

Jobs PILOT Term Sheet
MHR Fund Management LLC
January 19, 2022

MHR Fund Management LLC (“Applicant” or “MHR Management”) is seeking a fifteen-year Jobs PILOT to encourage the company to invest \$112,500,000 in a shipping container and chassis manufacturing facility at 8400 Winchester Road in the City of Memphis, creating 400 Net New Jobs with an average wage of \$44,647 (“Project”).

The total Project investment includes \$38,000,000 to purchase the land and building, \$2,500,000 for facility renovations, construction and site improvements, and \$72,000,000 for new machinery, equipment and other personal property to equip the facility. Community Reinvestment Credit will be awarded.

Parcel 081093 00002 (8400 Winchester) is 37.017 acres and contains an 817,000 square foot warehouse built in 1982. The property is currently valued at \$17,085,400 (\$3,892,500 land and \$13,085,400 building). The Applicant will occupy 100% of the building. The building has been vacant since Nike relocated its operation from the site approximately six years ago. Both real property improvements and new personal property on the site will be included in the PILOT.

MHR Fund Management, a Delaware limited liability company, is a New York based investment firm that manages capital across a variety of industries ranging from logistics to entertainment to steel plate fabrication. Founded in 1996, MHR is a control-focused private equity investor with assets of more than \$5.5 billion. The company seeks out or builds management teams to guide creation of business plans for new investments, facilitating long-term portfolio growth.

MHR has recognized growing demand for 53-foot chassis and shipping containers that, today, are almost exclusively manufactured in China. The company believes a location in the Central United States is important for a manufacturing and assembly operation and has been evaluating sites in multiple states. If chosen, Memphis would become home to three manufacturing lines running multiple shifts with capacity to annually produce approximately 22,500 containers and 30,000 chassis.

The property to be occupied currently produces \$421,261 in City of Memphis and Shelby County property taxes annually. Estimated annual property taxes will average \$436,794 during the PILOT term and \$1,264,863 after the PILOT term expires. Staff projects \$37,026,444 in

total local tax revenues to be received during the PILOT term of this Project and a \$15,336,878 benefit to the Applicant.

Note Regarding Previous Approval for 8400 Winchester

EDGE approved a PILOT for the proposed development of an electric vehicle manufacturing plant at 8400 Winchester on March 17, 2021. Mullen Technologies Inc. (the previously approved Applicant) has subsequently pursued a North Mississippi facility for the primary manufacturing plant and is no longer in contention for this site or eligible to close on the PILOT approval based on the prescribed terms and conditions. ROIB2 Winchester, LLC (the property owner) now has a purchase and sale agreement for the property with a subsidiary of MHR Management and has ceased marketing activities with any other potential purchasers.

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

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

PILOT Evaluation Matrix

CATEGORY	DATA	POINTS	YEARS
Jobs Retained and Created	400	80.0	
Wages	\$44,670	14.2	
Capital Investment	\$112,500,000	56.3	
Sub-total		150.5	15
Location: City of Memphis	Yes		1
Local Business Participation	Yes		1
New Markets Tax Credit Census Tract	No		0
MWBE	No		0
Headquarters	No		0
Sub-total			2
Total (Maximum Allowed 15-Years)			15-Years



Project Budget Detail

REAL PROPERTY INVESTMENT IN PILOT	
Purchase Price	\$38,000,000
Hard Construction and Site Work	\$2,500,000
Sub-Total	\$40,500,000

PERSONAL PROPERTY INVESTMENT IN PILOT	
New	\$72,000,000
Transferred*	\$0
Sub-Total	\$72,000,000

Total New Capital Investment in PILOT	\$112,500,000
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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	\$112,500,000
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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	
		Basis	\$ LBP	1 Added Year	2 Added Years
	25%	Construction/Site Work	\$625,000	\$875,000	\$1,125,000
+	15%	Real & Personal Property Savings	\$2,300,532	\$3,834,220	\$5,367,907
=	Total		\$2,925,532	\$4,709,220	\$6,492,907

** 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 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 staff of the Economic Development Growth Engine (EDGE) Industrial Development Board of the City of Memphis and County of Shelby, Tennessee, 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. 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 Effective June 1, 2019.
5. In the absence of an explicit written waiver of this condition, to close any PILOT Lease associated with this Project, the Applicant must provide documentation acceptable to EDGE, at its sole discretion, showing:
 - a. Applicant or an affiliate thereof (the "Buyer") has executed a binding purchase and sale agreement for 8400 Winchester;
 - b. Executed binding contracts and/or funds already expended totaling at least \$1,500,000 for renovation, construction and/or site work at 8400 Winchester;
 - c. Executed binding contracts and/or funds already expended totaling at least \$24,000,000 for new personal property to be utilized at 8400 Winchester; and
 - d. MHR Management may designate as the lessee for the PILOT Lease(s) (the "MHR Lessee"):
 - A. a controlled affiliate of (i) MHR Institutional Partners IV LP ("MHR IV"), (ii) MHR Capital Partners Master Account LP ("MHR Capital"), and/or (iii) MHR Institutional Partners V LP ("MHR V") if (x) MHR V has capital available for investment and assets under management of at least \$300 million or (y) MHR V provides a commitment letter from a reputable lender, suitable to EDGE, for financing equal to at least \$78 million; or

- B. a MHR Management controlled affiliate or a trust whose grantor has common, direct control of the Buyer, or a directly controlled affiliate thereof, if (x) such entity has assets of at least \$300 million or (y) such entity provides a commitment letter from a reputable lender, suitable to EDGE, for financing equal to at least \$78 million; or
 - C. such other entity or structure as approved by the Board in its sole discretion.
- 6. MHR Management is currently the Applicant for the Project, but the ultimate Project owner will be MHR IV, MHR Capital, and/or MHR V (if MHR V has met requirements stated above in 5.d.A.), or its affiliates and/or related parties. EDGE acknowledges and agrees that MHR Management will assign the PILOT benefits provided for herein to the MHR Lessee, an MHR Management controlled affiliate, and/or a reasonably related structure, and MHR Management and MHR IV, MHR Capital or MHR V (as the case may be) shall remain as the sponsors for the Project, unless Board approval is obtained otherwise. No further Board approval will be necessary to close this transaction as provided in this Paragraph 6.
 - 7. The award is subject to 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.
 - 8. 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.
 - 9. The Applicant has requested and shall receive Community Reinvestment Credit for the Project.