Summary of agreement with the developer selected by the KEDC Board to partner with the EDC to construct and own the shell building

## EXECUTIVE SUMMARY FOR KILGORE ECONOMIC DEVELOPMENT CORPORATION

The document we have reviewed is a Limited Partnership Agreement for a new limited partnership to be created and to be known as Kilgore Synergy Partners, L.P. This limited partnership will be owned by two limited partners and one general partner. The limited partners are KEDC, owning a 50% limited partnership interest, and Roger C. Gault, owning a 49% limited partnership interest. The general partner is Kilgore Synergy Partners I, LLC, a limited liability company owned by Mr. Gault, and it will own a 1% interest in the partnership and serve as the general partner of the partnership.

The purpose of the partnership (Section 2.4) is to develop 17.75 acres in Gregg County with the construction of an 80,000 square foot industrial shell building on the property. Upon formation of the partnership, KEDC will transfer the 17.75 acres to the partnership and Roger Gault will secure, on behalf of the partnership, a mortgage loan of $1,500,000.00 from a financial institution, which loan will be personally guaranteed by Mr. Gault. As soon as the mortgage loan has been obtained by the partnership, KEDC will contribute to the partnership $850,000.00 into an escrow account with the funds used to pay the initial costs of constructing the improvements before any of the mortgage loan funds are used. In addition, KEDC will provide the funds for any tenant-finish costs as might be negotiated in the prospective lease agreements with the tenants. Should the general partner not be able to secure acceptable construction financing within twelve months of the creation of the partnership, the general partner shall have the option to cancel this agreement and terminate the partnership.

The general partner (Kilgore Synergy Partners I, LLC) is entitled to be reimbursed for any reasonable expenses and fees it incurs in the formation and operation of the partnership and the partnership will pay to the general partner a development fee of $102,108.00 in installments during the construction of the improvements. In addition, the partnership will pay to the general partner a standard leasing commission upon the sale, master lease or other disposition of the building constructed.

Any cash flow from the partnership will be distributed, in the discretion of the general partner, on a quarterly basis, to the partners.

KEDC, as a limited partner, will have no liability for any debts of the partnership over and above what KEDC has agreed to contribute to the partnership--the 17.75 acres and the $850,000.00 deposit. The general partner will manage the partnership and will have unlimited liability for any debts or expenses of the partnership. The general partner is not permitted to dispose of partnership property, secure additional financing, or purchase or lease additional real estate without the consent of a majority of the limited partners. In addition, the general partner will not execute a contract or other document that would obligate to spend more than $100,000.00 unless the general partner provides the limited partners with prior written notice of such proposed obligation and the majority of the limited partners approves. A budget for the project will be agreed upon by the partners and the general partner shall spend the funds of the partnership in developing, constructing, managing and operating the project in accordance with the budget unless the majority of the limited partners approves of any material variance.

The general partner will provide to the limited partners financial statements for the project every sixty (60) days during the construction phase and annually after the construction has been completed. The limited partners shall have access to all books of account for the partnership which will be maintained by the general partner. The Partnership Agreement contains various restrictions on the transfer of partnership interest by any of the partners.

The Agreement contains a buy/sell provision which allows any partner to give a buy/sell notice (establishing a value for the partnership) to the other partners following two years after the creation of the partnership. The buy/sell notice shall set forth an amount, and the receiving partner shall have ten days to elect to either purchase the interests in the partnership from the initiating partner at the established value, or sell to the initiating partner the interests in the partnership of the receiving partner at the established value.

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