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ADVANCED TECHNOLOGY
ANALYSIS COMPUTING

&

CHINA LAKE TECHNOLOGIES

Proposal for Industrial Economic Development in Ridgecrest

A proposal submitted by:

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Introduction

The single most important factor affecting the economic wellbeing of Ridgecrest is its proximity to the Weapons Division of the Naval Air Warfare Center (NAWCWD) at China Lake. The City of Ridgecrest is adapted and accustomed to the type of research, development, and testing routinely carried out at NAWCWD. City leaders have long discussed the payoff of increasing its interactions with the base by providing a welcoming business environment for contractors working with NAWCWD. *Advanced Technology Analysis and Computing* (ATAC) is pleased to join *China Lake Technologies, LLC* (CLT) in this economic development proposal to the City of Ridgecrest.

Our proposal takes a multi-pronged approach to engage emerging technology industries that could bring on the order of 50 new industrial jobs to the City over a five year period. We will target companies whose underlying technology has been established, that have the ability to produce cost competitive products that are successful in the market, and that have dual-use applicability to NAWCWD requirements. We will perform the tasks described in this proposal with the objective of causing at least two (2) specifically identified emerging technology companies to establish a physical presence in Ridgecrest. Furthermore, we will coordinate our efforts with the other City economic development initiatives related to retail and tourism to ensure there is no interference or overlap of efforts.

ATAC/CLT is uniquely qualified to pursue a variety of avenues to bring new industry to Ridgecrest. ATAC has been in business in Ridgecrest for the past 20 years, supplying NAWCWD with experienced engineering talent to tackle an array of problems spanning NAWCWD's scope of responsibility for the Navy. CLT, a wholly owned subsidiary of the NJ-based not-for-profit 501(c)3 foundation, InSitech, Inc., has been a Federal Partnership Intermediary (per 15 USC 3715) to NAWCWD since 2010. The company's seasoned team includes experienced executives who have directed large government programs and R&D labs, led private sector technology firms, led regional and state economic development strategy projects, and been at the forefront of the financial markets. As a non-profit organization the company also acts in cooperation with Kern County and the City of Ridgecrest under existing Memoranda of Understanding.

The Business Environment and Opportunity

While CLT continues a periodic search for partners for NAWCWD to license specific Government intellectual property, its most robust current activity related to the Ridgecrest area is the development of a strategy to create a bioproducts manufacturing industry in Kern County. This year-long project which began in October 2013 is jointly-funded by the US Economic Development Administration and Kern County. The project is proceeding according to plan and the prospect of long-term job creation in the County looks promising. As an offshoot of its Kern County/EDA work and tasking with NAWCWD, CLT is often exposed to companies in emerging industries with DOD and multiple commercial products potential. If the timing and incentives are conducive, such companies may well be interested in coming to the Ridgecrest area.

As an example of what is possible, earlier this year in its EDA project, CLT identified a start-up bioproducts company that indicated in initial discussions that Ridgecrest could be a feasible manufacturing site for them, and in fact such a location would be supported by various synergies. The company creates chemical compounds called terpenes which are further processed into very high energy density fuels for DOD (missiles and UAVs), Civilian Space programs, commercial UAVs, and a range of flavors and fragrances for commercial use. Subsequently, the company indicated they were at least two years away from establishing a domestic production facility that could result in 25 – 50 new industrial jobs. Under this proposed effort, CLT will continue to monitor the company's status and ensure they keep Ridgecrest top of mind as a potential manufacturing location when the time is right for them.

Our other team member, ATAC, proposes to act as an experienced, knowledgeable intermediary between a select class of independently-funded small- and medium-sized companies and NAWCWD. ATAC will contact those companies needing technical help that NAWCWD that can provide and connect them with the right NAWCWD people and organizations. Once a company has been connected with NAWCWD, ATAC will work with CLT to facilitate the integration of those companies into the Ridgecrest, thereby establishing new business in Ridgecrest.

How will ATAC select these companies? The federal government has a long-standing program spread over eleven federal departments to develop small high-tech business throughout the United States. In the most recent funding cycle over \$2.5B has been allocated to this program. Historically, until two years ago, the opportunities for government laboratories to interact with small businesses funded under this government program have been severely limited. During the recent reauthorization process, it was recognized that allowing federal laboratory participation in the program would increase the program's success rate. Many restrictions were relaxed; now the funded small companies can enter into agreements with government laboratories to provide needed assistance of all kinds. This **key** change in the law opens the doors of opportunity for both Ridgecrest and NAWCWD. A successful intermediary in such an endeavor, the "match-maker" must be intimately familiar with both parties. ATAC fills that bill. ATAC personnel are all recently-retired NAWCWD employees with strong contacts on the base. ATAC knows the people, the processes, the capabilities, and the facilities at NAWCWD and can readily represent them to candidate small companies. Furthermore, ATAC understands the underlying federal program that supports the target small companies.

The ATAC/CLT team is an ideal intermediary to identify and attract companies that have the greatest likelihood of establishing a physical presence in Ridgecrest and thereby creating 25-50 high quality local employment opportunities as well as new tax revenues for the city over the next five years.

Proposed Tasks, Deliverables and Funding

A logical division of effort under our proposal emerges based on the particular strengths of the two teams focused on the same goal: attracting new job creating companies to locate in Ridgecrest. Shortly after contract award, ATAC/CLT will hold a start of work meeting with Ridgecrest's Gary Parsons to review the current status of the City's existing economic development efforts and ensure compatibility with this proposed effort on an ongoing basis. At this meeting ATC/CLT will discuss its methodology and approach for identifying and engaging prospective companies in emerging technology industries that would be likely targets for locating a business in Ridgecrest. ATAC/CLT will not offer or mention any economic deals or incentives being offered by Ridgecrest unless permitted to do so. The conclusion of this meeting will produce a working outline with which to move forward. Below we present the specific tasks as they arise from our joint approach in terms of the thrusts of each team member.

ATAC

Because the underlying federally-funded small business program consists of three phases each fiscal year, and because each participating federal agency manages their part of the program differently, we are proposing a minimum one-year business outreach effort. During that period ATAC will contact a number of companies that represent the most probable partners for both NAWCWD and Ridgecrest. Specifically, ATAC will:

1. Screen the small business projects currently funded under the subject federal program to assess their possible need for assistance by NAWCWD (personnel, laboratories, testing facilities, ranges, etc.);
2. Screening will concentrate first on the Navy, Army, Air Force, Marine, and Homeland Defense programs because of their obvious close relationship to NAWCWD capabilities;
3. Contact those companies to outline for them what NAWCWD and Ridgecrest can offer to increase their probability of success in the federal program;
4. Introduce to both appropriate NAWCWD managers and Ridgecrest managers those companies who respond with positive interest in collaboration with the base and/or the city;
5. In conjunction with CLT, participate as needed by the parties involved in discussions leading to contracts, CRADAs, CSAs, or any other agreement deemed useful by the parties to establish a working relationship with NAWCWD, Ridgecrest, or other entity.

CLT

CLT will perform two 180 day cycles of the following search and outreach effort over the proposed one year period of the contract with the city:

1. Perform a search for prospective companies not represented in the special class of companies selected by ATAC and select target(s).
 - a. Provide a prioritized list to the City of target companies with rationale, and with the assurance that the City will not attempt to circumvent CLT's efforts under this proposal.
 - b. Reach concurrence with the City on up to 10 (ten) specific target companies to engage, including those selected by ATAC.
 - c. Engage the target companies to ascertain their interest, likelihood and possible timing of establishing a manufacturing presence in Ridgecrest.

- d. Reach concurrence with the City on which company to pursue per the further tasking below. (Note that CLT can pursue multiple companies if project funding can be increased to accommodate.)
2. Work with appropriate industry and government experts to size a manufacturing facility based on anticipated market and the technology constraints we have identified.
3. Identify potential industrial sites in Ridgecrest based on availability of utilities, environmental considerations, if any, and logistics needs. Both existing available sites and possible new construction sites will be considered.
4. Estimate the cost and timing of construction, and the time to start of operation and when Capital Expenditure investment is returned.
5. Synchronize project timing with the evolution of additional products we will be tracking for market introduction.
6. Identify interested strategic partners as well as funding mechanisms for facility construction.
7. Identify the most suitable site in Ridgecrest.
8. Package all of the above into an investor grade Business Plan for presentation to Ridgecrest. CLT would also be interested in implementing the Plan in a subsequent Phase if Ridgecrest so desires.

Throughout the duration of this project ATAC/CLT will remain vigilant for other industrial economic development opportunities and bring them to the City's attention as they arise.

Deliverables

Upon contract execution and payment of the first \$40,000 fee, ATAC/CLT will schedule a start-of-work meeting with appropriate Ridgecrest officials. On or about Days 60, 120, 240, and 300, ATAC/CLT will deliver Progress Reports for review by Ridgecrest officials. The format/content of these reports will be agreed at the start-of-work meeting, and Ridgecrest may elect to terminate the project at any of these points if progress is deemed to be unsatisfactory.

The Day 60 (CLT cycle 1) and 240 (CLT cycle 2) Progress Reports will include search results for prospective target companies; the interest, likelihood and possible timing of establishing a manufacturing presence in Ridgecrest for those companies; and the specific company(ies) to be pursued.

The Day 120 (CLT cycle 1) and 300 (CLT cycle 2) Progress Reports will include manufacturing facility sizing and potential sites/locations to establish it in Ridgecrest, details about facility timing, financing and investment parameters, and any information at that point in time related to potential strategic partners and funding sources. They will also include results of the search for compatible businesses discovered in the federal small business program.

At the conclusion of each 180 day cycle of the project, ATAC/CLT will deliver a final Business Plan aimed at creating the new businesses in Ridgecrest, to include specific steps for implementing the Plan.

Upon request from the city, ATAC/CLT will also furnish the following project artifacts as they are available: representative copies of the outreach materials used; reports of successful introductions of company representatives to NAWCWD and City personnel; reports of issues and opportunities that arise during these interactions; non-confidential financial reports; a summary project report at contract end.

As a proposed measure of the effectiveness of our planned outreach efforts, we will consider our Industrial Economic Development outreach to have been a success if, by the end of this project, the delivered Business Plan(s) is/are judged to be implementable based on the associated go-forward steps highlighted by CLT. The ultimate goal is for the target company to make a commitment either during the time frame of this project or within one year of its completion to establish a manufacturing facility within the City of Ridgecrest. It is envisioned that if successful this project will serve as a model for future, similar industrial economic development initiatives to be undertaken by CLT on behalf of the City of Ridgecrest.

Project Funding

ATAC/CLT proposes the following timeline and payment schedule for this targeted Industrial Economic Development project if such a payment schedule is supported by the TAB grant rules:

Day 1 – Execution of contract between City of Ridgecrest and CLT	\$40,000
On or about Day 60 – Review of progress to date and City decision to proceed	\$20,000
On or about Day 120 – Review of progress to date and City decision to proceed	\$45,000
Day 180 – Delivery and presentation of final Business Plan:	\$20,000
Day 180 – City decision to proceed with second cycle of outreach	\$40,000
On or about Day 240 – Review of progress to date and City decision to proceed	\$20,000
On or about Day 300 – Review of progress to date and City decision to proceed	\$45,000
Day 360 – Delivery and presentation of final Business Plan:	<u>\$20,000</u>
TOTAL: \$250,000	

Note that the above pricing includes two trips for NJ-based CLT team members to Ridgecrest for face-to-face discussion over the one year period.

If a targeted company makes a commitment either during the time frame of this project or within one year of its completion to establish a facility within the City of Ridgecrest, then the City may engage ATAC/CLT to assist with coordination and oversight activity for a period of 90 days and an additional professional services fee of \$45,000.

June 3, 2014

City of Ridgecrest
Attn: Gary Parsons
100 W. California Ave.
Ridgecrest, CA 93555

SUBJECT: Response to Request for Additional Information

Dear Mr. Parsons:

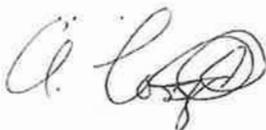
Below please find our responses (underlined) to the questions you asked about our proposal in your letter dated April 16, 2014, pursuant to utilization of the city's Tax Allocation Bond (TAB) funds.

1. The number of new jobs you feel will result should the council fund your proposal
After year one 5, with an average employee salary level of \$100,000 (initially all executives)
After year five 50, with an average employee salary level of \$45,000 (management + blue collar)
2. If you plan on selling items/products from your Ridgecrest location, how much would the annual taxable sales be in year one \$0 and in year five \$1.5 million.
3. If your proposal would result in the establishment of a location in Ridgecrest, how much land and/or building space would you utilize in square footage? Land: We would seek to purchase/utilize existing light industrial space with offices Building: about 40,000 SF by year 5
Additionally, what amount of property improvements and/or property tax would you estimate you will be paying annually for facilities in Ridgecrest? Estimate \$10,000 annually by year 3-4.
4. If your proposal would result in people traveling to Ridgecrest and requiring overnight stays, how many people would you estimate that to be: 2 to 3 people engaged in negotiations and starting up.
Additionally, how many hotel nights would be needed and result annually from these visitors? We estimate a total of 45 hotel nights per year.

The minimum amount of funding we feel is needed from the city to make our proposal successful is \$75,000. We will seek to partner with state/federal/local economic development funds and prospective corporate/private investors as complementary sources of project funding. We will also leverage our multi-year economic development and other engagements in Kern County and its surrounds, as well as our broader corporate network, to drive partnerships that support our project.

We appreciate the city's consideration of our proposal. Please don't hesitate to contact me on (973) 659-3334 with any questions.

Sincerely,



Alex Cocozello