

**To:** Lucas Moser, United States Department of Agriculture (USDA)  
**From:** Thurston Economic Development Council Center for Business & Innovation (CB&I)  
**Re:** Plan for Compliance with Conditions for Release and Use of RISE Funds  
**Date:** 1/4/23

**Background**

USDA has awarded a grant to CB&I under the RISE program to be used for improvements and equipment at the Agricultural Innovation Center (AIC) in Tenino, Washington. The AIC consists of two buildings to be constructed on land owned by the City of Tenino (City). The City is constructing the so-called North Building, and Dragonwheel Investment Group, Inc. (Dragonwheel) is about to begin constructing the so-called South Building. (These buildings may be renamed at a later date.) The City has entered into a 30-year Lease with Dragonwheel for the North Building, and a Ground Lease with Dragonwheel for the South Building. The City and Dragonwheel (or an affiliate of Dragonwheel) will also enter into a Management Agreement for Dragonwheel or its affiliate to manage the entire facility.

**How CB&I Will Retain Control of the Assets Purchased with Rise Funds**

The RISE funds will be used exclusively for tenant improvements (TI) and equipment (together, the Assets). Control of the Assets purchased with RISE funds will be retained by CB&I for at least 7 years as follows:

<b>Description</b>	<b>How CB&amp;I Will Retain Control of Assets Purchased with RISE Funds</b>	<b>Term of Years</b>	<b>Estimated Amount*</b>
<b>Event &amp; Training Innovation Center Space (North Building)</b> TI: Doors, windows, flooring, trim, wall coverings, electrical, plumbing, conference room, 2 restrooms, and storage closet	Option to select tenant or subtenant if Tenant defaults which will be recorded to perfect CB&I's right	7	\$173,217
<b>Event &amp; Training Innovation Center Space (North Building)</b> Removable TI and Equipment: All removable improvements, including audio mixer, video switcher, computers, monitors, televisions, screens, projector, camera, microphones, stands, cables, audio/visual peripherals, amplifiers, and furniture	Purchase Money Security Agreement and UCC Financing Statement which grants USDA the right to take immediate possession of the equipment in the event of default	7	\$150,000
<b>Food Manufacturing Incubator Space (South Building)</b>	Option to select tenant or subtenant if Tenant	7	\$65,000

<b>TI:</b> Doors, wall coverings, flooring, trim, electrical, plumbing, incubator space, restroom, walk-in freezer, light fixtures, food storage, and storage closet	defaults which will be recorded to perfect CB&I's right		
<b>Equipment:</b> All removable equipment, including food processing sinks, food production equipment, removable storage cabinets, furniture, and removable lighting	Purchase Money Security Agreement and UCC Financing Statement filing which authorizes USDA to take immediate possession of the equipment in the event of default	7	\$30,000
<b>CB&amp;I Office Space</b> <b>TI:</b> Fully-finished office space, including electrical, plumbing, doors, windows, doors, interior walls, wall coverings, floor coverings, trim, light fixtures, restroom, storage closet	Lease with Dragonwheel with 7-year term. CB&I will be in possession of the TI at all times during the lease term.	7	\$27,000
<b>CB&amp;I Office Space</b> <b>Equipment:</b> Workstations and associated furniture, computers, conference table and chairs, removable lighting	CB&I will be in possession of the equipment at all times during the lease term.	7	\$8,000
<b>Total</b>			<b>\$453,217</b>

### Security Agreements

The Security Agreements referenced above will be from CB&I as Debtor to USDA as Creditor and will be signed by CB&I before any RISE funds are expended on Assets. The UCC Financing Statement will be filed with the Washington State Department of Licensing to perfect the purchase money security interest. The Security Agreements will be in first position with respect to the equipment and authorize USDA to immediately take possession of any equipment purchased with RISE funds in the event of CB&I's default.

### Options

Prior to expending RISE funds, CB&I will secure an Option to approve the tenant or subtenant where any TI are located to ensure CB&I retains control of the TI in the event of a tenant default. A Memorandum of Option will be recorded with the Thurston County Auditor to perfect CB&I's right to select a tenant or subtenant for 7 years.

The Security Agreements and UCC Financial Statements are written broadly to cover all equipment that may be purchased with the RISE funds.

## **CB&I Office Space**

As noted above, CB&I will lease office space directly from Dragonwheel. Consequently, CB&I will both own and control the Assets connected with its leased space. The Lease with Dragonwheel will be signed before any RISE funds are expended on the Assets for the CB&I office space and will include language that the TI will not be owned by Dragonwheel prior to 7 years from commencement of the Lease. The equipment purchased for the CB&I office space using RISE funds will be secured by a Security Agreement from CB&I to USDA.

## **Estimated Amount\* versus Actual Expenses**

The Estimated Amount for each building and type of expense listed in the above chart is approximate because the bid process is still underway. It is likely that some funds will be reallocated between TI and equipment, or even between buildings, as final construction costs become known.

## **Documentation**

CB&I has retained Cap City Law PS of Olympia, Washington to assist us in protecting the assets being acquired, prepare the Security Agreements, prepare and file the UCC Financing Statements, prepare the Option agreements, prepare and record Memoranda of Option, and review and negotiate as necessary with the City of Tenino and Dragonwheel. In addition to being well versed in real estate and contracts, the Senior Attorney at Cap City Law (Jessica Jensen) is a prior Contracts Administrator for the State of Washington and was the lead instructor for the University of Washington's Contract Management Certificate Program for 12 years, which focused on state and federal government grant and contract requirements. Senior Associate Attorney Braden Fraser is assisting with this project. Cap City Law's practice includes ongoing work with state and federal grants and contracts, construction, and real estate.

Submitted by:

THURSTON ECONOMIC DEVELOPMENT COUNCIL  
CENTER FOR BUSINESS & INNOVATION

---

Michael Cade, Executive Director

Accepted by:

UNITED STATES DEPARTMENT OF AGRICULTURE

---

DRAFT 1-6-23