

MEMORANDUM
DEPARTMENT OF ECONOMIC OPPORTUNITY
DIVISION OF STRATEGIC BUSINESS DEVELOPMENT

DATE: July 17, 2015

TO: Cissy Proctor, Chief of Staff

VIA: Karl Blischke, Director of Strategic Business Development;
Russell Marcus, Chief of Business and Economic Incentives; and
Maureen Smith, Managing Analyst

FROM: Bianca Rubio, Incentives Analyst

SUBJECT: *Qualified Target Industry Tax Refund Application*

RE: Project 762 – RWC Group, LLC in Broward County

Enterprise Florida, Inc. (“EFI”) has recommended that the Department of Economic Opportunity (“DEO”) approves an application that was submitted by RWC Group, LLC, a Pennsylvania limited liability company (the “Company”), on April 6, 2015 (as amended and supplemented, as the case may be, the “Application”) to receive an award of up to \$162,000 in Qualified Target Industry (“QTI”) tax refunds, including \$32,400 in local financial support (as such term is defined in Section 288.106(2)(j) of the Florida Statutes) (the “Award”), for the location of its firearms manufacturing and distribution operations in Pompano Beach, Florida (the “Project”). The Award is based on the Company’s creation of 54 net new-to-Florida full-time-equivalent jobs (the “Project Jobs”) paying an average annualized wage of \$51,266 (excluding benefits) (the “Project Wage”), which is equal to 115% of the average annual private sector wage in Broward County for the year ended December 31, 2013 and 119% of the average annual private sector wage in Florida for such period. In addition to paying higher than average wages in connection with the Project, the Company plans to provide an average of \$16,126 in benefits for each of the Project Jobs, including health insurance benefits and matching 401(k) retirement plan contributions.

BACKGROUND

Headquartered in Tullytown, Pennsylvania, the Company is a privately-held firearms manufacturer and wholesale distributor. The Company has the exclusive license to manufacture and distribute products designed and under the brands of Concern Kalashnikov, a Russian military, hunting, and sporting firearms manufacturer founded in 1807. The Company’s products are marketed under the Kalashnikov USA brand and are produced with state-of-the-art computer numeric control design and manufacturing systems, allowing for improved fit and finish. The Company’s product line includes semi-automatic rifles and shotguns. The Company’s products are available through direct dealers nationwide.

The Company is seeking an advantageous location for the location of its manufacturing and distribution operations. If the Project is located in Pompano Beach, Florida, then a private capital

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investment of \$3,087,000 will be made in connection with the Project, which will be comprised of \$620,000 in construction expenses to renovate a facility that the Company will lease, \$1,426,000 to acquire manufacturing equipment, \$591,000 to acquire research and development equipment, and \$450,000 to acquire computer equipment, office furniture, fixtures, and other non-manufacturing equipment.

ROLE OF THE AWARD

The Company is considering locating the Project in Tennessee or Pompano Beach, Florida. Each of these locations has unique advantages and disadvantages, including the availability of qualified employees, the regulatory and business environment, taxes, real estate costs, and wage and operating costs. The manufacturing sector in Tennessee employs more than 322,000 individuals.¹ In addition, Beretta USA, a manufacturer of sporting and military firearms, has a manufacturing facility in Tennessee, which would give the Company access to a deep talent pool for recruitment in connection with the Project.² Furthermore, if the Company locates the Project in Tennessee, the Company may be eligible to receive lucrative incentives, including grants, tax credits and workforce training incentives offered at both the state and local levels.

Because of the significant value of incentives available in Tennessee, and the other benefits offered by this location, the availability of the Award in connection with the Project is an important factor in the Company's decision regarding the location of the Project. Accordingly, the Award enhances the viability of the Project and the probability that the Project will be undertaken in Florida. In addition, the Company has demonstrated that the Project is competitive and that the Application was submitted to EFI and the Division of Strategic Business Development of the Florida Department of Economic Opportunity ("DSBD") prior to making its decision to locate the Project in Florida.

DUE DILIGENCE³

The due diligence investigation that DSBD conducted revealed no information that justifies DEO not approving the Award.

LOCAL SUPPORT

The local community has demonstrated support for the Project. The City Commission of the City of Pompano Beach and the Board of County Commissioners of Broward County passed Resolution Numbers 2015-296 and 2015-336, respectively (together the "Resolutions"), which recommend that DEO approves the Company as a qualified target industry business and authorized local financial support (as such term is defined in Section 288.106(2)(j) of the Florida Statutes) in the amount of the required \$32,400, split evenly between the City and County.

The Company submitted the Application on April 6, 2015. In accordance with Section 288.106 of the Florida Statutes, at the request of EFI, because of additional time needed to approve the Resolutions, DSBD provided a Letter Preserving Inducement to the Company on May 1, 2015 to

^{1,2} Tennessee Department of Economic and Community Development. Advanced Manufacturing. Retrieved from <http://www.tnecd.com/industries/advanced-manufacturing/>

³ Please refer to the due diligence checklist.

allow the Company to take appropriate steps to finalize its location decision prior to the Company's certification as a qualified target industry business.

ECONOMIC BENEFITS

The "economic benefits" of the Project is measured using a return on investment model (the "ROI Model") that was developed by the Legislature's Office of Economic and Demographic Research. Based on the Company's creation of 54 net new-to-Florida full-time equivalent jobs paying the Project Wage, an average of \$16,126 in benefits for each of the Project Jobs, an aggregate capital investment of \$3,087,000, which will be comprised of \$620,000 in construction expenses, \$1,426,000 to acquire manufacturing equipment, \$591,000 to acquire research and development equipment, and \$450,000 to acquire non-manufacturing equipment, and \$162,000 in QTI tax refunds (including local financial support), the State's aggregate return on investment (as measured by an increase in State tax revenues) in connection with the Project over ten years of economic activity is projected to be **1,199%**.

According to the ROI Model, the direct, indirect, and induced impact of the Project on economic activity in Florida over ten years is projected to be \$223,892,718. In addition, over ten years of economic activity, the Project is projected to result in a direct, indirect and induced increase in individual incomes in Florida of \$34,953,826. Moreover, over ten years of economic activity, the Project is projected to result in a direct, indirect and induced increase in State of Florida sales tax revenue of \$1,234,443. The induced economic impacts are those of household and business expenditures rippling through the local economy.

The Project will be a positive contributor to the State's economy, which is consistent with the Florida Strategic Plan for Economic Development (the "Strategic Plan"). The Project will help to achieve several recommendations in the Strategic Plan, including diversifying Florida's economy by expanding the number of manufacturing and distribution jobs in the State. The Bureau of Labor Statistics projects that at the national level output in the manufacturing sector will grow over the next five years, reaching \$5.7 trillion by 2020, a 2.4% increase. According to the Bureau of Economic Analysis, Florida's manufacturing sector supplied 5.1% of the State's output in 2011, down slightly from 5.62% in 2009. At the national level, the manufacturing sector is responsible for 12.3% of total output. Continuing to aggressively target manufacturing across all clusters and individually is important to growing Florida's economy and increasing Florida's overall share of manufacturing output in the country. The Project will help to further Florida's economic diversification and improve Florida's position to participate in the future growth of the manufacturing sector.

The indirect and induced effects of the Project will support small business through increased local consumer expenditures and local spending by the Company. The 54 new jobs that the Company proposes to create in connection with the Project will benefit Florida's economy by providing high-wage jobs in a vital sector of the economy. In addition, the Project will create new direct and indirect jobs, which will benefit the unemployed and underemployed in Broward County. The Project will also contribute to Broward County's tax base, including providing new tax revenues for the public school system, through the private capital investment in connection with the Project.

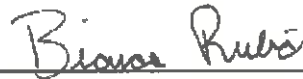
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In addition to the significant job creation and private capital investment in connection with the Project, positive impacts on the State associated with the Project are numerous. The Project will strengthen the State's manufacturing and distribution sectors, which are key targeted industries in Florida that are critical to achieving the State's goal of economic diversification. Companies tend to cluster their manufacturing and distribution operations in the same geographic areas to ensure the availability of a trained workforce, infrastructure, capital, and training and educational support. The increased visibility of Broward County, Florida will prompt other firms to consider Florida as a potential site for relocation or expansion, which will further add new jobs and private capital investment to the economy and will enhance the viability of the State's manufacturing and distribution sectors.

CONCLUSION

DSBD has thoroughly reviewed the Application. DSBD finds that the Project satisfies the minimum requirements under Section 288.106(4)(b) of the Florida Statutes for the Company to constitute a QTI business in connection with the Project and the Company is eligible to receive up to \$162,000 in QTI tax refunds, including local financial support, in connection with the Project. The Award is comprised of a base QTI award of \$3,000 per job. The Project will create jobs that pay an average annualized wage equal to at least 115% (**115%**) of the average annual private sector wage in Broward County for the year ended December 31, 2013, will create at least ten new jobs (**54 jobs**), and is in a qualified target industry (**Manufacturing**).

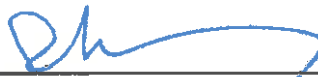
Based on the foregoing, DSBD recommends that DEO approves the Application.



Name: Bianca Rubio
Title: Incentives Analyst, Bureau of Business and
Economic Incentives
Date: July 17, 2015



Name: Maureen Smith
Title: Managing Analyst, Bureau of Business and
Economic Incentives
Date: July 17, 2015



Name: Russell Marcus
Title: Chief of Business and Economic Incentives
Date: July 17, 2015



Name: Karl Blischke

Title: Director of Strategic Business Development

Date: July 17, 2015

EXECUTIVE DIRECTOR'S DECISION:

- I approve the Application and authorize an award of up to **\$162,000** in QTI tax refunds, including local financial support (as such term is defined in Section 288.106(2)(j) of the Florida Statutes), and request that a certification letter is prepared for my signature.
- I disapprove the Application and request that a letter so stating is prepared for my signature.



Name: Cissy Proctor

Title: Chief of Staff

Date: July 17, 2015

**TAX REFUND AND CREDIT INCENTIVE PROGRAMS
DUE DILIGENCE CHECKLIST***

A. General information regarding the application:

1. Code name of the project:	Project 762
2. Name of the applicant:	RWC Group LLC
3. If the applicant is not the ultimate parent, name of the parent:	N/A
4. State incentive program(s) applied for and dollar amount of each requested award:	QTI =\$129,600 (excluding local financial support)
5. Local incentives applied for and dollar amount of each requested award: ¹	QTI Match= \$32,400
6. Please identify whether this project is a relocation, expansion and/or retention of jobs.	This project is a location.
7. Number of new jobs to be created and the schedule of such job creation:	54 28 by 12/31/2015 12 by 12/31/2016 14 by 12/31/2017
8. Average annualized wage per new job:	\$51,266
9. Projected annualized cost of benefits per new job:	\$16,126
10. Number of jobs to be retained:	N/A
11. Capital investment:	\$3,087,000
12. Proposed project location(s) (city and county):	Pompano Beach, Broward County Tennessee
13. Return on investment (including all DEO managed incentives, but excluding local incentives and	1,199%

* To be used in connection with applications for incentives under the tax credit and tax refund incentive programs. Please note that this checklist is only a guide. You should carefully review each of the due diligence documents and report any discrepancies and other issues raised in your review. If any item is not applicable to the project, please indicate so on the chart.

¹ If local authorities have not formally approved all local incentives, please indicate so in your response.

support):	
14. State incentive award per new job created (excluding local financial support):	\$2,400
15. State incentive award per new job created and retained job (in the aggregate):	N/A
16. Requested statutorily permitted waivers:	None
17. Name of EFI Project Manager:	Tim Johns

B. General information regarding the applicant:

1. Jurisdiction and date of incorporation/formation of the applicant:	The applicant was formed in Pennsylvania on 03/17/2011.
2. Jurisdiction and date of incorporation/formation of the parent:	N/A
3. Are the applicant and the parent (if applicable) in good standing/active in their jurisdictions of formation and, if not Florida companies, authorized to transaction business in Florida?	The applicant has an active status in Florida.
4. Ticker symbol of the applicant/parent on a national securities exchange:	N/A
5. If the applicant is a QTI, indicate the industry classification of the applicant:	Manufacturing
6. Indicate whether the applicant, the parent or any of its significant subsidiaries are in regulated industries (e.g., insurance, banking, healthcare, etc.):	Yes

7. Names of the principal executive officers of the applicant or the parent:	Thomas K. McCrossin- CEO Mikayel Tiraturyan – Senior Vice President Evrold S. Henry- CFO Jay H. Portz- VP Regulatory Affairs William T. Silver- VP Sales David R. McCallum – VP Operations
8. Names of the directors or managers of the applicant or the parent:	Solomon Asset Management, LLC Oz Asset Management, LLC AKAS Enterprise, LLC Eldad Oz
9. Date(s) and description(s) of any OTTED/DEO incentives previously awarded to the applicant, the parent or any of its subsidiaries:	The applicant has not previously applied for incentives.
10. Is there any direct evidence that the applicant and/or parent have made its final decision to consummate the project prior to the date of its application?	There is no evidence that the applicant has made its final location decision prior to submitting its application.
11. Indicate whether the applicant, the parent or any of its subsidiaries has previously over or underperformed with respect to OTTED/DEO incentives and describe such performance.	N/A
12. Indicate whether the project involves relocating personnel from another city in Florida and, if so, identify the city and county from which the jobs will be relocated.	The project does not involve the relocation of employees.
13. Based on publicly available information, indicate whether the applicant, the parent or any of its subsidiaries does significant business with the State of Florida or the county or municipality that is providing local financial support or other local incentives in connection with the project. ²	The applicant does not conduct significant business with the State.

² The search is available at: <https://facts.fldfs.com/Search/ContractSearch.aspx>.

<p>14. Indicate whether the applicant, the parent or any of its subsidiaries has issued any WARN notices in the State of Florida and, if so, indicate the date and the location(s) effected.³</p>	<p>No WARN notices have been issued in the past 5 years.</p>
<p>15. Indicate the date of the last Google search of the applicant, the parent and their principal executive officers and directors/managers and discuss any discrepancies.</p>	<p>I performed a Google search on 07/17/2015 which did not result in any discrepancies.</p>
<p>16. Indicate the date of the last LexisNexis Company Dossier search of the applicant, the parent and their principal executive officers and directors/managers and discuss any discrepancies.</p>	<p>I performed a LexisNexis Company Dossier search on 07/17/2015 which did not locate the applicant in the database.</p>
<p>17. Indicate the date on which the analyst set up a news alert regarding the applicant, the parent and their principal executive officers on LexisNexis and directors/managers and discuss any discrepancies.</p>	<p>I set up a LexisNexis news alert for the applicant on 02/27/2015.</p>
<p>18. Are the applicant and/or parent and/or any of their respective officers or directors on the Office of Foreign Assets Control Specially Designated Nationals and Blocked Persons list?⁴</p>	<p>The applicant and the officers are not on the OFAC list.</p>

C. Documents and information:

³ The search is available at: <http://www.floridajobs.org/office-directory/division-of-workforce-services/workforce-programs/reemployment-and-emergency-assistance-coordination-team-react/warn-notices>.

⁴ The search is available at <http://sdnsearch.ofac.treas.gov/>

Document(s)	Complete Copy Received or Retrieved	Response/Comments
1. Application:	04/6/2015	This date does not indicate that the file or application is complete.
2. Federal litigation searches with respect to the applicant and the parent on http://dockets.justia.com/ :	07/17/2015	We conducted a Federal litigation search regarding the applicant and parent, which revealed no litigation.
3. If the applicant or the parent is a public company, a review of its most recent Annual Report on Form 10-K for litigation: ⁵	07/17/2015	N/A
4. LexisNexis litigation searches with respect to the applicant and the parent:	07/17/2015	We conducted a litigation search regarding the applicant and the parent, which revealed no litigation.
5. Is the applicant or the parent on the convicted, suspended or discriminatory vendors list maintained by the Department of Management Services?	07/17/2015	No.

I certify that I have conducted the foregoing due diligence investigation and, to the best of my knowledge and belief, the information set forth herein is true and correct as of the date set forth below in all material respects.

Bianca Rubio

Name: Bianca Rubio
Title: Incentives Analyst
Date: 07/17/2015

⁵ These searches should be conducted through LexisNexis.



Department of Economic Opportunity
Director's Office Routing and Review Form

Originating Office/Division: Division of Strategic Business Development

Name: Bianca Rubio Phone Number: 407-280-9060 Date: 7/17/15

Reviewed by: Russell Marcus Title: Chief of Business and Economic Incentives Date: 7/17/15

Division Director: Karl Blischke Date:

Action:

Travel Authorization Information Resource Acquisition (IRA)

Contract / Sub-Grant Agreement Other (describe below)

Comments / Notes OTI Certification Project#: 14-00714 RWC Group, LLC
CONFIDENTIAL

Office Name: Review Required Received on:

Reviewed by: Title: Date:

Comments:

Office Name: Review Required Received on:

Reviewed by: Title: Date:

Comments:

Office Name: Review Required Received on:

Reviewed by: Title: Date:

Comments:

Executive Director's Office

Received on:

Approved: YES NO N/A

Reviewed by: Title: Date:

Comments:

QTI DATA SHEET

Confident. Request		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Date	May 16, 2014
Project Number		14-00714		Project Type	New Business
Code Name		Project 762		Export %	95%
Fiscal Year		January 1 – December 31			
Current FL Emp.		0	Min. Exp. 10%		% Increase
City		Pompano Beach			
County		Broward County		Region	South
Target Industry(ies)		Small Arms, Ordnance, and Ordnance Accessories Manufacturing & Sporting and Recreational Goods and Supplies Merchant Wholesalers			
NAICS Code(s)		332994 (83%), 423910 (17%)			
Average Wage Paid		\$53,754		New Jobs	54
Benefits		\$16,126		Wage Commitment	\$51,266
County or MSA	2013 Average Wage				\$44,579
	Percentage				115%
State	2013 Average Wage				\$42,904
	Percentage				119%
Base	\$3,000	\$3,000	Facility (Land:___)		\$620,000
EZ/Rural	\$6,000		Manufacturing Equipment		\$1,426,000
Brownfield	\$2,500		R&D Equipment		\$591,000
150 %	\$1,000		Non Mfg. Equipment		\$450,000
200 %	\$2,000		Capital Investment Total		\$3,087,000
HIPI/Port	\$2,000		Equip. Purchased Out of FL		
LFS	\$1,000		<input type="checkbox"/> Multi-State <input type="checkbox"/> Multi-National <input type="checkbox"/> Regional HQ <input checked="" type="checkbox"/> International HQ <input type="checkbox"/> National HQ <input type="checkbox"/> Not a Dedicated HQ		
Award Per Job		\$3,000		Waivers:	
Total Award		\$162,000		Local Support: City of Pompano Beach and Broward County	
State 80%		\$129,600			
LFS 20%		\$32,400			
		2014 Annual Unemployment Rate	2013 Per Capita Income	2013 Poverty Rate	
County		5.8%	\$43,792	15.2%	
Florida		6.3%	\$41,497	17.1%	
United States		6.2%	\$44,765	15.8%	
EFI Contact		Tim Johns		Phone Number	407-956-5611

QTI DATA SHEET

Local Contact	Pierre Taschereau	Phone Number	954-524-3113
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