



JIM STRICKLAND
City of Memphis Mayor



LEE HARRIS
Shelby County Mayor

December 20, 2021

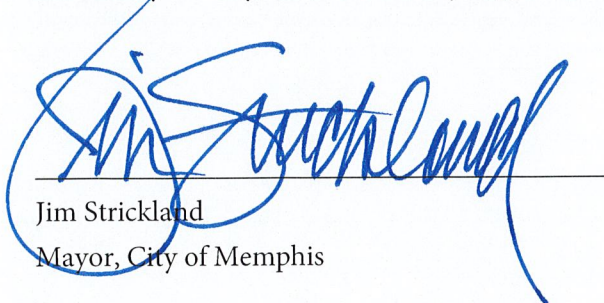
Reid Dulberger, CEO and President
Economic Development Growth Engine
Industrial Development Board of the
City of Memphis and County of Shelby, Tennessee
100 Peabody Place, Suite 1100
Memphis, TN 38103

Re: Payment-in-Lieu-of-Tax ("PILOT") Incentive for Medtronic Logistics LLC & CEVA Logistics U.S., Inc.

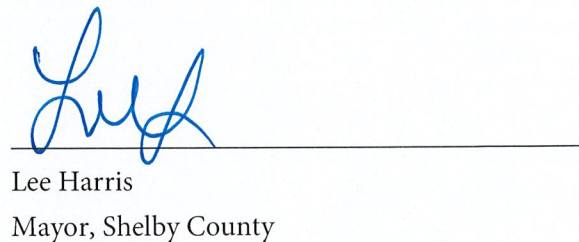
Dear Mr. Dulberger:

We are pleased that Medtronic Logistics LLC & CEVA Logistics U.S., Inc. are considering expansion in Memphis and Shelby County. Based on the attached PILOT Term Sheet ("term sheet") that was approved by the Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby, Tennessee ("EDGE") pursuant to its Jobs Payment-in-Lieu-of-Tax Program Policies and Procedures, we hereby approve the 15-year PILOT incentive.

Again, we are pleased that Medtronic Logistics LLC & CEVA Logistics U.S., Inc. are considering Memphis and Shelby County, and we certainly support their investment in our community.



Jim Strickland
Mayor, City of Memphis



Lee Harris
Mayor, Shelby County

Jobs PILOT Term Sheet
Medtronic Logistics LLC & CEVA Logistics U.S., Inc.
December 15, 2021

Medtronic Logistics LLC and CEVA Logistics U.S., Inc. ("Co-Applicants") are seeking a fifteen-year Jobs PILOT to encourage their location into a new 1,014,000 square foot, \$133,350,000 light manufacturing and distribution center at 5300 Airways in the City of Memphis, to retain 365 existing Memphis employees and to create 265 Net New Jobs with an average wage of \$48,715.

The total Project investment includes \$42,100,000 for building shell construction and site improvements, \$20,150,000 for tenant specific improvements and \$71,000,000 for new machinery, computerized technology, equipment, and other personal property. Community Reinvestment Credit has been requested.

The 79-acre Project site known as 5300 Airways is made up of seven contiguous parcels that will be combined and re-platted.

- Parcel 094400 00088 (5214 Airways) is 0.74 acres of vacant land appraised at \$50,600.
- Parcel 094400 00092 (2263 E. Holmes) is 2.10 acres of vacant land appraised at \$37,500.
- Parcel 094400 00093 (2295 E. Holmes) is 1 acre of vacant land appraised at \$20,400.
- Parcel 094400 00094 (2353 E. Holmes) is 38.86 acres of vacant land appraised at \$419,300.
- Parcel 094400 00124 (2235 E. Holmes) is 2.04 acres of vacant land appraised at \$118,800.
- Parcel 094400 00160 (Airways) is 13.30 acres of vacant land appraised at \$441,300.
- Parcel 094400 00161 (Airways) is 21.33 acres of vacant land appraised at \$686,400.

Medtronic will occupy and directly operate approximately 30% of the property for light manufacturing and assembly. CEVA will be contracted by Medtronic to occupy and operate logistics services in approximately 70% of the property.

Medtronic and CEVA will jointly receive PILOT benefits for the Project and collectively be responsible for PILOT commitments, reporting and compliance. Both real property improvements and new personal property located on the site will be included in the PILOT. To accommodate growth and technological advancements, additional future personal property investment, in an amount not to exceed 50% of the amount approved by EDGE, may be added to the project and receive benefit for the PILOT Term remaining at the time the property enters the PILOT program.

Medtronic Logistics is a division of Medtronic Public Limited Company. The Dublin, Ireland based medical device manufacturer has a long history in our community, acquiring Memphis-based Sofamor Danek in 1999 when expanding into spinal and biologic treatments. Today, Medtronic has revenues of \$30 billion and more than 90,000 employees worldwide.

CEVA Logistics U.S., Inc. is a privately held Delaware company. Its parent company, CEVA Logistics AG, is a fully integrated supply chain management company headquartered in Marseille, France with 78,000 employees in 160 different countries and \$7 billion in revenue.

Medtronic is evaluating consolidation of its six U.S. distribution centers into two facilities and working with a partner to improve the customer experience and logistical efficiencies. One of the two facilities would be located in the Mid-South area and Medtronic is partnering with CEVA on this facility. Medtronic also plans to use a portion of the building for manufacturing, surgical kitting, product packaging and assembly operations. The Mid-South facility would replace Medtronic's existing 376,000 square foot Memphis facility at 4340 Swinnea Road and add substantial additional capacity.

If Memphis is chosen, the baseline staffing levels from Swinnea Road would be maintained and significantly expanded. The Project would be operated as an integrated facility supporting only Medtronic activities. CEVA would not support other clients or customers from this facility.

The property under consideration currently produces \$28,908 in City of Memphis and Shelby County property taxes annually. Estimated annual property taxes will average \$540,687 during the PILOT term and \$1,841,052 after the PILOT terminates. Staff projects \$26,113,344 in total local tax revenues to be received during the PILOT term of this Project and a \$22,384,869 benefit to the Applicant.

The 15-year PILOT for the Applicant is based on the following terms:

CITY OF MEMPHIS TERMS	% PAID	SHELBY COUNTY TERMS	% PAID
Personal Property	Year 1-15 25%	Personal Property	Year 1-15 25%
Real Property Improvements	Year 1-15 25%	Real Property Improvements	Year 1-15 25%

PILOT Evaluation Matrix

CATEGORY	DATA	POINTS	YEARS
Net New Jobs	265	53.0	
Wages	\$48,715	18.3	
Capital Investment	\$133,350,000	66.7	
Sub-total		138.0	13
Location: City of Memphis	Yes		1
Local Business Participation	Yes		1
New Markets Tax Credit Census Tract	Yes		2
MWBE Owned	No		0
Headquarters	No		0
Sub-total			4
Total	Maximum Term Permitted by Policy 15-Years		



Project Budget Detail

REAL PROPERTY INVESTMENT IN PILOT	
Purchase Price	\$0
Hard Construction and Site Work	\$62,250,000
Sub-Total	\$62,250,000

PERSONAL PROPERTY INVESTMENT IN PILOT	
New	\$71,100,000
Transferred*	\$0
Sub-Total	\$71,100,000

Total New Capital Investment in PILOT	\$133,350,000
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INVESTMENT NOT INCLUDED IN PILOT	
Other Real Property	\$0
Other Personal Property	\$0
Fees & Soft Costs	\$0
Sub-Total	\$0

Total Capital Investment	\$133,350,000
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**Personal property relocated from a facility outside of Shelby County is considered at its depreciated, current value.*

Ramp-Up Period

The Applicant will have a two (2) year Ramp-Up Period within which to achieve its Project commitments. This two (2) year period shall begin upon the date when any property, in whole or in part, is conveyed to EDGE, covered by a PILOT Lease, and begins to enjoy the benefits of the PILOT incentive.

Local Business Participation

Spending with City of Memphis or Shelby County certified minority and women business enterprises (MWBES) shall be an amount equal to or greater than:

				Minimum for Bonus Opportunity**	
				1 Added Year	2 Added Years
		Basis	\$ LBP		
	25%	Construction/Site Work	\$15,562,500	\$21,787,500	\$28,012,500
+	15%	Real & Personal Property Savings	\$3,357,730	\$5,596,217	\$7,834,704
=	Total		\$18,920,230	\$27,383,717	\$35,847,204

** The minimum required spending is based on 35% of Construction/Site Work and 25% of total PILOT Savings for one additional year and 45% of Construction/Site Work and 35% of total PILOT Savings for two additional years. In no event shall the Term exceed fifteen (15) years.

Identified Labor Source

Per section X (C) (ii) of the Jobs PILOT Policies and Procedures, the PILOT Recipient is required to list all Net New Jobs with the Workforce MidSouth and its American Job Center (successor to the Workforce Investment Network or WIN) and give due consideration to individuals referred by those organizations for open positions.

Terms & Conditions

Award of a PILOT in accordance with the recommendations of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee staff, as set forth herein, is subject to the following conditions.

1. The award of a PILOT to the real property used for Applicant's Project is subject to Board Counsel's review and approval of the environmental impact study for said real property to be produced or procured by Applicant.
2. The award is subject to receipt of letters of approval from the mayors of both the City of Memphis and the County of Shelby.
3. The EDGE Board of Directors (the "Board") reserves the right to assign the PILOT, or its rights with respect thereto, to the Memphis and Shelby County Industrial Development Board (the "IDB"), in accordance with the service agreement between the Board and the IDB, if the Board ultimately deems it beneficial.
4. Medtronic Logistics LLC and CEVA Logistics U.S., Inc. are Co-Applicants jointly receiving PILOT benefits for the Project and collectively responsible for PILOT commitments, reporting and compliance.
5. The Project will be operated as an integrated facility supporting only Medtronic activities and CEVA Logistics will not support other clients or customers from this facility.
6. The Jobs PILOT Policies and Procedures are hereby waived to allow an additional personal property investment beyond the cap allowed by Policy in an amount not to exceed 50% of the amount initially approved by EDGE. The additional personal property up to the new cap limit may be added to the project and receive benefit for the remainder of the approved PILOT term without EDGE's additional approval.
7. The Applicant shall receive Community Reinvestment Credit for the project.
8. Except as explicitly provided in this term sheet or in a resolution of the Board, the award of a PILOT is subject to the provisions of the Jobs PILOT Policies and Procedures.
9. The award is subject to the negotiation and execution of PILOT lease agreements requiring the payment of rent in the amount of \$100.00 per year, which agreements shall be in a form

substantially similar to EDGE's standard form as approved by the Board, and consistent with the provisions of this Term Sheet. In the absence of an explicit written waiver of this condition, no conveyance will be deemed to have been accepted by EDGE, the IDB or any other affiliate or agent of EDGE unless and until all of the documents for the subject transaction, including the PILOT lease agreement, have been negotiated and delivered.