

POCATELLO DEVELOPMENT AUTHORITY
Board of Commissioners Meeting
20 May 2009 – 11:00am

City Hall
911 North 7th Avenue

11:00am Council Chambers

Call to order - Chairman Brown

Acknowledge guests of the Board

Disclosure of conflicts of interest

Agenda – add or delete action or discussion items

Action and Discussion Items

Minutes of April 15, 2009 – Motion to approve and/or amend

Financial Report: April Income and Expenses

East Center: URA / TIF Closure

IsoRay Development Agreement

Executive Session: If necessary

Items from staff

Items from commission members

Adjourn

Executive Session

Matters exist for discussion in an executive session as per I.C. 67-2345 (b) and (e)

Motion: "I move that we enter into an executive session as per Idaho Code 67-2345 (b) and (e) to consider staffing services for the PDA and to consider preliminary negotiations involving matters of trade or commerce in which the PDA may be in competition with other jurisdictions."

POCATELLO DEVELOPMENT AUTHORITY
STATEMENT OF CASH AS OF APRIL 30, 2009

| | |
|---|---------------|
| Cash in Checking | \$283,163.17 |
| Cash in Savings (Wells Fargo Money Market Account) | 132,855.76 |
| Cash in held by third parties (Wells Fargo Corporate Trust) | 3,304,435.69 |
| Total cash | 3,720,454.62 |
| Cash restricted by bond covenants | -2,857,529.04 |
| Total cash available | \$862,925.58 |

STATEMENT OF CHANGES IN CASH AND CASH EQUIVILENTS
FOR THE MONTH ENDED APRIL 30, 2009

| | | |
|------------------------|---|------------|
| Receipts for the month | | |
| CC | Property taxes received - Central Corridor | \$8,396.52 |
| NY | Property taxes received - North Yellowstone | \$909.21 |
| GF | Interest earnings on savings - Wells Fargo Managed Cash | 22.71 |
| | Interest earning on Trust Accounts - Wells Fargo Trusts | 42.90 |
| | Total receipts | 9,371.34 |

Total expenditures for the month

| | | | |
|--------|-----|-----------------------------|--------------|
| # 3044 | GF | Uncle Jim's | 98.86 |
| | | March luncheon costs | |
| # 3045 | n/a | Void | |
| 3046 | GF | Triangle Inc. | 28,506.09 |
| | | Payment 14 | |
| N/A | GF | Bank service charge - March | 35.34 |
| | | Total expenditures | 28,640.29 |
| | | Net change in cash | -\$19,268.95 |

| | |
|------------------------------------|----------------|
| Cash balances as of April 30, 2009 | \$3,720,454.62 |
| Cash balances as of March 31, 2009 | \$3,739,723.57 |
| Net change in cash | -\$19,268.95 |

CC = Central Corridor, NY = North Yellowstone, GF = General Fund

POCATELLO DEVELOPMENT AUTHORITY
CASH ANALYSIS FOR THE MONTH ENDING APRIL 30, 2009

| | Balance 31-Mar-09 | Balance 30-Apr-09 | Change in Balance |
|--|-----------------------|-----------------------|-------------------------|
| Total Cash: | | | |
| General Fund | | | |
| Cash in checking | \$485,507.45 | \$456,867.16 | -\$28,640.29 |
| Money Market Account | 132,833.05 | 132,855.76 | \$22.71 |
| Total General Fund Cash | <u>618,340.50</u> | <u>589,722.92</u> | <u>-\$28,617.58</u> |
| Central Corridor District | | | |
| Cash in checking | -190,767.31 | -182,410.79 | \$8,356.52 |
| Bond Trust Fund (Wells Fargo) | 2.43 | 2.67 | \$0.24 |
| Revenue Allocation Trust Fund (Wells) | 1,315,753.60 | 1,315,819.26 | \$65.66 |
| Total Central Corridor District Cash | <u>1,124,988.72</u> | <u>1,133,411.14</u> | <u>\$8,422.42</u> |
| North Yellowstone District | | | |
| Cash in checking | 0.00 | 949.21 | \$949.21 |
| Bond Trust Fund (Wells Fargo) | 0.31 | 0.31 | \$0.00 |
| Revenue Allocation Trust Fund (Wells) | 656,731.21 | 656,696.91 | -\$34.30 |
| Total Yellowstone District Cash | <u>656,731.52</u> | <u>657,646.43</u> | <u>\$914.91</u> |
| Central Corridor District Debt Service | 650,000.00 | 650,005.51 | \$5.51 |
| North Yellowstone District Debt Service | 681,905.24 | 681,911.03 | \$5.79 |
| Naval Ordinance Plant - Cash in checking | 7,757.59 | 7,757.59 | 0.00 |
| Total cash | <u>\$3,739,723.57</u> | <u>\$3,720,454.62</u> | <u>-\$19,268.95</u> |

Cash Restricted By Bond Covenants:

| | | | |
|---|---------------------|---------------------|-------------------|
| Central Corridor Cash | | | |
| Next bond payment | 950,725.00 | 950,725.00 | 0.00 |
| North Yellowstone Cash | | | |
| Next bond payment | 574,887.50 | 574,887.50 | 0.00 |
| Central Corridor District Debt Service | 650,000.00 | 650,005.51 | 5.51 |
| North Yellowstone District Debt Service | 681,905.24 | 681,911.03 | 5.79 |
| Total restricted cash | <u>2,857,517.74</u> | <u>2,857,529.04</u> | <u>11.30</u> |
| Total unrestricted cash | <u>882,205.83</u> | <u>862,925.58</u> | <u>-19,280.25</u> |

Cash Available

| | | | |
|---|-------------------|-------------------|-------------------|
| General Fund | 618,340.50 | 589,722.92 | -\$28,617.58 |
| Central Corridor District | 174,263.72 | 182,686.14 | 8,422.42 |
| North Yellowstone District | 81,844.02 | 82,758.93 | 914.91 |
| Central Corridor District Debt Service | 0.00 | 0.00 | 0.00 |
| North Yellowstone District Debt Service | 0.00 | 0.00 | 0.00 |
| Naval Ordinance Plant District | 7,757.59 | 7,757.59 | 0.00 |
| Total available cash | <u>882,205.83</u> | <u>862,925.58</u> | <u>-19,280.25</u> |

Cash movement analysis:

For the month of April, Pocatello Development Authority received cash of \$9,371.34 and paid out cash payments of \$28,640.29 so that there was an decrease in cash of \$19,268.95.

General Fund revenue received \$22.71 in interest earnings on the Money Market Account. Expenses were Bank service charges of \$35.34, luncheon costs of \$98.86, and Triangle payment number 14 for \$28,506.09. The General Fund cash decreased \$28,617.58 in March.

The Central Corridor District received interest revenues on trust funds of \$31.41 and property taxes of \$8,396.52 The Corridor had no expenses in April. The Corridor's cash increased by \$8,427.93 in March.

The North Yellowstone District received interest revenues on trust funds of \$11.49 and property taxes of \$909.21. It had no expenses in April. The district's cash increased by \$920.70.

The Naval Ordinance Plant Distict had no reciepts or expenses in April.

Internal Debt:

The North Yellowstone District has borrowed \$615,514.38 from the General Fund in order to pay its commitments with the Rail Crossing. In March \$298,828.31 was paid back leaving a balance of \$316,686.07.

The Naval Ordinance District has borrowed \$75,000.00 from the General Fund in order to pay its commitments with a manufacturer, Wisper Creek.

The General Fund has borrowed \$401,393.30 from the Consolidated Corridor in order to pay its obligations on the Triangle Project.

Budget Review:

After six months of operations a review of budget to actual revenues and expenses reveals the following:

Interest earning in all funds will probably end up at 15% of projected earnings.

General Fund:

The budget may need to be reopened for additional unbudgeted triangle expenses depending on unnamed project #2 actual costs this year.

Consolidated Corridor:

The budget will need to reopened for additional loans to the General Fund for the Triangle Project.

North Yellowstone:

The commission may want to reopen this budget to repay the General Fund loan ahead of schedule.

**POCATELLO DEVELOPMENT AUTHORITY
GENERAL FUND CASH FLOW PROJECTIONS
2009 THROUGH 2013**

| YEARS ENDED | Budget 2009 | YTD 2009 As of April | Remaining 2009 | Budget 2010 | Budget 2011 | Budget 2012 | Budget 2013 |
|--|---------------------|---------------------------------|-----------------------|------------------------|------------------------|------------------------|------------------------|
| Previous Year Balance: | \$370,297.35 | \$364,666.59 | \$589,722.92 | \$32,138.65 | \$47,998.03 | -\$145,656.97 | \$26,655.00 |
| INCOME: | | | | | | | |
| TetriDyn Solutions Repayment: ¹⁰ | | | | | | | |
| Garfield Property | | | | | | | |
| Central Corridor Admin fee | | | | | | 1,091,360.27 | |
| Central Corridor Loan | | 401,393.30 | | | | | |
| North Yellowstone Loans | 330,000.00 | 298,828.31 | 31,171.69 | 285,514.38 | | | |
| Naval Ordinance loan | | | | | 75,000.00 | | |
| Interest Income | 6,000.00 | 761.25 | 5,238.75 | 7,000.00 | 8,000.00 | 9,000.00 | 0.00 |
| Total Projected Income: | 336,000.00 | 700,982.86 | 36,410.44 | 292,514.38 | 83,000.00 | 1,100,360.27 | 0.00 |
| EXPENSE: | | | | | | | |
| IsoRay: Committed \$75,000 ¹ BUDGETED 75,000.00 | 75,000.00 | | 75,000.00 | | | | |
| Triangle Project: Committed \$300,000 ⁹ BUDGETED \$269,123.52 | 289,128.70 | 475,121.72 | 0.00 | | | | |
| Portneuf Valley Investment Partners: Committed \$40,000 ⁸ | | | 0.00 | | | | |
| Unnamed project #2 (amend budget 300,000.00) ¹⁴ | 300,000.00 | | 300,000.00 | 250,000.00 | 250,000.00 | 500,000.00 | |
| Loan to Naval Ordinance Plant District 13 | | | | | | | |
| Legislative Action | | | | | | | |
| North Yellowstone Loan | | | | | | 401,393.30 | |
| Management salaries | | | | 16,625.00 | 16,625.00 | 16,625.00 | 16,625.00 |
| Luncheon costs | 1,320.00 | 735.37 | 584.63 | 1,320.00 | 1,320.00 | 1,320.00 | 1,320.00 |
| Office expenses | 200.00 | | 200.00 | 200.00 | 200.00 | 200.00 | 200.00 |
| Legal advertising | 50.00 | | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 |
| Banking expenses | 360.00 | 69.44 | 290.56 | 360.00 | 360.00 | 360.00 | 360.00 |
| Audit | 3,500.00 | | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 | 3,500.00 |
| Actuary Studies | | | | 4,600.00 | 4,600.00 | 4,600.00 | 4,600.00 |
| Professional services | 4,600.00 | 0.00 | 0.00 | | | | |
| Total Projected Expense: | 674,158.70 | 475,926.53 | 379,625.19 | 276,655.00 | 276,655.00 | 928,048.30 | 26,655.00 |
| CALCULATED ANNUAL BALANCE | \$32,138.65 | \$589,722.92 | \$246,508.17 | \$47,998.03 | -\$145,656.97 | \$26,655.00 | \$0.00 |
| | \$705,943.52 | | | | | | |
| | \$31,784.82 | | | | | | |

**POCATELLO DEVELOPMENT AUTHORITY
CENTRAL CORRIDOR CASH FLOW PROJECTIONS
2009 THROUGH 2****

| YEARS ENDED | Budget 2009 | YTD 2009 As of April | Remaining 2009 | Budget 2010 | Budget 2011 | Budget 2012 |
|--|-----------------------|-------------------------|-----------------------|-----------------------|---------------------|---------------------|
| Previous Year Balance*: | \$3,029,561.15 | \$3,029,561.15 | \$1,783,416.65 | \$2,919,372.71 | \$1,583,432.50 | \$336,161.20 |
| INCOME: | | | | | | |
| Projected Estimated Tax Revenues: ^{8,9} | 1,445,541.56 | 412,420.43 | 1,033,121.13 | 1,435,937.16 | 1,445,541.56 | |
| Taxes Received from Previous Years & yearly interest: ⁷ | | | 0.00 | | | |
| South Cliffs Repayment: ¹² | | | 0.00 | 196,867.85 | | |
| AMI Repayment (Building Owners): ¹² | | | 0.00 | | | 1,200,000.00 |
| Positron Repayment: ^{12 (400,000.00)} | | | 0.00 | | | |
| Interest earning on trust accounts | 70,000.00 | 8,192.78 | 61,807.22 | 80,000.00 | 90,000.00 | 20,000.00 |
| Total Projected Income: | 1,515,541.56 | 420,613.21 | 1,094,928.35 | 1,712,805.01 | 1,535,541.56 | 1,220,000.00 |
| EXPENSE: | | | | | | |
| Current Year Debt Service: | 931,430.00 | 886,067.50 | 45,362.50 | 928,795.00 | 933,432.50 | |
| Cheyenne Crossing: Committed \$3 million total ^{16 & 18} | 337,800.00 | 20,396.91 | 317,403.09 | 2,117,700.22 | 1,347,130.36 | 3,802,630.58 |
| Whitman/Yellowstone Hotel: Committed \$613,000 ^{10 orig 356,600} | 356,500.00 | 356,500.00 | 0.00 | | | |
| Clark Street Overpass: Committed \$258,880.93 | | | | | | 258,800.93 |
| Admin Transfer to Unrestricted Account: ¹¹ | | | 0.00 | | | 1,091,360.27 |
| General Fund - loan for Triangle development City of Pocatello, triangle land reimbursement | | 401,393.30 | | | | 206,000.00 |
| Arbitrage | | 2,400.00 | 0.00 | | | |
| Trustee fees | 2,250.00 | | 2,250.00 | 2,250.00 | 2,250.00 | |
| <u>Unapproved Projects</u> | | | | | | |
| Unnamed Project #1 org. 500,000.00 | 200,000.00 | | 200,000.00 | | | |
| Unnamed Project #3 (\$500,000.00 new Jan 2009): ¹⁹ | 500,000.00 | | 500,000.00 | | 500,000.00 | |
| South 5th Project org 100,000.00 | 0.00 | | 0.00 | | | |
| Total Projected Expense: | 1,625,730.00 | 1,666,757.71 | 1,065,015.59 | 3,048,745.22 | 2,782,812.86 | 1,556,161.20 |
| CALCULATED ANNUAL BALANCE | \$2,919,372.71 | \$1,783,416.65 | \$1,813,329.41 | \$1,583,432.50 | \$336,161.20 | \$0.00 |
| Debt service restriction (reserve \$650,000.00) | | | \$1,578,795.00 | \$1,583,432.50 | 0.00 | 0.00 |
| Available cash | | | \$234,534.41 | \$0.00 | \$336,161.20 | \$0.00 |

** TIF District slated to close in 2012

**POCATELLO DEVELOPMENT AUTHORITY
NORTH YELLOWSTONE FUND CASH FLOW PROJECTIONS
2009 THROUGH 2028**

| YEARS ENDED | Budget 2009 | YTD 2009 As of April | Remaining 2009 | Budget 2010 | Budget 2011 | Budget 2012 | Budget 2013 - 2028 |
|---|-----------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Previous Year Balance: | \$1,276,749.60 | \$1,343,991.40 | \$1,339,557.46 | \$1,358,290.72 | \$1,380,446.37 | \$1,591,044.40 | \$1,591,044.40 |
| INCOME: | | | | | | | |
| Property taxes (orig \$761,120.03) | 902,884.32 | 524,658.34 | 378,225.98 | 964,120.03 | 964,123.03 | 964,123.03 | 15,425,968.48 |
| Interest on trust accounts | 25,000.00 | 1,658.53 | 23,341.47 | 25,000.00 | 25,000.00 | 25,000.00 | 375,000.00 |
| Loan from General Fund | | | | | | | |
| Total Projected Income: | 927,884.32 | 526,316.87 | 401,567.45 | 989,120.03 | 989,123.03 | 989,123.03 | 15,800,968.48 |
| EXPENSE: | | | | | | | |
| Current Year Debt Service: | 578,325.00 | 226,662.50 | 351,662.50 | 681,450.00 | 678,525.00 | 680,050.00 | 10,874,850.00 |
| Rail Crossing | | | 0.00 | | | | |
| Peg Development Land Acquisition | | | 0.00 | | | | |
| Legal Advertising | | | 0.00 | | | | |
| Arbitrage fees | | 2,760.00 | | | | | |
| Trustee fees | | 2,500.00 | 0.00 | | | | 0.00 |
| Loan payment to PDA General Fund (orig 100,000) | 330,000.00 | 298,828.31 | 31,171.69 | 285,514.38 | | | 615,514.38 |
| Costco employment payment (\$854,105.00) 1 | | | 0.00 | | 100,000.00 | 300,000.00 | 454,105.00 |
| Total Projected Expense: | 908,325.00 | 530,750.81 | 382,834.19 | 966,964.38 | 778,525.00 | 980,050.00 | 11,328,955.00 |
| CALCULATED ANNUAL BALANCE | \$1,296,308.92 | \$1,339,557.46 | \$1,358,290.72 | \$1,380,446.37 | \$1,591,044.40 | \$1,600,117.43 | \$6,063,057.88 |
| Bond reserve trust fund | | 681,900.00 | 681,900.00 | 681,900.00 | 681,900.00 | 681,900.00 | 0.00 |
| Current debt payment allocation fund reserve | | 582,545.00 | 582,545.00 | 676,600.00 | 677,440.00 | 677,440.00 | 0.00 |
| Amount available | | 75,112.46 | 93,845.72 | 21,946.37 | 231,704.40 | 240,777.43 | 6,063,057.88 |

Note: \$691,458.36 in bonded debt reserves are included in cash balance

1 = Per letter from David Messner, Costco Agent, the \$1 mil employment grant was reduced by a construction advance to PEG development of \$145,895.00, Dated 12/31/2007

**POCATELLO DEVELOPMENT AUTHORITY
NORTH PORTNEUF DISTRICT CASH FLOW PROJECTIONS - Tentative
2009 THROUGH 2031**

| YEARS ENDED | Budget 2009 | YTD 2009 As of April | Remaining 2009 | Budget 2010 | Budget 2011 | Budget 2012 | Budget 2013 - 2028 |
|----------------------------------|--------------------|---------------------------------|-----------------------|------------------------|------------------------|------------------------|-------------------------------|
| Previous Year Balance: | | | | | \$0.00 | \$0.00 | \$0.00 |
| INCOME: | | | | | | | |
| Property taxes | | | 0.00 | | 1,492,442.00 | 2,895,337.00 | 42,150,872.00 |
| Interest on trust accounts | | | 0.00 | | | | |
| Loan from General Fund | | | 0.00 | | | | |
| Total Projected Income: | 0.00 | 0.00 | 0.00 | 0.00 | 1,492,442.00 | 2,895,337.00 | 42,150,872.00 |
| EXPENSE: | | | | | | | |
| Debt service | | | 0.00 | | 1,492,442.00 | 2,895,337.00 | 6,612,221.00 |
| Hoku: | | | 0.00 | | | | |
| Infrastructure reimbursement | | | 0.00 | | | | 15,000,000.00 |
| Employment reimbursement | | | 0.00 | | | | 9,269,326.00 |
| Other payments: | | | | | | | |
| City infrastructure | | | 0.00 | | | | 2,000,000.00 |
| PDA admin | | | 0.00 | | | | 741,546.00 |
| Taxing Entity operational costs | | | 0.00 | | | | 8,527,779.00 |
| Total Projected Expense: | 0.00 | 0.00 | 0.00 | 0.00 | 1,492,442.00 | 2,895,337.00 | 42,150,872.00 |
| CALCULATED ANNUAL BALANCE | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Assessed valuation 2009 | \$6,639,105.00 | | | | | | |
| Base valuation | \$3,458,800.00 | | | | | | |
| Increase 2009 | \$3,180,305.00 | | | | | | |

RESOLUTION NO. 2009-1

A RESOLUTION OF THE POCATELLO DEVELOPMENT AUTHORITY, AN URBAN RENEWAL AGENCY ORGANIZED UNDER THE LAWS OF THE STATE OF IDAHO; RECOMMENDING TO THE CITY COUNCIL THAT THE REVENUE ALLOCATION PROVISION FOR THE URBAN RENEWAL AREA KNOWN AS THE EAST CENTER STREET URBAN RENEWAL AREA BE TERMINATED; RECOMMENDING FURTHER THAT THE CITY COUNCIL PASS AN ORDINANCE DISSOLVING THE REVENUE ALLOCATION PROVISION AND RETURNING THE REVENUE ALLOCATION AREA TO THE REGULAR TAX ROLL EFFECTIVE TAX YEAR 2009.

WHEREAS, the East Center Street Urban Renewal Area and Revenue Allocation Area was created by City of Pocatello Ordinance No. 2797, published on the 12th day of July, 2006 and recorded on the 13th day of July, 2006; and

WHEREAS, the Urban Renewal Plan for the East Center Street Urban Renewal/Revenue Allocation Area was designed to ameliorate deteriorating conditions which contributed to economic under-development of the area and impaired the sound and continued growth of the City, largely by providing for extensive building and site construction work in the Urban Renewal Area Plan; and

WHEREAS, a downturn in economic conditions contributed to the inability to secure viable businesses interested in locating in the East Center Street Urban Renewal Area; and

WHEREAS, a change of status of the formerly tax-exempt property situated within the Urban Renewal Area has affected the viability of the East Center Urban Renewal Plan; and

WHEREAS, no new development has been created in the East Center Street Urban Renewal Area, and no tax increment funds have been realized since the creation of the Revenue Allocation District in July of 2006;

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE POCATELLO DEVELOPMENT AUTHORITY (PDA) AS FOLLOWS:

1. That the revenue allocation district known as the East Center Street Urban Renewal/Revenue Allocation Area shall terminate under the laws of the State of Idaho.
2. That the monthly financial statements of the PDA show the Revenue Allocation Area has never received tax increment funds, nor has it incurred expenses;
3. That a copy of this Resolution be sent to the Pocatello City Council with a request that the City Council pass an Ordinance in accordance with Idaho Code Section 50-2906(1) which ends the revenue allocation provisions for the East Center Street Urban Renewal/Revenue Allocation Area upon publication of the Pocatello City Council Ordinance providing therefore.
4. That no outstanding bonded indebtedness has been incurred as a result of the implementation of the East Center Street Urban Renewal/Revenue Allocation Area which would require continuing the area.
5. That a copy of this Resolution be sent to the Bannock County Assessor's Office and the Idaho State Tax Commission to provide notice of termination of the Revenue Allocation Area.

RESOLVED this _____ day of May, 2009.

BOARD OF DIRECTORS
POCATELLO DEVELOPMENT
AUTHORITY

By: _____
Steve Brown, Chairman

ATTEST:

Darcy Taylor, Secretary

ECONOMIC DEVELOPMENT AGREEMENT

This Agreement is made this 14th day of December, 2005, by and between

IsoRay Inc., a Minnesota corporation (hereinafter referred to as "Developer") and the Pocatello Development Authority, an urban renewal agency formed under the laws of the State of Idaho (hereinafter referred to as "PDA").

1. Recitals

1.1 Developer represents that it intends to construct within the city limits of the City of Pocatello a manufacturing facility where Cesium 131 is inserted in titanium capsules to be used in brachytherapy for certain cancer patients. Developer will use the reactor facility located in Arco, Idaho to produce the Cesium 131, but the decision to do so is contingent upon test results which show that the irradiation process will provide the product needed by the Developer in both quantity and quality. Developer further represents that, contingent upon the result of the testing, it has obtained preliminary approval to use the reactor facility in such a manner and for such a purpose. Developer is seeking funding for approximately half of the costs of testing, including construction of the device required for insertion of the testing sample.

1.2 Developer represents that the facility will eventually employ up to 200 people, that the majority of these positions will be professional or semi-professional, that significant insurance benefits are provided to all employees, and that the lowest salary is approximately double the current minimum wage, all of which assertions are provided to indicate that the jobs will be of significant positive impact to the local economy, and thus meet the economic development mission of the PDA.

1.3 PDA is a public body created as an urban renewal agency pursuant to Idaho Code §50-2006, part of the Idaho Urban Renewal Law of 1965. As an urban renewal agency

established by the City Council of the City of Pocatello, PDA is charged with aiding and assisting economic development in the Pocatello area, including assisting developments that will retain and increase available jobs in the community; and is further charged with encouraging such development by private enterprise; all as more specifically provided in Idaho Code §§50-2002 and 50-2003, being part of the Idaho Urban Renewal Law, and Idaho Code §50-2902, being part of the Local Economic Development Act.

1.4 Based upon the assertions and assurances of the Developer, PDA has determined that the construction of a manufacturing facility for the devices used to implant the Cesium 131 represents the type of development to which it may apply urban renewal funds under the applicable statutes; and that the same will promote economic development of the area, creation of jobs and an increased tax base consistent with urban renewal laws. For that reason, PDA has committed to provide \$200,000.00 to Developer for the testing project as described above, subject to the possibility of repayment requirements as set out below.

1.5 By this Agreement, PDA and Developer wish to memorialize their mutual undertakings and commitments with respect to the project described herein and therefore, agree as follows:

2. Funding and Uses of funds

2.1 To further the proposed development, the increased economic opportunities, and increased tax base expected therefrom, PDA agrees to provide to Developer the sum of Two Hundred Thousand Dollars (\$200,000.00) no later than December 15, 2005, to use towards the costs of the testing procedures and construction as described in Paragraph 1.1.

2.2 Developer agrees that it shall immediately thereafter take all necessary steps to initiate and pay all costs for the construction of the device and all testing procedures to be

used in determining the ability of the irradiation process to meet the Developer's product needs. Developer agrees to diligently pursue completion of construction and prompt testing thereafter.

3. Results of testing; repayment required.

3.1 Developer agrees that, in consideration for the availability of such economic development funds to work diligently to construct its manufacturing facility within the city limits of Pocatello so that operation will begin no later than January 1, 2008. Developer further agrees to repay, with 5% interest from the date of disbursement, the \$200,000.00 amount should Developer fail to build and operate such a facility, except under the conditions set out in Paragraph 3.3 below.

3.2 Developer agrees to make repayment no later than 30 days after receipt of demand from the PDA for such repayment in the event it does not construct and operate the proposed manufacturing facility.

3.3 PDA agrees that no such repayment will be required if approval for the use of the reactor facility specified above is withdrawn by said facility and proof of denial of use is provided to the PDA.

4. Effect of Agreement

4.1 It is understood by the parties to this Agreement that the intent of the parties is that the payment assist Developer in its need for capital in connection with the development project which would include the construction of an approximately 25, 000 square-foot manufacturing facility within the city limits of the City of Pocatello, and that the parties shall take all action necessary to carry out that intent.

4.2 The parties acknowledge that the effect of the payment by PDA set out hereunder will inure to the benefit of Developer, while having the corresponding benefit to the public purposes of PDA described above.

5. Miscellaneous

5.1 This Agreement shall be governed by and construed under the laws of the State of Idaho; venue shall be the Sixth Judicial District for the County of Bannock.

5.2 In any litigation arising out of this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees from the non-prevailing party. Determination of the prevailing party in any such litigation shall be made on the basis of the factors enumerated in Rule 54(d)(1)(B), Idaho Rules of Civil Procedure, as the same now exists or may subsequently be amended.

5.2 The effective date of this Agreement shall be December 14, 2005.

5.3 This Agreement shall be binding upon and inure to the benefit of the respective parties and their legal successors. Developer may not assign this Agreement without the express written consent of the PDA.

5.4 Each party represents to the other that it has full legal authority to enter into and execute this Agreement and that the persons signing on behalf of each party have full legal authority to execute this Agreement.

5.5 Notices to the Developer shall be sent to Roger E. Girard, CEO and Chairman, IsoRay, Inc., 350 Hills St. Suite 106, Richland, WA 99354-5411. Notices to the PDA shall be sent to the Pocatello development Authority, c/o Ray Burstedt, Executive Director, 1651 Alvin Ricken Dr., Pocatello, ID 83201, telephone (208) 233-3500.

5.6 This document constitutes the entire agreement of the parties with respect to the grant by PDA to Developer and supersedes any prior agreements of the parties.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

POCATELLO DEVELOPMENT AUTHORITY
An Idaho Urban Renewal Agency

ISORAY, INC., a corporation of
Minnesota, Developer

By: Harry P. Neuhardt
Harry Neuhardt, Chairman

By: Roger E. Girard
Roger E. Girard, CEO & Chairman

ACKNOWLEDGEMENTS

FOR THE POCATELLO DEVELOPMENT AUTHORITY:

STATE OF IDAHO)

ss:

County of Bannock

On this 14th day of December 2005, before me, the undersigned, a Notary Public in and for the State, personally appeared Harry Neuhardt, known to me to be the Chairman of the "PDA", of the City of Pocatello, and acknowledged to me that he executed the foregoing instrument for and on behalf of said agency and that said agency executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the date and year in this certificate first above written.



Rayna Valentine
NOTARY PUBLIC FOR IDAHO
Residing in Pocatello
My commission expires: 4/28/09

FOR THE DEVELOPER:

STATE OF _____)

SS:

County of _____)

On this _____ day of _____, 2005, before me, the undersigned, a Notary Public in and for the State, personally appeared Roger E. Girard, known to me or proved to me to be the CEO of IsoRay, Inc., whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for and on behalf of said corporation by authority of the corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

NOTARY PUBLIC FOR
Residing in
My commission expires:

Pocatello
Development
Authority

ISU Research and Business Park
1651 Alvin Ricken Drive
Pocatello, Idaho 83201

An urban renewal agency for the City of Pocatello, Idaho

December 14, 2006

To: The Honorable James E. Risch, Governor
State of Idaho

Re: Funding Commitment for the ATR Rabbit

Dear Governor Risch:

The Pocatello Development Authority is pleased to participate in the construction of the ATR Rabbit by committing \$75,000 in funding. This commitment is in recognition of the economic benefit derived from the Rabbit's construction and specifically, to support the siting of IsoRay to our community.

Governor Risch, we appreciate the tremendous support the State is offering this project. Thank you for being proactive and positive about this economic opportunity.

Sincerely,



Steve Brown, Chairman
Pocatello Development Authority

Sincerely,



Gynii Gilliam, Executive Director
Pocatello Development Authority