



Larry Hogan Governor
Boyd Rutherford Lt. Governor

R. Michael Gill Secretary
Benjamin H. Wu Deputy Secretary

June 1, 2015

Mr. Howard Mantel
Indirect Tax and Incentive Director
United Parcel Service, Inc. (Ohio)
55 Glenlake Parkway
Atlanta, GA 30328

SUBJECT: United Parcel Service, Inc. (Ohio) expansion project in Prince George's County, Maryland.

Dear Mr. Mantel:

The Department of Business and Economic Development (the "Department") and Prince George's County (the "County") are pleased to support United Parcel Service, Inc. (Ohio) (the "Company" or "UPS") in its initiative to expand its Hub operations in Prince George's County, Maryland (the "Project").

1. **THE SUBDIVISION.** This letter is intended to describe the major elements of the transaction and the assistance that may be offered to the Company for expanding the Project in Prince George's County, Maryland. These terms are not transferrable to any other subdivision.

2. **PROJECT DESCRIPTION.** As we understand the Project, the Company is seeking locations to expand its Hub operations dedicated to sorting and staging deliveries. If the Company elects to expand its Laurel Hub operations it will purchase approximately seven (7) acres and a building located at 14851 Sweitzer Lane, vacate the existing tenant, demolish the building and develop a new 227 trailer position staging area located adjacent to its existing Hub operation at 14841 Sweitzer Lane in Laurel, Maryland (collectively the "Project Site"). The Project Site would be comprised of the Company's existing 360,000 square foot facility and an approximately seven (7) acres for the staging area. Total project costs are estimated to be in excess of \$18,000,000 and would include approximately \$12,000,000 to purchase the land and vacate the tenant, \$3,500,000 to demolish the building and develop a new staging area, and \$2,500,000 for improvements to the existing Hub area (the "Project Costs").

We further understand that the Company will retain its existing 1,019 permanent full-time employees and hire an additional 25 permanent full-time employees for a total of 1,044 permanent full-time employees ("Full-time Employees") at the Project Site by December 31, 2019. Additionally, the Company will retain its existing 1,898 part-time employees and hire an additional 200 part-time employees for a total of 2,098 part-time employees ("Part-time Employees") at the Project Site by December 31, 2019.

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“Full-time” means that an employee works at least 1,800 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage and is eligible for an employer-subsidized health care benefits package. “Part-time” means that an employee works at least 1,000 hours in a 12-month period, is paid an hourly wage of at least 150% of the prevailing federal minimum wage and is also eligible for an employer-subsidized health care benefits package. A new full-time or part-time permanent position at the Project Site would be a net new position to the State and would not include the movement of existing Company employees at other locations in the State, or employees of a company acquired by the Company after this date, if the employee’s place of employment immediately before the acquisition was elsewhere in the State.

We also understand the Company will use its commercially reasonable efforts to use Baltimore/Washington International Thurgood Marshall Airport and the Port of Baltimore for its shipping and transportation and Maryland contractors and construction workers for construction associated with the Project. Additionally, Maryland strongly supports our military personnel and encourages companies to use their best efforts to employ veterans.

Of course, any changes to the Project as outlined in this letter should be immediately brought to the Department’s attention since they could affect the Department’s proposed assistance for the Project.

3. **DEPARTMENT PARTICIPATION.** The Department is willing to consider providing the following assistance to enable the Company to complete the Project at the Project Site in Prince George’s County, Maryland:

(a) **Conditional Loan** under the Maryland Economic Development Assistance Fund (the “Loan”):

Borrower:	UPS, or an entity acceptable to the Department.
Amount:	\$350,000
Approval:	The Loan is subject to approval by the Secretary of the Department.
Purpose:	The proceeds of the Loan would be used to reimburse Eligible Project Costs at the Project Site.
Eligible Project Costs:	Those costs associated with the Project that are eligible for reimbursement under the Maryland Economic Development Assistance Fund program. This would include the construction or acquisition of a building or real property and the acquisition, construction, or installation of machinery, equipment, furnishings,

fixtures, leasehold improvements, site improvements, or infrastructure improvements at the Project Site.

- Term:** The term of the Loan would be ten (10) years from disbursement.
- Interest Rate:** Three percent (3%) fixed per annum.
- Repayment:** All principal and accrued interest would be deferred over the term of the Loan. In the event that all of the Performance Criteria of the Loan are met over the term, all outstanding deferred principal and accrued interest would be forgiven at the end of the Loan term. In the event that any of the Performance Criteria are not met, the Loan would be repayable as described in the Conditions section.
- Disbursement:** The Loan would be disbursed for up to 70% of incurred Eligible Project Costs.
- Collateral:** To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan.
- Guarantors:** To be determined based upon a financial and collateral review of the Borrower and the final structure of the Loan.
- Conditions Precedent To Disbursement:** The Borrower will furnish evidence acceptable to the Department of: (1) its ownership/control of the Project Site, (2) its commitment to develop a new 227 trailer position staging area at the Project Site, (3) its employment of a minimum of 1,000 Full-time permanent employees and 1,800 Part-time employees at the Project Site, and (4) Prince George's County's approval and full funding of its incentive.
- Performance Criteria:** (1) The Borrower will employ a minimum of 1,000 Full-time permanent employees and 1,800 Part-time employees at the Project Site for the term of the Loan and hire an additional 200 Part-time employees by December 31, 2019. Thereafter, the Borrower will retain 1,000 Full-time permanent

employees and 2,000 Part-time permanent employees at the Project Site for the remaining term of the Loan.

Full-time and Part-Time employment will be measured annually as of December 31st of each required year, with employment reports due to the Department by January 31st of the following year with the first reporting beginning the first December 31st following disbursement.

(2) The Borrower will spend a minimum of \$18,000,000 for Project Costs at the Project Site by December 31, 2017.

(3) The Borrower will retain its Hub operations at the Project Site for the term of the Loan.

Conditions:

(A) If the Borrower does not meet Performance Criteria (1), (2) or (3), the Borrower would repay the Loan in full.

(B) The Loan must be documented and closed by September 1, 2015.

4. **PRINCE GEORGE'S COUNTY INCENTIVES**. The County is willing to consider providing the following assistance to enable the Company to complete the Project in Prince George's County, Maryland:

(a) **Financial Assistance**: Prince George's County has created an Economic Development Incentive Fund (EDI Fund) to support job retention and attraction and economic development and redevelopment in Prince George's County. Prince George's County will offer a separate \$100,000 conditional loan to enable the Company to complete the Project at the Project Site in Prince George's County, subject to terms, conditions, and performance criteria that are consistent with the Department's Conditional Loan in all material respects, including that in the event that all of the performance criteria of the loan are met over the term, all outstanding deferred principal and interest would be forgiven at the end of the loan term. The EDI Fund conditional loan requires approval by the County Chief Administrative Officer and notice to the Prince George's County Council.

It is the policy of Prince George's County to encourage and in some cases require businesses that accept financial assistance from the EDI Fund, and other economic development tools and incentives, to commit to specific goals or minimum requirements for local, small, and/or minority business (LSMBE) participation in the projects that are being supported by the financial assistance. Prince George's County endorses the goal of improving the quality of life

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for all citizens by strengthening the economic capacity of its local, small, and minority business communities. As a condition of assistance, the Company will be expected to enter into an agreement with the County evidencing a commitment to 50% LSMBE requirements for project costs associated with demolition and improvements at the project site.

Please contact Ms. Ebony Stocks, EDI Fund Business Development Specialist, Prince George's County Economic Development Corporation, at 301-583-4610 or email at epstocks@pgcedc.com, for additional information and to make application for these County programs of assistance.

5. **OTHER INCENTIVES.** In addition to the incentives described above, the State could provide, through the appropriate state and local governmental instrumentalities, certain incentives to induce the Company to locate in the State, including:

(a) **Job Creation Tax Credit.** The Company could be eligible for a Job Creation Tax Credit ("JCTC") if it establishes or expands a Maryland business facility that is primarily engaged in transportation, warehousing, and the facility is located in one of the following "priority funding areas": an incorporated municipality, within the Baltimore Beltway, within the Maryland portion of the Washington, D.C. Beltway, in a federal empowerment zone, in a Maryland Enterprise Zone, in a sustainable community as defined in Section 6.01 of the Department of Housing and Community Development ("DHCD") Article, in one area in a county designated by the county as a priority funding area, or in that portion of the port land use development zone that has been designated as an area appropriate for growth in the county comprehensive master plan.

To qualify for the job creation tax credit, most business entities must create at least 60 "qualified positions" (permanent newly created Maryland positions of at least 1,680 hours per year resulting from the establishment or expansion of a business facility in a single location in the state and paying at least 150% of the federal minimum wage) within a 2-year period. The 60 new job minimum is reduced to a 30 new job minimum if the aggregate annual payroll for the qualified positions exceeds 60 multiplied by the State's average annual salary. The 60 new job minimum is reduced to 25 new jobs if the facility is located in one of the "priority funding areas" listed above.

Credit granted will be the lesser of \$1,000 or 2.5% of a year's wages for each new employee in a qualified position. If the new or expanded facility is located in a "revitalization area" (a federal empowerment zone, a Maryland Enterprise Zone, or a DHCD sustainable community), then the credit is increased to the lesser of \$1,500 or 5% of a year's wages for each employee in a qualified position.

The maximum credit allowed during any credit year for a single facility is \$1 million. The credit is allowed ratably, with 1/2 to be taken in the credit year and 1/2 taken in the following year (or carried forward, if necessary). If, during the three (3) years succeeding the credit year, the average number of qualified positions falls below the applicable minimum number of qualified positions, all credits shall be recaptured. If the number of qualified positions

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falls more than 5%, but not below the applicable minimum number of qualified positions, then the credit is recaptured in proportion to the decline in qualified employees.

(b) **Baltimore Gas & Electric (“BGE”) Energy Rate Incentive and Energy Efficiency Goals.** BGE is the energy service delivery company in central Maryland. To promote business growth and employment expansion within their service territory, BGE offers the “Rider 7” incentive. This incentive is available to businesses that locate new operations or expand existing operations in the BG&E service area, provided ten or more new full-time jobs are created, and a minimum qualifying load of 200kw per month is used for those sites within an Enterprise Zone, or 500kw per month for sites elsewhere.

Businesses that qualify for the Energy Rate Incentive receive the incentive for three (3) years, or for five (5) years if the site is within an Enterprise Zone. The company must contact BGE prior to any site decision or commitment.

In addition, they offer the “BGE Smart Energy Savers Program®” that includes a variety of energy efficiency financial incentives and engineering services for industrial and commercial projects such as:

- Retrofits of existing inefficient equipment
- New construction
- Major renovation and remodeling
- New equipment purchases
- End-of-life equipment replacements

Programs for medium and larger industrial and commercial customers include:

- Energy Solutions for Business: Technical services to help you analyze specific projects, incentives of up to 50% of the total cost for retrofit projects or up to 75% of the incremental costs for new equipment as well as for new construction. There are incentives on numerous measures including HVAC systems, lighting and controls and even incentives for custom projects.
- Retrocommissioning (RCx), which is the process of monitoring, troubleshooting and adjusting electrical, mechanical and control systems in existing buildings to optimize energy performance. Incentives cover up to 75% of the cost of the RCx services.
- Combined Heat and Power (CHP): incentives of \$900/kW with a project cap of \$2 million.

For more details on the energy efficiency programs see: <http://www.bgesmartenergy.com/business>.

For additional information in general, contact Ammanuel Moore, BGE Economic Development Manager, at 410-470-8999.

(c) **Maryland Commuter Tax Credit.** Maryland employers that pay for part or all of eligible monthly commuting expenses for their employees can qualify for a tax credit equal to 50% of the cost of those expenses with a cap of \$50 per employee per month. This includes expenses incurred for monthly usage of bus or rail service provided by the Washington Metropolitan Area Transit Authority or the Maryland Mass Transit Administration, MARC trains and vanpools. The credit can be claimed against State income taxes, or insurance premium taxes. When combined with federal tax incentives, this State tax credit allows employers to offer a new employee benefit for a fraction of the total cost. Please call the Maryland Mass Transit Administration at 410-767-8755 for more details.

(d) **Maryland Disability Employment Tax Credit.** The Maryland Disability Employment Tax Credit ("MDETC") is a Maryland State tax credit that allows employers to claim credit for employees with disabilities.

- For the first taxable year, a credit is allowed in an amount equal to 30% of up to the first \$6,000 (\$1,800) of wages paid during the first year and 20% of up to the first \$6,000 (\$1,200) of wages paid during the second year of employment. Employers can also benefit from a tax credit for work-related childcare or transportation expenses paid by the employer. A credit of up to \$600 of the qualified childcare or transportation expenses incurred during the first year of employment and up to \$500 for the second year. The MDETC may be claimed concurrently with any available federal tax credits for which the employee may be eligible.

The Company must hire an individual with a disability and obtain a determination from the Division of Rehabilitation Services ("DORS") of the Maryland State Department of Education, or the Maryland Department of Labor, Licensing, and Regulation for a disabled veteran, that the individual is a qualified employee with a disability.

(Unless otherwise noted, for additional information regarding the State tax incentives listed above, please contact Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs, DBED, at 410-767-6438, toll-free at 877-821-0099, or email at mvulcan@choosemaryland.org, for additional information and, if applicable, to make application for the Job Creation Tax Credit.)

6. **CONDITIONS.** The extension of financial assistance will be subject to the Department's and County's due diligence review of the Company's business and financial affairs and documentation satisfactory to the Department's and County's counsel. The Loan is subject to approval by all appropriate approval authorities. A later commitment for any financial assistance will be subject to the availability of funding and adequate appropriations, the payment of applicable fees, and compliance with all applicable state and federal laws.

Any public communication (i.e., letters to legislators, press releases, discussion with local media, tombstone ads, staged events with public officials) about the proposed Project must first be agreed to by the Department's Communications Office, at 410-767-6318, since erroneous or premature publicity could affect the composition of the incentives under discussion.

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Recipients of the Department's financial assistance are prohibited from discriminating on the basis of race, color, sex, religion, or national or ethnic origin in the hiring of contractors (or permitting contractors to discriminate in the hiring of subcontractors) for projects funded by that financial assistance. The recipient agrees to support the State's interest in expanding procurement opportunities for contractors and vendors who are minority business enterprises ("MBEs"). The recipient will designate an individual to identify procurement opportunities in the Project and to work cooperatively with the Department's Equal Opportunity Office to identify MBEs that have the capacity to provide goods or services for the Project. (Contact the Equal Opportunity Office at 410-767-6488, 401 E. Pratt Street, 10th Floor, Baltimore, Maryland 21202.) The recipient will submit a list, updated at least annually until the Project is completed, of the MBEs from which goods or services were procured, and the nature and dollar amount of the goods or services.

7. **EXPIRATION.** While this letter is intended as a non-binding expression of intent rather than an enforceable commitment, and while material provisions that will be critical to an acceptable agreement are absent from this summary, we hope that it will serve as a useful framework for the prompt completion of negotiations. Please sign and return this letter to the Department as soon as possible, but no later than **July 1, 2015**, to expedite negotiations and preserve the Project's high priority status.

The Department invites you to contact Mr. Timothy P. Doyle or Ms. Kimberly Mullaney of the Office of Finance Programs, DBED, at 410-767-2369 or 410-767-6365 for details and further steps. We look forward to working with you.

Sincerely,




R. Michael Gill
Secretary
Department of Business
and Economic Development



James R. Coleman
President & CEO
Prince George's County
Economic Development Corporation

Accepted this 15th day of JUNE, 2015

United Postal Services of America, Inc. (Ohio)

By: 
Name: HOWARD MANTEL
Title: EAST REGION TAX & INCENTIVE DIRECTOR
FID#: 36-2407381

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Upon signing, please return this letter directly to Ms. Kimberly Mullaney, Finance Specialist, Office of Finance Programs, DBED, 17th Floor, 401 E. Pratt Street, Baltimore, MD 21202.

cc: Mr. David Iannucci, Deputy CAO for Economic Development and Public Infrastructure, Prince George's County
Ms. Ebony Stocks, EDI Fund Business Development Specialist, Prince George's County Economic Development Corporation
Mr. Timothy P. Doyle, Program Manager, Office of Finance Programs, DBED
Ms. Kimberly Mullaney, Finance Specialist, Office of Finance Programs, DBED
Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs, DBED