



Lawrence J. Hogan, Jr. Governor
Boyd K. Rutherford Lt. Governor

R. Michael Gill Acting Secretary
Benjamin H. Wu Deputy Secretary

March 11, 2015

Mr. Robert Proctor
Chief Executive Officer
Flexel LLC
387 Technology Drive, # 2101
College Park, Maryland 20742

SUBJECT: Flexel LLC manufacturing facility project in Prince George's County, Maryland.

Dear Mr. Proctor:

The Department of Business and Economic Development (the "Department"), Prince George's County (the "County"), and the University of Maryland (the "University") are pleased to support Flexel LLC (the "Company") in its initiative to establish a research & development and pilot manufacturing facility in a location to be leased from the University (the "Project").

1. **THE SUBDIVISION**. This letter is intended to describe the major elements of the transaction and to describe the assistance that may be offered to the Company to assist the Project. These terms are not transferable to any other subdivision.

2. **PROJECT DESCRIPTION**. It is our understanding that the Company will lease approximately 10,932 square feet of space for a term of not less than ten (10) years at 4501 Paint Branch Road, Prince George's County, Maryland (the "Project Site") where it will establish a research & development and manufacturing facility for the commercialization of high technology batteries. We understand that the Company will invest or cause the investment of approximately \$10,000,000 in eligible capital expenditures for leasehold improvements and equipment at the Project Site (the "Project Costs"). Furthermore, the Company will retain its existing 10 permanent full-time employees and hire 50 new permanent full-time employees for a total of 60 permanent full-time employees at the Project Site by December 31, 2020.

"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. A new full-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

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We also understand the Company will use its best 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:	Flexel LLC or an entity acceptable to the Department.
Amount:	\$200,000
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 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.
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.
- Disbursement: The Loan would be disbursed for up to 70% of incurred Eligible Project Costs.
- Conditions Precedent To Disbursement(s):
- (1) The Borrower will furnish evidence acceptable to the Department of lease for approximately 10,932 square feet of space at the Project Site for a term of not less than the Loan term.
 - (2) The Borrower will have expended at least \$286,000 of Eligible Project Costs at the Project Site against which the Loan may be disbursed.
 - (3) The Department will have received satisfactory evidence that the Borrower employs at least 10 permanent full-time permanent employees at the Project Site.
 - (4) The Department will have received satisfactory evidence that the County has approved and funded its incentive.
- 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.
- Performance Criteria:
- (1) The Borrower will employ 60 permanent full-time employees at the Project Site by December 31, 2020 and retain at least that amount at the Project Site for the remaining term of the Loan.
- Full-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 or cause to be spent a minimum of \$10,000,000 in Project Costs at the Project Site by December 31, 2020. The Loan proceeds may count as part of the Borrower's spending requirement.

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

Conditions:

(A) If at any time after December 31, 2020, full-time employment at the Project Site is less than 60, the Borrower would repay a pro-rata portion of principal (\$4,000.00) and the associated portion of accrued interest due for every employee below the goal.

(B) If at any time during the term of the Loan the Borrower does not meet Performance Criteria (3), or does not meet Performance Criteria (2) by December 31, 2020, all accrued principal and interest under the Loan would be repayable.

(C) The Loan must be documented and closed by December 31, 2015.

(b) **Maryland Industrial Development Financing Authority ("MIDFA"):**

Credit Insurance: The program facilitates private sector financing of economic development projects by providing credit insurance to reduce the lender's collateral risk and to increase the borrower's access to capital. The level of assistance would be negotiated with the financial institution and would be subject to approval by the MIDFA Board. The Company would be responsible for fees and expenses that result from the transaction, including bond issuance fees, credit insurance premiums, and bond counsel.

Tax-Exempt Bonds: Issuance of tax-exempt bonds to manufacturers up to \$10 million, which may be subject to a bond allocation restriction. Eligibility is limited by federal tax law. The uses of funds include most business applications such as land acquisition, building acquisition, construction costs, machinery and equipment, furnishings and fixtures, leasehold improvements, and certain eligible "soft costs".

4. **PRINCE GEORGE'S COUNTY INCENTIVES.** The County 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) **Financial Assistance:** The 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. The County will offer a separate \$200,000 conditional loan to enable the Company to complete the Project at the Project Site, subject to terms, conditions, and performance criteria that are consistent with the Department's Conditional Loan in all material respects. 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 for all citizens by strengthening the economic capacity of its local, small, and minority business communities. As a condition of assistance, Flexel LLC will be expected to enter into an agreement with the County to meet specified LSMBE goals and requirements.

(b) **Workforce Services.** The Workforce Services Division ("WSD") of Prince George's County Economic Development Corporation has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. WSD will offer the following services for the Project at no cost to the Company:

- Customized Recruitment, Pre-screening, and Assessment of job candidates;
- Customized Training (administrative and soft skills, up to 50 percent of shared costs);
- Screening for various tax credit opportunities due to creating new employment; and
- Dedicated WSD staff to provide these services.

Regulations limit the ability of the WSD to use some of its program resources for recruitment of new companies. However, once the Company is established in the County, WSD will create customized, on-the-job training for a wide range of skills and provide reimbursement of up to 50% of the participant's wage rate. For example, the On-the-Job-Training/Customized Training can reimburse 50% of the employer's training costs, up to \$50,000. Should the Company decide to locate in the County, the above mentioned training strategies are available. As this would be an expansion into our region with no displacement of workers, the programs can be implemented without the 120-day wait period.

5. **UNIVERSITY OF MARYLAND ASSISTANCE.** The University will fund tenant improvements of up to \$1,000,000 at the Project Site subject to a lease rate of \$12.25 per square foot.

6. **OTHER INCENTIVES.** In addition to the incentives described above, the State would provide, through the appropriate state and local governmental instrumentalities, certain other incentives to induce the Company to complete the Project at the Project Site, including:

(a) **Job Creation Tax Credit.** The Company could be eligible for a Job Creation Tax Credit if it establishes or expands a Maryland business facility that is primarily engaged in a company headquarters or business services if the facility is located in a State priority funding area.

Based on the Project Site, the minimum number of “qualified positions” is reduced from 60 to 25. Qualified positions are 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.

Since the new facility will be located in a “revitalization area” (an incorporated municipality and sustainable community), the credit is 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 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) **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.

(c) **Inventory Tax Exemptions:** The County exempts 100% of commercial inventory from personal property tax.

(d) **Sales Tax Exemptions.** The Company could be exempt from state sales taxes on equipment that is purchased for use in a production activity, tangible personal property consumed in a production activity, and energy sources consumed directly and predominately in a production activity, in connection with the Company's production.

(e) **Single Sales Factor Apportionment for Manufacturing Corporations.** Maryland's corporate tax law provides that a manufacturer's income tax is based solely on its percentage of in-State sales. A single sales factor apportionment formula is used to apportion income to the State, for purposes of the corporate income tax, for "manufacturing corporations" that carry on a trade or business in and out of the State.

(f) **Maryland Research and Development ("R&D") Tax Credit.** Companies that are eligible for the federal research and development tax credit may also be eligible for the Maryland Research and Development Tax Credits for qualified R&D activities conducted in Maryland. The basic credit is 3% of eligible expenses that do not exceed the Maryland Base Amount. The growth credit is 10% of the eligible expenses in excess of the Maryland Base Amount. Each credit is subject to an aggregate statewide ceiling of \$4.5 million. The Department will allocate the credits to businesses based on their applications, and businesses may claim their allocated tax credits on amended tax returns. A firm must submit an application to the Department by September 15th of the year following the taxable year in which the Maryland qualified research and development expenses were incurred.

The tax credit may be carried forward for seven years. For small businesses, the excess credit may be refunded. A "small business" is defined as a business that has net book value assets, as reported on the balance sheet, totaling, at the beginning or end of the tax year in which the expenses are incurred, of less than \$5 million,

(g) **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, financial institution franchise 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.

(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 mark.vulcan@maryland.gov, for additional information and, if applicable, to make application for the Job Creation Tax Credit.)

7. **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 the approval of 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.

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 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.

8. **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 **April 10, 2015** to expedite negotiations and preserve the Project's high priority status.

The Department invites you to contact Mr. Harry M. Carroll at 410-767-6360 of the Office of Finance Programs, DBED, for details and further steps. We look forward to working with you.

Sincerely,



R. Michael Gill
Acting Secretary
Department of Business
and Economic Development



Ms. Gwen S. McCall
Acting President and CEO
Prince George's County
Economic Development Corporation

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Carlo Colello
Vice President Administration
University of Maryland, College Park

Accepted this ____ day of _____, 2015

Flexel LLC

Name: _____
Title: _____
FID# _____

**Upon signing, please return this letter directly to Mr. Harry M. Carroll, Finance Specialist,
Office of Finance Programs, DBED, 401 East Pratt Street, Suite 1760, Baltimore, MD 21202.**

cc: Mr. Harry M. Carroll, Finance Specialist, Office of Finance Programs, DBED
Mr. D. Gregory Cole, Program Director, Office of Finance Programs, DBED
Mr. Timothy P. Doyle, Program Manager, Office of Finance Programs, DBED
Mr. Jayson Knott, Program Director, Office of Business Development, DBED
Mr. Mark Vulcan, Program Manager, Tax Incentives, Office of Finance Programs,
DBED