

# THE FALLS

LOCATED OFF I-81 AT EXIT 5; BRISTOL, VA

# INVESTOR PRESENTATION

November 17, 2014

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**The information provided herein is provided as a summary only and is qualified in its entirety by the information provided in the Preliminary Limited Offering Memorandum. You are advised to review the Preliminary Limited Offering Memorandum in its entirety before making an investment decision with respect to the Bonds.**

**This presentation and the Preliminary Limited Offering Memorandum shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction.**

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# Industrial Development Authority of the City of Bristol, Virginia

3

**\$6,430,000\* Taxable City Appropriation  
Revenue Bonds  
(The Falls at Bristol Project),  
Series 2014A (the “2014A Bonds”)**

**\$29,225,000\* Revenue Bonds  
(The Falls at Bristol Project),  
Series 2014B (the “2014B Bonds”)**

**(Together, the “2014 Bonds”)**

□ **\* Preliminary, subject to change**

**Qualified Institutional Buyers  
or Accredited Investors only**

# Disclosure

- This presentation and the Preliminary Limited Offering Memorandum (“PLOM”) and the information contained therein are subject to completion and amendment. These securities may not be sold, nor may any offer to buy be accepted, prior to the time the Limited Offering Memorandum is delivered in final form. This presentation and the Limited Offering Memorandum shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction. The PLOM can be found at <http://finpressllc.com/docs/IDA of the City of Bristol Virginia Preliminary Official Statement.pdf>
- **THE PURCHASE OF THE 2014 BONDS IS AN INVESTMENT SUBJECT TO A HIGH DEGREE OF RISK, INCLUDING THE RISK OF NON-PAYMENT OF PRINCIPAL AND INTEREST. SEE THE SECTION OF PLOM ENTITLED "CERTAIN BONDHOLDERS' RISKS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED, IN ADDITION TO THE OTHER MATTERS SET FORTH IN THE PRELIMINARY LIMITED OFFERING MEMORANDUM, IN EVALUATING THE INVESTMENT QUALITY OF THE 2014 BONDS.**

# Table of Contents

□ Development of Regional Impact	1
□ The Falls at Bristol: Project Overview	3
□ Development Finance Plan	5
□ Development Status	6
□ Security for the 2014A Bonds	7
□ Security for the 2014B Bonds	8
□ Flow of Funds	9
□ Redemptions	10
□ Bond Revenue Study	11
□ Coverage/Projected Average Life	13
□ Estimated Sources & Uses of Bonds	14
□ Additional Bonds	15

# Development of Regional Impact

6

*Commonwealth of Virginia*  
*Office of Governor Terry McAuliffe*

FOR IMMEDIATE RELEASE

April 3, 2014

## **Governor McAuliffe Signs Legislation Helping Bristol Move Forward on Economic Development Project**

*New law is McAuliffe's first introduced legislation*

Governor Terry McAuliffe today signed the first bill he introduced as Governor, Senate Bill 673, legislation that allows the City of Bristol to use sales tax revenues to help finance qualifying projects. Without this important legislation, The Falls development in Bristol, Virginia, and its associated jobs, local investment, and planned regional impact would be in jeopardy.

"This legislation will help keep an important retail economic development project on track that could bring thousands of jobs to Bristol and Southwest Virginia," said Governor McAuliffe. "Virginians send leaders to Richmond to work together and get things done, and this legislation is proof that we are capable of doing just that. I want to thank Senator Philip Puckett for his leadership on this important bill to help generate new economic activity in a region that truly needs it."

Today Governor McAuliffe also signed House Bill 628, introduced by Delegate Terry Kilgore, gives counties the powers create hospital authorities. In the wake of the devastating closing of Lee Regional Hospital, this legislation will allow Lee County to form a hospital authority.

Brian Coy

Office of Governor Terry McAuliffe

804-887-9147

Source: <http://www.goveda.org/?page=040614EDNews>

# Development of Regional Impact

7

- The Sales Tax Entitlement Statute sets forth the following criteria, among others, for a development project located in the City to meet the requirements of a ***development of regional impact***:
  - (i) the municipality contributes infrastructure or real property as part of a public-private partnership that is equal to at least 20% of the aggregate cost of the development;
  - (ii) the development is reasonably expected to require a capital investment of a least \$50 million;
  - (iii) the development is reasonably expected to generate at least \$5 million annually in sales and use tax revenue from sales within the development;
  - (iv) the development is reasonably expected to attract at least one million visitors annually; and
  - (v) the development is reasonably expected to create at least 2,000 permanent jobs.
- By Decree entered August 15, 2014 (the "Decree"), the Circuit Court of the City of Bristol, Virginia validated the issuance of the 2014 Bonds and ruled that the pledge of Revenues to secure the 2014 Bonds is valid and legal. The Decree also confirmed the validity of contributions by the City to the Authority for the repayment of the 2014 Bonds and the application of the payments derived from the Cabela's Guaranty and the Lowe's Guaranty and enjoined commencement of any action or proceeding involving the validity of the 2014 Bonds or other matters validated by the Decree.

See PLOM, p. 19

# The Falls at Bristol: Project Overview

8



See PLOM, p. 32



# The Falls at Bristol: Project Overview

9

- Proposed to be developed on approximately 140 acres located in the City (near Exit 5 on Interstate 81).
- First three phases located between US Route 11 and I-81. Phase Four is directly adjacent to the I-81 Exit 5 interchange.
- Public/private partnership among the City, the Authority and Interstate Development Partners, LLC ("Interstate").
- The Development is expected to include approximately 990,089 square feet of retail and restaurant space to be completed in four phases and an additional fifth phase to be developed by private entities.
- Phase One of the Development expected to consist of approximately 290,489 square feet of retail and restaurant space, all of which is subject to a sale contract or a lease agreement. The following retail stores and restaurants (the "Phase One Retailers") have signed contracts to purchase or lease sites in Phase One:
  - Cabela's Wholesale, Inc.,
  - Lowe's Home Centers, LLC (a relocation),
  - The Copper Cellar Corporation (d/b/a Calhoun's Restaurant),
  - The Copper Cellar Corporation (d/b/a Smoky Mountain Brewery),
  - Zaxby's Restaurant, and
  - Sheetz, Inc.
- Estimates of Sales Tax Revenues and Additional Tax Revenues in the Bond Revenue Study do not include revenues from retailers and restaurants that have executed letters of intent and only include Revenues anticipated to be derived from the Phase One Retailers described above.

See PLOM, pp. 30 - 31

# Development Finance Plan\*

10

<b>TOTAL COSTS:*</b>	
Land Acquisition	\$22,092,363
Site Work	30,331,002
Cell Tower Relocation	1,715,030
Road Improvements	5,008,851
Cabela's Incentive	<u>17,500,000</u>
<b>TOTAL</b>	<b>\$76,647,246</b>
<b>SOURCES:*</b>	
2014 Bond Proceeds	\$27,841,667
City Funding (includes Prior Notes proceeds)	47,791,243
Third Party Reimbursement	<u>1,014,336</u>
<b>TOTAL</b>	<b>\$76,647,246</b>
<b>USES: *</b>	
Financed Facilities (from 2014 Bond Proceeds)	
Site Work	9,432,066
Road Improvements	909,601
Cabela's Incentive	<u>17,500,000</u>
<b>SUBTOTAL</b>	<b>\$27,841,667</b>
Facilities Financed by City	
Land Acquisition	22,092,363
Site Work (including third party reimbursement)	20,898,936
Cell Tower Relocation	1,715,030
Road Improvements	<u>4,099,250</u>
<b>SUBTOTAL</b>	<b>\$48,805,579</b>
<b>TOTAL</b>	<b>\$76,647,246</b>

\* Preliminary, subject to change

See PLOM, p. 41

# Development Status

11

Sq. Ft. of Space	Sold (S), Leased (L), Under Contract (C)	Anticipated Opening Date	Projected Costs of Completion
107,747 <sup>(1)</sup>	Cabela's (S)	Fall 2015	\$17,500,000
152,245 <sup>(2)</sup>	Lowe's (C)	Fall 2015	\$ 9,320,000
6,500	Sheetz (L)	Spring 2016	\$ 2,300,000
3,700	Zaxby's (C)	Fall 2015	\$ 1,200,000
9,735	Calhoun's (C)	Spring 2016	\$ 3,250,000
10,562	Smoky Mountain Brewery (C)	Fall 2015	\$ 3,250,000

<sup>(1)</sup> Includes 25,744 square feet of outdoor sales space.

<sup>(2)</sup> Includes 31,568 square feet of outdoor sales space.

# Security for the 2014A Bonds

12

From Phase One only:

- ❑ Sales Tax Revenues
- ❑ Cabela's Guaranty - not to exceed \$900,000 per year nor aggregate of \$3mm commencing on Opening Obligation Date
- ❑ Lowe's Guaranty – not to exceed annual sales tax generated by \$25mm in sales to limit of \$12mm in cumulative annual sales tax from Lowe's commencing on Opening Obligation Date
- ❑ City Payments
- ❑ Debt Service Reserve Fund (and other monies available in Indenture Funds and Accounts)
- ❑ Subject to appropriation; Per the Sales Tax Entitlement Statute, Sales Tax Revenues may only be used for the payment of debt.

See PLOM, pp. 18–19 and 26-27

# Security for the 2014B Bonds

13

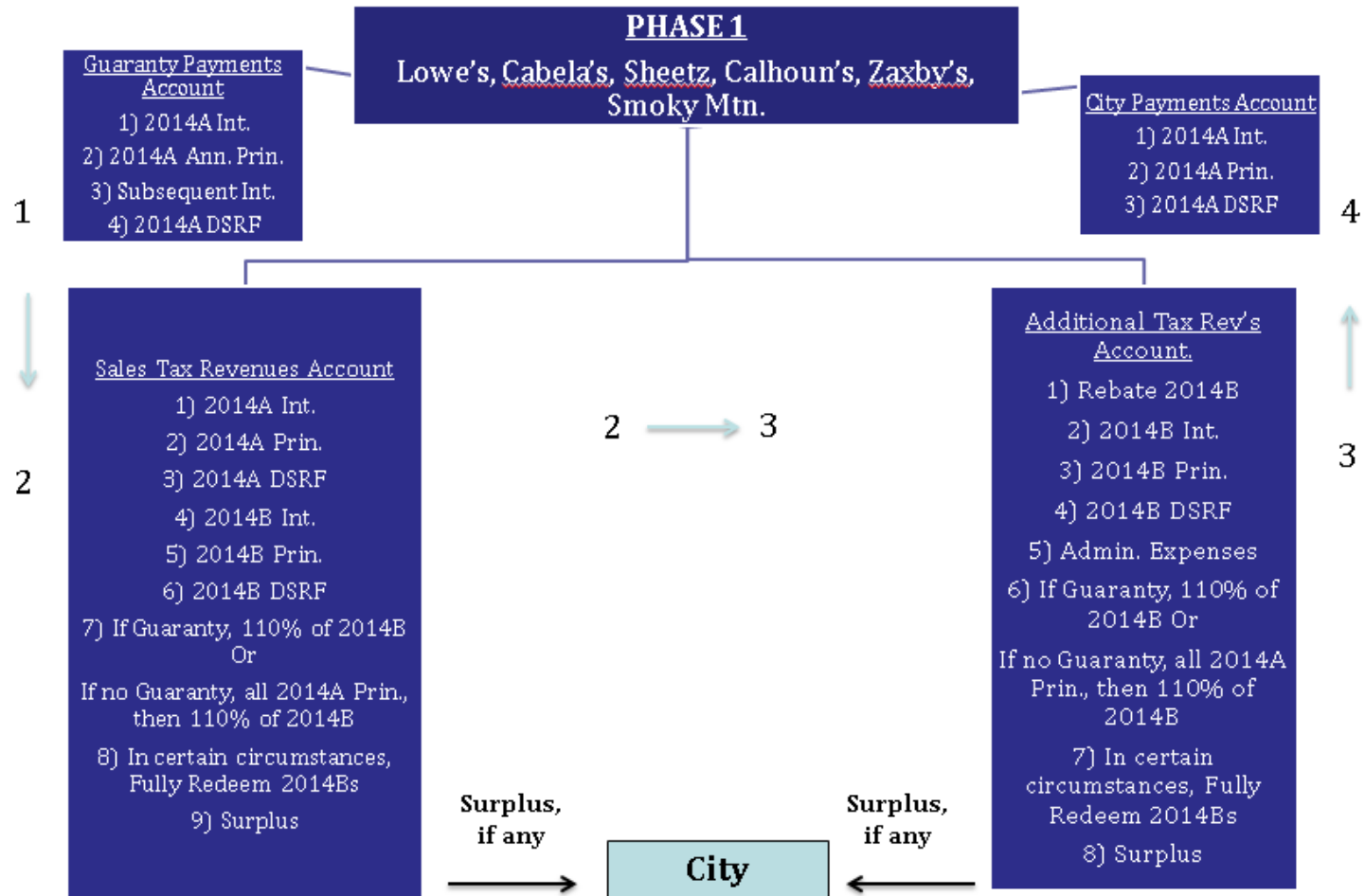
From Phase One only:

- Sales Tax Revenues
- Additional Tax Revenues
  - ▣ Ad Valorem Real Estate Taxes (\$1.07 per \$100)
  - ▣ Personal Property Taxes (\$7.00 per \$100)
  - ▣ 7% Tax on Gross Receipts from Restaurants
  - ▣ Business Professional License (0.2% of gross total sales)
- Debt Service Reserve Fund (and other monies available in Indenture Funds and Accounts)
- Subject to appropriation; Per the Sales Tax Entitlement Statute, Sales Tax Revenues may only be used for the payment of debt

See PLOM, pp. 18-20

# Flow of Funds

14



See PLOM, pp 20-24

# Redemptions

Type of Redemption	Series of Bonds	
<b>Optional Redemption</b>	2014A	Not Permitted
	2014B	11/1/24 @ par
<b>Special Mandatory Redemption</b>	2014A	In \$5,000 increments Excess Proceeds Redemptions from Unspent Project Funds (After Certificate of Occupancy) Supersinker Redemptions per Flow of Funds Cabela's Failure to Open by required date Redeem in Full When Sufficient Trustee-Held Balances
	2014B	In \$5,000 increments Excess Proceeds Redemptions from Unspent Project Funds (After Certificate of Occupancy) Cabela's Failure to Open by required date Redeem in Full When Sufficient Trustee-Held Balances
<b>Extraordinary Redemption</b>	2014A	By 6/15/15 Redemption from Restricted Proceeds Account and related amounts of Cap I and DSR
	2014B	By 6/15/15 Redemption from Restricted Proceeds Account and related amounts of Cap I and DSR

See PLOM  
p.8

See PLOM  
p.9

See PLOM  
pp. 9 -10

See PLOM  
pp. 10-11

# Bond Revenue Study

**Table 5**  
**Phase One Tenants and Sales Estimates**<sup>1,2,3</sup>  
 The Falls at Bristol  
 Bristol, Va.

Phase One Tenant	Status	Size (Sq.Ft.)	Taxable Sales Per Sq.Ft.	Estimated Stabilized Sales	2015	2016	2017	2018
Lowe's	Signed Contract - Opening Oct. 2015	104,000	\$ 260	\$ 27,040,000	\$ 6,760,000	\$ 16,224,000	\$ 20,280,000	\$ 27,040,000
Cabela's	Signed Contract - Opening Oct. 2015	107,747	\$ 399	\$ 35,000,000	\$ 8,750,000	\$ 21,000,000	\$ 26,250,000	\$ 35,000,000
Cabela's Powersports				\$ 8,000,000	\$ 2,000,000	\$ 4,800,000	\$ 6,400,000	\$ 8,000,000
<b>Cabela's Total Sales</b>				<b>\$ 43,000,000</b>	<b>\$ 10,750,000</b>	<b>\$ 25,800,000</b>	<b>\$ 32,650,000</b>	<b>\$ 43,000,000</b>
Calhoun's Ribs	Signed Contract - Opening April 2016	9,735	\$ 411	\$ 4,000,000		\$ 2,400,000	\$ 3,200,000	\$ 4,000,000
Zaxby's	Signed Contract - Opening Q1 2016	3,700	\$ 432	\$ 1,600,000		\$ 960,000	\$ 1,280,000	\$ 1,600,000
Smoky Mountain Brewery	Signed Contract - Opening Sept. 2015	10,562	\$ 426	\$ 4,500,000	\$ 1,125,000	\$ 3,150,000	\$ 3,600,000	\$ 4,500,000
Sheetz - Fast Food	Signed Contract - Opening Q1 2016	6,500	\$ 938	\$ 4,575,000		\$ 2,703,825	\$ 3,605,100	\$ 4,575,000
Sheetz - Groceries				\$ 1,525,000		\$ 896,700	\$ 1,195,600	\$ 1,525,000
<b>Sheetz Total Sales</b>				<b>\$ 6,100,000</b>		<b>\$ 3,600,525</b>	<b>\$ 4,800,700</b>	<b>\$ 6,100,000</b>
<b>TOTALS</b>		<b>242,244</b>	<b>\$ 356</b>	<b>\$ 86,240,000</b>	<b>\$ 18,635,000</b>	<b>\$ 52,134,525</b>	<b>\$ 65,810,700</b>	<b>\$ 86,240,000</b>

<sup>1</sup> Through the first few years of operation, retail sales expectations have been tempered to account for sales ramp-up. It is expected that each retailer achieve national average sales performance in the year 2018.

<sup>2</sup> The Lowes store includes 31,568 square feet of outdoor garden center selling space. In its annual reports, Lowes Companies, Inc., does not count outdoor garden center selling space or interior office and storage space in its calculation of average sales per square foot or in its total retail selling square feet systemwide. For this reason, our analysis estimates sales based only on the interior retail selling square footage, which, for the new Bristol Lowe's location is 104,000 square feet.

<sup>3</sup> Sales estimates for Sheetz represent taxable sales only and do not include gasoline sales. Sheetz average \$12.2 million in revenue per location. This table assumes half of this average revenue figure represents taxable (i.e. non-fuel) items. This analysis further assumes that half of the taxable sales figure for Sheetz, shown here, will represent food sales and that 75% of such sales will be for food for immediate consumption and 25% of such sales will be for food for home consumption.

See PLOM, Appendix F



# Bond Revenue Study

**Table 6 – Assessed Value and Property Tax Estimates**, below, shows the Phase One tenants, estimated assessed values and property taxes for each.

**Table 6**  
**Assessed Values and Property Tax Estimates**<sup>1</sup>  
 The Falls at Bristol  
 Bristol, Va.

Tenant	Size (Sq.Ft.)	Land Values	Improvement Value	Total Value	Real Property Tax per \$100 of Valuation	Estimated Real Property Taxes Paid At Full Assessment
Lowe's	120,677	\$ 5,000,000	\$ 9,900,000	\$ 14,900,000	\$ 1.07	\$ 159,430
Cabela's	107,747	\$ 5,000,000	\$ 24,000,000	\$ 29,000,000	\$ 1.07	\$ 310,300
Calhoun's	9,735	\$ 1,000,000	\$ 2,000,000	\$ 3,000,000	\$ 1.07	\$ 32,100
Zaxby's	3,700	\$ 500,000	\$ 850,000	\$ 1,350,000	\$ 1.07	\$ 14,445
Smoky Mountain Brewery	10,562	\$ 1,000,000	\$ 1,584,300	\$ 2,584,300	\$ 1.07	\$ 27,652
Sheetz	6,500	\$ 1,000,000	\$ 1,250,000	\$ 2,250,000	\$ 1.07	\$ 24,075
<b>TOTALS</b>	<b>258,921</b>	<b>13,500,000</b>	<b>\$ 39,584,300</b>	<b>\$ 53,084,300</b>		<b>\$ 568,002</b>

<sup>1</sup> Estimated Assessed values are based on comparable properties in Bristol, Va., and discussions with the City's Commissioner of Revenue.

See PLOM, Appendix F

# Coverage/Projected Average Life

18

- 2014A Bonds sized such that debt service (once past cap interest period) matches maximum Guaranty Payments
- 2014B Bonds sized for 1.5x coverage from Projections
- Projected Average Lives of 2014B Bonds Maturing November 1:
  - 2034: 6.515 years
  - 2039: 11.253 years
  - 2044: 14.962 years

See PLOM, pp. 14 - 17

# Estimated Sources & Uses of Bonds

## 2014A Bond Proceeds\*

Principal Amount of 2014A Bonds	\$6,430,000.00
Total Sources of 2014A Bond Proceeds	\$6,430,000.00

## Application of 2014A Bond Proceeds\*

Deposit to Series A City Account (Unrestricted)	\$ 0.00
Deposit to Series A City Account (Restricted) <sup>1</sup>	1,525,255.36
Deposit to Cabela's Incentive Account <sup>2</sup>	3,139,744.64
Capitalized Interest	662,032.81
Debt Service Reserve Fund deposit	643,000.00
Deposit to Administrative Expense Fund	_____
Issuance Expenses of 2014A Bonds (including Underwriters' Discount)	_____
Total Application of 2014A Bond Proceeds	\$_____

See p. 13 of  
PLOM

## 2014B Bond Proceeds\*

Principal Amount of 2014B Bonds	\$29,225,000.00
Total Sources of 2014B Bond Proceeds	\$29,225,000.00

## Application of 2014B Bond Proceeds\*

Deposit to Series B City Account (Unrestricted)	\$ 0.00
Deposit to Series B City Account (Restricted) <sup>1</sup>	6,974,744.64
Deposit to Cabela's Incentive Account <sup>2</sup>	14,360,255.36
Capitalized Interest	2,987,582.29
Debt Service Reserve Fund deposit	2,922,500.00
Deposit to Administrative Expense Fund	_____
Issuance Expenses of 2014B Bonds (including Underwriters' Discount)	_____
Total Application of 2014B Bond Proceeds	\$35,655,000.00

\* Preliminary, subject to change.

<sup>1</sup> To be held in escrow until the Lowe's Closing. See "THE 2014 BONDS – Extraordinary Redemption."

<sup>2</sup> To be held in escrow until Cabela's Actual Opening Date. See "THE 2014 BONDS – Special Mandatory Redemption" and "THE DEVELOPMENT – Phase One Retailers – Cabela's."

# Additional Bonds

20

- Additional Bonds may only be issued to refund or purchase 2014 Bonds, pursuant to the Indenture.

See PLOM, p. 12