

May 21, 2015

Dear Members of the Assembly:

Pursuant to Arkansas Code §15-4-3203 (i)(2), the Arkansas Economic Development Commission is required to provide a report to potential Amendment 82 projects. The information contained in this report pertains to Project GVAB – Lockheed Martin Corporation. Please find the following:

- (A) A description of the proposed project;
- (B) (i) An itemization of the proposed infrastructure needs and other needs to be financed with the proceeds derived from the sale of Amendment 82 bonds. (ii) The itemization shall include estimated costs and details to the maximum extent available at the time of the report;
- (C) A description of all other economic incentives to be provided by the state in connection with the proposed project;
- (D) A description of the economic impact and cost-benefit analyses of the proposed project for a period of at least ten (10) years that includes: (i) The annual projected benefit to the state from increased sales and use tax and income tax revenue; (ii) The annual projected cost to the state for each economic incentive offered to the sponsor in connection with the proposed project; and (iii) The overall net present value benefit-to-cost ratio for the period of at least ten (10) years;
- (E) The amount of bonds necessary to be issued to defray project costs and a budget of the project costs;
- (F) A tentative time schedule setting forth the period of time during which the proceeds of the Amendment 82 bonds are to be expended;
- (G) A statement by the Director of the Arkansas Economic Development Commission based on and outlining the: (i) Terms of the letter of the commitment; (ii) Estimated dollar amount of investment in the state from the proposed project; and (iii) Estimated number of new jobs to be created by the proposed project;
- (H) A copy of the signed letter of commitment for the proposed project; and
- (I) A copy of the unexecuted Amendment 82 agreement for the proposed project.

Best regards,



Mike Preston  
Executive Director

**Amendment 82 Report**

**Prepared for the**

**90th General Assembly of the State of Arkansas**

**Special Session 2015**

**Prepared by the Arkansas Economic Development Commission**

**For**

**Project GVAB – Lockheed Martin Corporation**

**May 21, 2015**

**Table of Contents**

A. Description of proposed project..... Page 3

B. Itemization of the proposed infrastructure needs and other needs to be financed  
With the proceeds derived from the sale of Amendment 82 bonds .....Page 5

C. Description of all other economic incentives to be provided by the state .....Page 6

D. Description of the economic impact and cost-benefit analyses .....Page 7

E. The amount of bonds necessary to be issued to defray project costs and  
a budget of the project costs .....Page 14

F. Tentative time schedule in which the proceeds of the Amendment 82  
Bonds are to be expended .....Page 15

G. Statement by the Director of the Arkansas Economic Development Commission  
regarding the terms of the letter of commitment, estimated dollar investment  
in the state from the proposed project and estimated number of new jobs  
created by the proposed project .....Page 16

H. Copy of the signed letter of commitment .....Attached

I. Copy of the unexecuted Amendment 82 agreement.....Attached

**Section A**  
**Description of proposed project**

Lockheed Martin is one of three companies bidding for the U.S. Army's first Joint Light Tactical Vehicle (JLTV) contract. The Joint Light Tactical Vehicle (JLTV) is being developed by the U.S. Army and the Marine Corps as a successor to the High Mobility, Multi-Wheeled Vehicle (HMMWV), which has been in service since 1985. With the changing threats on the battlefield, the JLTV offers enhanced crew protection, increases in performance and payload, greater reliability, superior fuel efficiency, and lower operations and sustainment costs. In the Amendment 82 Agreement, Lockheed Martin's construction, renovation, equipping and operation of additional facilities in Calhoun County to manufacture ground vehicles for the United States Department of Defense and other customers is referred to as the "GVAB Program."

A Technology Development phase for the JLTV program was established in 2007, and in 2012 the U.S. Army announced that three companies (Lockheed Martin, Oshkosh and AM General) had been selected for the 27-month Engineering and Manufacturing Development (EMD) program. The three competitors were required to provide 22 JLTV prototypes for testing 12 months after the EMD contracts were awarded. With the EMD phase of the program now complete, the final JLTV RFP was released on December 12, 2014, and the Government maintains that a final decision on the JLTV program winner will be made in the July or August 2015 timeframe.

The U.S. Army and Marine Corps have established a "not to exceed" vehicle cost of \$250,000 and announced that approximately 55,000 JLTVs would be procured by the two branches of service. It is anticipated that the JLTV program will also draw significant interest from the international military vehicle marketplace as well.

If Lockheed Martin is awarded the contract, they have chosen to perform the final assembly of the JLTV at their location in the Highland Industrial Park in Calhoun County, Arkansas. As a result of this project, the company would create 589 new, full-time positions and retain 556 current positions between 2016 and 2040. Initially, the average hourly wage of the new positions would be \$46,720 per year, growing to an average of \$81,679 by 2040, and the total investment will be at least \$125,000,000.

Employment Commitment (in addition to the Company's commitment to retain 556 current positions):

	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Year 6 (2021)	Year 7 (2022)	Year 8 (2023)	Year 9 (2024)	Year 10 (2025)	Year 11 (2026)	Year 12 (2027)	Year 13 (2028)
Employment Target	100	122	176	310	538	533	523	514	491	589	589	589	589

	Year 14 (2029)	Year 15 (2030)	Year 16 (2031)	Year 17 (2032)	Year 18 (2033)	Year 19 (2034)	Year 20 (2035)	Year 21 (2036)	Year 22 (2037)	Year 23 (2038)	Year 24 (2039)	Year 25 (2040)
Employment Target	589	589	589	589	589	589	589	589	589	589	589	589

Compensation Commitment (State average is \$38,521):

	Year 1 (2016)	Year 2 (2017)	Year 3 (2018)	Year 4 (2019)	Year 5 (2020)	Year 6 (2021)	Year 7 (2022)	Year 8 (2023)	Year 9 (2024)	Year 10 (2025)	Year 11 (2026)	Year 12 (2027)	Year 13 (2028)
Compensation Target	\$46,720	\$45,057	\$43,606	\$45,023	\$43,429	\$44,992	\$46,593	\$48,230	\$50,491	\$52,427	\$53,998	\$55,617	\$57,286

	Year 14 (2029)	Year 15 (2030)	Year 16 (2031)	Year 17 (2032)	Year 18 (2033)	Year 19 (2034)	Year 20 (2035)	Year 21 (2036)	Year 22 (2037)	Year 23 (2038)	Year 24 (2039)	Year 25 (2040)
Compensation Target	\$59,005	\$60,777	\$62,599	\$64,475	\$66,411	\$68,410	\$70,457	\$72,573	\$74,750	\$76,994	\$79,299	\$81,679

## Section B

### **Itemization of the proposed infrastructure needs and other needs to be financed with the proceeds derived from the sale of Amendment 82 bonds**

- 1) \$83 million grant to the company for on-site infrastructure needs, to include the following:
  - a. Construction
    - i. Test Track
    - ii. Test Building
    - iii. Parking Lots
    - iv. Access Roads
    - v. Other construction necessary to support the project
  - b. Purchases and Installations
    - i. HVAC Systems
    - ii. Furniture and Appliances
    - iii. Fencing
    - iv. Other purchases and installations necessary to support the project
  - c. Building Equipment
    - i. Bridge Cranes
    - ii. Warehouse racking
    - iii. Assembly Carts
    - iv. Other building equipment necessary to support the project
  - d. Quality Assurance Equipment
    - i. Calibrators
    - ii. Automated Torque System
    - iii. Laser Trackers
    - iv. Other quality assurance equipment necessary to support the project
  - e. Wheeled Vehicles – Rolling Stock
    - i. Forklifts
    - ii. Tugs
    - iii. Carts
    - iv. Trucks
    - v. Other wheeled vehicles necessary to support the project
  
- 2) \$1.645 million training grant provided to or for the benefit of Southern Arkansas University Tech or another similarly qualified provider to be used for construction and equipping of facilities to be located at Southern Arkansas University Tech or in the vicinity of the Project for the training of individuals in connection with the Project.

**Section C**

**Description of all other economic incentives to be provided by the state**

No other statutory or discretionary incentives are being offered.

## Section D

### **Description of the economic impact and cost-benefit analyses**

(As performed and described by the Arkansas Department of Finance and Administration's  
Economic Analysis and Tax Research Office)

This analysis is based on the ramp up schedule and compensation schedule outlined on page 4. The analysis only takes into account benefits to the State and does not account for local impact in sales taxes, property taxes, or other local benefits.

These preliminary scenarios are based on the current market conditions and subject to change prior to the final marketing of the bonds. The final terms and structure will be determined by the Arkansas Development Finance Authority (ADFA) and the professional underwriters that have been engaged to market the bonds at the time of the actual transaction in accordance with the best financial interest of the state.

The cost-benefit findings for this project are positive as measured by consistent project comparison methods of break even and net present value (NPV). The results vary depending on the bond schedule and early call provisions described in the bond quotes from April 20, 2015. The NPV results and break even years are as follows for State General Revenues.

#### 20-Year Bond with 10-Year Call

NPV over 25 years	\$18.4 million
Break-Even Year*	Year 20

#### 20-Year Bond with 7-Year Call

NPV over 25 years	\$16.7 million
Break-Even Year*	Year 21

#### 15-Year Bond with 7-Year Call

NPV over 25 years	\$20.9 million
Break-Even Year*	Year 19

\* Positive break-even year, not counting initial positives from construction or bond payment coverage by GIF funds

### **Methodology for Economic and Revenue Impacts**

The methodology for this analysis combines input-output economic modeling methods for deriving sector-specific interactions with the Arkansas economy and plausible revenue streams to the state from new taxable activities. Timing estimates for the new economic activity, debt

payments, and revenue gains from indirect company activity are reasonable. The timing estimate is important for fiscal year budget planning.

### **Estimation Risks and Assumptions**

The estimation process applied in this project impact is based on a variety of assumptions and project parameters. These are listed as follows.

- Assumes a project operational commitment over a 25-year horizon
- Assumes direct job count, average wages, and bond payment schedule costs as provided
- Assumes effective income tax rates for direct and indirect wage income tax liability
- Assumes state average wage rates for indirect job/incomes and 2.5% wage inflation
- Assumes a 2-year construction activity period
- Assumes no Corporate Income tax benefit in the first eight project years, and minimal contribution thereafter (Presuming the timing of corporate tax liability for state cash flow analysis is considered a risk to overall planning efforts.)
- Multiplier analysis derived from IMPLAN model construction for the Arkansas and U.S. economies
- Assumes no provisions for border county spending leakage effects across state lines beyond average rates

The economic modeling for this project simulation considered the specific characteristics of the project activities. The project consists of a unique military procurement production line with no competitors once military procurement contracts are awarded. The lack of import substitution and a specialized production and supply network imply variances with input-output product sector averages used in traditional analysis. Even among military procurement sectors of the models, a new product class would be expected to vary from established military production centers, such as established aircraft plants or heavy truck production centers. This variance would imply lower economic multipliers initially compared to other heavy vehicle manufacturing centers but with a different rate of change and direction of multipliers over time. Consideration of such dynamic effects on multipliers is warranted in the context of extended project commitment periods. The location of the product line outside of established industrial machinery product regions of the country suggests an intermediate and evolving multiplier effect in the state. In addition, the complete absence of established product manufacturing in the identified sector requires some substitution with regional or national averages in the IMPLAN model. It is this common practice of multiplier substitution that potentially introduces inappropriate import substitution patterns while ignoring uniqueness in the proposed product line. This analysis assumes an intermediate multiplier effect in between

those of established industrial regions but without the declining multipliers over time of sectors impacted by import substitution.

**Conclusions**

The project is a net benefit to state revenues and the state economy given the project commitments and bond schedule costs as provided. Significant positive results are derived from the extended project commitments relative to the bond payment schedule, with moderate to extended periods of payback to the state in years without bond payment costs. These “no-cost” periods vary with the bond schedules and call provisions provided in the three bond quotes. Intangible benefits to the state economy are implied by expanded industrial capacity and skills development in a rural area with other sizable economic development assets. The project would be a showcase for cost-effective manufacturing of sophisticated industrial products with further implications for exports of high-value goods.

<b>Annual Projected Benefit to the State</b>			
20 year bond, 10 year call			
<b>Fiscal Year</b>	<b>Estimated Annual Benefit to State</b>	<b>Estimated Annual Cost to State</b>	<b>Estimated Annual Net Value</b>
FY 2016	\$ 8,125,720	\$5,248,795	\$2,876,925
FY 2017	\$ 3,634,924	\$6,299,972	(\$2,665,048)
FY 2018	\$ 1,064,938	\$6,300,176	(\$5,235,238)
FY 2019	\$ 1,540,099	\$6,298,976	(\$4,758,877)
FY 2020	\$ 2,779,100	\$6,296,982	(\$3,517,882)
FY 2021	\$ 4,839,671	\$6,298,970	(\$1,459,299)
FY 2022	\$ 4,931,131	\$6,297,110	(\$1,365,979)
FY 2023	\$ 4,975,897	\$6,300,173	(\$1,324,275)
FY 2024	\$ 5,028,411	\$6,300,745	(\$1,272,334)
FY 2025	\$ 5,197,765	\$6,296,966	(\$1,099,201)
FY 2026	\$ 6,359,776	\$6,300,586	\$59,190
FY 2027	\$ 6,522,602	\$6,296,354	\$226,248
FY 2028	\$ 6,689,836	\$6,295,946	\$393,891
FY 2029	\$ 6,861,620	\$6,298,455	\$563,166
FY 2030	\$ 7,038,020	\$6,297,908	\$740,112
FY 2031	\$ 7,219,217	\$6,296,048	\$923,169
FY 2032	\$ 7,405,165	\$6,297,604	\$1,107,561
FY 2033	\$ 7,596,090	\$6,295,646	\$1,300,444
FY 2034	\$ 7,792,294	\$6,299,976	\$1,492,318
FY 2035	\$ 7,993,969	\$0	\$7,993,969
FY 2036	\$ 8,200,610	\$0	\$8,200,610
FY 2037	\$ 8,413,106	\$0	\$8,413,106
FY 2038	\$ 8,631,229	\$0	\$8,631,229
FY 2039	\$ 8,855,292	\$0	\$8,855,292
FY 2040	\$ 9,085,146	\$0	\$9,085,146
FY 2041	\$ 9,321,420	\$0	\$9,321,420
<b>Total</b>	<b>\$ 166,103,050</b>	<b>\$ 118,617,386</b>	<b>\$ 47,485,664</b>

**Annual Projected Benefit to the State**

20 year bond, 7 year call

<u>Fiscal Year</u>	<u>Estimated Annual Benefit to State</u>	<u>Estimated Annual Cost to State</u>	<u>Estimated Annual Net Value</u>
FY 2016	\$ 8,125,720	\$5,145,526	\$2,980,194
FY 2017	\$ 3,634,924	\$6,173,108	(\$2,538,183)
FY 2018	\$ 1,064,938	\$6,175,850	(\$5,110,911)
FY 2019	\$ 1,540,099	\$6,173,010	(\$4,632,910)
FY 2020	\$ 2,779,100	\$6,176,279	(\$3,397,178)
FY 2021	\$ 4,839,671	\$6,174,249	(\$1,334,578)
FY 2022	\$ 4,931,131	\$6,174,106	(\$1,242,974)
FY 2023	\$ 4,975,897	\$6,174,601	(\$1,198,703)
FY 2024	\$ 5,028,411	\$6,174,679	(\$1,146,268)
FY 2025	\$ 5,197,765	\$6,173,903	(\$976,138)
FY 2026	\$ 6,359,776	\$6,175,680	\$184,096
FY 2027	\$ 6,522,602	\$6,175,212	\$347,390
FY 2028	\$ 6,689,836	\$6,173,858	\$515,978
FY 2029	\$ 6,861,620	\$6,175,866	\$685,754
FY 2030	\$ 7,038,020	\$6,175,256	\$862,764
FY 2031	\$ 7,219,217	\$6,173,605	\$1,045,612
FY 2032	\$ 7,405,165	\$6,171,555	\$1,233,610
FY 2033	\$ 7,596,090	\$6,176,100	\$1,419,990
FY 2034	\$ 7,792,294	\$6,171,625	\$1,620,669
FY 2035	\$ 7,993,969	\$6,173,130	\$1,820,839
FY 2036	\$ 8,200,610	\$0	\$8,200,610
FY 2037	\$ 8,413,106	\$0	\$8,413,106
FY 2038	\$ 8,631,229	\$0	\$8,631,229
FY 2039	\$ 8,855,292	\$0	\$8,855,292
FY 2040	\$ 9,085,146	\$0	\$9,085,146
FY 2041	\$ 9,321,420	\$0	\$9,321,420
<b>Total</b>	<b>\$ 166,103,050</b>	<b>\$ 122,457,193</b>	<b>\$ 43,645,857</b>

**Annual Projected Benefit to the State**

15 year bond, 7 year call

<u>Fiscal Year</u>	<u>Estimated Annual Benefit to State</u>	<u>Estimated Annual Cost to State</u>	<u>Estimated Annual Net Value</u>
FY 2016	\$ 8,125,720	\$6,141,326	\$1,984,394
FY 2017	\$ 3,635,049	\$7,366,857	(\$3,731,808)
FY 2018	\$ 1,064,938	\$7,367,087	(\$6,302,148)
FY 2019	\$ 1,540,099	\$7,369,627	(\$5,829,527)
FY 2020	\$ 2,779,100	\$7,369,510	(\$4,590,409)
FY 2021	\$ 4,839,671	\$7,369,454	(\$2,529,783)
FY 2022	\$ 4,931,131	\$7,367,503	(\$2,436,371)
FY 2023	\$ 4,975,897	\$7,366,931	(\$2,391,033)
FY 2024	\$ 5,028,411	\$7,368,903	(\$2,340,492)
FY 2025	\$ 5,197,765	\$7,369,991	(\$2,172,226)
FY 2026	\$ 6,359,776	\$7,365,148	(\$1,005,372)
FY 2027	\$ 6,522,602	\$7,367,670	(\$845,068)
FY 2028	\$ 6,689,836	\$7,369,217	(\$679,380)
FY 2029	\$ 6,861,620	\$7,368,667	(\$507,046)
FY 2030	\$ 7,038,020	\$7,364,830	(\$326,810)
FY 2031	\$ 7,219,217	\$0	\$7,219,217
FY 2032	\$ 7,405,165	\$0	\$7,405,165
FY 2033	\$ 7,596,090	\$0	\$7,596,090
FY 2034	\$ 7,792,294	\$0	\$7,792,294
FY 2035	\$ 7,993,969	\$0	\$7,993,969
FY 2036	\$ 8,200,610	\$0	\$8,200,610
FY 2037	\$ 8,413,106	\$0	\$8,413,106
FY 2038	\$ 8,631,229	\$0	\$8,631,229
FY 2039	\$ 8,855,292	\$0	\$8,855,292
FY 2040	\$ 9,085,146	\$0	\$9,085,146
FY 2041	\$ 9,321,420	\$0	\$9,321,420
<b>Total</b>	<b>\$ 166,103,174</b>	<b>\$ 109,292,715</b>	<b>\$ 56,810,459</b>

**Annual Projected Cost to the State for Each Economic Incentive Offered**

**20 Year Bond, 10 Year Call**

<b>Fiscal Year</b>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026				
Amendment 82 - Grant (\$87.145M, including issue costs)	\$5,248,795	\$6,299,972	\$6,300,176	\$6,298,976	\$6,296,982	\$6,298,970	\$6,297,110	\$6,300,173	\$6,300,745	\$6,296,966	\$6,300,586				
<b>Total</b>	\$5,248,795	\$6,299,972	\$6,300,176	\$6,298,976	\$6,296,982	\$6,298,970	\$6,297,110	\$6,300,173	\$6,300,745	\$6,296,966	\$6,300,586				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041
	\$6,296,354	\$6,295,946	\$6,298,455	\$6,297,908	\$6,296,048	\$6,297,604	\$6,295,646	\$6,299,976	\$0	\$0	\$0	0	0	0	0
	\$6,296,354	\$6,295,946	\$6,298,455	\$6,297,908	\$6,296,048	\$6,297,604	\$6,295,646	\$6,299,976	\$0	\$0	\$0	\$0	\$0	\$0	\$0

**20 Year Bond, 7 Year Call**

<b>Fiscal Year</b>	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026				
Amendment 82 - Grant (\$87.145M, including issue costs)	\$5,145,526	\$6,173,108	\$6,175,850	\$6,173,010	\$6,176,279	\$6,174,249	\$6,174,106	\$6,174,601	\$6,174,679	\$6,173,903	\$6,175,680				
<b>Total</b>	\$5,145,526	\$6,173,108	\$6,175,850	\$6,173,010	\$6,176,279	\$6,174,249	\$6,174,106	\$6,174,601	\$6,174,679	\$6,173,903	\$6,175,680				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041
	\$6,175,212	\$6,173,858	\$6,175,866	\$6,175,256	\$6,173,605	\$6,171,555	\$6,176,100	\$6,171,625	\$6,173,130	\$0	\$0	\$0	\$0	\$0	\$0
	\$6,175,212	\$6,173,858	\$6,175,866	\$6,175,256	\$6,173,605	\$6,171,555	\$6,176,100	\$6,171,625	\$6,173,130	\$0	\$0	\$0	\$0	\$0	\$0

15 Year Bond, 7 Year Call

	Fiscal Year														
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026				
Amendment 82 - Grant (\$87.145M, including issue costs)	\$6,141,326	\$7,366,857	\$7,367,087	\$7,369,627	\$7,369,510	\$7,369,454	\$7,367,503	\$7,366,931	\$7,368,903	\$7,369,991	\$7,365,148				
Total	\$6,141,326	\$7,366,857	\$7,367,087	\$7,369,627	\$7,369,510	\$7,369,454	\$7,367,503	\$7,366,931	\$7,368,903	\$7,369,991	\$7,365,148				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041
	\$7,367,670	\$7,369,217	\$7,368,667	\$7,364,830	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$7,367,670	\$7,369,217	\$7,368,667	\$7,364,830	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

## Section E

### **The amount of bonds necessary to be issued to defray project costs and a budget of the project costs**

\$87,145,000 in Amendment 82 General Obligation Bonds will be required to defray project costs associated with the project. A budget for the project costs are as follows:

- \$83 million grant to the company for on-site infrastructure needs
  
- \$1.645 million training grant provided to or for the benefit of Southern Arkansas University Tech or another similarly qualified provider to be used for construction and equipping of facilities to be located at Southern Arkansas University Tech or in the vicinity of the Project for the training of individuals in connection with the Project.
  
- \$2.5 million for purpose of paying reasonable and necessary costs and expenses of the state in connection with issuance of the Bonds and reasonable and necessary costs and expenses of the state in connection with the approval and accomplishment of the Project and the Amendment 82 Financing, specifically including the administrative fee of the Authority and the fees and costs due to those trustees, agents, underwriters, attorneys, and financial advisors, accountant and consultants performing services on behalf of the state in connection with the issuance of the Bonds and the Project.

**Section F**

**Tentative time schedule in which the proceeds of the Amendment 82 bonds are to be expended**

July or August 2015:	Anticipated Contract Award
Passage of 20 days:	Period in which protest could be filed
After 20 days passes:	Sponsor certifies to the best of its ability, that there are no pending protests or objections to the contract solicitation and award process
Within 140 days of Contract Award (no later than 03/31/2016):	Anticipated Closing Date
Immediately Following Closing:	Amendment 82 bonds are sold  The Sponsor intends to commence additional construction and renovation of the Project Facilities  Amendment 82 bond proceeds are made available to project for eligible project costs once a draw request is received, reviewed, and approved by the Commission and the Arkansas Development Finance Authority (ADFA)
10 Months from Closing Date:	Parties anticipate that commercial production at the Project Facility will commence
48 Months after Closing:	All amendment 82 bond proceeds are expected to be fully expended

## Section G

### **Statement by the Director of the Arkansas Economic Development Commission regarding the terms of the letter of commitment, estimated dollar investment in the state from the proposed project and estimated number of new jobs created by the proposed project**

The letter of commitment executed on April 17, 2015 by Lockheed Martin Corporation and the Arkansas Economic Development Commission outlines the terms of the company's commitment and the State's incentive package to the company. Amendment 82 bond funding will provide a grant of up to \$83 million grant to the company for on-site infrastructure needs and a \$1.645 million training grant provided to or for the benefit of Southern Arkansas University Tech or another similarly qualified provider to be used for construction and equipping of facilities to be located at Southern Arkansas University Tech or in the vicinity of the Project for the training of individuals in connection with the Project.

The terms of the letter of commitment, executed on April 17, 2015 between Lockheed Martin Corporation and the Arkansas Economic Development Commission, include provisions that protect the State's potential investment in the project. Those provisions include a) the company must be awarded the contract and certify, to the best of its ability, that there are no pending protests or objections to the contract solicitation and award process prior to Amendment 82 bonds being sold; b) the company must create new positions, in alignment with the ramp up schedule on page 4, and maintain those positions for 25 years, or the company will have to repay a certain portion of the \$83 million grant; c) the company must maintain 556 current positions for 25 years, or the company will have to repay a certain portion of the \$83 million grant; d) the company must pay an average wage for the new positions in accordance with the compensation schedule on page 4, or the company will have to repay a certain portion of the \$83 million grant.

The company intends that its total investment in the project will be at least \$125,000,000 and has committed to the employment and compensation schedules on page 4, which will result in 586 new positions and 556 retained positions over the 25 year life of the project.

Attachment: Signed Letter of Commitment

April 16, 2015

Lockheed Martin Corporation  
Harold R. O'Neal, Vice President, Production Operations  
Lockheed Martin Missiles and Fire Control  
P.O. Box 650003  
Dallas, TX 75265

Re: Letter of Commitment for a Ground Vehicle Manufacturing Facility and Existing Facility Improvements for the manufacture of new products, to be located in Calhoun County, Arkansas.

Dear Mr. O'Neal:

The Arkansas Economic Development Commission (the "Commission") is pleased to present this letter of commitment ("Letter") to Lockheed Martin Corporation ("Lockheed Martin" or the "Sponsor") based on Lockheed Martin's acceptance of the proposed terms for Amendment 82 financing as set forth in the Formal Proposal dated as of December 11, 2014 (the "Formal Proposal"). This Letter confirms the terms and conditions of our binding agreement to proceed with certain funding for the project proposed by Lockheed Martin (the "Project" as defined in Paragraph 1 of this Letter), including the Amendment 82 Financing (as defined in Paragraph 8 of this Letter), as set forth below.

1. Project. The Sponsor either owns or leases and operates facilities in Calhoun County, Arkansas for the manufacture of missiles and fire control equipment (the "Existing Facility"). The Sponsor and its contractors currently employ individuals whose work equals in the aggregate approximately 656 FTEs, as such term is defined in Paragraph 5 of this Letter, in connection with operations at the Existing Facility. FTEs employed in connection with operations at the Existing Facility are referred to in this letter as "Existing Facility FTEs." The Project is proposed to consist of two parts: construction, renovation, equipping and operation of additional facilities at a site near the Existing Facility and in Calhoun County (the "GVAB Facility") to manufacture ground vehicles for the United States Department of Defense ("DOD") and other customers (the "GVAB Program"), and construction, renovation, equipping and operation of additions and improvements to the Existing Facility (the "Additional Facility") to enable the Sponsor to manufacture products not now made at the Existing Facility ("Additional

Products Production”). In this Letter the term “Project Facilities” refers collectively to the Additional Facility and the GVAB Facility, and the term “Project” refers to the GVAB Program together with Additional Products Production.

2. Sponsor. The Commission has determined that the Sponsor has the financial capability, business history and corporate intent to implement and maintain the Project, as proposed, as a qualified Amendment 82 project.

3. Project Investment. The Sponsor anticipates that its total investment in the Project, including the proceeds of the Grant described in this letter, will be approximately One Hundred Twenty-Five Million Dollars (\$125,000,000).

4. Employment Commitments. The Sponsor intends to meet the requirements specified below with respect to employment to be created and maintained in connection with the Project and Existing Facility. The commitments described in this Paragraph 4 are referred to in this Letter as the “Employment Commitments.” The Employment Commitments will be measured in FTEs.

a. The Sponsor and its contractors will employ in Direct Positions and Independent Direct Positions FTEs employed (i) at the Project Facilities or (ii) located within 125 miles of the Project Facilities and within the State of Arkansas (“Project FTEs”; together with the Existing Facility FTEs, the “LM FTEs”).

(i). “Direct Position” refers to work directly related to the Project performed by FTEs employed by or for the benefit of the Sponsor. The Sponsor shall not designate any FTE attributed to a person as a Direct Position if the Sponsor (i) includes him or her as an employee in any calculation or count of employees for the purpose of qualifying for or receiving any incentive under the Consolidated Incentive Act of 2003 as amended from time to time (Ark. Code Ann. §§ 15-4-2701 et seq.) (the “Incentive Act”) or the Governor’s Quick Action Closing Fund, Economic Infrastructure Fund, or Community Development Block Grant fund (collectively, and together with incentives under the Incentive Act, the “State Incentives”), or (ii) applies or arranges, after the General Assembly’s legislative approval of the Grant, to receive any State Incentive that takes the FTE into account. Provided, however, that funds provided for or applied to training pursuant to Paragraph 9 of this Letter will not be treated as State Incentives for the purpose of this paragraph.

(ii). “Independent Direct Position” refers to FTEs attributed to work performed by a person not employed by the Sponsor if: (a) the Sponsor designates that person as an “Independent Direct Position”; (b) the person holds a position created after the General Assembly’s legislative approval of the Grant described in this Letter; (c) the person is employed at the Project Facilities, or at a location within the State of Arkansas and no more than 125 miles from the Project Facilities; (d) the person is employed in connection with operating the Project or the Project Facilities; and (e) the person is employed with the primary objective of providing Integral Component products and services necessary to the operation of the Project, including but

not limited to the following operations: (1) manufacturing, assembly, testing, or painting of sub-assemblies or finished products; (2) storage, handling, shipping, or receiving of components or finished products; (3) security or maintenance of buildings or grounds at the Project Facilities; or (4) any other support services at the Project Facilities as approved by the Commission. "Integral Component" means any sub-assembly or final assembly including, but not limited to, drive train, chassis, cab, exterior panels, and cargo beds, but does not include minor parts. The Sponsor shall not designate FTEs attributed to any person an Independent Direct Position if the person's employer (i) includes him or her as an employee in any calculation or count of employees or FTEs for the purpose of qualifying for or receiving any State Incentive or (ii) applies or arranges, after the General Assembly's legislative approval of the Grant, to receive any State Incentive that takes the person or FTE into account. Provided, however, that funds provided for or applied to training pursuant to Paragraph 9 of this Letter will not be treated as State Incentives for the purpose of this paragraph.

b. For each Project Year, the Sponsor and its contractors will employ Project FTEs in at least the number shown for such Project Year on Exhibit A (the "Project Employment Commitment"). "Project Year" means a 52-week period shown on Exhibit A and ending on the Sponsor's last payroll date occurring on or before December 31 of the corresponding calendar year.

c. For each Project Year, the Sponsor and its contractors will employ at least 556 additional LM FTEs (the "Additional Employment Commitment"). In the event total Project FTEs for any Project Year exceed the number required to meet the Project Employment Commitment for such Project Year, the number by which total Project FTEs exceed the number required to meet the Project Employment Commitment ("Excess Project FTEs ") will be counted in determining whether the Additional Employment Commitment has been met.

5. Full Time Equivalents. Full time equivalents ("FTEs") will be computed by dividing the total number of hours worked for the Project Year by 2,080. No person's work hours will be included in any FTE calculation unless (i) during the period employed that person was paid for 30 or more hours of work for each week, on average, and (ii) the person's employer classifies that person's position as "full-time" or "temporary-to-hire" or an equivalent classification.

6. Compensation Commitment. The Sponsor agrees that Project FTEs will be paid on average at least the average annual compensation shown on Exhibit A, exclusive of non-cash benefits, for the periods shown on Exhibit A (the "Compensation Commitment").

7. Time Periods. The Sponsor intends to commence additional construction and renovation of the Project Facilities promptly after the date of closing, issuance and funding of the Bonds (as defined in Paragraph 8 of this letter)("Closing Date"). The parties anticipate that the Closing Date will occur within 140 calendar days of the date of the award of the JLTV Contract described in Paragraphs 11(e) and 12(e) of this letter, but in no event will the Closing Date be later than March 31, 2016, unless extended as described in Paragraph 7(a) of this Letter (the

“Closing Deadline”). The parties anticipate that commercial production at the Project Facility will commence approximately 10 months after the Closing Date.

a. In the event the conditions to Closing described in Paragraphs 11(e) and 12(e) of this Letter are not fulfilled by March 31, 2016, the State may, at its option:

(i). Extend the Closing Date, with the consent of the Sponsor, by a period of time authorized by the Commission with any such extension of the Closing Deadline requiring the written consent of the Governor of the State, Speaker of the State House of Representatives, and President *Pro Tem* of the State Senate; or

(ii). Terminate the Amendment 82 Agreement and any obligation to provide Amendment 82 Financing, upon thirty (30) calendar days written notice to the Sponsor.

b. The Project as proposed by the Sponsor depends upon the award by DOD to the Sponsor of a contract for the production of the proposed Joint Light Tactical Vehicle (“JLTV Contract”). If the Sponsor is not awarded the JLTV Contract and after a period of 120 calendar days following the award of the JLTV Contract there are no pending protest or written objections by an interested party to an award of the JLTV Contract or any other objection to the JLTV Contract solicitation and award process as defined in FAR 33.101, including any objection which has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, “Protests,” or similar agency regulation, b) the Government Accountability Office (“GAO”) in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court’s rules, then the State of Arkansas (the “State”) may, at its sole option, terminate the Amendment 82 Agreement, and any obligation to provide Amendment 82 Financing, upon thirty (30) calendar days written notice to the Sponsor.

8. Amendment 82 Financing. Subject to the terms and conditions of this Letter and the Amendment 82 Requirements, as defined in Paragraph 11(b) of this Letter, the State intends to provide funds in an amount up to Eighty Three Million Dollars (\$83,000,000) of bond proceeds (the “Grant”), plus such additional sums as may be necessary to fund the training facilities described in Paragraph 9 of this Letter, to or for the benefit of, the Sponsor (together with the Grant, the “Amendment 82 Financing”). The Amendment 82 Financing will be funded through the issuance by the Arkansas Development Finance Authority (the “Authority”) of general obligation bonds of the State in an amount not exceeding Eighty Seven Million One Hundred Forty-Five Thousand Dollars (\$87,145,000) in the aggregate (the “Bonds”). The Authority will issue the Bonds on behalf of the State pursuant to the powers granted to the Authority by Amendment 82 to the Arkansas Constitution, the Arkansas Amendment 82 Implementation Act, Arkansas Code Annotated 15-4-3201 *et seq.* (the “Implementation Act”), and the Arkansas Development Finance Authority Act, Arkansas Code Annotated 15-5-101 *et seq.*, in such denominations and series and upon such terms and conditions as determined by the Authority on behalf of the State, in its sole and absolute discretion. The Bonds will be direct general obligations of the State, the payment of debt service on which the full faith and credit of the State

shall be pledged. From the proceeds of the Bonds, the following amounts are intended to be funded by the State:

a. Use of Funds. Proceeds of the Grant will be disbursed by the State to the Sponsor for payment or reimbursement of qualifying costs of acquisition, construction, renovation and equipping of the Project Facilities, for infrastructure improvements, and for any other costs incidental to the Project that are eligible for Amendment 82 Financing and that are approved as eligible by the State ("Eligible Costs"). No funds will be disbursed by the State with respect to the Grant without the prior approval of the Commission and the Authority. The Sponsor's anticipated use of funds is described in Exhibit B to this letter. The Commission understands that the Sponsor intends the funds to qualify under Section 118 of the Internal Revenue Code of 1986, as amended from time to time. The funds described herein are specifically bargained for by and between the Commission and the Sponsor and are provided by the Commission to the Sponsor as an inducement contingent on job creation and retention in Arkansas. The funds are to be used by the Sponsor for capital investments and development related to the Project and not to pay current operating costs or dividends. The Commission shall have no duty arising under the Internal Revenue code or Internal Revenue Code regulations to monitor the Sponsor's use of the funds afforded by the terms of this Letter of Commitment. The Commission shall, however, monitor the Sponsor's use of funds as otherwise provided in this Letter and by applicable Arkansas law.

b. Other Costs. An amount up to Two Million Five Hundred Thousand Dollars (\$2,500,000) may be funded through the Bonds for the purpose of paying reasonable and necessary costs and expenses of issuance of the Bonds (determined by the State, in its sole and absolute discretion), including costs that relate to the approval and accomplishment of the Amendment 82 Financing, and specifically including the administrative fee of the Authority and the fees and costs due to those trustees, agents, underwriters, attorneys, financial advisors, accountants and consultants performing services on behalf of the State in connection with the issuance of the Bonds and the Project. The Sponsor shall not be responsible for any of such costs.

c. Disbursement Procedure. The Grant will be disbursed by the State to, or for the benefit of, the Sponsor in one (1) or more disbursements. The Sponsor may request a disbursement from the Grant by submitting a request for disbursement to the Commission and the Authority ("Request for Disbursement").

(i). A Request for Disbursement must include an itemization of each cost and expense for which the Sponsor requests payment or reimbursement. In support of a Request for Disbursement, the Sponsor shall provide a copy of all invoices and proof of payment with respect to each cost and expense identified in the Request for Disbursement. The Sponsor shall provide the State with full access to all other directly pertinent documents, records, and other information in the possession, custody or control of the Sponsor that relate to each cost and expense identified with respect to a Request for Disbursement.

(ii). Upon completion of the verification by the State of the costs and expenses identified in a Request for Disbursement, the Authority shall send a notice of payment to the Sponsor setting forth the amount approved by the Commission and the Authority to be disbursed by the State with respect to the costs and expenses identified in a Request for Disbursement. Within ten (10) business days after the date of a notice of payment, the State will cause the amount set forth in the notice of payment to be disbursed to the Sponsor by wire transfer to an account of the Sponsor designated in the Request for Disbursement. All Requests for Disbursement must be submitted by the Sponsor to the State no later than forty-eight (48) months after the Closing Date.

(iii). The Sponsor shall further provide the State with full access to all such documents, records, and other information as are reasonably necessary for the State to perform any audit required by the Implementation Act, and including, without limitation, verification that each cost and expense identified with respect to a Request for Disbursement has been actually paid or incurred by the Sponsor, the reasonableness of the nature and amount of the cost and expense, and whether the cost and expense may be properly characterized as Eligible Costs.

(iv). The State will cooperate with Sponsor in observing security protocols, as set forth in Exhibit C, in place at the Project Facilities and the Existing Facilities, to the extent consistent with Arkansas law.

9. Training Facilities. The State will provide from the Amendment 82 Financing or from other funds the amount of One Million, Six Hundred Forty-five Thousand Dollars (\$1,645,000) to be used for construction and equipping of facilities anticipated to be located at Southern Arkansas University Tech for the training of individuals who may fill Direct Positions or Independent Direct Positions in connection with the Project Facilities or in connection with the Project.

10. Grant Recapture. The Sponsor understands that all of the economic incentives being offered to the Sponsor as an inducement to locate the Project in Calhoun County represent an expectation by the Commission that the Sponsor will timely meet the Project Employment Commitments, the Additional Employment Commitments and the Compensation Commitment (together the "Commitments"). In the event the Sponsor fails to cause any of the Commitments to be achieved and maintained, the Sponsor will pay to the State certain amounts (the "Repayment Obligation") to be calculated based upon the formulas set forth in this Paragraph 10 (the "Repayment Calculations"). The total amount to be paid by the Sponsor pursuant to any or all of the Repayment Calculations will not exceed the lesser of Eighty Three Million Dollars (\$83,000,000) or the total amount of the Grant disbursed by the State pursuant to Paragraph 8 of this Letter. Subject to the right to cure provided in Paragraph 10(e) of this Letter, any Repayment Obligation due to be paid by the Sponsor to the State under this Paragraph shall be paid immediately upon written notice from the State. For the purpose of the Recapture Calculations the Additional Employment Commitment will be calculated by adding any Excess Project FTEs to Existing Facility FTEs. Notwithstanding the foregoing, all Project FTEs counted toward the Additional Employment Commitment will be subject to the Compensation Commitment, and the

Recapture Calculations.

a. Project Employment Commitment. If the Sponsor fails to meet the Project Employment Commitment for any Project Year, it will repay a portion of the Grant equal to 1.3% (32.5% of 4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the number of Project FTEs for the Project Year to the agreed number of Project FTEs set forth in Exhibit A for that period:

$$\text{Recapture Amount} = 0.013 \times \text{Grant Amount Disbursed} \times (1 - (\text{Actual Project FTEs} / \text{Project FTEs Agreed per Exhibit A}))$$

b. Additional Employment Commitment. If the Sponsor fails to meet the Additional Employment Commitment for any Project Year, it will repay a portion of the Grant equal to 1.3% (32.5% of 4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the sum of (a) the number of Existing Facility FTEs, and (b) the number of Excess Project FTEs for that Project Year, to 556:

$$\text{Recapture Amount} = 0.013 \times \text{Grant Amount Disbursed} \times (1 - ((\text{Existing Facility FTEs} + \text{Excess Project FTEs}) / 556))$$

c. Compensation Commitment. If the Sponsor fails to meet the Compensation Commitment for any Project Year, it will repay a portion of the Grant equal to 1.4% (35% of 4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the actual average annual wage for Project FTEs (including Excess Project FTEs) for that Project Year to the agreed average annual wage for Project FTEs set forth in Exhibit A for that Project Year:

$$\text{Recapture Amount} = 0.014 \times \text{Grant Amount Disbursed} \times (1 - (\text{Actual Average Project FTE Wage} / \text{Average Project FTE Wage Agreed per Exhibit A}))$$

d. Contract Termination.

(i). If the DOD terminates, rescinds or withdraws ("termination") any or all contracts with the Sponsor relating to the GVAB Program (singularly or collectively, "DOD contract") due to the Sponsor's failure to perform any DOD contract to the satisfaction of DOD, or due to any administrative or judicial decision based in whole or in part upon acts or omissions of the Sponsor or its agents or material defects in Sponsor's bid, and Sponsor determines that, as a result of such termination it will not be able to meet any one or more of the Commitments or any other material obligation to the State of Arkansas described in the Amendment 82 Agreement, the Sponsor will, upon written notice from the State, repay a portion of the Grant equal to 4% of the total amount of the Grant disbursed as of the termination date multiplied by the difference of the number of Project Years then remaining on the Commitments (as set forth in Exhibit A) less the number of Project Years, if any, deducted under Paragraph 10(f) of this Letter.

e. Unavoidable Failure Cure Period. In the event the Sponsor fails in any Project Year to meet any one or more of the Commitments, and such failure is a result of events beyond the Sponsor's reasonable control ("Unavoidable Failure"), the Sponsor may cure the failure.

(i). Events beyond Sponsor's reasonable control include, but are not limited to, acts of God, fire, casualty, riot, act of terrorism, or natural disaster. Events beyond Sponsor's reasonable control do not include contract termination described in subparagraph (d) of this Paragraph 10 of this Letter, Sponsor's decisions or acts or the decisions or acts of its agents, the effect of contracts or agreements with third parties other than the DOD contract, financial distress, merger, acquisition, sale or assignment, acts of creditors, bankruptcy, judgments or collection.

(ii). In order to cure an Unavoidable Failure the Sponsor must (A) promptly notify the State in writing of the reason for the Unavoidable Failure and that the Sponsor elects to cure the failure, and (B) meet each failed Commitment in the first or second Project Year following the Project Year in which the Unavoidable Failure occurred. In the event an Unavoidable Failure is cured, the Repayment Obligation for the Project Year in which the Unavoidable Failure occurred will be waived by the State.

(iii). If the Sponsor elects to cure an Unavoidable Failure but fails to cure within the time allowed, the related outstanding Repayment Obligation will be due immediately upon the earlier of written notice from the State, or written notice from the Sponsor to the State that the Sponsor will not be able to timely cure the Unavoidable Failure.

f. Reduction of Recapture Period. If the Sponsor has for any two complete consecutive Project Years both (a) exceeded the Project Employment Commitment by at least 25%, and (b) met each of the other Commitments, and if the Sponsor is then in compliance with all terms and conditions of the Amendment 82 Agreement, then two Project Years will be deducted from the end of the schedule described in Exhibit A, shortening the time during which the Sponsor must meet the Commitments. No one Project Year may be included in more than one such reduction calculation.

g. Events of Default. If at any time after Project Year 5 (as described in Exhibit A ) the number of Project FTEs (including any Excess Project FTEs) is less than 20% of the Project Employment Commitment in any two Consecutive Project Years ("Substantial Default"), and if such Substantial Default is not a result of an Unavoidable Failure, the Sponsor will, upon written notice from the State, repay a portion of the Grant equal to the sum of: (a) 4% of the total amount of the Grant disbursed as of the termination date multiplied by the difference of the number of Project Years then remaining on the Commitments (as set forth in Exhibit A) less the number of Project Years, if any, deducted under Paragraph 10(f) of this Letter; and (b) the amount of all interest accruing and to accrue on the Bonds, at their respective coupon rates, for the period of time between the first day of the year following the Project Year in which the Substantial Default first occurred and the first call date for the Bonds.

11. Conditions of the Financing. In addition to all other conditions set forth in this Letter and the requirements of any other applicable laws, the economic incentives, including the Amendment 82 Financing, set forth in this Letter are subject to the following conditions of the State:

a. Satisfactory negotiation and execution of an Amendment 82 Agreement as defined in Ark. Code Ann. § 15-4-3202(1) between the State and the Sponsor to provide the economic incentives, including the Amendment 82 Financing, described in this Letter in exchange for the Commitments (the "Amendment 82 Agreement").

b. Satisfactory completion of the actions required by the Governor of the State (the "Governor"), the General Assembly of the State (the "General Assembly"), the Authority, the Department of Finance and Administration (the "Department"), and all other officials pursuant to the requirements of Amendment 82 and the Implementation Act (together, the "Amendment 82 Requirements").

c. Any special legislation required for any of the economic incentives described in this Letter or otherwise with respect to the Project, shall have been approved by the General Assembly and the Governor.

d. Satisfactory negotiation and execution of all documents necessary to the issuance of the Bonds, and any other documents required by this Letter or the Amendment 82 Agreement.

e. The award of the JLTV Contract to the Sponsor (the "JLTV Contract Award"), the passage of twenty (20) calendar days after the award, and the absence of any pending protest or written objection by an interested party to an award of a contract or any other objection to the contract solicitation and award process as defined in FAR 33.101, including any objection which has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, "Protests," or similar agency regulation, b) GAO in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court's rules. Upon issuance of the Bonds, the State will be obligated to disburse the Grant as hereinabove provided, and the Sponsor will be obligated to perform as described herein, including an obligation to use Grant proceeds in a timely manner to pay costs of the Project eligible to be funded from proceeds of the bonds. Provided, however, that the State will have no obligation to disburse the Grant or any part thereof if a court, executive or administrative body has issued, and there remains in effect, a stay, injunction or other order that prevents or delays performance of the JLTV Contract by DOD or the Sponsor. The Sponsor agrees that that it will certify to the best of its information and belief, based on (1) internal due diligence, (2) a contemporaneous examination of publicly available records at the GAO and the Court of Federal Claims, and (3) affirmative inquiries directed to the U.S. Government JLTV Contracting Officer seeking confirmation that no agency protest has been filed with the Department of the Army ("Army") pursuant to FAR 33.103, "Protests to the agency," that there are no pending protests or objections to the contract solicitation and award process as described above as of the effective date of the certification.

f. Any additional conditions imposed by the General Assembly under the Amendment 82 Agreement have been met.

12. Conditions of the Sponsor.

a. Satisfactory negotiation and execution of an Amendment 82 Agreement.

b. Satisfactory completion of the actions required by the Governor, the General Assembly, the Authority, the Department, and all other officials pursuant to the Amendment 82 Requirements.

c. Any special legislation required for any of the economic incentives described in this Letter or otherwise with respect to the Project shall have been approved by the General Assembly and the Governor.

d. Satisfactory negotiation and execution of all documents pertaining to the issuance of the Bonds, and any other documents required by this Letter or the Amendment 82 Agreement.

e. The award of the JLTV Contract to the Sponsor and the absence of any pending protest or written objection by an interested party to an award of a contract or any other objection to the contract solicitation and award process as defined in FAR 33.101, including any objection which has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, "Protests," or similar agency regulation, b) GAO in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court's rules. Upon issuance of the Bonds, the State will be obligated to disburse the Grant, and the Sponsor will be obligated to perform as described herein, including an obligation to use Grant proceeds in a timely manner to pay costs of the Project eligible to be funded from proceeds of the bonds. Provided, however, that the State will have no obligation to disburse the Grant or any part thereof if a court, executive or administrative body has issued, and there remains in effect, a stay, injunction or other order that prevents or delays performance of the JLTV Contract by DOD or the Sponsor.

13. Termination. In the event the conditions to Closing set forth in Paragraphs 11 and 12 of this Letter are not satisfied or waived on or before the Closing Deadline (as extended), either the State or the Sponsor may send written notice of termination to the other Party and thereafter the Parties shall have no further obligations pursuant to this Letter.

14. Assistance and Collaboration. The Sponsor plans (but is not required) to work collaboratively with:

a. Calhoun County, Arkansas, with assistance provided by the Commission, with the goal of reaching satisfactory agreements for property tax relief through the issuance of industrial revenue bonds by Calhoun County, subject to the restriction that the Sponsor would pay an

amount not less than 35% of what would otherwise have been payable by the Sponsor if industrial revenue bonds and a payment in lieu of tax agreement were not provided; and

b. The City of Camden, Arkansas, and the Ouachita Partnership for Economic Development, Inc., with assistance provided by the Commission, with the goal of reaching a satisfactory agreement providing for an Industry Incentive Award in the amount of \$1,000,000.

15. Assumption or Sale. In the event the Project, or any part thereof, is sold, conveyed or transferred to any other person or entity, the Sponsor shall remain fully obligated for each of the Commitments, including without limitation any Repayment Obligations.

16. Confidentiality and Non-Disclosure. The Parties recognize that certain information and records provided by the Sponsor to the Commission or the Authority include trade secrets or other information which, if disclosed, would give advantage to competitors of the Sponsor, or include records related to the Sponsor's planning, site location, expansion, operations, product development or marketing (collectively, "Confidential Business Information"). Such records are generally exempt from public disclosure under the terms of the Arkansas Freedom of Information Act, Ark Code Ann. § 25-19-101 et seq. Neither Party to this Agreement nor any related entity, affiliate, or representative of a Party shall make any disclosure of Confidential Business Information without the prior written consent of the other Party; provided however, that a Party may make such a disclosure without the consent of the other Party if the other Party has been afforded, to the extent reasonably practicable, an opportunity to contest the disclosure, and the disclosure is: (a) compelled by legal, accounting, or regulatory requirements applicable to and beyond the reasonable control of the Party; (b) necessary to proceed with the intentions and agreements contained in this Letter as they specifically relate to any affiliate or representative of any Party; (c) necessary to obtain legislative approval of the undertakings set forth in this Letter; or (d) required under applicable law binding upon the disclosing Party. The Party making such a disclosure shall give written notice thereof to the other Party as early as reasonably practicable.

17. Public Reporting Requirements. The Sponsor acknowledges and agrees to comply with the public reporting, monitoring, auditing, and other reporting requirements of the Implementation Act set forth in Ark. Code Ann. §§ 15-4-3206, 15-4-3221, and 15-4-3224. The Sponsor shall reasonably cooperate with the State by providing such documents, records, and other information to the State as may be necessary to comply with the public reporting, monitoring, auditing, and other reporting requirements of the Implementation Act and other applicable laws. The Sponsor shall maintain and make available all documents, records, and other information for annual audit by the Commission, the State's Chief Fiscal Officer, and upon request, but no more often than annually, by the Office of Economic and Tax Policy or a person retained by the Office of Economic and Tax Policy. The Sponsor shall comply with all auditing and reporting requirements of any state or federal regulatory agency or other Governmental Authority that may have jurisdiction over the Sponsor. The State will cooperate with the Sponsor in observing security protocols, as set out in Exhibit C, in place at the Project Facilities and the Existing Facilities, to the extent consistent with Arkansas law.

18. Force Majeure. No Party shall bear responsibility or liability for non-performance of any obligations under this Letter or under the Amendment 82 Agreement, other than the Commitments, caused by, and during the duration of, major events beyond its reasonable control, such as an act of God, emergency, fire, casualty, lockout or strike, unavoidable accident, riot, war, terrorism, financial market disruption, computer virus or similar threat, or other force majeure. Responsibility for failure to meet the Commitments is described in Paragraph 10 of this Letter, which shall control in the event of any inconsistency between Paragraph 10 and this Paragraph 18.

19. General Terms. To the extent there may be any conflict between the terms and conditions of the Amendment 82 Agreement and this Letter, the Amendment 82 Agreement shall prevail. To the extent there may be any conflict between the terms and conditions of the economic incentives, including Amendment 82 Financing, set forth in this Letter and the Formal Proposal, the terms and conditions of this Letter shall prevail. To the extent that the Sponsor does not accept for whatever reason any portion of the funds or economic incentives set forth in this Letter, neither the State, the Authority, nor the Commission shall have any obligation to replace the value of the funds or economic incentives not accepted, inclusive of the value of any matching funds, with other funds or economic incentives. This Letter will be binding upon and will inure to the benefit of the successors and assigns of the Sponsor. This Letter and the Formal Proposal contain all the terms and conditions of the agreement of the parties as to the Project.

20. Limited Obligation of the Commission. The obligation of the Commission under this Letter is limited to presenting this Letter and supporting documentation to the Governor, who may or may not elect to present this Letter to the General Assembly for its consideration.

If you are in agreement with the terms and conditions of this Letter, please sign and return one copy of this Letter, which thereupon will constitute our understanding with respect to the Amendment 82 Financing.

Agreed

Arkansas Economic Development Commission

By:   
Michael Preston, Executive Director

Agreed  
Lockheed Martin Corporation

By:   
Harold R. O'Neal, Vice President, Production Operations, Lockheed Martin Missiles and  
Fire Control

Date: 4-17-15

## EXHIBIT A

### Compensation Commitment

	Project Year 1 (2016)	Project Year 2 (2017)	Project Year 3 (2018)	Project Year 4 (2019)	Project Year 5 (2020)	Project Year 6 (2021)	Project Year 7 (2022)	Project Year 8 (2023)	Project Year 9 (2024)	Project Year 10 (2025)	Project Year 11 (2026)	Project Year 12 (2027)	Project Year 13 (2028)
Compensation Commitment	\$46,720	\$45,057	\$43,606	\$45,023	\$43,429	\$44,992	\$46,593	\$48,230	\$50,491	\$52,427	\$53,998	\$55,617	\$57,286

	Project Year 14 (2029)	Project Year 15 (2030)	Project Year 16 (2031)	Project Year 17 (2032)	Project Year 18 (2033)	Project Year 19 (2034)	Project Year 20 (2035)	Project Year 21 (2036)	Project Year 22 (2037)	Project Year 23 (2038)	Project Year 24 (2039)	Project Year 25 (2040)
Compensation Commitment	\$59,005	\$60,777	\$62,599	\$64,475	\$66,411	\$68,410	\$70,457	\$72,573	\$74,750	\$76,994	\$79,299	\$81,679

### Project Employment Commitment

	Project Year 1 (2016)	Project Year 2 (2017)	Project Year 3 (2018)	Project Year 4 (2019)	Project Year 5 (2020)	Project Year 6 (2021)	Project Year 7 (2022)	Project Year 8 (2023)	Project Year 9 (2024)	Project Year 10 (2025)	Project Year 11 (2026)	Project Year 12 (2027)	Project Year 13 (2028)
Employment Commitment	100	122	176	310	538	533	523	514	491	589	589	589	589

	Project Year 14 (2029)	Project Year 15 (2030)	Project Year 16 (2031)	Project Year 17 (2032)	Project Year 18 (2033)	Project Year 19 (2034)	Project Year 20 (2035)	Project Year 21 (2036)	Project Year 22 (2037)	Project Year 23 (2038)	Project Year 24 (2039)	Project Year 25 (2040)
Employment Commitment	589	589	589	589	589	589	589	589	589	589	589	589

## **EXHIBIT B**

**Sponsor anticipates the Proceeds of the Grant to be used in the following areas:**

- 1. Facilities and Construction**
- 2. Machinery and Equipment**
- 3. Equipment – Quality Assurance**
- 4. Rolling Stock**
- 5. Test Track Land Purchase and Preparation**
- 6. Training, Research and Testing**

## EXHIBIT C

### Security Protocol

Security Protocol Between Lockheed Martin Corporation, acting by and through its Missiles and Fire Control ("LMMFC") Business Area ("Sponsor") and the State of Arkansas ("State") regarding the Letter of Commitment and subsequent Amendment 82 Agreement for new products and existing facility improvements at the LMMFC Facility in Calhoun County, Arkansas.

Section 1. This protocol applies to the LMMFC Facility in Camden, Arkansas and the LMMFC Facilities in Dallas, Texas and Orlando, Florida. All documents, records and other information pertaining to disbursement requests pursuant to the Letter of Commitment between Lockheed Martin Corporation and the Arkansas Economic Development Commission and subsequent Amendment 82 Agreement between Lockheed Martin Corporation and the State of Arkansas ("State") covering LMMFC's Camden, Arkansas Facility are expected to be in Camden, Arkansas; Dallas, Texas; or Orlando, Florida.

### PROCESS

1. Advance Notification: The State will endeavor to the extent practical, and subject to its obligations under Arkansas law, to afford LMMFC reasonable advance notice of its desire to visit any of the LMMFC Facilities, audit and review documents, records and other information pertinent to the Letter of Commitment and subsequent Amendment 82 Agreement, so that preparation can be made and required documents, records and other information can be collated and made available to the State of Arkansas.

#### *Security Services*

2. Upon the arrival of any representative(s) of the State to visit a LMMFC Facility and view or audit documents, records and other information at the LMMFC Facility in Camden, Arkansas; Dallas, Texas or Orlando, Florida pertaining to the Letter of Commitment or Amendment 82 Agreement in Camden, Arkansas, Orlando, Florida, or Dallas, Texas, Security Services will notify the LMMFC Security Services senior executive or local LMMFC Facility Security Officer ("FSO").
3. Process the visiting representatives(s) of the State for the necessary badge, any required use of camera and equipment, and entrances into classified areas, if any.
4. Contact Business Operations to escort the representative(s) of the State.

#### *Business Operations*

5. Escort the representative(s) of the State to the site Business Operations senior executive, as requested.
6. Determine the purpose of the visit, if not already accomplished through the provisions of paragraph (1) above.
7. Advise the LMMFC Law Department and Government Compliance if cost or pricing information is to be supplied to the State.
8. Co-ordinate access to work areas in the Camden, Arkansas facility or at the Dallas, Texas and Orlando, Florida sites relative to completion of the State's audit of documents, records and other information required to verify costs and expenses identified with respect to Sponsor's submission of a Request for Disbursement pursuant to the Letter of Commitment or Amendment 82 Agreement.
9. During the visit, escort the representatives of the State, and as necessary, make written notes relative to what is provided to the State in conjunction with its audit.
10. Advise the applicable Security Services senior executive, the local Facility Security, the Law Department or International Trade compliance if the State representative wishes to photograph, video, take notes or obtain documents or records that could be considered classified or proprietary.
11. If the State representative takes any photographs, videos, documents or records LMMFC will ensure that they are cleared for release to the State and are annotated appropriately. It is not anticipated that physical samples will be requested by the State, but to the extent they are, they should also be cleared for release to the State. LMMFC will clear any identified item for release to the State through the LMMFC Public Information Release Authorization procedures.
12. If any photographs, video, notes, documents, records and other information are taken, obtain duplicates of same where practical.
13. Upon completion of inspection, review or audit by the State, escort the State representative(s) to a designated area for an out-briefing.
14. Report results of the visit or audit to the Business Operations, and as appropriate, the Law Department and Government Compliance.

Attachment: Unexecuted Amendment 82 Agreement

AMENDMENT 82 AGREEMENT

between

THE STATE OF ARKANSAS

and

LOCKHEED MARTIN CORPORATION

May \_\_, 2015

## AMENDMENT 82 AGREEMENT

THIS AMENDMENT 82 AGREEMENT (this “Agreement”) is made and entered into by and between the State of Arkansas (the “State”) and Lockheed Martin Corporation, a corporation organized under the laws of the State of Maryland (the “Sponsor”).

### WITNESSETH

WHEREAS, the State, under Amendment 82 to its Constitution, may issue general obligation bonds to finance infrastructure or other needs to attract large economic development projects; and

WHEREAS, the Sponsor proposes to locate such a project in the State by way of building, improving, and operating new and existing manufacturing facilities for the production of products not now made at Sponsor’s existing facility and employing State residents in connection therewith; and

WHEREAS, the State proposes to issue bonds under Amendment 82 and grant a portion of the proceeds of the bonds’ sale to the Sponsor to finance infrastructure or other needs in connection with the project; and

WHEREAS, in consideration of the grant, the Sponsor proposes to make certain commitments to the State regarding project development, employment, and compensation; and

WHEREAS, the Arkansas Economic Development Commission (the “Commission”), on behalf of the State, made a Formal Proposal dated December 11, 2014 (the “Formal Proposal”), to the Sponsor, and tendered to the Sponsor a Letter of Commitment dated April 16, 2015 (the “Letter of Commitment”), which the Sponsor accepted and agreed to on April [16], 2015; and

WHEREAS, the Arkansas Amendment 82 Implementation Act (the “Implementation Act”) requires that the State and the sponsor of a large economic development project enter into an Amendment 82 Agreement to evidence the terms and conditions on which the State will provide Amendment 82 bond financing in exchange for the sponsor’s agreeing to make an investment and to locate a new business or substantially expand an existing business in the State in accordance with Amendment 82 and the Implementation Act; and

WHEREAS, in view of such requirement the State and the Sponsor enter into this Agreement;

### NOW THEREFORE

In consideration of the mutual promises contained herein, the State and the Sponsor enter into this Agreement confirming the terms and conditions of the parties’ binding agreement to proceed with funding for the project proposed by the Sponsor (the “Project” as defined in

Paragraph 1 hereof), including the Amendment 82 Financing (as defined in Paragraph 8 hereof), as more fully set forth below:

1. Project. The Sponsor either owns or leases and operates facilities in Calhoun County, Arkansas for the manufacture of missiles and fire control equipment (collectively, the “Existing Facility”). The Sponsor and persons who employ FTEs in Independent Direct Positions (“Contractors”) currently employ individuals whose work equals in the aggregate approximately 656 FTEs, as such term is defined in Paragraph 5 hereof, in connection with operations at the Existing Facility. FTEs employed in connection with operations at the Existing Facility are referred to in this Agreement as “Existing Facility FTEs.” The Project is proposed to consist of two parts: construction, renovation, equipping and operation of additional facilities at a site near the Existing Facility and in Calhoun County (the “GVAB Facility”) to manufacture ground vehicles for the United States Department of Defense (“DOD”) and other customers (the “GVAB Program”), and construction, renovation, equipping and operation of additions and improvements to the Existing Facility (collectively, the “Additional Facility”) to enable the Sponsor to manufacture products not now made at the Existing Facility (“Additional Products Production”). In this Agreement the term “Project Facilities” refers collectively to the Additional Facility and the GVAB Facility, and the term “Project” refers to the GVAB Program together with Additional Products Production.

2. Use of Funds for Project; Project Facilities. The Sponsor agrees to use the Grant proceeds in a timely manner to pay Eligible Costs of the Project to be funded from proceeds of the Bonds, and to construct, renovate, and equip the Project Facilities in a manner both timely and appropriate to enable it to carry out the Project efficiently and to satisfy the Commitments (as defined in Paragraph 10 hereof). Plans showing the Project Facilities as the Sponsor intends to complete them are included in Exhibit B hereto. It is agreed and understood that the Sponsor has heretofore expended funds on the Project Facilities, for which it will seek reimbursement from the Grant proceeds.

3. Project Investment. The Sponsor agrees that its total investment in the Project, including the proceeds of the Grant described in this Agreement, will be at least One Hundred Twenty-Five Million Dollars (\$125,000,000). The word “investment,” as used in this Paragraph 3, means funds expended by the Sponsor on capital assets and other items directly related to the Project Facilities and the Project. There shall be no time limitation on the Sponsor’s commitment to make the full investment. In addition, notwithstanding Ark. Code Ann. § 15-4-3205, contained in the Implementation Act, the Sponsor shall not be subject to any penalty for failing to make the investment in the Project in the full amount specified in this Paragraph.

4. Employment Commitments. The Sponsor agrees to meet the requirements specified below with respect to employment to be created and maintained in connection with the Project and Existing Facility. The commitments described in this Paragraph 4 are referred to in this Agreement as the “Employment Commitments.” The Employment Commitments will be measured in FTEs.

a. The Sponsor and its Contractors will employ in Direct Positions and Independent Direct Positions FTEs (i) at the Project Facilities or (ii) located within 125 miles of the Project Facilities and within the State of Arkansas (“Project FTEs”; together with the Existing Facility FTEs, the “LM FTEs”).

(i). “Direct Position” refers to work directly related to the Project performed by FTEs employed by or for the benefit of the Sponsor. The Sponsor shall not designate any FTE attributed to a person as a Direct Position if the Sponsor (i) includes him or her as an employee in any calculation or count of employees for the purpose of qualifying for or receiving any incentive under the Consolidated Incentive Act of 2003 as amended from time to time (Ark. Code Ann. §§ 15-4-2701 et seq.) (the “Incentive Act”) or the Governor’s Quick Action Closing Fund, Economic Infrastructure Fund, or Community Development Block Grant fund (collectively, and together with incentives under the Incentive Act, the “State Incentives”), or (ii) applies or arranges, after the General Assembly’s legislative approval of the Grant, to receive any State Incentive that takes the FTE into account. Provided, however, that funds provided for or applied to training pursuant to Paragraph 9 hereof will not be treated as State Incentives for the purpose of this Paragraph 4(a)(i).

(ii). “Independent Direct Position” refers to FTEs attributed to work performed by a person not employed by the Sponsor if: (a) the Sponsor designates that person as an “Independent Direct Position”; (b) the person holds a position created after the General Assembly’s legislative approval of the Grant described herein; (c) the person is employed at the Project Facilities, or at a location within the State of Arkansas and no more than 125 miles from the Project Facilities; (d) the person is employed in connection with operating the Project or the Project Facilities; and (e) the person is employed with the primary objective of providing Integral Component products and services necessary to the operation of the Project, including but not limited to the following operations: (1) manufacturing, assembly, testing, or painting of sub-assemblies or finished products; (2) storage, handling, shipping, or receiving of components or finished products; (3) security or maintenance of buildings or grounds at the Project Facilities; or (4) any other support services at the Project Facilities as approved by the Commission. “Integral Component” means any sub-assembly or final assembly including, but not limited to, drive train, chassis, cab, exterior panels, and cargo beds, but does not include minor parts. The Sponsor shall not designate FTEs attributed to any person an Independent Direct Position if the person’s employer (i) includes him or her as an employee in any calculation or count of employees or FTEs for the purpose of qualifying for or receiving any State Incentive or (ii) applies or arranges, after the General Assembly’s legislative approval of the Grant, to receive any State Incentive that takes the person or FTE into account. Provided, however, that funds provided for or applied to training pursuant to Paragraph 9 hereof will not be treated as State Incentives for the purpose of this Paragraph 4(a)(ii).

b. For each Project Year, the Sponsor and its Contractors will employ Project FTEs in at least the number shown for such Project Year on Exhibit A (the “Project Employment Commitment”). “Project Year” means a 52-week period shown on Exhibit A and ending on the Sponsor’s last payroll date occurring on or before December 31 of the corresponding calendar year.

c. For each Project Year, the Sponsor and its Contractors will employ at least 556 additional LM FTEs (the "Additional Employment Commitment"). In the event total Project FTEs for any Project Year exceed the number required to meet the Project Employment Commitment for such Project Year, the number by which total Project FTEs exceed the number required to meet the Project Employment Commitment ("Excess Project FTEs ") will be counted in determining whether the Additional Employment Commitment has been met.

5. Full Time Equivalents. Full time equivalents ("FTEs") will be computed by dividing the total number of hours worked for the Project Year by 2,080. No person's work hours will be included in any FTE calculation unless (i) during the period employed that person was paid for 30 or more hours of work for each week, on average, and (ii) the person's employer classifies that person's position as "full-time" or "temporary-to-hire" or an equivalent classification.

6. Compensation Commitment. The Sponsor agrees that Project FTEs will be paid on average at least the average annual compensation shown on Exhibit A, exclusive of non-cash benefits, for the periods shown on Exhibit A (the "Compensation Commitment").

7. Time Periods. The Sponsor agrees to commence additional construction and renovation of the Project Facilities promptly after the date of closing, issuance and funding of the Bonds (as defined in Paragraph 8 hereof)("Closing Date"). The parties anticipate that the Closing Date will occur within 140 calendar days of the date of the award of the JLTV Contract described in Paragraphs 11(e) and 12(e) hereof, but in no event will the Closing Date be later than March 31, 2016, unless extended as described in Paragraph 7(a) hereof (the "Closing Deadline"). The parties anticipate that commercial production at the Project Facilities will commence approximately 10 months after the Closing Date.

a. In the event the conditions to Closing described in Paragraphs 11(e) and 12(e) hereof are not fulfilled by March 31, 2016, the State may, at its option:

(i). Extend the Closing Date, with the consent of the Sponsor, by a period of time authorized by the Commission with any such extension of the Closing Deadline requiring the written consent of the Governor of the State, Speaker of the State House of Representatives, and President *Pro Tem* of the State Senate; or

(ii). Terminate this Agreement and any obligation to provide Amendment 82 Financing, upon thirty (30) calendar days written notice to the Sponsor.

b. The Project as proposed by the Sponsor depends upon the award by DOD to the Sponsor of a contract for the production of the proposed Joint Light Tactical Vehicle ("JLTV Contract"). If the Sponsor is not awarded the JLTV Contract and after a period of 120 calendar days following the award of the JLTV Contract there are no pending protest or written objections by an interested party to an award of the JLTV Contract or any other objection to the JLTV Contract solicitation and award process as defined in FAR 33.101, including any objection which

has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, "Protests," or similar agency regulation, b) the Government Accountability Office ("GAO") in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court's rules, then the State may, at its sole option, terminate this Agreement, and any obligation to provide Amendment 82 Financing, upon thirty (30) calendar days written notice to the Sponsor.

8. Amendment 82 Financing. Subject to the terms and conditions hereof and the Amendment 82 Requirements, as defined in Paragraph 11(b) hereof, the State agrees to provide funds in an amount up to Eighty Three Million Dollars (\$83,000,000) (the "Grant"), plus such additional sums as may be necessary to fund the training facilities described in Paragraph 9 hereof, to or for the benefit of, the Sponsor (together with the Grant, the "Amendment 82 Financing"). The Amendment 82 Financing will be funded through the issuance by the Arkansas Development Finance Authority (the "Authority") of general obligation bonds of the State in an amount not exceeding Eighty Seven Million One Hundred Forty-Five Thousand Dollars (\$87,145,000) in the aggregate (the "Bonds"). The Authority will issue the Bonds on behalf of the State pursuant to the powers granted to the Authority by Amendment 82 to the Arkansas Constitution, the Arkansas Amendment 82 Implementation Act, Arkansas Code Annotated 15-4-3201 *et seq.* (the "Implementation Act"), and the Arkansas Development Finance Authority Act, Arkansas Code Annotated 15-5-101 *et seq.*, in such denominations and series and upon such terms and conditions as determined by the Authority on behalf of the State, in its sole and absolute discretion. The Bonds will be direct general obligations of the State, the payment of debt service on which the full faith and credit of the State shall be pledged. From the proceeds of the Bonds, the following amounts are intended to be funded by the State:

a. Use of Funds. Proceeds of the Grant will be disbursed by the State to the Sponsor for payment or reimbursement of qualifying costs of acquisition, construction, renovation and equipping of the Project Facilities, for infrastructure improvements, and for any other costs incidental to the Project that are eligible for Amendment 82 Financing and that are approved as eligible by the State ("Eligible Costs"). No funds will be disbursed by the State with respect to the Grant without the prior approval of the Commission and the Authority. The Sponsor's anticipated use of funds is described in Exhibit B to this Agreement. The Commission understands that the Sponsor intends the funds to qualify under Section 118 of the Internal Revenue Code of 1986, as amended from time to time. The funds described herein are specifically bargained for by and between the Commission and the Sponsor and are provided by the Commission to the Sponsor as an inducement contingent on job creation and retention in Arkansas. The funds are to be used by the Sponsor for capital investments and development related to the Project and not to pay current operating costs or dividends. The Commission shall have no duty arising under the Internal Revenue Code or Internal Revenue Code regulations to monitor the Sponsor's use of the funds afforded by the terms of this Agreement. The Commission shall, however, monitor the Sponsor's use of funds as otherwise provided in this Agreement and by applicable Arkansas law.

b. Other Costs. An amount up to Two Million Five Hundred Thousand Dollars (\$2,500,000) may be funded through the Bonds for the purpose of paying reasonable and

necessary costs and expenses of the State in connection with issuance of the Bonds (determined by the Authority, in its sole and absolute discretion), and reasonable and necessary costs and expenses of the State in connection with the approval and accomplishment of the Project and the Amendment 82 Financing (determined by the Commission, in its sole and absolute discretion), specifically including the administrative fee of the Authority and the fees and costs due to those trustees, agents, underwriters, attorneys, financial advisors, accountants and consultants performing services on behalf of the State in connection with the issuance of the Bonds and the Project. The Sponsor shall not be responsible for any of such costs.

c. Disbursement Procedure. The Grant will be disbursed by the State to, or for the benefit of, the Sponsor in one (1) or more disbursements. The Sponsor may request a disbursement from the Grant by submitting a request for disbursement to the Commission and the Authority (“Request for Disbursement”).

(i). A Request for Disbursement must include an itemization of each cost and expense for which the Sponsor requests payment or reimbursement, and shall be in substantially the form set forth in Exhibit D to this Agreement. In support of a Request for Disbursement, the Sponsor shall provide a copy of all invoices and proof of payment with respect to each cost and expense identified in the Request for Disbursement. The Sponsor shall provide the State with full access to all other directly pertinent documents, records, and other information in the possession, custody or control of the Sponsor that relate to each cost and expense identified with respect to a Request for Disbursement.

(ii). Upon completion of the verification by the State of the costs and expenses identified in a Request for Disbursement, the Authority shall send a notice of payment to the Sponsor setting forth the amount approved by the Commission and the Authority to be disbursed by the State with respect to the costs and expenses identified in a Request for Disbursement. Within ten (10) business days after the date of a notice of payment, the State will cause the amount set forth in the notice of payment to be disbursed to the Sponsor by wire transfer to an account of the Sponsor designated in the Request for Disbursement. All Requests for Disbursement must be submitted by the Sponsor to the State no later than forty-eight (48) months after the Closing Date.

(iii). The Sponsor shall further provide the State with full access to all such documents, records, and other information as are reasonably necessary for the State to perform any audit required by the Implementation Act, and including, without limitation, verification that each cost and expense identified with respect to a Request for Disbursement has been actually paid or incurred by the Sponsor, the reasonableness of the nature and amount of the cost and expense, and whether the cost and expense may be properly characterized as Eligible Costs.

(iv). The State will cooperate with Sponsor in observing security protocols, as set forth in Exhibit C, in place at the Project Facilities and the Existing Facilities, to the extent consistent with Arkansas law.

9. Training Facilities. From the Amendment 82 Financing the State will provide to or for

the benefit of Southern Arkansas University Tech or another similarly qualified provider the amount of One Million, Six Hundred Forty-five Thousand Dollars (\$1,645,000) to be used for construction and equipping of facilities to be located at Southern Arkansas University Tech or in the vicinity of the Project for the training of individuals, including without limitation individuals who may fill Direct Positions or Independent Direct Positions at the Project Facilities or in connection with the Project.

10. Grant Recapture. The Sponsor understands that all of the economic incentives being offered to the Sponsor as an inducement to locate the Project in Calhoun County represent an expectation by the Commission that the Sponsor will timely meet the Project Employment Commitment, the Additional Employment Commitment, and the Compensation Commitment (together the “Commitments”). In the event the Sponsor fails to cause any of the Commitments to be achieved and maintained, the Sponsor will pay to the State certain amounts (the “Repayment Obligation”) to be calculated based upon the formulas set forth in this Paragraph 10 (the “Repayment Calculations”). The total amount to be paid by the Sponsor pursuant to any or all of the Repayment Calculations will not exceed the lesser of Eighty Three Million Dollars (\$83,000,000) or the total amount of the Grant disbursed by the State pursuant to Paragraph 8 hereof. Subject to the right to cure provided in Paragraph 10(e) hereof, any Repayment Obligation due to be paid by the Sponsor to the State under this Paragraph 10 shall be paid immediately upon written notice from the State. For the purpose of the Recapture Calculations the Additional Employment Commitment will be calculated by adding any Excess Project FTEs to Existing Facility FTEs. Notwithstanding the foregoing, all Project FTEs counted toward the Additional Employment Commitment will be subject to the Compensation Commitment, and the Recapture Calculations.

a. Project Employment Commitment. If the Sponsor fails to meet the Project Employment Commitment for any Project Year, it will repay a portion of the Grant equal to 1.3% (32.5% of 4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the number of Project FTEs for the Project Year to the agreed number of Project FTEs set forth in Exhibit A for that period:

$$\text{Recapture Amount} = 0.013 \times \text{Grant Amount Disbursed} \times (1 - (\text{Actual Project FTEs} / \text{Project FTEs Agreed per Exhibit A}))$$

b. Additional Employment Commitment. If the Sponsor fails to meet the Additional Employment Commitment for any Project Year, it will repay a portion of the Grant equal to 1.3% (32.5% of 4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the sum of (a) the number of Existing Facility FTEs, and (b) the number of Excess Project FTEs for that Project Year, to 556:

$$\text{Recapture Amount} = 0.013 \times \text{Grant Amount Disbursed} \times (1 - ((\text{Existing Facility FTEs} + \text{Excess Project FTEs}) / 556))$$

c. Compensation Commitment. If the Sponsor fails to meet the Compensation Commitment for any Project Year, it will repay a portion of the Grant equal to 1.4% (35% of

4%) of the total amount of the Grant disbursed as of the end of the Project Year, multiplied by one minus the ratio of the actual average annual wage for Project FTEs (including Excess Project FTEs) for that Project Year to the agreed average annual wage for Project FTEs set forth in Exhibit A for that Project Year:

$$\text{Recapture Amount} = 0.014 \times \text{Grant Amount Disbursed} \times (1 - (\text{Actual Average Project FTE Wage} / \text{Average Project FTE Wage Agreed per Exhibit A}))$$

d. Contract Termination. If the DOD terminates, rescinds or withdraws (“termination”) any or all contracts with the Sponsor relating to the GVAB Program (singularly or collectively, “DOD contract”) due to the Sponsor’s failure to perform any DOD contract to the satisfaction of DOD, or due to any administrative or judicial decision based in whole or in part upon acts or omissions of the Sponsor or its agents or material defects in Sponsor’s bid, and Sponsor determines that, as a result of such termination it will not be able to meet any one or more of the Commitments or any other material obligation to the State of Arkansas described in this Agreement, the Sponsor will, upon written notice from the State, repay a portion of the Grant equal to 4% of the total amount of the Grant disbursed as of the termination date multiplied by the difference of the number of Project Years then remaining on the Commitments (as set forth in Exhibit A) less the number of Project Years, if any, deducted under Paragraph 10(f) hereof.

e. Unavoidable Failure Cure Period. In the event the Sponsor fails in any Project Year to meet any one or more of the Commitments, and such failure is a result of events beyond the Sponsor’s reasonable control (“Unavoidable Failure”), the Sponsor may cure the failure.

(i). Events beyond Sponsor’s reasonable control include, but are not limited to, acts of God, fire, casualty, riot, act of terrorism, or natural disaster. Events beyond Sponsor’s reasonable control do not include contract termination described in subparagraph (d) of this Paragraph 10, Sponsor’s decisions or acts or the decisions or acts of its agents, the effect of contracts or agreements with third parties other than the DOD contract, financial distress, merger, acquisition, sale or assignment, acts of creditors, bankruptcy, judgments or collection.

(ii). In order to cure an Unavoidable Failure the Sponsor must (A) promptly notify the State in writing of the reason for the Unavoidable Failure and that the Sponsor elects to cure the failure, and (B) meet each failed Commitment in the first or second Project Year following the Project Year in which the Unavoidable Failure occurred. In the event an Unavoidable Failure is cured, the Repayment Obligation for the Project Year in which the Unavoidable Failure occurred will be waived by the State.

(iii). If the Sponsor elects to cure an Unavoidable Failure but fails to cure within the time allowed, the related outstanding Repayment Obligation will be due immediately upon the earlier of written notice from the State, or written notice from the Sponsor to the State that the Sponsor will not be able to timely cure the Unavoidable Failure.

f. Reduction of Recapture Period. If the Sponsor has for any two complete consecutive Project Years both (a) exceeded the Project Employment Commitment by at least 25%, and (b)

met each of the other Commitments, and if the Sponsor is then in compliance with all terms and conditions of the Amendment 82 Agreement, then two Project Years will be deducted from the end of the schedule described in Exhibit A, shortening the time during which the Sponsor must meet the Commitments. No one Project Year may be included in more than one such reduction calculation.

g. Events of Default. If at any time after Project Year 5 (as described in Exhibit A ) the number of Project FTEs (including any Excess Project FTEs) is less than 20% of the Project Employment Commitment in any two Consecutive Project Years (“Substantial Default”), and if such Substantial Default is not a result of an Unavoidable Failure, the Sponsor will, upon written notice from the State, repay a portion of the Grant equal to the sum of: (a) 4% of the total amount of the Grant disbursed as of the termination date multiplied by the difference of the number of Project Years then remaining on the Commitments (as set forth in Exhibit A) less the number of Project Years, if any, deducted under Paragraph 10(f) hereof; and (b) the amount of all interest accruing and to accrue on the Bonds, at their respective coupon rates, for the period of time between the first day of the year following the Project Year in which the Substantial Default first occurred and the first call date for the Bonds.

11. Conditions of the Financing. In addition to all other conditions set forth in this Agreement and the requirements of any other applicable laws, the economic incentives, including the Amendment 82 Financing, set forth in this Agreement are subject to the following conditions of the State:

a. [Reserved.]

b. Satisfactory completion of the actions required by the Governor of the State (the “Governor”), the General Assembly of the State (the “General Assembly”), the Authority, the Department of Finance and Administration (the “Department”), and all other officials pursuant to the requirements of Amendment 82 and the Implementation Act (together, the “Amendment 82 Requirements”).

c. [Reserved.]

d. Satisfactory negotiation and execution of all documents necessary to the issuance of the Bonds, and any other documents required by this Agreement.

e. The award of the JLTV Contract to the Sponsor (the “JLTV Contract Award”), the passage of twenty (20) calendar days after the award, and the absence of any pending protest or written objection by an interested party to an award of a contract or any other objection to the contract solicitation and award process as defined in FAR 33.101, including any objection which has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, “Protests,” or similar agency regulation, b) GAO in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court’s rules. Upon issuance of the Bonds, the State will be obligated to disburse the Grant as hereinabove provided, and the Sponsor will be obligated to

perform as described herein, including an obligation to use Grant proceeds in a timely manner to pay costs of the Project eligible to be funded from proceeds of the bonds; provided, however, that the State will have no obligation to disburse the Grant or any part thereof if a court, executive or administrative body has issued, and there remains in effect, a stay, injunction or other order that prevents or delays performance of the JLTV Contract by DOD or the Sponsor.

f. Written certification by the Sponsor agrees that to the best of its information and belief, based on (1) internal due diligence, (2) a contemporaneous examination of publicly available records at the GAO and the Court of Federal Claims, and (3) affirmative inquiries directed to the U.S. Government JLTV Contracting Officer seeking confirmation that no agency protest has been filed with the Department of the Army (“Army”) pursuant to FAR 33.103, “Protests to the agency,” that there are no pending protests or objections to the contract solicitation and award process as described above as of the effective date of the certification.

12. Conditions of the Sponsor. In addition to all other conditions set forth in this Agreement and the requirements of any other applicable laws, the economic incentives, including the Amendment 82 Financing, set forth in this Agreement are subject to the following conditions of the Sponsor:

a. [Reserved.]

b. Satisfactory completion of the actions required by the Governor, the General Assembly, the Authority, the Department, and all other officials pursuant to the Amendment 82 Requirements.

c. [Reserved.]

d. Satisfactory negotiation and execution of all documents pertaining to the issuance of the Bonds, and any other documents required by this Agreement.

e. The award of the JLTV Contract to the Sponsor and the absence of any pending protest or written objection by an interested party to an award of a contract or any other objection to the contract solicitation and award process as defined in FAR 33.101, including any objection which has been perfected by a filing with: a) the Department of Army or other executive agency of the United States in accordance with Army Federal Acquisition Supplement Part 5133.1, “Protests,” or similar agency regulation, b) GAO in accordance with 4 CFR Part 21, or c) the U.S. Court of Federal Claims as set forth in that Court’s rules. Upon issuance of the Bonds, the State will be obligated to disburse the Grant, and the Sponsor will be obligated to perform as described herein, including an obligation to use Grant proceeds in a timely manner to pay costs of the Project eligible to be funded from proceeds of the bonds; provided, however, that the State will have no obligation to disburse the Grant or any part thereof if a court, executive or administrative body has issued, and there remains in effect, a stay, injunction or other order that prevents or delays performance of the JLTV Contract by DOD or the Sponsor.

13. Termination. In the event any condition to Closing set forth in Paragraph 11 or 12 hereof are not satisfied or waived on or before the Closing Deadline (as extended), either the State or the Sponsor may send written notice of termination to the other Party and thereafter the Parties shall have no further obligations pursuant to this Agreement. Provided, however, that in the event of termination under Paragraphs 7(a)(ii) or 7(b), the notice provisions of such paragraphs shall apply.

14. Assistance and Collaboration. The Sponsor plans (but is not required) to work collaboratively with:

a. Calhoun County, Arkansas, with assistance provided by the Commission, with the goal of reaching satisfactory agreements for property tax relief through the issuance of industrial development revenue bonds by Calhoun County, subject to the restriction that the Sponsor would pay an amount not less than 35% of what would otherwise have been payable by the Sponsor if industrial development revenue bonds and a payment in lieu of tax agreement were not provided; and

b. The City of Camden, Arkansas, and the Ouachita Partnership for Economic Development, Inc., with assistance provided by the Commission, with the goal of reaching a satisfactory agreement providing for an Industry Incentive Award in the amount of \$1,000,000.

15. Assumption or Sale. In the event the Project, or any part thereof, is sold, conveyed or transferred to any other person or entity, the Sponsor shall remain fully obligated for each of the Commitments, including without limitation any Repayment Obligations.

16. Confidentiality and Non-Disclosure. The Parties recognize that certain information and records provided by the Sponsor to the Commission or the Authority include trade secrets or other information which, if disclosed, would give advantage to competitors of the Sponsor, or include records related to the Sponsor's planning, site location, expansion, operations, product development or marketing (collectively, "Confidential Business Information"). Such records are generally exempt from public disclosure under the terms of the Arkansas Freedom of Information Act, Ark Code Ann. § 25-19-101 et seq. Neither Party to this Agreement nor any related entity, affiliate, or representative of a Party shall make any disclosure of Confidential Business Information without the prior written consent of the other Party; provided however, that a Party may make such a disclosure without the consent of the other Party if the other Party has been afforded, to the extent reasonably practicable, an opportunity to contest the disclosure, and the disclosure is: (a) compelled by legal, accounting, or regulatory requirements applicable to and beyond the reasonable control of the Party; (b) necessary to proceed with the intentions and agreements contained in this Agreement as they specifically relate to any affiliate or representative of any Party; (c) necessary to obtain legislative approval of the undertakings set forth in this Agreement; or (d) required under applicable law binding upon the disclosing Party. The Party making such a disclosure shall give written notice thereof to the other Party as early as reasonably practicable.

17. Public Reporting Requirements. The Sponsor acknowledges and agrees to comply with the public reporting, monitoring, auditing, and other reporting requirements of the Implementation Act set forth in Ark. Code Ann. §§ 15-4-3206, 15-4-3221, and 15-4-3224. The Sponsor shall reasonably cooperate with the State by providing such documents, records, and other information to the State as may be necessary to comply with the public reporting, monitoring, auditing, and other reporting requirements of the Implementation Act and other applicable laws. The Sponsor shall maintain and make available all documents, records, and other information for annual audit by the Commission, the State's Chief Fiscal Officer, and upon request, but no more often than annually, by the Office of Economic and Tax Policy or a person retained by the Office of Economic and Tax Policy. The Sponsor shall comply with all auditing and reporting requirements of any state or federal regulatory agency or other Governmental Authority that may have jurisdiction over the Sponsor. The State will cooperate with the Sponsor in observing security protocols, as set out in Exhibit C, in place at the Project Facilities and the Existing Facilities, to the extent consistent with Arkansas law. The Sponsor shall cause each person or entity that employs or contracts with an individual holding an Independent Direct Position (the "Independent Direct Employer") to provide to the State such documents, records, and other information as may be necessary to comply with the audit requirements of the Implementation Act, including those set forth in Ark. Code Ann. § 15-4-3206. For the purposes of Paragraphs 4 and 10 hereof no FTE may be counted as an Independent Direct Position unless the Independent Direct Employer fully complies with the State's requests for information necessary to comply with the audit and reporting provisions of the Implementation Act.

18. Force Majeure. No Party shall bear responsibility or liability for non-performance of any obligations under this Agreement, other than the Commitments, caused by, and during the duration of, major events beyond its reasonable control, such as an act of God, emergency, fire, casualty, lockout or strike, unavoidable accident, riot, war, terrorism, financial market disruption, computer virus or similar threat, or other force majeure. Responsibility for failure to meet the Commitments is described in Paragraph 10 hereof, which shall control in the event of any inconsistency between Paragraph 10 and this Paragraph 18.

19. General Terms. To the extent there may be any conflict between the terms and conditions of this Agreement and the Letter of Commitment, this Agreement shall prevail. To the extent that the Sponsor does not accept for whatever reason any portion of the funds or economic incentives set forth in this Agreement, neither the State, the Authority, nor the Commission shall have any obligation to replace the value of the funds or economic incentives not accepted, inclusive of the value of any matching funds, with other funds or economic incentives. This Agreement will be binding upon and will inure to the benefit of the successors and assigns of the Sponsor. This Agreement, contains all the terms and conditions of the agreement of the parties as to the Amendment 82 Financing.

20. Representations and Warranties. In order to induce the State to enter into this Agreement, the Sponsor hereby represents and warrants to the State as follows:

a. Names. The correct legal name of the Sponsor is "Lockheed Martin Corporation".

b. Organization of the Sponsor. The Sponsor is a business corporation duly organized, validly existing, and in good standing pursuant to the laws of the State of Maryland. The Sponsor has performed all acts required of it to be qualified as a foreign corporation to do business in the State.

c. Authorization. The Sponsor has full power and authority to execute and deliver this Agreement and to perform the obligations of the Sponsor pursuant to this Agreement. The Sponsor has duly authorized the execution, delivery, and performance of this Agreement. This Agreement constitutes the valid and legally binding obligation of the Sponsor enforceable in accordance with its terms and conditions. The undersigned authorized signatory of the Sponsor is the lawful agent of the Sponsor with the authority to execute and deliver this Agreement.

d. Purpose. The funds disbursed to, or for the benefit of, the Sponsor pursuant to the Grants shall be used by the Sponsor solely for purposes described in Paragraph 2 hereof.

e. Non-contravention. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement shall: (a) violate any applicable law including the Amendment 82 Requirements; (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create the right to accelerate, terminate, modify, cancel, or require any notice pursuant to any material contract or lease to which the Sponsor may be a party or by which the Sponsor may be bound; or (c) violate or conflict with the articles of incorporation, bylaws, or other governing documents of the Sponsor.

21. General Covenants. In addition to the covenants of the Sponsor set forth elsewhere in this Agreement, the Sponsor covenants and agrees as follows:

a. Change of Name. The Sponsor shall not change its legal name unless the Sponsor provides notice to the Commission and the Authority as soon as reasonably possible after the change of its name.

b. State of Organization. The Sponsor shall not change the jurisdiction of the organization of the Sponsor unless the Sponsor provides notice to the Commission and the Authority as soon as reasonably possible after the change of its jurisdiction.

c. Eligible Business. The Sponsor shall qualify as an “eligible business” as defined in the Incentive Act prior to the receipt of the Amendment 82 Financing.

22. General Provisions.

a. Governing Law. This Agreement shall be governed by and interpreted pursuant to the laws of the State without regard to principles of conflicts of laws that would require or permit the application of the laws of a state other than the State, except that federal statutes and regulations expressly referenced in this Agreement shall be construed and interpreted according

to the federal common law of government contracts as enunciated and applied by federal judicial bodies, boards of contracts appeals, and the Government Accountability Office.

b. Interpretation. This Agreement shall be interpreted as follows: (a) as though the State and the Sponsor (each a “Party” and collectively the “Parties”) shared equally in the negotiation and preparation of this Agreement; (b) gender or lack of gender of any word shall include the masculine, feminine, and neuter; (c) singular shall include plural and plural shall include singular; (d) the words “include” and “including” mean, in addition to any regularly accepted meaning, “without limitation” and “including but not limited to”; (e) references to Paragraphs refer to Paragraphs of this Agreement; (f) subject headings, captions, and titles shall not affect the interpretation of this Agreement; (g) as a solicitation for offers until this Agreement shall have been executed and delivered by all Parties; (h) the definition of any term in this Agreement shall apply to all uses of such term whenever capitalized; and (i) any Exhibits to this Agreement shall be incorporated into this Agreement as though fully set forth word for word in this Agreement.

c. Business Day. If any provision of this Agreement shall require the performance of an obligation or the exercise of a right on a date that shall be a legal holiday pursuant to applicable law, a Party may postpone the performance of such obligation or the exercise of such right until the next business day pursuant to applicable law.

d. Currency. Any reference to dollars or money in this Agreement shall mean legal tender of the United States of America. Any amount required to be paid by a Party pursuant to this Agreement shall be paid by check or electronic transfer payable to the order of the Party to receive such amount.

e. Time for Performance. Time shall be of the essence.

f. Brokers. The State shall not be obligated for the payment of any broker, agent, consultant, finder, or other Person engaged by the Sponsor. The Sponsor shall not be obligated for the payment of any broker, agent, consultant, finder, or other Person engaged by the State.

g. Expenses. Except as provided in this Agreement, each Party shall pay all expenses incurred by such Party with respect to: (a) the negotiation, preparation, execution, delivery, and performance of this Agreement; and (b) the transactions contemplated by this Agreement.

h. Notice. All notices, demands, requests, and other communications required by this Agreement shall be in writing and shall be delivered to a Party by either: (a) personal delivery; (b) overnight delivery service with delivery costs and expenses prepaid and receipt of delivery requested; (c) certified or registered mail with postage prepaid and return receipt requested; or (d) by electronic mail to the persons then holding the titles below. All notices, demands, requests, and other communications permitted or required by this Agreement shall be delivered to the Parties at the following addresses unless another address shall be designated by a Party by notice pursuant to the provisions of this Section:

If to the State:

Office of the Governor  
State Capitol Room 250  
Little Rock, Arkansas 72201  
justin.tate@governor.arkansas.gov  
rett.hatcher@governor.arkansas.gov

AND

Office of the Attorney General  
323 Center Street, Suite 200  
Little Rock, Arkansas 72201  
oag@arkansasag.gov

AND

Arkansas Department of Finance and  
Administration  
Office of the Director  
1509 West Seventh Street, Suite 401  
Little Rock, Arkansas 72203-3278  
jamie.levinsky@dfa.arkansas.gov

AND

Arkansas Economic Development Commission  
Attn: Executive Director  
900 West Capitol Avenue, Suite 400  
Little Rock, Arkansas 72201  
mpreston@arkansasedc.com  
bscoggins@arkansasedc.com

AND

Arkansas Development Finance Authority  
Attn: President  
900 West Capitol Avenue, Suite 310  
Little Rock, Arkansas 72201  
aaron.burkes@adfa.arkansas.gov  
brad.henry@adfa.arkansas.gov

If to the Commission:

Arkansas Economic Development Commission  
Attn: Executive Director  
900 West Capitol Avenue, Suite 400  
Little Rock, Arkansas 72201  
mpreston@arkansasedc.com

AND

Arkansas Economic Development Commission  
Attn: Bryan Scoggins  
900 West Capitol Avenue, Suite 400  
Little Rock, Arkansas 72201  
bscoggins@arkansasedc.com

If to the Authority:

Arkansas Development Finance Authority  
Attn: President  
900 West Capitol Avenue, Suite 310  
Little Rock, Arkansas 72201  
aaron.burkes@adfa.arkansas.gov

AND

Arkansas Development Finance Authority  
Attn: Vice President, Development Finance  
900 West Capitol Avenue, Suite 310  
Little Rock, Arkansas 72201  
brad.henry@adfa.arkansas.gov

If to the Sponsor:

Lockheed Martin Corporation  
Attn: Mr. Harold R. O'Neal  
Vice President, Production Operations  
Lockheed Martin Missiles and Fire Control  
1701 W. Marshall Drive  
Dallas, Texas 75051  
randy.oneal@lmco.com

AND

Attn: James C. Mifsud  
Deputy General Counsel  
Lockheed Martin Missiles and Fire Control

5600 Sand Lake Road, MP-532  
Orlando, Florida 32819  
james.c.mifsud@lmco.com

AND

Kathryn B. Hasse  
Director, Tactical Wheeled Vehicles  
Lockheed Martin Missiles and Fire Control  
1701 W. Marshall Drive, M/S: SP-11  
Dallas, Texas 75051  
kathryn.hasse@lmco.com

With a copy to:  
LMC Properties, Inc.  
100 S. Charles Street, Suite 1400  
Baltimore, MD 21201  
Attn: General Counsel  
theresa.b.shea@lmco.com

i. Amendment. This Agreement may be modified or amended only by a subsequent written agreement executed and delivered by all Parties in accordance with the requirements of the Implementation Act. The course of dealing and the course of performance among the Parties shall not modify or amend this Agreement in any respect.

j. Waiver. The provisions of this Agreement may be waived only by a subsequent written agreement executed and delivered by all Parties. Any delay or inaction by a Party shall not be construed as a waiver of any of the provisions of this Agreement. A waiver of any provision of this Agreement: (a) shall not be construed as a waiver of any other provision of this Agreement; (b) shall be applicable only to the specific instance and for the specific period in which the waiver may be given; (c) shall not be construed as a permanent waiver of any provision of this Agreement unless otherwise agreed by all Parties in a subsequent written agreement executed and delivered by all Parties; (d) shall not affect any right or remedy available to a Party; and (e) shall be subject to such terms and conditions as provided in a subsequent written agreement executed and delivered by all Parties.

k. Binding Effect. The Parties executed and delivered this Agreement with the intent to be legally bound to its provisions. This Agreement shall inure to the benefit of, shall be binding on, and shall be enforceable by the heirs, successors, and assigns of the Parties.

l. Third Party Beneficiary. The Parties do not intend to create any rights pursuant to this Agreement for the benefit of any third party beneficiary except as expressly provided in this Agreement.

m. Severability. Each provision of this Agreement shall be severable from all other provisions of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be determined to be invalid or unenforceable by a Governmental Authority in any litigation among the Parties, such provision shall be amended, without further action by the Parties, to the extent necessary to cause such provision to be valid and enforceable.

n. Remedies. The remedies provided in this Agreement and the Act shall be cumulative and not exclusive of any remedies otherwise available to the Parties pursuant to applicable law.

o. Conflicts. If there shall be an irreconcilable conflict between the provisions of this Agreement and the provisions of any other document with respect to the transactions contemplated by this Agreement including the Formal Proposal and the Letter of Commitment, the provisions of this Agreement shall prevail and the conflict shall be resolved by reference only to the provisions of this Agreement. To the extent there may be an irreconcilable conflict between the Amendment 82 Requirements and the provisions of this Agreement, the Amendment 82 Requirements shall prevail.

p. Entire Agreement. This Agreement contains the entire agreement of the Parties on the subject matters of this Agreement, and any oral or prior written understanding on the subject matters of this Agreement shall not be binding on the Parties. Each Party represents, warrants, and covenants that such Party has not been influenced to enter into this Agreement by any Person and has not relied on any representation, warranty, or covenant of any Person other than as set forth in this Agreement.

EXECUTED and DELIVERED as of May \_\_\_\_, 2015.

**THE STATE**  
THE STATE OF ARKANSAS

---

By: Governor, Asa Hutchinson

---

By: President Pro Tempore of the Senate,  
Jonathan Dismang

---

By: Speaker of the House of Representatives,  
Jeremy Gillam

---

By: Chief Fiscal Officer and Director of the  
Department of Finance and Administration,  
Larry Walther

---

By: Director of the Arkansas Economic  
Development Commission, Michael Preston

---

By: President of the Arkansas Development  
Finance Authority, Aaron Burkes

**THE SPONSOR**  
LOCKHEED MARTIN CORPORATION

---

By: Vice President, Production Operations,  
Harold R. O'Neal

## EXHIBIT A

### Compensation Commitment

	Project Year 1 (2016)	Project Year 2 (2017)	Project Year 3 (2018)	Project Year 4 (2019)	Project Year 5 (2020)	Project Year 6 (2021)	Project Year 7 (2022)	Project Year 8 (2023)	Project Year 9 (2024)	Project Year 10 (2025)	Project Year 11 (2026)	Project Year 12 (2027)	Project Year 13 (2028)
Compensation Commitment	\$46,720	\$45,057	\$43,606	\$45,023	\$43,429	\$44,992	\$46,593	\$48,230	\$50,491	\$52,427	\$53,998	\$55,617	\$57,286

	Project Year 14 (2029)	Project Year 15 (2030)	Project Year 16 (2031)	Project Year 17 (2032)	Project Year 18 (2033)	Project Year 19 (2034)	Project Year 20 (2035)	Project Year 21 (2036)	Project Year 22 (2037)	Project Year 23 (2038)	Project Year 24 (2039)	Project Year 25 (2040)
Compensation Commitment	\$59,005	\$60,777	\$62,599	\$64,475	\$66,411	\$68,410	\$70,457	\$72,573	\$74,750	\$76,994	\$79,299	\$81,679

### Project Employment Commitment

	Project Year 1 (2016)	Project Year 2 (2017)	Project Year 3 (2018)	Project Year 4 (2019)	Project Year 5 (2020)	Project Year 6 (2021)	Project Year 7 (2022)	Project Year 8 (2023)	Project Year 9 (2024)	Project Year 10 (2025)	Project Year 11 (2026)	Project Year 12 (2027)	Project Year 13 (2028)
Employment Commitment	100	122	176	310	538	533	523	514	491	589	589	589	589

	Project Year 14 (2029)	Project Year 15 (2030)	Project Year 16 (2031)	Project Year 17 (2032)	Project Year 18 (2033)	Project Year 19 (2034)	Project Year 20 (2035)	Project Year 21 (2036)	Project Year 22 (2037)	Project Year 23 (2038)	Project Year 24 (2039)	Project Year 25 (2040)
Employment Commitment	589	589	589	589	589	589	589	589	589	589	589	589

## EXHIBIT B

### **Facilities Projects**

#### **Construction**

- Test Track
- Test Building
- Parking Lots
- Access Roads
- Other construction necessary to support the project

#### **Purchases and Installations**

- HVAC Systems
- Furniture and Appliances
- Fencing
- Other purchases and installations necessary to support the project

#### **Building Equipment**

- Bridge Cranes
- Warehouse racking
- Assembly Carts
- Other building equipment necessary to support the project

#### **Quality Assurance Equipment**

- Calibrators
- Automated Torque System
- Laser Trackers
- Other quality assurance equipment necessary to support the project

#### **Wheeled Vehicles – Rolling Stock**

- Forklifts
- Tugs
- Carts
- Trucks
- Other wheeled vehicles necessary to support the project

Plans of Project Facilities:



Lockheed Martin Proprietary Information

## EXHIBIT C

### Security Protocol

Security Protocol Between Lockheed Martin Corporation, acting by and through its Missiles and Fire Control (“LMMFC”) Business Area (“Sponsor”) and the State of Arkansas (“State”) regarding the Letter of Commitment and the Amendment 82 Agreement for new products and existing facility improvements at the LMMFC Facility in Calhoun County, Arkansas.

Section 1. This protocol applies to the LMMFC Facility in Camden, Arkansas and the LMMFC Facilities in Dallas, Texas and Orlando, Florida. All documents, records and other information pertaining to disbursement requests pursuant to the Letter of Commitment between Lockheed Martin Corporation and the Arkansas Economic Development Commission and the Amendment 82 Agreement between Lockheed Martin Corporation and the State of Arkansas (“State”) covering LMMFC’s Camden, Arkansas Facility are expected to be in Camden, Arkansas; Dallas, Texas; or Orlando, Florida.

### PROCESS

1. Advance Notification: The State will endeavor to the extent practical, and subject to its obligations under Arkansas law, to afford LMMFC reasonable advance notice of its desire to visit any of the LMMFC Facilities, audit and review documents, records and other information pertinent to the Letter of Commitment and the Amendment 82 Agreement, so that preparation can be made and required documents, records and other information can be collated and made available to the State of Arkansas.

#### *Security Services*

2. Upon the arrival of any representative(s) of the State to visit a LMMFC Facility and view or audit documents, records and other information at the LMMFC Facility in Camden, Arkansas; Dallas, Texas or Orlando, Florida pertaining to the Letter of Commitment or the Amendment 82 Agreement in Camden, Arkansas, Orlando, Florida, or Dallas, Texas, Security Services will notify the LMMFC Security Services senior executive or local LMMFC Facility Security Officer (“FSO”).
3. Process the visiting representatives(s) of the State for the necessary badge, any required use of camera and equipment, and entrances into classified areas, if any.
4. Contact Business Operations to escort the representative(s) of the State.

#### *Business Operations*

5. Escort the representative(s) of the State to the site Business Operations senior executive, as requested.
6. Determine the purpose of the visit, if not already accomplished through the provisions of paragraph (1) above.
7. Advise the LMMFC Law Department and Government Compliance if cost or pricing information is to be supplied to the State.
8. Co-ordinate access to work areas in the Camden, Arkansas facility or at the Dallas, Texas and Orlando, Florida sites relative to completion of the State's audit of documents, records and other information required to verify costs and expenses identified with respect to Sponsor's submission of a Request for Disbursement pursuant to the Letter of Commitment or the Amendment 82 Agreement.
9. During the visit, escort the representatives of the State, and as necessary, make written notes relative to what is provided to the State in conjunction with its audit.
10. Advise the applicable Security Services senior executive, the local Facility Security, the Law Department or International Trade compliance if the State representative wishes to photograph, video, take notes or obtain documents or records that could be considered classified or proprietary.
11. If the State representative takes any photographs, videos, documents or records LMMFC will ensure that they are cleared for release to the State and are annotated appropriately. It is not anticipated that physical samples will be requested by the State, but to the extent they are, they should also be cleared for release to the State. LMMFC will clear any identified item for release to the State through the LMMFC Public Information Release Authorization procedures.
12. If any photographs, video, notes, documents, records and other information are taken, obtain duplicates of same where practical.
13. Upon completion of inspection, review or audit by the State, escort the State representative(s) to a designated area for an out-briefing.
14. Report results of the visit or audit to the Business Operations, and as appropriate, the Law Department and Government Compliance.

**REQUEST FOR GRANT DISBURSEMENT**

TO: ARKANSAS DEVELOPMENT FINANCE AUTHORITY ("ADFA")  
Attn: Vice President Development Finance  
900 W. Capitol, Suite 310  
Little Rock, AR 72201

ARKANSAS ECONOMIC DEVELOPMENT COMMISSION ("AEDC")  
Attn: Director of Business Finance  
900 W. Capitol, Suite 400  
Little Rock, AR 72201

SPONSOR: Lockheed Martin Corporation

RE: Amendment 82 Agreement

REQUEST # \_\_\_\_\_ (the "Request")

Balance Before this Request	\$83,000,000
Amount of this Request	\$
Balance After this Request	\$

By signing below, Lockheed Martin Corporation (the "Sponsor") represents and warrant to ADFA and AEDC that:

1. Sponsor is not in material default of any term or condition of the Amendment 82 Agreement.
2. The JLTV Contract, as defined by the Amendment 82 Agreement, has been issued to Sponsor, remains in full force and effect, and performance or payment under the JLTV Contract has not been stayed or enjoined.
3. All of the costs represented by this Request qualify as Eligible Costs as defined by the Amendment 82 Agreement.
4. Sponsor is not presently in material default under the DOD Contract, as defined by the Amendment 82 Agreement.
5. Sponsor is presently in compliance with each of the Commitments, as defined by the Amendment 82 Agreement.
6. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Amendment 82 Agreement.
7. Sponsor has actually paid or caused to be paid each of the costs and expenses for which reimbursement is sought by the Sponsor.
8. The attachments hereto include an itemization of each cost and expense for which reimbursement or payment is sought by the Sponsor.

IN WITNESS WHEREOF, Sponsor has duly executed and delivered this Request as of the date set forth below.

SPONSOR:

LOCKHEED MARTIN CORPORATION

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By authorizing payment under this Request, neither ADFA nor AEDC make any warranty or representation as to the quality of the Work completed or materials delivered for the Project or with respect to the compliance of the Plans or the Work with any Governmental Regulations, and ADFA and AEDC executes this Application for Advance solely for purposes of approving the disbursement of the Advance requested herein.

ARKANSAS ECONOMIC DEVELOPMENT  
COMMISSION

ARKANSAS DEVELOPMENT FINANCE  
AUTHORITY

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

