

Aerospace Engine Manufacturing Performance Grant Program

As of November 12, 2017

Project Name: Rolls-Royce

Established for Rolls-Royce's new operations location in the Commonwealth at Crosspointe, the Aerospace Engine Manufacturing Performance Grant Program provides for, among other things, four grants to Rolls-Royce: (i) the Aerospace Engine Manufacturing Performance Grant (Base Performance Grant) to incent the Company to locate in the Commonwealth; (ii) the Supplier Cluster Bonus Performance Grant (Supplier Cluster Grant); (iii) the Special Training Grant (also known as the Custom Training Grant); and (iv) the Supplemental Training Grant (also known as the Supplemental Appropriation for Training (SAT) Grant).

In addition to these grants, Rolls-Royce received land, site development, and infrastructure donation; three GOF Grants for infrastructure development; funding from the Transportation Partnership Opportunity Fund; recruitment and training assistance; a Higher Education Grant and university faculty hires; a federal grant and state funding toward the establishment and operation of the Commonwealth Center for Advanced Manufacturing (CCAM); certain tax incentives; certain Enterprise Zone benefits; and funding for a VEDP Project Executive.

Base Performance Grant

The Company is currently within the performance period for the capital investment and new jobs. **There is no progress reporting obligation at this time.**

The aggregate required amount of Targeted Cumulative Capital Investment is at least \$501,300,000 and the aggregate required number of Targeted Cumulative New Full-Time Jobs is at least 642.

The maximum aggregate Base Performance Grant amount is \$35,000,000, with \$5,500,000 originally expected to be disbursed in each of FY14 and FY15 and \$3,000,000 originally expected to be disbursed in each of FY16 to FY23.

The first Base Performance Grant payment expected to be disbursed in FY14 was based on the expected 12-31-13 date for reaching Targeted Cumulative Capital Investment in the amount of \$196,000,000 and Targeted Cumulative New Full-Time Jobs in the number of 343. Although the initial Targeted Cumulative Capital Investment \$196,000,000 amount has been achieved, the initial Targeted Cumulative New Full-Time Jobs of 343 has not yet been reached and payments have been deferred. Base Performance Grant payments are to begin in the fiscal year that such Targeted Cumulative Capital Investment and Targeted Cumulative New Full-Time Jobs targets are achieved. Subsequent payments are based on a schedule of Targeted Cumulative Capital Investment and Targeted Cumulative New Full-Time Jobs.

There is no clawback provision. Any Base Performance Grant payments that may be received by the Company are not subject to any clawback obligation. These grant payments are made post-performance; thus, no funds are released until targets are met and verified.

If, however, the Company experiences a Substantial Reduction (either the (i) Cumulative Investment for a year is reduced by more than 20% from the previous year's Cumulative Investment or (ii) full-time employment in a year is reduced by more than 20% from the previous year's full-time employment), further grant payments will be suspended and deferred for up to three years. The Company will have a period of three years to recover from the Substantial Reduction and meet the Targeted Cumulative Capital Investment and Targeted Cumulative New Full-Time Jobs that would trigger a request for the next grant payment. If the Company so recovers, the Company will receive the grant payments that have been deferred. If the Company does not recover within three years, the Commonwealth will enter into discussions on the level of future incentives based on revised projections of Cumulative Capital Investment and Cumulative New Full-Time Jobs

Supplier Cluster Grant

The Company is currently within the performance period for capital investment and new jobs. **There is no progress reporting obligation at this time.**

For the Company to be eligible for the Supplier Cluster Grant, a Qualified Supplier¹ must file a Qualified Supplier Certification with the Secretary. The Capital Investment made and New Jobs created by all the Qualified Suppliers (Qualified Supplier Cluster) is aggregated.

The maximum aggregate Supplier Cluster Grant is \$5,000,000, with \$2,500,000 to be disbursed in the fiscal year in which the Qualified Supplier Cluster achieves the Initial Targeted Cumulative Capital Investment amount of \$25,000,000 and the Initial Targeted Cumulative New Full-Time Jobs of 150 and there has been no Substantial Reduction,² and \$2,500,000 to be disbursed in the fiscal year in which the Qualified Supplier Cluster achieves the Full Targeted Cumulative Capital Investment amount of \$50,000,000 and the Full Targeted Cumulative New Full-Time Jobs of 300 and there has been no Substantial Reduction. Such targets have not yet been reached and payments have been deferred. Supplier Cluster Grant payments are to begin in the fiscal year in

¹ A Qualified Supplier is a manufacturer, assembler, distributor or service provider that first began doing business or expanding its business at a location within the Commonwealth subsequent to Rolls-Royce commencing construction of the Crosspointe campus, that delivers or provides ancillary parts, tools, or other components used by Rolls-Royce within the Commonwealth or provides ancillary services within the Commonwealth for Rolls-Royce, and that is on a Qualified Supplier List submitted by Rolls-Royce to the Secretary of Commerce and Trade (Secretary) prior to publicly announcing its location or expansion.

² Reduction based on changes since the Qualified Supplier Certification were filed with the Secretary. If there has been a Substantial Reduction, the Supplier Cluster Grant payment will be deferred, but will be made within 90 days of receipt of a Qualified Manufacturer Certification that both targets have been achieved.

which the Initial Targeted Cumulative Capital Investment and the Initial Targeted Cumulative New Full-Time Jobs targets are achieved.

There is no clawback provision. Any Supplier Cluster Grant payments that may be received by the Company are not subject to any clawback obligation. These grant payments are made post-performance; thus, no funds are released until targets are met and verified.

Custom Training Grant

The Company is currently within the performance period for new jobs. **The Company must file a quarterly report with the Secretary.** This report must identify the number of new Qualified Employees hired and trained who have been employed for at least 90 days, and for whom the Custom Performance Grant has not yet been paid.

The maximum aggregate Custom Training Grant is \$5,778,000, with a \$10,000 allocation per new Qualified Employee. The Custom Training Grant is administered through and in a manner similar to the Virginia Jobs Investment Program (VJIP). As of November 1, 2017, 343 positions have qualified under the VJIP-based structure and the Company has received \$3,430,000.

There is no clawback provision. The Custom Training Grant payments are made post-performance; thus, no funds are released until targets are met and verified under the VJIP-based structure.

SAT Grant

The Company received the SAT in the amount of \$3,000,000 in FY 15. The Company met the required statutory minimum Cumulative Capital Investment of \$159,300,000 and the 176 Qualified Employees. **There is no further reporting obligation. There are no clawback provisions.** The SAT Grant was paid post-performance; thus, no funds were released until the reported Cumulative Capital Investment are verified by the Locality and the Reported Qualified Employees were verified under the VJIP-based structure.