled by IDB)	10,000,000
Lease Guarantor Fee (deposited with City)	3,000,000
Land, Building Construction & Equipment	31,934,681
Transaction Costs	944,558
Inventory and Consumables	1,150,761
Working Capital	2,470,000
Contingency	2,500,000
2. CLI will purchase land from IDB for \$1,400,000 at closing of transaction. CLI will be the property owner of record during the period of the lease.
3. IDB will lease land and facility from CLI.
4. ESE will sublease land and facility from IDB. ESE as subleasee will be operator, pay all operating expenses, including but not limited to taxes and debt principal and interest (lease payments), and become final owner of property and plant.
5. City of Millington will guarantee all lease payments are met by IDB (may require City funding). See comments below on Considerations to Guarantee Financial Success.
6. City receives \$3,000,000 Lease Guarantor Fee at closing of transaction and may use as it desires. (Funds will not be available to ESE.)
7. ED Fund controlled by IDB receives a \$10,000,000 at closing which will be available for lease payments of IDB if funds not received from ESE. This account will have to be reimbursed by ESE if used by IDB to make lease payment. The \$10,000,000 would only be available to ESE if to complete final payment and retirement of lease. This \$10,000,000 is not part of ESE available cash. ESE will contribute 2% of outstanding principal each year to this fund, in addition to remitting the required amount to cover lease payment due to CLI.
8. No tax abatements or tax freezes will be given on land, building or equipment (realty and personalty taxes) once land is purchased from IDB.
9. ESE will pay all realty and personalty taxes for this project.
10. ESE will put 165 people to work in Millington with an average pay of \$24 per hour and a minimum pay of \$18 per hour. Annual payroll in excess of \$8 million.
11. ESE will operate the plant 24/7/365 except that it will shut down for a week once a year for maintenance.
12. Plant will not produce or release any environmentally hazardous fumes, gases, products or residual material. Plant will not produce any smells objectionable to residents of Millington.
13. Plan will process 15,000 tires a day. Output of process to be sold is Carbon Black (carbon char), #4 fuel and steel.
14. City of Millington would be able to determine (and external auditors would be able to concur) in accordance with generally accepted accounting principles that the likelihood of the use of the City's guarantee would be remote and would therefore only be disclosed in a footnote rather than recognized as a liability. As such rating agencies and lenders would not consider this transaction as affecting the credit rating of borrowing ability of the full faith and credit of the City.

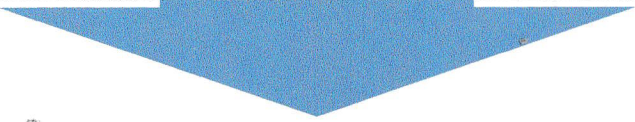
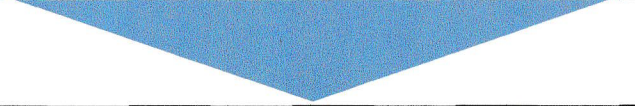
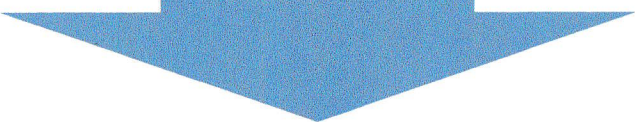
## Tire Plant

### **Considerations to Guarantee Financial Success**

1. Fixed price for plant construction and equipment.
2. Performance bond to guarantee completion of construction to specifications.
3. Insurance Policy to guarantee plant performs as intended. Policy will pay to fix plant or pay off financing if plant cannot be fixed. Policy to cover entire life of lease.
4. Key man life insurance of \$25 million each on two principal investors with beneficiary of IDB. Policies to be in force for entire life of lease.
5. Lease Payment Reserve of \$10 million deposited into ED Fund controlled by IDB. Reserve is for temporary use when ESE does not generate adequate cash for lease payments. ESE will contribute 2% of outstanding principal each year to this fund, in addition to remitting the required amount to cover lease payment due to CLI.
6. Non-binding commitments to ESE for provision of tires and sale of output products.

# City of Millington

## Millington Industrial Development Board Project Launch Sequence

Team Member	Role	Deliverable
City of Millington Board of Mayor and Aldermen	Project Guarantor	Approve Resolution Authorizing CLI to Initiate the Project Funding Process
		
Credit Lease Investments, LLC	Project Financier	Develop Final Loan Documents for \$52 Million of Project Funding
		
Millington Industrial Development Board	Project Lessee	Review and Approve Final CLI Documents
		
City of Millington Board of Mayor and Alderman	Project Guarantor	Review and Approve Final CLI Documents