

TODAY'S SPEAKERS



MIKE PRESS
PRESIDENT
SCOUT ECONOMICS

SUBJECT MATTER EXPERT

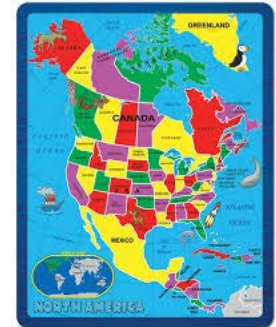
- › Chief architect of the NYC “outer borough strategy” .
- › Designed the major programs in the Amazon New York package.
- › Founded the Ernst & Young Business Incentives Practice, the global leader in the Incentives advisory space.



AL WEGGEMAN
Founder
Operating Advisors

EXPERIENCED C-SUITE EXECUTIVE

- › Over 20 years of transformational leadership in industrial and technology-based businesses,
- › Blue-chip companies like L3 Technologies and ABB and private equity owned companies like Safariland Group.
- › Most recently, the interim President of a \$500M safety and security products business leading the team and turn-around initiatives that delivered over \$25M of EBITDA improvement.



AGENDA

- **Amazon's Incentive Offer in New York**
 - **What's In It?**
 - **How Did They Get It?**
- **How to Capture Amazon-Level Government Incentives**
- **Case Studies: Safariland; Marlin**
- **Most Middle-market Companies are not Equipped for the Job**
- **What Incentives Specialists Provide**

The Amazon Incentives Package in New York

- \$3 Billion over 12 years in return for 25,000 new positions with average salaries of \$150,000/year.
- = \$120,000 per new position
- Amazon maintains an in-house incentives team to devise and execute its incentives acquisition strategy.
- Amazon had a well-designed strategy and implemented it early in the search process.

The Amazon Incentives Package in New York

DESCRIPTION	VALUE
Real Property Tax Exemption	\$390 million
Job Tax Credits For New Headcount from NYC For New Payroll from State	\$900 million \$1,150 million
Capital Investment Tax Credits For Cap Ex from State	\$50 million
Capital Grant For Cap Ex from State	\$505 million
Sales Tax Exemptions on Capital Investment City and State	TBD
Electricity Discount from City	TBD

How to Capture Amazon-Level Government Incentives: In 4 Steps

- 1. Look for the Opportunities: What, Where and When**
- 2. Match-up PCs' Plans with Incentive Programs**
- 3. Devise a Strategy and Engage w/ Governments Early**
- 4. Create a Compelling Case**

Step 1: What to Look For, Where and When

ANTICIPATE PC ADDITIONS TO BRICKS AND MORTAR, MACHINERY AND EQUIPMENT OR PERSONNEL

- a. Review capital plans
- b. Identify likely acquisitions
- c. Identify potential staff expansions
- d. Catalog headcount increments in any single location or state of more than 20 over the next 3 years;
- e. Catalog capex of \$2 million (combined real estate and machinery and equipment) in any single location over the next 3 years.



Step 2: Match-up PCs' Plans with Incentive Programs

This is a time-consuming and arduous task. We have created a short-cut: Go to www.scouteconomics.com/calculator to determine if the potential incentives will be sizable enough to justify the effort.

DESCRIBE YOUR PROJECT

PROJECT PARAMETERS	
State	NY
New Jobs (Created over 3 years)	25000
Average Pay (Cash Compensation of New Jobs)	\$ 150,000
Capital Expenditure (Over 3 Years)	\$ 2,000,000,000
Use of Project Facility	GENERAL OFFICE

Calculate

SEE YOUR RESULTS

INCENTIVES VALUE RANGE	
Minimum	\$ 1,320,000,000
Maximum	\$ 3,080,000,000

Learn More...



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Step 3: Devise a Strategy and Engage w/ Governments Early

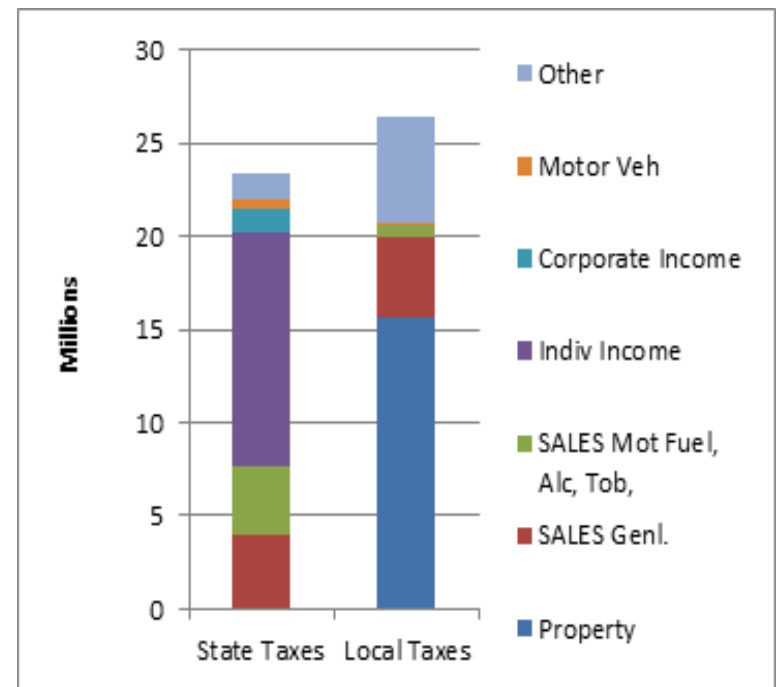
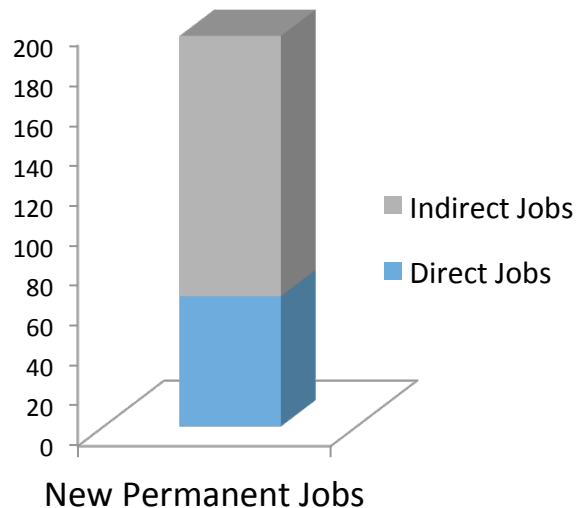
- Devise a Strategy
 - Integrate the incentives acquisition process with associated real estate acquisitions, if any.
 - Set up a “straw-man” in a different state to gain leverage.
 - Control and coordinate government dialogue and public statements.
- Implement in Advance of Investment/Expansion
 - Government will not grant significant incentives if the decision is already made.



Step 4: Create a Compelling Case

Using the "Gold Standard" of economic models, we demonstrate the indirect job creation and the incremental state and local taxes that will result. We estimate key measures including:

- JOBS throughout the community/state;
- HOUSEHOLD INCOME;
- GDP GROWTH (state-level)
- STATE AND LOCAL TAX RECEIPTS.



Incentives Case Study

Safariland Production Realignment



The Incentives Results

- **\$405,000 over 5 years in return for 30 new production jobs and \$1,100,000 in capital costs.**
- \$13,500/new job
- 37% of capital cost funded with government incentives

New Jobs	Incentives Secured	\$ over 5 years
30	Wage Subsidy, Tax Refund, Capital Grant, Training Grants	\$ 405,000

2014 Consolidation of Production Lines

- Since its divestiture from BAE systems in 2012, Safariland has implemented a strategy of expanding its portfolio of brands and pursuing acquisitions aligned with its mission of “Together, We Save Lives”. In 2013, Safariland acquired Mustang Survival, Med-Eng and Tactical Command Industries, all with operations in the U.S. A consolidation of U.S. operations was necessary.
- The decision was made to relocate WV production into Jacksonville, adding 30 production jobs, and requiring a capital outlay of \$1.1 million.

The Challenge

- Improve operating cost efficiencies and cash flow with government-funded incentives.

SCOUT Economics’ Consulting Role

- Developed a strategic plan for a “managed competition” among host communities eager to offer incentives to grow Safariland’s local presence.
- Prepared and presented economic and fiscal impact analyses demonstrating the importance of Safariland’s existing presence in the host communities.
- Projected incentives package value under alternate scenarios and time-frames, including the after-tax impacts of capital grants, tax credits, abatements, utility discounts and training grants.
- Negotiated incentives packages in Alabama and Florida on behalf of Safariland.

Incentives Case Study

Remington Firearms Production Realignment



Marlin Acquisition

- In 2008 Remington Arms acquired Marlin, and thus two of the most storied rifle manufacturers in the world were merged. In 2010, the production of the Marlin product lines, including the historic lever-action rifle (the favorite of Annie Oakley), was consolidated into Remington facilities in New York and Kentucky. The relocation of Marlin production presented an opportunity for a variety of cost-saving measures, including accessing government-funded grants and incentives.

Challenge

- Improve operating cost efficiencies and cash flow with government-funded incentives in the face of the worst state and local fiscal crisis in decades.

The Incentives Results

- **\$18.5 million over 10 years**
- **Nearly 2X ROI** (cap ex = \$9.8m)
- Two of the highest yielding incentives packages on a “new job” basis in the U.S. in 2011.
- Deep Discount electricity provided by the TVA (Kentucky plant) and Niagara Falls (New York plant).

	New Jobs	Incentives Secured	\$/job over 10 years
KY	100	Wage Subsidy, Tax Credit, Sales Tax Refund, Property Tax Abatement, Capital Grant, Training Grant, electricity Discount	\$ 62,000
NY	70	Capital Grants, Hydro-power allocation	\$ 177,000

SCOUT Economics' Consulting Role

- Developed a strategic plan for a “managed competition” among host communities eager to offer incentives to grow Remington’s local presence.
- Prepared and presented economic and fiscal impact analyses demonstrating the importance of Remington’s existing presence in the host communities.
- Projected incentives package value under alternate scenarios and time-frames, including the after-tax impacts of capital grants, tax credits, abatements, utility discounts and training grants.
- Negotiated incentives packages in Kentucky and New York on behalf of Remington Arms.

Key Lessons Learned

- ❑ Money Is Available . . . And It Can Be Significant
 - There are actually states focused on aggressive job creation through investment
 - While larger firms garner much of the news . . . Smaller firms can still reap meaningful benefits

- ❑ You Don't Ask, You Don't Get
 - You don't always have to move locations to receive a benefit
 - You're existing state won't come to you with 'free' money, leverage always helps
 - Know what to ask for and if it is possible under existing law
 - Many times the individual elements of the offer can be negotiable; including intangibles (e.g. Accordion feature on future expansions)
 - States will push tax abatements and credits, bargain hard for cash (Capex, training)

- ❑ Agreement Business Points
 - Think ahead – relocations are frequently not isolated events, and don't always execute as planned. Build in flexibility!
 - Are tax credits/abatements valuable to you in that particular State?
 - Pay attention to what triggers funding and timing of receipts, they may differ

- ❑ Hire An Expert
 - State and local political and economic landscapes are dynamic; websites are misleading
 - Governments speak a certain language regarding grants, abatements, etc.
 - Yes, there's a fair amount of paperwork to be managed, and an equal amount of data to be collected and documented
 - Does your rolodex include Economic Development officials across the U.S.?
 - Who keeps a spare 'Mike' on staff to do all of this

Incentives Advisory Specialists Provide

- Strategies that have been proven to work in hundreds of similar situations to acquire incentives and to comply with on-going administrative requirements—
workplans, timelines, templates for internal and external communications, compliance administration tools
- Expertise in key disciplines including
 - Government Affairs
 - Public Relations
 - State and Local Tax
 - Regional Economics/Econometrics
 - Grant writing
- Contacts at granting agencies
- Benchmarking data: what have other similar projects obtained?; where can we get the biggest value?
- Awareness of the many pitfalls that can erode/eliminate value
- Staff to set up “straw man” alternatives
- Staff to perform administrative processes
- Success fee arrangements

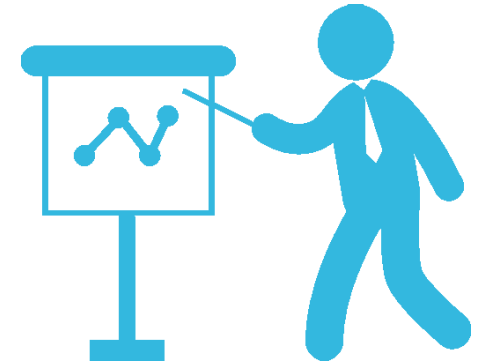
INTRODUCING MIKE PRESS, PRESIDENT OF SCOUT ECONOMICS



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SUBJECT MATTER EXPERT

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- › Designed the major programs in the Amazon New York package.
- › Founded the Ernst & Young Business Incentives Practice in 1997, the global leader in the Incentives advisory space.



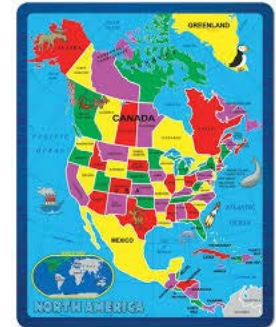
EXPERIENCE ACROSS NORTH AMERICA

PARTNERSHIPS with PC’s and OWNERS

- › CERBERUS CAPITAL
 - NEW AVON
 - DYNCORP
 - REMINGTON ARMS
 - BLUEBIRD BUSES
- › ALVAREZ & MARSAL CAPITAL
 - DUTCHLAND PLASTICS
 - CHAMPION ONE
- › WARREN KANDERS’ COMPANIES
 - BLACK DIAMOND
 - CLARUS
 - SAFARILAND
- › C.V. STARR
 - IQOR



- › Boeing HQ relocation to Chicago
- › Citicorp campus relocation to New Jersey
- › Avon HQ expansion in Manhattan
- › Remington Arms expansions in KY, AL and NY
- › Barnes Bullets expansion in Arkansas
- › Dealertrack HQ expansion in Long Island
- › Dutchland Plastics expansion along the Erie canal



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AL WEGGEMAN, BUSINESS TRANSFORMATION LEADER



AL WEGGEMAN
Founder
OPERATING ADVISORS

LEADERSHIP OVERVIEW

- › 20+ years as a middle-market, results-oriented business leader
- › Highly effective at both strategic and tactical levels
- › Talent for leading business teams through analytical and fact-based problem-solving to develop and execute business-wide innovative strategies
- › Business performance results achieved through plan clarity & communication, relentless focus on team accountability, follow-up, and initiative execution
- › Significant experience in private equity owned portfolio companies and business transformation situations
- › Comprehensive experience in engineered product & component businesses
- › Industries served: Safety & Security, Personal Protective Equipment, Automotive, Aerospace & Defense, Process Automation, Electrical Distribution & Control

SELECTED HIGHLIGHTS

CORE EXPERIENCE

- › P&L Leadership
- › Private Equity Portfolio Mgt.
- › Business Strategy
- › Performance Optimization
- › Leadership Team Development
- › Business Scaling & Organic Growth
- › Business Transformations & Turnarounds
- › Change Management
- › Acquisitions and Integrations
- › Board Participation

- › As business Interim President, led turn-around of \$500M Safety and Security Detection business resulting in \$25M of cost reductions and significantly improved go-to-market strategy and order capture management.
- › As Business Segment and Global Operations leader in \$450M Personal Protective Equipment business, led BU's and operating teams that significantly contributed to 24% revenue and 50% EBITDA CAGR over four year period.
- › As COO of \$220M business, drove teams that delivered four-year revenue CAGR of 10% and 15% EBITDA CAGR.