

Site-Selector Viewpoint

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Outline

- Site Selection Factors
- A Profit and Loss Approach to Site Selection
- Site Selection – Risk Mitigation
- Current State Trends In Incentives
- Current View of Arizona's Incentive Opportunities
- Arizona's Opportunities for Improvement

Site Selection Factors

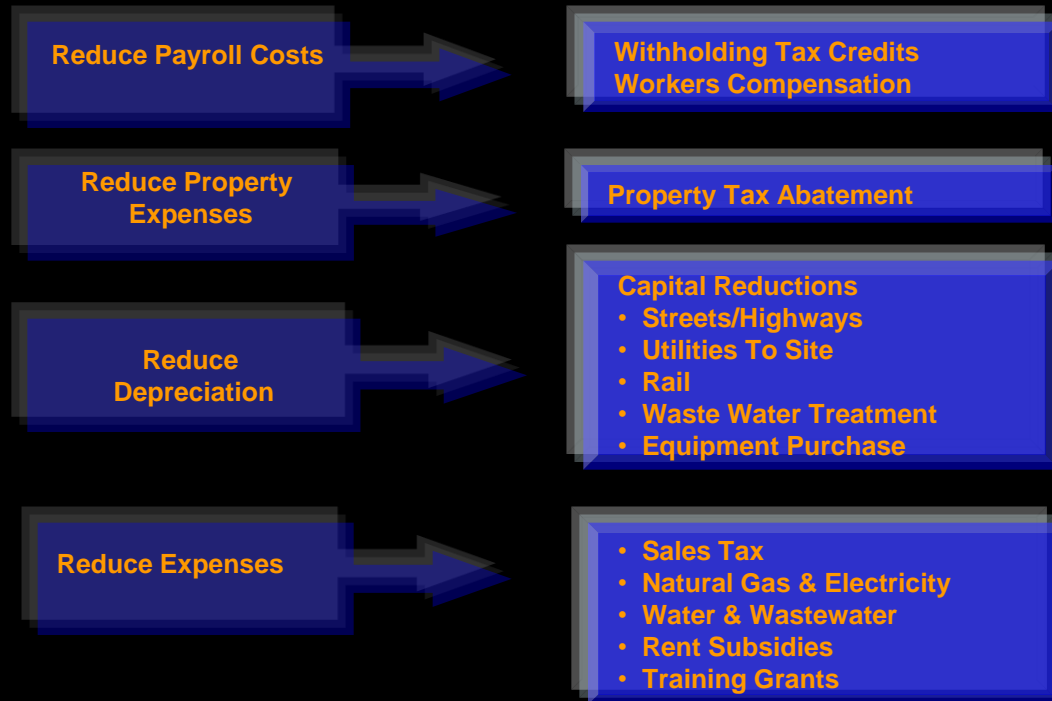
Area Development Magazine conducts an annual survey of company executives to rank the importance of certain site selection factors.

In Area Development's 2009 Corporate Survey 6 of the top 10 site selection factors are direct cost factors including:

- Labor Costs
- Tax Exemptions
- Corporate Tax Rate
- Incentives
- Logistics Costs
- Construction Costs

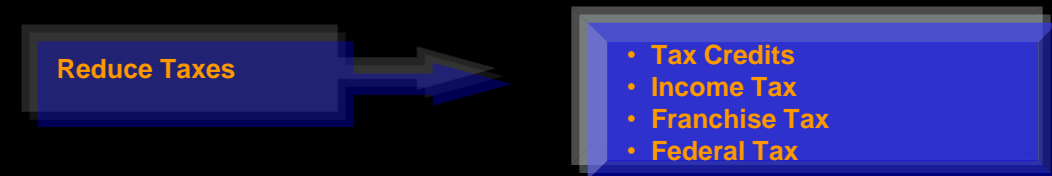
Proforma P&L Costs For Each Site To Determine The Net Landed Cost Over A 10-Year Period

Cost Of Operations



Increases Profitability Before Taxes

Net Operating Profit
Before Tax:



Net Operating Profit
After Tax:

Improves Overall Profitability Performance

Importance of Site Selection – Risk Mitigation

- It is critical to understand the total COST impact the project will have for each site
- Incentives are designed to help offset the profit and loss risk in the projects most critical years
- Cost of operations are highest at the point the assets come on line
 - Investment in buildings and equipment
 - Property taxes are the highest
 - Equipment and employees are typically under utilized
 - Site decisions are made pre-revenue
- Must demonstrate to management that all efforts were made to reduce upfront costs and on-going expenses

Current Competition For Jobs And Investment

- Current Trends
 - Governor's Closing Fund
 - Single Sales Factor Apportionment
 - Refundable Income Tax Credits
 - Rebate of Employee Withholding
 - Elimination of Property Tax on Business Personal
 - Property

Current View of Arizona

- For companies locating outside of a designated Enterprise Zone there are few to no cost offsets to a project's Profit and Loss statement.
- Corporate Headquarters
 - Outside of a designated Enterprise Zone, there are few to no cost offsets to a project's Profit and Loss statement.
- For a high tech facility such as a data center that can easily bring greater than \$500 million in investment,
 - Property tax relief is a local decision and many communities do not have programs in place to provide this type of relief.
- State needs a strong Governor's Closing Fund

Opportunities for Arizona

- Many companies and their management teams want to be in Arizona
- However, companies have a fiduciary responsibility to their shareholders, employees, partners, etc. to reduce the cost of operations.
- A revision of the state's tax policies can make Arizona more competitively over the life of the project and a creation of new programs can assist companies in reducing the risk up front.