

DESCHUTES COUNTY DOCUMENT SUMMARY

(NOTE: This form is required to be submitted with ALL contracts and other agreements, regardless of whether the document is to be on a Board agenda or can be signed by the County Administrator or Department Director. If the document is to be on a Board agenda, the Agenda Request Form is also required. If this form is not included with the document, the document will be returned to the Department. Please submit documents to the Board Secretary for tracking purposes, and not directly to Legal Counsel, the County Administrator or the Commissioners. In addition to submitting this form with your documents, please submit this form electronically to the Board Secretary.)

Please complete all sections above the Official Review line.

Date:

Department:

Contractor/Supplier/Consultant Name:

Contractor Contact:

Contractor Phone #:

Type of Document: Business Development Loan Agreement

Goods and/or Services: Business Development Loan

Background & History: On May 23, 2016, the Board of Commissioners approved a Business Development Loan to PCC Schlosser in the amount of \$50,000 as recommended by Redmond Economic Development, Inc. (REDI). The loan is intended to support the creation of 25 new jobs at an average salary of \$45,615 by January 5, 2018 and will be converted from a loan to a grant if this goal is met and maintained for an additional consecutive 12-month period to occur on or before January 5, 2019. The loan will be paid from the Economic Development Fund (150).

PCC Schlosser is an investment casting facility specializing in titanium products and serves aviation/aerospace, military, and medical device industries world-wide.

Agreement Starting Date:

Ending Date:

Annual Value or Total Payment:

Insurance Certificate Received (check box)

Insurance Expiration Date:

Check all that apply:

- RFP, Solicitation or Bid Process
- Informal quotes (<\$150K)
- Exempt from RFP, Solicitation or Bid Process (specify – see DCC §2.37)

Funding Source: (Included in current budget? Yes No)

If **No**, has budget amendment been submitted? Yes No

Is this a Grant Agreement providing revenue to the County? Yes No

Special conditions attached to this grant: N/A

Deadlines for reporting to the grantor: N/A

If a new FTE will be hired with grant funds, confirm that Personnel has been notified that it is a grant-funded position so that this will be noted in the offer letter: N/A

Contact information for the person responsible for grant compliance: Jon Stark, Redmond Economic Development, Inc. (REDI), 541-923-5223.

Departmental Contact and Title: Judith Ure, Management Analyst
Phone #: 541-330-4627

Department Director Approval: _____
Signature Date

Distribution of Document: Who gets the original document and/or copies after it has been signed? Include complete information if the document is to be mailed.

Return original(s) to Judith Ure

Official Review:

County Signature Required (check one): BOCC Department Director (if <\$25K)

Administrator (if >\$25K but <\$150K; if >\$150K, BOCC Order No. _____)

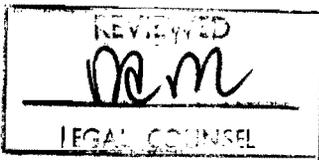
Legal Review

DDM

Date

6/21/16

Document Number: 2016-438



**DESCHUTES COUNTY
ECONOMIC DEVELOPMENT LOAN PROGRAM**

AGREEMENT WITH PCC SCHLOSSER

This Economic Development Loan Agreement ("Agreement") is entered into:

BETWEEN: Deschutes County (*hereinafter referred to as "County"*)
PO Box 6005
Bend, OR 97708-6005
541-330-4627

AND: PCC Schlosser
345 NE Hemlock
Redmond, OR 97756
541-548-0766

RECITALS

WHEREAS, County finds that the program set forth in this Agreement will promote state and local economic activity by creating new jobs and investment; and

WHEREAS, Company wishes to expand its existing equipment and business operations within Redmond, Oregon by increasing employment and investing in equipment and building improvements; and

WHEREAS, the said expansion in Redmond, Oregon will create at least twenty-five (25) new full-time, family wage jobs between January 5, 2016 and January 5, 2018 for total employment by Company of 360; and

WHEREAS, once filled, the new full-time jobs will be maintained for an additional consecutive 12-month period to occur on or before January 5, 2019; and

WHEREAS, County desires to promote the expansion of Company's facility by loaning funds in the amount of \$50,000 for certain hiring and training expenses and such loan will later be converted to a grant upon the condition that Company satisfy certain requirements; and

WHEREAS, County has engaged Economic Development for Central Oregon (EDCO) to assist in administering and implementing the loan;

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to as follows:

DC-2016-438

SECTION 1 DEFINITIONS

- Section 1.1** Dollars and \$ shall mean lawful money of the United States of America.
- Section 1.2** Loan shall mean funds loaned by County to Company as provided under Section 3.
- Section 1.3** Project shall mean expansion of Company employment in Deschutes County, Oregon.
- Section 1.4** Full-Time Employee shall mean any employee who has been hired with the expectation that the job will last for at least one (1) year and who will work at least forty (40) hours per week or the equivalent of 2,080 hours per year.

SECTION 2 TERM

This Agreement shall be effective as of the date of execution by all parties and continue until the loan is paid in full or the loan is converted to a grant as provided in Section 3.3 below.

SECTION 3 LOAN

Section 3.1 Loan

County agrees to loan Company the sum of \$50,000 no later than 30 days following delivery of this signed Agreement to County.

Section 3.2 Loan Purpose and Representations of the Company

The purpose of the loan is to carry out the project, and for no other purposes. Company represents and warrants that it will diligently pursue and complete the following:

- 3.2.1** Company will employ at least twenty-five (25) additional full time employees between January 5, 2016 and January 5, 2018 for a total of 360 full-time employees.
- 3.2.2** Company will maintain these new positions from the date all are filled for an additional consecutive 12-month period to occur on or before January 5, 2019.
- 3.2.3** Wages for the new positions will average \$45,615, excluding commissions, per annum.
- 3.2.4** Company will submit quarterly and annual progress reports to EDCO with documentation for job creation, capital investment relating to new facilities, and equipment associated with the project.
- 3.2.5** Company shall comply with all applicable federal, state, regional, and local laws, regulations, and ordinances.

- 3.2.6** Company shall timely pay all Deschutes County real and personal property tax when due and shall satisfy all delinquent property tax accounts in full.

Section 3.3 Loan Repayment or Conversion to Grant

- 3.3.1** Unless the loan is converted to a grant as provided below, Company agrees to pay to the order of County the full amount of the loan as well as interest at the rate of 8% per annum beginning from the date County releases funds to Company until the earlier of: (a) the occurrence of an event of default, as defined below, or (b) January 5, 2019.
- 3.3.2** County agrees to convert the loan to a grant that does not need to be repaid, if and when County determines in its sole discretion that Company has satisfied all of the obligations in Section 3.2 and its other obligations under this Agreement. Such conversion shall only be effective upon written verification by the County Administrator that the loan has been converted to a grant.
- 3.3.3** County may, in its sole discretion, convert a portion of the loan to a grant if all of the obligations under Section 3.2 and this Agreement have been fulfilled to the reasonable satisfaction of County. In the event of such partial conversion of the loan, the loan shall continue to be payable on a pro-rated basis in an amount determined by multiplying \$2,000 by the difference between twenty-five (25) and the number of full-time employees employed in Deschutes County by Company as of January 5, 2018. Interest will accrue on this portion of the loan at a rate of eight percent (8%) per annum from the time the Company received the loan monies to the time they are repaid.

SECTION 4 DEFAULT

Section 4.1 Events of Default

The following shall be considered events of default:

- 4.1.1** Company fails to complete, or County reasonably determines that Company will not be able to complete, the obligations described in Section 3.2 and its other obligations under this Agreement; provided, however, that upon such failure or determination, County shall first provide to Company written notice of such failure or determination, and Company shall have thirty (30) days to correct the matter. If the matter has not been corrected by Company within such thirty (30) day period to the reasonable satisfaction of County, County shall be entitled to declare Company in default of its obligations under this Agreement and the loan and accrued interest shall be payable in full.
- 4.1.2** Company effects a change of ownership or change of control of its business which results in dissolution or conversion of the original business entity or relocates its business operations outside of Deschutes County, Oregon on or before the end of

the contract period. Change of ownership and/or change of control of the business will not be deemed a default if Company notifies County which may then condition consent on any reasonable term(s) necessary to adequately secure the loan. A change in majority stock ownership will not constitute a default if all other provisions in this agreement are met.

- 4.1.3 The occurrence of any event that has or may reasonably be expected to have a material adverse effect on Company's financial condition or Company's ability to make any payment required by this Agreement.
- 4.1.4 Company fails to pay, becomes insolvent or unable to pay, or admits in writing an inability to pay Company's debts as they become due, or makes a general assignment for the benefit of creditors.
- 4.1.5 A proceeding with respect to Company is commenced under any applicable law for the benefit of creditors, including, but not limited to, any bankruptcy or insolvency law, or an order for the appointment of a receiver, liquidator, trustee, custodian, or other officer having similar powers over Company is entered.

SECTION 5 MISCELLANEOUS

Section 5.1 Right to Inspect

Company agrees that County, their agents, and employees shall be entitled, upon reasonable prior notice to Company, to access and inspect the property and employment records of Company and its affiliates in order to insure that Company is complying with the terms of this Agreement and all applicable federal, state, and local laws and regulations. The right to inspection shall also include any property or employment records that are in the possession of any affiliate of Company. The right of inspection shall continue until all of the obligations of Company under this Agreement have been satisfied.

Section 5.2 Attorney's Fee Provision

In the event suit or action is instituted to enforce any of the terms or conditions of this Agreement, the unsuccessful party shall pay to the prevailing party, in addition to the costs and disbursements allowed by statute, such sum as the court may adjudge reasonable as attorney fees in such suit or action, in both trial court and appellate courts.

Section 5.3 Indemnification

Company shall defend, indemnify and hold harmless County and EDCO, their officers, agents, employees, and members from all claims, suits, and causes of action, including attorney's fees, of any nature whatsoever relating to claims by third parties resulting from or arising out this Agreement or funds provided to Company under this Agreement.

Except as otherwise provided in this Section 5.3, County and EDCO shall defend, indemnify, and hold harmless Company, their officers, agents, employees, and members from all claims, suits, and causes of action, including attorney's fees, relating to claims by third parties as to the validity

under public finance law of this Agreement or funds provided to the Company under this Agreement.

Section 5.4 Entire Agreement

This Agreement constitutes the entire agreement between the parties regarding the matters herein.

Section 5.6 Titles and Subtitles

The titles in this Agreement are for convenience only and in no way define, limit, or describe the scope or intent of any provision of this Agreement.

Section 5.7 Notice

All notices, requests demands, and other communications to or upon the parties hereto shall be in writing and shall be deemed to have been duly given or made: Upon actual receipt, if delivered personally or by fax or an overnight delivery service; and at the end of the third business day after the date of deposit in the United States mail, postage pre-paid, certified, return receipt requested; and to the addresses set forth on page 1 of this Agreement or at such other address of which such party shall have notified in writing the other parties hereto.

Section 5.8 Time is of the Essence

All parties agree that time is of the essence under this Agreement.

Section 5.9 Applicable Law

This Agreement is made, and shall be construed and interpreted under the laws of the State of Oregon without regard to the principles of conflicts of law. Venue shall lie in state courts located in Deschutes County, Oregon, provided, however, if the claim must be brought in a federal forum, then it shall be brought and conducted solely and exclusively within the United States District Court for the District of Oregon.

Section 5.10 Disclosure

Under Oregon law, most agreements, promises, and commitments made by a lender after October 3, 1989 concerning loans and other credit extensions which are not for personal, family, or household purposes or secured solely by borrower's residence must be in writing, express consideration, and be signed by the lender to be enforceable.

Section 5.11 No Waiver

No failure or delay of County in exercising any right, power or remedy under this Agreement shall operate as a waiver of such right, power or remedy of County, or of any other right. A waiver of any provision of this Agreement shall not constitute a waiver of or prejudice County's right otherwise to demand strict compliance with that provision or any other provision. Any waiver, permit, consent or approval of any kind or character on the part of County must be in writing and shall be effective only to the extent specifically set forth in such writing.

Section 5.12 No Assignment by Company

No obligation or right under this Agreement may be assigned by the Company without the prior consent of County, which consent may be withheld, conditioned, or delayed in the sole discretion of County.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the dates set forth below their respective signatures.

Deschutes County

PCC Schlosser

By: 
Tom Anderson, County Administrator

By: _____
Lisa King, Controller

Date: 6-21-16

Date: _____

**BRIEFING PAPER FOR PCC Schlosser
Request for Deschutes County Forgivable Loan**

Company Request: \$50,000

EDCO Recommendation: \$50,000

Proposed Job Creation within 24 months of January 5, 2016: 25 new employees

Average Pay for New Employees (all positions, excluding commissions): \$45,615

Industry: Specialty Manufacturing

Website: www.pccstructurals.com

Company Local Leadership:

Keith Covlin, Group Vice President – 18 years with Schlosser

Lisa King, Controller – 27 years

Marc Christman, Facilities Manager – 14 years

Josh Lau, Process Engineering Manager – 15 years

Mike Hines, Production Engineering Manager – 32 years

Company Background:

PCC Schlosser, a division of Precision Castparts, is an investment casting facility specializing in titanium products serving the aviation/aerospace, military and medical device industries around the world. A publically traded and Fortune 500 company, they produce high quality, precision specification parts with extremely low tolerances through a complex process of mold design, investment casting, finish and radiographic validation.

At the time of application the company employed 335 people at its Redmond facility, which has exceeded capacity. In order to meet further demand from their customers, the company will be adding much needed capacity that will bring long term family wage jobs to Deschutes County. PCC Schlosser has leased 35,000 square feet of additional warehouse and manufacturing space and will hire 25 employees at an annual average wage of \$45,615. They plan to relocate and install new manufacturing equipment and complete construction on a formerly unproductive shell built building (off NE 11th street in Redmond) that has never been occupied. If awarded this grant, the funds from the Deschutes County Forgivable Loan Fund will be used to complete build-out of the facility, purchase additional capital equipment and assist with hiring.

The 25 new hires will be placed in various production positions based on skill set in several of the aforementioned departments. PCC provides benefits related to medical (employee pays a portion), dental, vision, sick, vacation, bereavement leave, jury duty, 401K with match, health club reimbursement, long/short term disability, and earned quarterly cash bonuses.

EDCO has worked closely with PCC Schlosser on several successful expansions in the past that included the investment of equipment and jobs. This project, however, requires construction and infrastructure investments such that EDCO recommends accessing the Deschutes County Economic Development Loan Fund.

EDCO Recommendation

A due diligence process was completed by the REDI (Redmond Economic Development, Inc.) incentives review committee on March 23rd, 2016. The participants in the review included, Travis Browning, SVP Business Banking Manager at Bank of the Cascades, Paul Coil, CFO of Central Oregon Truck Company and Jon Stark, Manager of REDI. After a tour of the facility, thorough review of the application and review of the project and financial history, the committee supports the following recommendation:

EDCO is recommending to Deschutes County an award of \$50,000, which equates to \$2,000 per job created, by January 5th, 2018 (24 months following the application date).

Conditions include:

- Company employs 25 FTE in Deschutes County by January 5th, 2018 and maintains that employment over the 12 month period ending January 5th, 2019.
- Company provides quarterly employment updates and the ability to inspect complete financial statements from award date through termination of the yet-to-be executed agreement with Deschutes County.

Failure to meet the above provisions would result in partial or full repayment of the loan, with interest.