

Exhibit A

Incentives for Missouri

Industrial Revenue bonds

Industrial Revenue Bonds were developed by the US Congress and the Missouri General Assembly to help cities and counties promote business expansion and to facilitate financing for large development projects. The first bond available is the revenue bond. This bond does not require the public to vote and are not guaranteed, and are based on the company's credit history. The second is the General Obligation bond which is based on a 2/3 public approved vote. These bonds are not typically used in industrial development projects.

Missouri Quality Jobs

The Missouri Quality Jobs Program facilitates new quality jobs by targeted business projects through the retention of Missouri state withholding tax on new jobs and state tax credits, which are refundable and/or sellable. Eligible businesses include for-profits and non-profit businesses except for gambling, retail trade, food and drinking places, companies regulated by the Public Service Commission, companies that are delinquent in non-protested taxes or other payment, any company that has filed for or has publicly announced its intention to file for bankruptcy, public entities or religious entities.

The Missouri Quality Jobs Act is divided into four separate programs each with separate qualification requirements: The Small Business and Expanding Business Program; the Technology Business Program; the High Impact Projects Program; and the Job Retention Program. The programs will be overseen by the Missouri Department of Economic Development.

The average wage of the new jobs must equal or exceed the county average wage, and the company must offer health insurance and pay at least 50% of the premium. There is no annual cap on the retained withholding taxes, but the annual cap of tax credits for all projects is \$12,000,000, which is provided on a first come basis.

Technology Business Program (classified by NAICS code)

- ▶ Qualifying employers must provide a minimum 10 new jobs within two years;
- ▶ Qualifying employers providing jobs at county average wage may retain withholding taxes and receive refundable tax credits for a total amount equal to 5% of the payroll resulting from the newly created jobs for a period of five years;
- ▶ Qualifying employers providing jobs at 120% of county average wage may retain withholding taxes and receive refundable tax credits for a total amount equal to 5.5% of the payroll resulting from the newly created jobs for a period of five years;
- ▶ Qualifying employers providing jobs at 140% or more of county average wage may retain withholding taxes and receive refundable tax credits for a total amount equal to 6% of the payroll resulting from the newly created jobs for a period of five years; and
- ▶ Maximum annual tax credits per company are \$500,000. No limit on the withholding tax.

Small Business and Expanding Business Program

- ▶ Qualifying employers must provide a minimum 20 new jobs in rural areas (counties with less than 75,000 population or that do not contain a city with more than 50,000 population) or 40 new jobs in non-rural areas within two years;
- ▶ Jobs must pay at least the county average wage for the county in which the project is located
- ▶ Qualifying employers providing jobs at county average wage may retain all withholding taxes resulting from the newly created jobs for a period of three years;
- ▶ Qualifying employers providing jobs at 120% of the county average wage may retain all withholding taxes resulting from the newly created jobs for a period of five years.

High Impact Projects Program

- ▶ Qualifying employers must provide a minimum of 100 new jobs within two years of the date of hiring the first new job, and the first new job must be within one year of the proposal date;
- ▶ Qualifying employers providing jobs at county average wage may retain withholding taxes and receive refundable tax credits for a total amount equal to 3% of the payroll resulting from the newly created jobs for a period of five years; or,
- ▶ Qualifying employers providing jobs at 120% of county average wage may retain

- withholding taxes and receive refundable tax credits for a total amount equal to 3.5% of the payroll resulting from the newly created jobs for a period of five years; or,
- ▶ Qualifying employers providing jobs at 140% of county average wage may retain withholding taxes and receive refundable tax credits for a total amount equal to 4% of the payroll resulting from the newly created jobs for a period of five years; or
 - ▶ If the local government provides benefits equal to 25-49% of their new local tax revenue, qualifying employers may retain withholding taxes and receive tax credits for a total amount equal to an additional 2% of the payroll resulting from the newly created jobs for a period of five years; or
 - ▶ If the local government provides benefits equal to 50% or more of their new local tax revenue, qualifying employers may retain withholding taxes and receive refundable tax credits for a total amount equal to an additional 3% of the payroll resulting from the newly created jobs for a period of five years; and
 - ▶ Maximum annual tax credits per company are \$750,000 (or \$1 million, if approved by the Quality Jobs Task Force). No limit on the withholding tax.

Job Retention Program

- ▶ Companies must have employed at least 1,000 full-time, year-round employees during the two years prior to their program application.
- ▶ The job retention tax credit will be up to 50% of the withholding tax generated by the employees at a company for five years with tax credits capped at \$750,000 annually with the total annual program cap of \$3 million.

- ▶ A company is also required to make a \$70 million investment within two years of making an application for the program and local governments must provide local incentives of at least 50% of the new local revenues created by the project for 10 years.

Enhanced Enterprise Zone Tax Credits

The state of Missouri grants tax credits to new or expanding businesses in a Missouri Enhanced Enterprise Zone. Enhanced Enterprise Zones are specified geographic areas designated by local governments and certified by the Department of Economic Development (DED). Individual business eligibility will be determined by the zone based on creation of sustainable jobs in a targeted industry or demonstrated impact on local industry cluster development. Gambling establishments, retail trade, and food and drinking places are prohibited from receiving the state tax credits. Service industries can be eligible if a majority of their annual revenues will be derived from services provided out of the state. DED will consult with the local government in determining eligibility.

The Enhanced Enterprise Zone Program is a discretionary program offering state tax credits to Enhanced Business Enterprises. Tax credits may be provided each year for up to ten tax years after the project commences operations. To receive tax credits in any of the ten years, the facility must create at least two new jobs and \$100,000 in new investment in that year as compared to the base year (the year prior to the commencement of operations at the facility). Eligible investment expenditures include the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same. Inventory is not eligible.

Tax credits can only be applied to tax liability for the year in which they were earned. The tax credits are refundable or may be transferred, sold or assigned. The sale price cannot be less than 75% of the par value of such credits.

Tax credits will be an amount authorized by DED based on the state economic benefit, supported by the number of new jobs and new capital investment that the project will create. The program benefits include:

- ▶ 2% of the payroll of the New Jobs, and,
- ▶ 1/2% of the New Private Capital Investment.
- ▶ Each year for five years.
- ▶ After initial five years, may start an additional five years if minimum thresholds met.
- ▶ Maximum of 10 years of program benefits from first year.

Tax credits issued under this program are limited to \$4,000,000 annually until 12/31/06 and will increase to \$7,000,000 annually starting 1/1/07.

Applicants must be eligible for and receive at least ten years' local property tax abatement at 50% pursuant to the local enhanced enterprise zone plan. A facility may not earn tax credits for more than one 10 year period. A business cannot earn tax credits under this program if earning Business Facility, Rebuilding Communities or Brownfield Jobs and Investment tax credits for the same project for the same tax period.

Research Expense Tax Credit Program

In order to induce existing businesses to increase their research efforts, businesses are permitted to claim a tax credit equal to 6.5% of the excess of qualified research expenses during the tax year, over the average amount of qualified research expenses incurred in Missouri during the preceding three tax years. The credit may be carried forward for up to five additional years. The amount of the tax credits cannot exceed \$10 million annually.

The Brownfield "Jobs & Investment" Tax Credit Program

Any person or business operating an eligible project of redevelopment on certain abandoned and contaminated property may be eligible to earn state income tax credits for new investment and new jobs for up to 10 years. The program provides state income tax benefits for up to 100% of remediation costs. The company may obtain (for up to 10 years) tax credits between \$500 and \$1,300 per year for each new job created, tax credits based on 2% (annually) of new capital investment, a 50% income exemption, and abatement of local real property taxes (for up to 15 years).

The eligible project must be in a blighted area and must comply with the Dept. of Natural Resources' environmental conditions. A new company must create and maintain 10 new jobs, and an existing company must retain 25 jobs to receive benefits.

Missouri Development Finance Board Tax Credit Programs

Any taxpayer may receive a state tax credit equal to 50% of any amount contributed to the Industrial Development and Reserve Fund, the Infrastructure Development Fund, or the Export Finance Fund. Contributions to these funds are used to make direct loans and loan guarantees to new and expanding businesses and nonprofit organizations, and to make grants to public entities. Credits may be transferred or sold and there is a five-year carry-over provision.

Development Tax Credit Program

The state provides income tax credits based on a contribution by a company to a local non-profit corporation (NPC) for projects approved by the Department of Economic Development (DED). The amount of credits approved will be based on the economic impact of the project and the minimum amount of credits required causing the project to occur. The purpose of the program is to create full-time, year-round jobs. The project must be located in a "blighted" or "distressed" area.

Eligible donations include cash, machinery and equipment, and real estate. The NPC will lease the real or personal property to a business entity. The lease is structured to facilitate the business' project and lease payments will be based on the costs of the non-profit to operate and maintain the subject assets (if any). In most cases the NPC will provide DED the lease payments received in an amount to repay the tax credits plus interest. The tax credits may be used in the year received, or for up to five years if desired. Credits also may be sold or transferred.

Rebuilding Communities Tax Credit Program

The Rebuilding Communities Program designates a number of cities, towns, and census block group areas as distressed or "rebuilding" communities. Businesses locating or expanding in these areas are eligible for tax credits and other financial incentives.

Eligible businesses must have more than 75% of its employees at the facility in the distressed community and must have fewer than 100 employees total for all facilities. The business must be classified among the following: manufacturing, biomedical, medical devices, scientific research, animal research, computer software design or development, computer programming, including Internet, web hosting, and other information technology, wireless or wired or other telecommunications, or certain types of professional firms.

A new or relocating business may choose one of two 40% tax credits:

- ▶ An income tax credit of 40% of their income taxes due (to a maximum of \$125,000 per year) for each of the three years following the move; or
- ▶ An income tax credit of 40% of the amount of funds expended for certain equipment and equipment maintenance (to a maximum of \$75,000 per year) for the year of commencement of operations plus the next three years.

Existing businesses which expend funds for qualified equipment, in an amount exceeding their average expenditures in the prior two years, are eligible to receive a 25% tax credit (to a maximum of \$75,000). Qualified equipment includes computer equipment, medical laboratories and equipment, research laboratory equipment, manufacturing equipment, fiber optic equipment, high speed telecommunications, wiring, or software development expense.

These tax credits may be used for taxes owed the previous three years and in any of the five tax years thereafter. They may be transferred, sold, or assigned. A business cannot earn Rebuilding Community tax credits and Enhanced Enterprise Zone or New and Expanding Business Facility tax credits for the same project for the same tax period.

The program also provides the employees of new and relocating businesses a tax credit against their individual income taxes equal to 1.5% of their gross salary for each of the years that the facility received one of the 40% credits. The 1.5% credit may be sold or transferred, but may not be carried forward or carried back.

Transportation Development Tax Credit Program

A company (or individual) may be provided state income tax credit for up to 50% of either a contribution to a public entity or an investment by the company in a project needed to facilitate a business project or community development/public infrastructure improvement. Eligible activities are generally transportation facilities owned by a public entity for use by the public. The benefit is available for qualified investments in distressed communities. Unused credits can be carried forward for up to 10 years and carried back for the previous three years, and they may be transferred, sold, or assigned.

Other Tax Credit Programs

Missouri offers several programs which provide significant tax credits to businesses making contributions to a variety of projects and funds. Some of the programs include the *Business Modernization and Technology (Seed Capital) Tax Credit Program*, the *Small Business Incubator Tax Credit Program*, the *Neighborhood Assistance Program*, the *Skills Development Tax Credit Program*, the *Historic Preservation Tax Credit Program*, and the *Community Bank Investment Tax Credit Program*. Tax credits available range from 45% to 70% of contributions to qualified projects. Effectively, such programs enable businesses to redirect their tax dollars to help finance local job creation, growth of the tax base, elimination of blight, and a variety of other purposes. Some programs allow credits to be used in ensuing tax periods or to be sold or transferred to other taxpayers. **Enhanced Enterprise Zone Property Tax Benefits**

The Enhanced Enterprise Zone is a discretionary program offering state tax credits to Enhanced Business Enterprises. Tax credits may be provided each year for up to 10 tax years after the project commences operations. To receive benefits, the facility must create at least two new jobs and \$100,000 in new investment. Eligible investment expenditures include the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same.

Inventory Exemption

Manufacturer's inventories including raw materials, goods in process and finished goods, as well as goods and wares of retailers, distributors, and wholesalers are exempt from all state and local property taxes.

Urban Redevelopment Corporations

Missouri promotes urban redevelopment through a potential 25-year ad valorem tax incentive program known as Chapter 353. Any city (there is no size restriction) may establish an Urban Redevelopment Corporation to redevelop areas designated as blighted due to age, obsolescence, or physical deterioration. Under the program, up to 100% of improvements to real property may be exempt from state and local property taxes for up to 25 years.

Industrial Revenue Bonds

Cities or counties are authorized, by a program known as Chapter 100, to issue industrial revenue bonds (revenue or general obligation) which may offer an opportunity to abate property taxes. It may be possible to exempt most of the real and personal property tax of buildings and machinery financed by a Chapter 100 bond if the city or county owns the property financed by the bonds. In this case, the company would lease the assets from the city for the term of the bonds. The amount of exemption depends on the structure of the lease, the residual value at the end of the lease, and the interpretation of the statutes by the county assessor of leasehold value. The Missouri Development Finance Board (MDFB) also has the ability to issue tax-exempt or taxable bonds. The MDFB cannot issue general obligation bonds, but it can exempt property taxes under the same method as Chapter 100.

Brownfield Redevelopment

In addition to the Brownfield Redevelopment Program's income tax and financing benefits, the program allows for the abatement of local real property taxes. The term of the benefits

(not to exceed 15 years) and the percent of abatement (up to 100% and based on improvements made to real property) are determined at the discretion of the local authorities.

Sales & Use Tax Exemptions

There are many exemptions to sales and use taxes in Missouri. The following represent a few of the major exemptions.

Missouri

- ▶ Machinery and equipment used to establish a new or expand an existing manufacturing facility, provided such machinery or equipment is used directly to manufacture a product ultimately intended for sale.
- ▶ Replacement machinery and equipment used directly in manufacturing a product ultimately intended for sale, provided their acquisition is necessary because of a change in design or product (as opposed to obsolescence).
- ▶ Manufacturers' raw materials (i.e., materials, manufactured goods, machines, and parts) that become a component part of tangible personal property intended to be sold for final use or consumption.
- ▶ Machinery, equipment, and devices that abate air or water pollution.
- ▶ Machinery and equipment used to establish or expand a material recovery processing plant.
- ▶ All materials and supplies used to install tax exempt machinery and equipment.
- ▶ Electricity consumed in the manufacturing process, provided the cost of electricity exceeds 10% of total production costs; and anodes, with a useful life of less than one year, used in manufacturing or production.
- ▶ Materials, replacement parts, and equipment used directly upon and for the repair and maintenance or manufacture of common carriers.
- ▶ Tangible personal property purchased for use or consumption in research and development of prescription pharmaceuticals for humans or animals or in research and experimentation activities performed by life sciences companies.
- ▶ Computers, computer software, and computer security systems purchased for use by architectural or engineering firms headquartered in Missouri.

Training Programs

Missouri New Jobs Training Program

The [New Jobs Training Program \(NJTP\)](#) provides education and training to workers employed in newly created jobs in Missouri. The new jobs may result from a new industry locating in Missouri or an existing industry expanding its workforce in the state. NJTP is administered through Missouri's community college districts in cooperation with the Missouri Department of Economic Development through the Division of Workforce Development. In greater Kansas City, NJTP services are provided by the Metropolitan Community Colleges

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system. The program provides assistance in reducing the cost associated with expanding a workforce or locating a new facility through these training services:

- ▶ Customized training designed for the specific needs of the industry;
- ▶ Adult basic education; or
- ▶ Occupational skill training.

Training assistance can include skill assessment, orientation, pre-employment training, training facilities and equipment, instructor salaries, curriculum design, and training materials.

Eligible businesses include manufacturing, processing, and assembling firms, as well as companies that conduct research and development, or that provides services in interstate commerce. Retail businesses do not qualify for the program.

Funds to pay for the training are provided through certificates that are repaid using a portion of the new employees' state withholding tax for a period of up to 10 years. The certificates are sold through the local community college district. The tax withholding is equal to 2.5% of gross wages for the first 100 new jobs, and 1.5% for the remaining new jobs. To repay the training and certificate costs, the tax withholding may be claimed for eight to 10 years depending on the size of the project.

Missouri Customized Training Program

The [Missouri Customized Training Program \(MCTP\)](#) helps Missouri employers with funding to offset the costs of training and retraining new and existing employees. The program can assist new and expanding employers with training workers in newly created jobs and help retrain existing employees to upgrade skills.

The Department of Economic Development, through the Division of Workforce Development, operates the program in coordination with the Department of Elementary and Secondary Education.

Examples of expenses which might be covered under this program are:

- ▶ Curriculum development;
- ▶ Instructor salaries;
- ▶ Instructional supplies;
- ▶ Vendor trainers; or
- ▶ Pre-employment training.

Programs are customized to meet the specific needs of the company:

- ▶ Classroom training can take place at the company work site, at local educational agencies or a combination of the two. Instructors may be provided through the local educational agency, vendors or the company may use their own internal trainers.

- ▶ Employers may request training assistance as often as needed. There is no limit to the number of times an employer can receive training assistance as long as the company remains eligible.

Eligible companies are those providing permanent, full-time employment to Missouri residents, paying high competitive wages and creating new jobs above their peak employment level in the past year or retraining existing employees as a result of a substantial new capital investment.

Applications should be submitted 30 days prior to the start of training or hiring. Some occupations and industries may not be eligible for this program and minimum wage rates apply.

Missouri Job Retention Training Program

The Job Retention Training Program (JRTP) provides education and retraining assistance for existing jobs to eligible employers who have retained a minimum of 100 employees for at least two consecutive calendar years and made a capital investment of at least \$1 million. JRTP is administered through Missouri's community college districts in cooperation with the Missouri Department of Economic Development through the Division of Workforce Development. In greater Kansas City, JRTP services are provided by the Metropolitan Community Colleges system.

The program provides assistance in reducing the cost associated with retraining a workforce in the state of Missouri through training services:

- ▶ Training customized to the specific needs of the industry;
- ▶ General occupational skill training.

Training assistance can include skill assessments, pre-employment training, facilities and equipment, instructor costs, curriculum development, travel and a variety of other training related services.

Eligible businesses include manufacturing, processing, and assembling firms, as well as companies that conduct research and development, or that provides services in interstate or intrastate commerce. Retail businesses do not qualify for the program. Eligible businesses must have retained a minimum of 100 employees for two consecutive calendar years preceding the year in which the application for the program was made. In addition, the business must:

- ▶ Make a capital investment of at least \$1 million.
- ▶ Have substantial investment in new technology;
- ▶ Be located on a border state and present risk of relocating from Missouri; or,
- ▶ Represent a substantial risk of relocation.

Other eligibility criteria may apply, such as types of jobs, type of industry and wage rates.

Funds to pay for the training are provided through certificates that are repaid using a portion of the employees' state withholding tax for a period of up to 10 years. The certificates are sold through the local community college district. The tax withholding is equal to 2.5% of gross wages for the first 100 jobs, and 1.5% for the remaining jobs in the project. To repay the training and certificate costs, the tax withholding may be claimed for eight to 10 years depending on the size of the project. Generally, participating businesses purchase the certificates.

Financing Programs

Missouri, Bond Financing

Industrial Revenue Bonds

Missouri offers a variety of methods of issuing low-cost, long-term industrial revenue bonds (IRBs). The proceeds of an IRB issue may be used to finance up to 100% of the cost of fixed assets such as land, buildings, machinery, and equipment. The following public corporations and government agencies are authorized to issue IRBs to facilitate the financing of business projects in Missouri: Industrial Development Corporations, Municipalities (general obligation or revenue bonds), Planned Industrial Expansion Authorities, Land Clearance for Redevelopment Authorities, Special Business Districts, Port Authorities, the Environmental Improvement and Energy Resources Authority, and the Missouri Development Finance Board.

- ▶ Missouri Development Finance Board. The Missouri Development Finance Board (MDFB) is authorized to issue IRBs to attract new industry and to help existing industry expand in the state.

Tax-Exempt IRBs. The MDFB may issue such bonds to provide small and mid-sized manufacturers with long-term, below-market rate financing for fixed assets such as land, buildings, machinery, and equipment. In addition to financing expansion projects, bond proceeds can also be used to retire the outstanding principal of previous tax-exempt issues. The Tax-Exempt program is limited to loans ranging from \$400,000 to \$10 million for industrial, manufacturing, production, or related support industries.

Taxable IRBs. The MDFB has the authority to issue taxable bonds to provide virtually any type of business or industry with low cost, long-term financing for fixed assets. The participation of the borrowers' banks through letters of credit may result in lower issuing costs and more attractive interest rates than conventional bank financing on some projects between \$5 and \$50 million.

- ▶ Missouri BUILD Program. The MDFB may issue IRBs to finance public or private infrastructure used to support larger business projects or to finance new capital improvements of the business at the project location. The Business Use Incentives for Large Development (BUILD) Program provides Missouri state income tax credits to the business in the amount of debt service payments for the IRBs related to a portion of project costs. If tax credits exceed tax liability, the business may receive a refund for the unused portion. New or expanding manufacturers, and specified other employers, must invest a minimum of \$15 million in capital improvements and create at least 100 new jobs within three years. Eligible office projects must invest at least \$10 million in capital improvements and create at least 500 new jobs within

three years.

- ▶ Industrial Development Corporations. Missouri law permits cities and counties to establish special public corporations called Industrial Development Corporations (IDCs) to issue IRBs. An IDC has the authority to issue tax exempt or taxable bonds. Financing industrial development through an IDC, rather than with a municipal bond issue, is advantageous because a bond approval election is not required. Property may be owned by an IDC and leased to a company. Abatement of property taxes is not available.
- ▶ Municipalities. Cities or counties may purchase or construct projects with bond proceeds and lease or sell the project to a company. The bonds may be issued as a "revenue" bond or a "general obligation" bond. General obligation bond issues require a two-thirds public voter approval. Revenue bonds do not require a bond approval election. Municipal IRBs can be issued to provide funds to purchase, construct, expand or improve industrial plants. The bonds can be sold as federal and state tax-exempt, if the project is less than \$10 million, and if the company has less than \$40 million in outstanding tax-exempt bonds, and the company is a manufacturer. It may be possible to exempt most of the real and personal property tax of bond-financed buildings and machinery if the city or county owns the property and leases it to the company.

Missouri, Infrastructure Financing

Tax Increment Financing

Tax increment financing (TIF) is designed to help finance improvements to property in designated redevelopment areas using the tax revenues that result from improvements to those areas. Any city or county in Missouri may designate redevelopment projects and adopt TIF by passage of local ordinances.

Up to 100% of the increased amount of real property taxes and 50% of local sales, utility, and (in Kansas City) earnings taxes resulting from improvements in a redevelopment area are paid in lieu of taxes into a "special allocation fund." Additionally, up to 50% of state withholding taxes or 50% of state general sales taxes (1.5%) generated by a TIF project may supplement local TIF funding. The amount redevelopment project costs funded and the length of time local taxes are redirected into the fund (it can be up to 23 years) is negotiated by the local TIF commission based on the least amount to cause the project to occur. TIF project funds may be derived from a bond issue (paid from the net new local taxes), or a reimbursement to the developer for approved costs.

Eligible redevelopment project costs are defined very broadly and include, in part: the costs of studies, surveys, plans and specifications, land acquisition, land preparation, professional service costs and fees, and construction costs of both public and private improvements. The State of Missouri offers four state programs using a variation of tax increment financing:

- ▶ State TIF. To be eligible for State Supplemental Tax Increment Financing ("State TIF"), the redevelopment project must meet each of the following: The redevelopment project area must be blighted.
The redevelopment project area must be located in:
a state enterprise zone; a federal empowerment zone;
an urban core area; or a central business district;
The zone or blighted area must contain at least one building that is 50 years of age or older;

and

The redevelopment project area, over the past 20 years, must have experienced a generally declining population or generally declining property taxes.

An applicant may be approved to receive up to 50% of the net new state sales tax revenue (general revenue portion only; excluding dedicated taxes) generated in the project area OR up to 50% of the increase in state income tax revenue from net new jobs in the project area. An applicant cannot receive both.

- ▶ Missouri Downtown Economic Stimulus Act (MODESA). Funding helps facilitate the redevelopment of downtown areas and the creation of jobs by providing public infrastructure. Eligible areas include "central business districts" that are either "blighted" or a "conservation area." At least 50% of the buildings must be 35 years or older. A portion of the new state and local taxes created by a project can be diverted to fund eligible public infrastructure and related costs for up to 25 years. Other restrictions apply.
- ▶ Missouri Rural Economic Stimulus Act (MORESA). MORESA provides financial incentives for public infrastructure for the development of renewable fuel production facilities or eligible new generation processing entity facility, with a cost of at least \$3 million, and projected to create at least 30 jobs. Eligible areas include a contiguous and "blighted" Development Area, not encompassing more than 10% of the area of an eligible municipality. A portion of new state and local taxes created by the production facility project may be diverted to fund construction of eligible public infrastructure and related costs for a period of up to 25 years.
- ▶ Downtown Preservation. Only allows revenues from state sales tax.

Eligible redevelopment project costs are defined very broadly and include, in part: the costs of studies, surveys, plans and specifications, land acquisition, land preparation, professional service costs and fees, and construction costs of both public and private improvements.

Community Development Block Grant Program

Qualified job-creating businesses located in "non-entitlement" areas of Missouri may qualify for programs funded by the federal Community Development Block Grant (CDBG) program administered through the Missouri Dept. of Economic Development. Those eligible for grants are cities under 50,000 and counties under 200,000. Within the greater Kansas City area, Kansas City, Independence, Lee's Summit, and St. Joseph do not qualify as "non-entitlement" areas. As CDBG-funded, the following programs require that at least 51% of the new jobs due to the project must be taken by persons considered of low or moderate income.

Missouri BUILD Program

The MDFB may issue IRBs to finance public or private infrastructure used to support larger business projects or to finance new capital improvements of the business at the project location. The Business Use Incentives for Large Development (BUILD) Program provides Missouri state income tax credits to the business in the amount of debt service payments for the IRBs related to a portion of project costs. If tax credits exceed tax liability, the business may receive a refund for the unused portion. New or expanding manufacturers, and specified other employers, must invest a minimum of \$15 million in capital improvements and create at least 100 new jobs within three years. Eligible office projects must invest at least \$10 million in capital improvements and create at least 500 new jobs within three years.

Industrial Infrastructure Grants

This Community Development Block Grant (CDBG) program provides grants to eligible communities to assist in providing public infrastructure such as water, sewer, and roads to support new or expanding businesses or to prevent the relocation or closing of a facility. Once the city or county has exhausted their available resources, the maximum grant per projects is the lesser of: \$1,500,000, 35% of the company's capital investment, or \$10,000 per job.

Missouri, Loan Financing

Interim Financing Loans

This Community Development Block Grant (CDBG) program provides cash flow relief to induce a manufacturing company to initiate a project, the Department of Economic Development provides funding through a city or county sponsor to facilitate a partner business. Funds can be used for the purchase of new fixed assets or permanent working capital. The loan term is typically 18 months and payment of principal and interest is deferred until the end of the term.

Loan Guarantees

Loan guarantees are a method of providing gap financing for new or expanding businesses. Eligible job-creating businesses may receive up to a 90% loan guarantee on funds obtained from a private lender, up to a maximum of \$400,000 or \$25,000 per job, whichever is less. Application is made through a city or county. Funds may be used for the purchase of new fixed assets or permanent working capital. Depending on the use of the funds, the term of the loan may be as great as 15 years. The company must demonstrate that other programs (i.e., SBA 7A and similar programs) have been exhausted before this program is used.

Microenterprise Loan

The Microenterprise Loan Program is a Community Development Block Grant (CDBG) program that promotes small business development (five or fewer employees) by supporting a local loan fund. This program gives funds to local governments to establish a loan program for "microenterprise" assistance.

Speculative Building Loans

The purpose of this program is to provide an inducement for a speculative industrial building. The Department of Economic Development provides funding through a city or county government on behalf of an eligible borrower. An eligible borrower is a nonprofit development corporation. The maximum funding available is the lesser of \$1 million per project or \$25,000 per new job. Funds can be used for the purchase of land, the development of on-site infrastructure, the purchase of an existing building and improvements, or the construction of a new building. The term of the loan is a maximum of 30 months. The interest is 1% of the amount borrowed.

Market Development Program

This program aims to encourage businesses to convert materials recovered from solid waste into marketable products. Eligible projects include the final processing or conversion of

recovered materials in usable industrial feedstock or the manufacturing of products from feedstocks. Eligible expenses include new equipment or conversion of existing equipment as well as installation, operation, and maintenance. Funds are provided as a loan secured by the machinery and equipment financed by the loan proceeds. The loan is canceled after two years if the conditions (maintenance of operations and reporting) are met. The program may fund 75% of specific equipment costs up to a maximum of \$50,000.

Urban Enterprise Loan Program

These funds may be used to start a new business; purchase business equipment, inventory, or working capital; acquire business assets; or expand an existing business in designated Kansas City urban areas. The funds are limited to 50% of the total financial need.

Missouri Development Finance Board Tax Credit Programs

Any taxpayer may receive a state tax credit equal to 50% of any amount contributed to the Industrial Development and Reserve Fund, or the Export Finance Fund. Contributions to these funds are used to make direct loans and loan guarantees to new and expanding businesses and nonprofit organizations, and to make grants to public entities. Credits may be transferred or sold and there is a five-year carry-over provision.

Development Tax Credit Program

The state provides income tax credits based on a contribution by a company to a local non-profit corporation (NPC) for projects approved by the Department of Economic Development. The amount of credits approved will be based on the economic impact of the project and the minimum amount of credits required causing the project to occur. The purpose of the program is to create full-time, year-round job. The project must be located in a "blighted" or "distressed" area.

Eligible donations include cash, machinery and equipment, and real estate. The NPC will lease the real or personal property to a business entity. The lease is structured to facilitate the business' project a lease payments will be based on the costs of the non-profit to operate and maintain the subject assets (if any).

In most cases the NPC will provide DED the lease payments received in an amount to repay the tax credits plus interest. The tax credits may be used in the year received, or for up to five years if desired. Credits also may be sold or transferred.

Action Fund Loans

For-profit manufacturing, processing and assembly companies located in a non-entitlement area that has wages above the county average and provide medical benefits may be eligible for a loan which may be used for the purchase of new machinery and equipment or working capital. The loan must be made in cooperation with a city or county sponsor.

The Action Fund Loans are CDBG programs that are designed to provide "last resort gap financing" where the economic impact or the project outweighs the default risk. Payments may be deferred for up to three years until cash flow is positive, if the growth rate supports the cash flow projections. The term of the loan is not to exceed 10 years.

Missouri, Redevelopment Financing

Tax Increment Financing

Tax increment financing (TIF) is designed to help finance improvements to property in designated redevelopment areas using the tax revenues that result from improvements to those areas. Any city or county in Missouri may designate redevelopment projects and adopt TIF by passage of local ordinances.

Up to 100% of the increased amount of real property taxes and 50% of local sales, utility, and (in Kansas City) earnings taxes resulting from improvements in a redevelopment area are paid in lieu of taxes into a "special allocation fund." Additionally, up to 50% of state withholding taxes or 50% of state general sales taxes (1.5%) generated by a TIF project may supplement local TIF funding. The amount redevelopment project costs funded and the length of time local taxes are redirected into the fund (it can be up to 23 years) is negotiated by the local TIF commission based on the least amount to cause the project to occur. TIF project funds may be derived from a bond issue (paid from the net new local taxes), or a reimbursement to the developer for approved costs.

Eligible redevelopment project costs are defined very broadly and include, in part: the costs of studies, surveys, plans and specifications, land acquisition, land preparation, professional service costs and fees, and construction costs of both public and private improvements. The State of Missouri offers four state programs using a variation of tax increment financing:

- ▶ **State TIF.** To be eligible for State Supplemental Tax Increment Financing ("State TIF"), the redevelopment project must meet each of the following: The redevelopment project area must be blighted.
The redevelopment project area must be located in:
a state enterprise zone; a federal empowerment zone;
an urban core area; or a central business district;
The zone or blighted area must contain at least one building that is 50 years of age or older;
and
The redevelopment project area, over the past 20 years, must have experienced a generally declining population or generally declining property taxes.

An applicant may be approved to receive up to 50% of the net new state sales tax revenue (general revenue portion only; excluding dedicated taxes) generated in the project area OR up to 50% of the increase in state income tax revenue from net new jobs in the project area. An applicant cannot receive both.

- ▶ **Missouri Downtown Economic Stimulus Act (MODESA).** Funding helps facilitate the redevelopment of downtown areas and the creation of jobs by providing public infrastructure. Eligible areas include "central business districts" that are either "blighted" or a "conservation area." At least 50% of the buildings must be 35 years or older. A portion of the new state and local taxes created by a project can be diverted to fund eligible public infrastructure and related costs for up to 25 years. Other restrictions apply.
- ▶ **Missouri Rural Economic Stimulus Act (MORESA).** MORESA provides financial incentives for public infrastructure for the development of renewable fuel production facilities or eligible new generation processing entity facility, with a cost of at least \$3 million, and projected to create at least 30 jobs. Eligible areas include a contiguous and "blighted" Development Area, not encompassing more than 10% of the area of an eligible municipality. A portion of new state and

local taxes created by the production facility project may be diverted to fund construction of eligible public infrastructure and related costs for a period of up to 25 years.

- Downtown Preservation. Only allows revenues from state sales tax.

Eligible redevelopment project costs are defined very broadly and include, in part: the costs of studies, surveys, plans and specifications, land acquisition, land preparation, professional service costs and fees, and construction costs of both public and private improvements.

The Brownfield Redevelopment Program

This program encourages Missouri businesses to remediate contaminated sites on which abandoned buildings are located, and to refurbish and occupy such buildings, thereby create employment opportunities. In addition to the programs' tax credits, program benefits include loan guarantees and direct loans to business to finance capital improvements at the project location. Grants can also be issued for the improvement of public infrastructure for the project. In addition, public entities can obtain grant funding (up to \$100,000 or 50% of the cost) for feasibility studies or other due diligence costs. The maximum amount of funding available to a project through loans and grants is \$1 million in aggregate.

The eligible project must be in a blighted area and must comply with the Dept. of Natural Resources' environmental conditions. A new company must create and maintain 10 new jobs, and an existing company must retain 25 jobs to receive benefits.

The Brownfield "Jobs & Investment Tax Credit Program

Any person or business operating an eligible project of redevelopment on certain abandoned and contaminated property may be eligible to earn state income tax credits for new investment and new income tax benefits for up to 100% of remediation costs. The company may obtain (for up to 10 years) tax credits between \$500 and \$1,300 per year for each new job created, tax credits based on 2% (annually) of new capital investment, a 50% income exemption, and abatement of local real property taxes (for up to 15 years)

The eligible project must be in a blighted area and must comply with the Department of Natural Resources' environmental conditions. A new company must create and maintain 10 new jobs, and an existing company must retain 25 jobs to receive benefits.

Urban Redevelopment Corporation Program

Missouri promotes urban redevelopment through a potential 25-year ad valorem tax incentive program known as Chapter 353. Any city (there is no size restriction) may establish an Urban Redevelopment Corporation to redevelop areas designated as blighted due to age, obsolescence, or physical deterioration. Under the program, up to 100% of improvements to real property may be exempt from state and local property taxes for up to 25 years.

Foreign Trade Zones

The Greater Kansas City Foreign Trade Zone is one of the largest zone operators in the country with over 17.6 million square feet of approved foreign trade zone space that includes General Purpose and Sub zone space in both Kansas and Missouri. The Kansas City trade zones handle more volume than those of Chicago, Dallas, Denver, Minneapolis and St. Louis and has more available space than any other area in the country.

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The trade zones are under the authority of Greater Kansas City Foreign Trade Zone, Inc. Kansas City was the first inland area to be granted the right to operate a FTZ and the first administered by a private, not-for-profit corporation. In the early 1970s, Kansas City pioneered what is now referred to as the "distributed" FTZ, which includes several zones and sub zones throughout the area. Companies can consider the advantages of several area sites on both sides of the state line.

The available storage space in the zone sites includes modern, above ground warehouses and energy efficient underground storage. Companies in Kansas City FTZs take advantage of outstanding air, rail, truck, and barge transportation systems.

The FTZ encourages international commerce and offers businesses many cost saving advantages:

- ▶ Under the supervision of U.S. Customs and Border Protection, foreign goods may enter Kansas City's designated FTZ areas duty and quota free for an unlimited period of time.
- ▶ While in the zone, goods may be stored, manipulated, mixed with domestic and/or foreign materials, used in a manufacturing process, or exhibited for sale.
- ▶ Imported goods assembled or manufactured in a zone may be subject to a lower duty rate. Duty is assessed on the value of the imported parts at the duty rate applicable to the imported parts or applicable finished product, whichever is lower. Duty is not assessed on U.S. labor or materials used in assembly or manufacturing.
- ▶ Since there are no time restrictions, merchandise may be stored indefinitely without duty until it is sold and moved out.
- ▶ Damaged, defective or non-salable merchandise may be destroyed without being subject to U.S. customs duty.
- ▶ Merchandise may be exported without being subject to U.S. customs duty.

The FTZ offers small- and medium- sized businesses (less than 500 employees) reduced costs of access through simpler application processes and shortened application time frames when businesses are locating in existing FTZ space.

Enterprise Zones

Missouri

Enhanced Enterprise Zones are specified geographic areas designated by local governments and certified by the Missouri Department of Economic Development (DED). Individual business eligibility will be determined by the zone based on the creation of sustainable jobs in a targeted industry or demonstrated impact on local industry cluster development. Gambling establishments, retail trade, and food and drinking places are prohibited from receiving the state tax credits. Service industries can be eligible if a majority of their annual revenues will be derived from services provided out of the state. DED will consult with the local government in determining eligibility.

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The Enhanced Enterprise Zone Program is a discretionary program offering state tax credits to *Enhanced Business Enterprises*. Tax credits may be provided each year for up to ten tax years after the project commences operations. To receive tax credits in any of the ten years, the facility must create at least two new jobs and \$100,000 in new investment in that year as compared to the base year (the year prior to the commencement of operations at the facility). Eligible investment expenditures include the original cost of machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same. Inventory is not eligible.

Tax credits can only be applied to tax liability for the year in which they were earned. The tax credits are refundable or may be transferred, sold or assigned. The sale price cannot be less than 75% of the par value of such credits.

Tax credits will be an amount authorized by DED based on the state economic benefit, supported by the number of new jobs and new capital investment that the project will create. Tax credits issued under this program are limited to \$4,000,000 annually until 12/31/06 and will increase to \$7,000,000 annually starting 1/1/07.

Applicants must be eligible for and receive at least 10 years' local property tax abatement at 50% pursuant to the local enhanced enterprise zone plan. A facility may not earn tax credits for more than one 10 year period. A business cannot earn tax credits under this program if earning Business Facility, Rebuilding Communities or Brownfield Jobs and Investment tax credits for the same project for the same tax period.

Utility Incentives

Utility companies serving metropolitan Kansas City offer financial incentives to qualifying customers. These economic development riders and business incentive plans are designed to encourage industrial and commercial development by providing additional start-up cost savings to large users of natural gas and electricity. Incentives are also available for smaller users in the urban core.

Qualifications are based on load requirements and/or demand levels of the customer's utility usage. Utilities on both sides of the state line may offer qualified customers a five-year decreasing discounts schedule equivalent to, or nearly equivalent to, one free year of service. Cost saving estimates and information on the incentive programs are available to qualifying customers from the specific utility company.

Life Sciences and R&D Incentives

In order to induce existing businesses to increase their research efforts, businesses are permitted to claim a tax credit equal to 6.5% of the excess of qualified research expenses during the tax year, over the average amount of qualified research expenses incurred in Missouri during the preceding three tax years. The credit may be carried forward for up to five additional years.