



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

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

March 13, 2015

Mr. David G. Fout  
President & CEO  
Aquilent, Inc.  
1100 West Street  
Laurel, Maryland 20707

**SUBJECT:** Aquilent, Inc. expansion project in Prince George's County, Maryland.

Dear Mr. Fout:

The Department of Business and Economic Development (the "Department") and Prince George's County (the "County") are pleased to support Aquilent, Inc. (the "Company") in its initiative to expand its headquarters 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 will retain and expand its existing headquarters operations in the County by maintaining its existing lease of approximately 62,000 square feet of space located at 1100 West Street in Laurel, Maryland (the "Existing Facility") and leasing another 34,000 square feet of additional space (the "Additional Facility") located adjacent to the Existing Facility (the Existing Facility and the Additional Facility are collectively referred to as the "Project Site"). We understand costs associated with the Project are estimated at \$1,200,000 (the "Project Costs"). Additionally, the Company will retain its existing 313 Full-time permanent employees at the Project Site and hire an additional 286 Full-time permanent employees, for a total of 599 Full-time permanent employees, at the Project Site by December 31, 2020.

"Full-time" means an employee employed by the Company at the Project Site, including those employees on assignment at other sites under a government contract, who 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 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 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:	Aquilent, Inc., or an entity acceptable to the Department.
Amount:	<b>\$840,000</b>
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:
- (1) The Borrower will provide a copy of the executed lease(s) for at least 96,000 square feet of space at the Project Site.
  - (2) The Department will have received satisfactory evidence that the Borrower employs a minimum of 313 Full-time permanent employees at the Project Site.
  - (3) The Department will have received satisfactory evidence that Prince George's County has approved and fully funded its incentive.
- Performance Criteria:
- (1) The Borrower will employ at least 313 Full-time employees at the Project Site for the term of the Loan.
  - (2) The Borrower will employ at least 599 Full-time employees at the Project Site by December 31, 2020 and retain at least that amount at the Project Site for the term of the Loan.

Full-time employment will be measured annually as of December 31<sup>st</sup> of each required year, with employment reports due to the Department by January 31<sup>st</sup> of the following year with the first report due to the Department by the first December 31<sup>st</sup> following disbursement.

(3) The Borrower will spend a minimum of \$1,200,000 for Project Costs at the Project Site by December 31, 2017.

(4) The Borrower will retain its headquarters and 95,000 square feet of leased space at the Project Site for the term of the Loan.

Conditions:

(A) If at any time during the term of the Loan, Full-time employment at the Project Site falls below 300 Full-time employees, all outstanding unpaid interest and principal under the Loan would be repaid.

(B) If at any time during the term of the Loan after December 31, 2020, Full-time employment at the Project Site is less than 599 but greater than 299; the Borrower would repay a pro-rata portion of principal (\$2,809.37) and the associated portion of accrued interest due for every employee below the goal.

(C) If the Borrower does not meet Performance Criteria (3) or (4), the Borrower would repay the Loan in full.

(D) 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 \$250,000 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. 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, the Company 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 Economic Development Corporation has the responsibility of developing integrated and comprehensive solutions to the workforce needs of County employers. The in-kind projected value of this assistance is **up to \$900 per job**. WSD will offer the following services for the Project at no cost to the Company:

- a. Customized Recruitment, Prescreening, and Assessment of job candidates;
- b. Customized On-the Job Training;
- c. Screening for various tax credit opportunities due to creating new employment; and
- d. Dedicated WSD Staff to provide these services.

(c) **Permit Assistance.** Prince George's County will authorize the Project to be considered for Priority Project Designation. Under this process, the Company will have the opportunity to present the Project to all appropriate County regulatory and permit granting agencies and to receive expedited review through applicable local processes. An individual in County government will be designated to assist the Company in the regulatory and review process.

*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 computer programming, data processing or other computer related services; the operation of central administrative offices or a company headquarters and the facility is located in a JCTC priority funding area.

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 a JCTC priority funding area. The facility is located in a municipality, which is a JCTC priority funding area, therefore the 60 new job minimum is reduced to 25 new jobs.

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.

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) **Employer Security Clearance Costs Tax Credit.** Businesses that incur qualified federal security clearance administrative expenses may qualify for a State income tax credit of up to \$200,000. In addition, the business may qualify for an income tax credit of 50% of the costs up to \$200,000 for costs related to constructing or renovating a sensitive compartmented information facility (SCIF). For costs related to constructing multiple SCIFs, the credit may be up to \$500,000. Additionally, a qualified small business that performs security-based contracting in Maryland may be eligible for an income tax credit up to \$200,000 for the first year of rental payments for spaces leased in Maryland. The aggregate amount of credits for businesses is capped at \$2 million. If the aggregate amount of credits applied for by all businesses exceeds \$2,000,000, each business will receive its pro rata share. Businesses must submit an application to the Department by September 15 for expenses incurred in the previous tax year.

(c) **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 \$3 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 15<sup>th</sup> of the year following the taxable year in which the Maryland qualified research and development expenses were incurred.

(d) **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.

(e) **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.

*For additional information, 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.*

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.

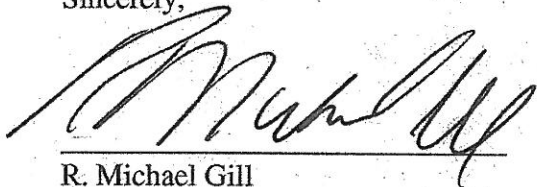
Mr. David G. Fout  
March 13, 2015  
Page 8 of 9

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 **April 13, 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  
Acting Secretary  
Department of Business  
and Economic Development



Gwen S. McCall  
President & CEO  
Prince George's County  
Economic Development Corporation

Accepted this 13<sup>th</sup> day of \_\_\_\_\_, 2015

Aquilent, Inc.

By:   
Name: David Fout  
Title: President/CEO  
FID#: 52-1165246



Mr. David G. Fout  
March 13, 2015  
Page 9 of 9

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

cc: Ms. Melissa Hook, CFO, Aquilent, Inc.  
Mr. Kevin Hughes, Facilities Manager, Aquilent, Inc.  
Mr. Dave Lewis, Business Development Specialist, Prince George's County Economic Development Corporation  
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