

**RESOLUTION 06-001 AUTHORIZING AND APPROVING MEMORANDUM OF UNDERSTANDING IN PRINCIPAL BY AND BETWEEN CLAY COUNTY BOARD OF COMMISSIONERS AND YELLOW PINE ENERGY COMPANY, LLC. FOR THE PURPOSE OF ESTABLISHING THE TERMS OF THE LEASE (PAYMENTS IN LIEU OF PROPERTY TAX), OTHER TAXATION MATTERS AND UNDERTAKINGS.**

WHEREAS, the Clay County Commission, the Governing Body of Clay County, Georgia hereby supports the Summary Terms of the Memorandum of Understanding as follows:

Summary of Terms  
Memorandum of Understanding ("MOU")

The MOU establishes the terms of the Lease (payments in lieu of property tax), other taxation matters and undertakings.

The parties to the MOU are the Clay County Board of Commissioners and Yellow Pine Energy Company, LLC

A. Payments in lieu of Property Tax

Development Authority Lease.

- a. Yellow Pine will deed its property to the Clay County Development Authority and lease it back for 20 years.
- b. Yellow Pine will finance/build the plant. The financing is non-recourse to the County (i.e. limited to Yellow Pine's properties/revenues).
- c. The below lease payments were derived assuming a plant cost of \$250 million, land cost of \$1.5 million, a combined millage rate of 30.076 (18.826 County, 12.000 School and 0.250 State), no payments during construction, 20 years of operation and a \$/KW-Year target.

Operating Year	Lease Payment
1	\$80,447
2	\$87,688
3	\$95,579
4	\$104,182
5	\$113,558
6	\$123,778
7	\$134,918
8	\$147,061
9	\$160,296
10	\$174,723
11	\$241,171
12	\$255,641
13	\$270,979
14	\$287,238
15	\$304,473
16	\$322,741
17	\$342,105
18	\$362,632
19	\$384,390
20	\$407,453
Total	\$4,401,052

B. Minimum Sales and Use Tax on Supplementary Fuels  
(Coal, Petroleum Coke)

- a. County Sales and Use Tax is 3% of the fuels' commodity cost (1% SPLOST, 1% LOST, 1% Education).
- b. Usage and pricing of Supplementary Fuels may vary considerably, making County revenue forecasting difficult (see LOCI study).
- c. Yellow Pine seeks an exemption of biomass fuels from sales and use tax to become more competitive with coal-fired plants (see C. below).
- d. In order to provide a minimum level of County revenue, Yellow Pine will make the below Supplementary Fuel sales and use tax prepayments to the County in quarterly installments commencing with commercial operations. These minimum amounts were derived assuming 5% coal usage, \$60/ton, increasing by 3% per annum. If the actual tax exceeds the prepayment, then Yellow Pine will pay the actual tax. If at the end of any year, the actual tax is less than the prepayment, Yellow Pine will forfeit the remainder of the prepayment.

Operating Year	Prepayment
1	\$52,000
2	\$54,000
3	\$55,000
4	\$57,000
5	\$59,000
6	\$60,000
7	\$62,000
8	\$64,000
9	\$66,000
10	\$68,000
11	\$70,000
12	\$72,000
13	\$74,000
14	\$77,000
15	\$79,000
16	\$81,000
17	\$84,000
18	\$86,000
19	\$89,000
20	\$91,000
Total	\$1,400,000

C. Sales and Use Tax Exemption for Biomass Fuels

- a. Yellow Pine's research indicates that biomass used to generate electricity may be subject to sales and use tax, as it is not considered a "manufacturing" input.
- b. Biomass has an efficiency disadvantage versus coal due to its moisture content.
- c. In order to make biomass competitive with coal, Yellow Pine is seeking an exemption from sales and use tax for biomass fuel.
- d. Yellow Pine plans to submit a House Bill in the upcoming legislative session (see draft bill). Two representatives were approached to sponsor the legislation (Jeff Lewis, Gerald Greene).
- e. Yellow Pine requests that the County exempt biomass purchases from sales and use tax in the MOU.

- f. Yellow Pine requests that the County provide a support letter to the Association of County Commissioners of Georgia.
- g. Yellow Pine is seeking a similar support letter from Mayor Wetherby to the Georgia Municipal Association.
- h. A biomass-fired plant will have considerable economic impact on the County's economy.
- i. The plant's fuel purchase revenues will go to the region's forestry and agribusinesses. US Forestry Service data indicate that there are uncollected wood wastes sufficient to supply all of the plants needs. The region's peanut and pecan businesses will have a new outlet for shells. Biomass ash may be reclaimed as a low cost soil conditioner.
- j. Yellow Pine is investigating a bulk materials port to be located on Georgia and Southwest Rail Road property at Georgetown. The port would expand the economic reach for collecting biomass.

D. Yellow Pine Contribution to a Technical College Grant Program for Clay County Residents/Students.

- a. Yellow Pine expects to hire 40 operators for the plant. The goal is to recruit at least 10 people from the County.
- b. In order to develop the skills, a technical college education is needed.
- c. Yellow Pine's research indicates that the area's technical schools could provide a suitable curriculum, at a cost of \$2,500/student/year.
- d. In order to develop qualified candidates from the County's students/residents, Yellow Pine proposes to make a \$50,000 donation to a merit scholarship program on financial closing.
- e. The first criteria is that a person must be a County resident. Yellow Pine will work with the County to establish other criteria, the selection process and any co-operative work duty associated with the program.
- f. The program is timed so that candidates would be graduating from technical college when the plant's 2-year construction is finishing and operator hiring is starting.
- g. The goal is to select 10 candidates for the program (10 people x \$2,500/year x 2 years = \$50,000). Additional grants from Hope or Pell scholarship funds may expand the number of candidates and/or supplement the student's funding.

E. Vo-Tech Building Trades Initiative

- a. Yellow Pine expects it will require up to 350 construction workers for the plant.
- b. In order to develop the skills, building trades need to be added to the Randolph-Clay County High School; discussions with the Superintendent indicates this is feasible.
- c. Yellow Pine will endeavor with its contractor to hire apprentice level employees from the County.
- d. Yellow Pine's research indicates that in addition to the plant's construction, the building trades are in high demand in the U.S.

**NOW, THEREFORE BE IT RESOLVED** by the County Commission of Clay County to hereby approve to further negotiate and pursue the MOU by and between Clay County Board of Commissioners and Yellow Pines Energy Company, LLC.

**PASSED AND ADOPTED** after first and only reading this 17<sup>TH</sup> day of January 2006.

COUNTY OF CLAY, STATE OF GEORGIA

BY:   Yea  Nay  
Gerald Von Anderson III, Chairman

By: Willie McCoy  Yea  Nay  
Willie McCoy, Vice Chairman

BY: David Shivers  Yea  Nay  
David Shivers

BY: Daniel Giles  Yea  Nay  
Daniel Giles

BY: Barry Waters  Yea  Nay  
Barry Waters

CLERK'S CERTIFICATE

I, the undersigned Clerk of the Board of Commissioners of Clay County, keeper of the records and seal thereof, hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Commissioners of Clay County in public meeting assembled on November 1, 2005, the original of which resolution has been entered in the official records of said political subdivision under my supervision and is in my official possession, custody and control.

Teresa Smith  
Teresa Smith, County Clerk