Doc Number: 0838143
02/12/2014 10:55 AM
OFFICIAL RECORDS
Requested By
DC/COUNTY MANAGER

DOUGLAS COUNTY RECORDERS
Karen Ellison - Recorder

Page: 1 Of 18 Fee: $ 0.00
Bk: 0214 Pg: 1930
Deputy: ar

Assessor's Parcel Number: N/A

Date: FEBRUARY 12, 2014

Recording Requested By:

Name: DEBBIE BEAM, COUNTY MANAGER'S OFC

Address:

City/State/Zip:

Real Property Transfer Tax: $ N/A

AGREEMENT #2014.032
(Title of Document)

This page added to provide additional information required by NRS 111.312 Sections 1-2. (Additional recording fee applies)
This cover page must be typed or legibly hand printed.

APPROVED JANUARY 6, 2014 ITEM #12
BOCC

AGREEMENT FOR ALLOCATION OF CATALYST FUNDS

A Contract Between the State of Nevada
Acting By and Through the

NEVADA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
808 W. Nye Lane
Carson City, NV 89703
Phone: 888-336-1600

And

DOUGLAS COUNTY, NEVADA
P.O. Box 218
Minden, NV 89423
Phone: 775-782-9821

FILED
NO. 2014 0322
2014 FEB 12 AM 9:06
TED THRAN
CLERK
BY [signature] DEPUTY

This Agreement, made on 1·06·2014 ("Execution Date") by and between the Nevada Governor's Office of Economic Development ("GOED"), and **Douglas County** ("Sponsoring Municipality") approved by the Board or the Executive Director of GOED as authorized by the board, as required pursuant to NRS 231.1571- NRS 231.1577, as meeting the criteria necessary to receive a distribution from the Nevada Catalyst Fund in the form of a grant or a loan (individually or collectively referred to herein as "Catalyst Fund Proceeds") outlined in NRS 231.1571 and NRS 231.1573.

BK : 0214
PG : 1931
2/12/2014

I. Approved Catalyst Fund Proceeds

1. At the Board meeting conducted **March 21, 2013** the Board approved the following Catalyst Fund grant for the above stated Sponsoring Municipality:

   $200,000 for allocation to Cristek Interconnects, Inc.

2. The proposed use of the Catalyst Fund proceeds, including expected plans, projects, or programs to be supported by the grant, and any anticipated short-term or long-term impacts from the use of grant funds, include as follows:

   Proceeds to be used in support of an expansion of operations into Douglas County as disclosed by the company in the attached "Attachment 1 – Cristek Northern Nevada Expansion Location White Paper."

0838143 Page: 2 of 18

II. Covenants, Warranties, and Representations of Regional Development Agency

1. The Sponsoring Municipality covenants, warrants, and represents that it has entered into or will enter into within thirty (30) days a separate written agreement with each business to which the Sponsoring Municipality will provide Catalyst Fund Proceeds granted pursuant to this request and this Agreement;

2. The Sponsoring Municipality covenants, warrants, and represents the agreement entered into between the Sponsoring Municipality and the business receiving Catalyst Fund Proceeds shall require each business entity receiving funds from the Sponsoring Municipality to return Catalyst Fund Proceeds to GOED if it is determined that the Catalyst Fund Proceeds are not then currently being, or have not been, used in accordance with either this Agreement between the Sponsoring Municipality and GOED, or the agreement between the Sponsoring Municipality and the business receiving Catalyst Fund Proceeds;

3. The Sponsoring Municipality covenants, warrants, and represents that pursuant to the agreement between the Sponsoring Municipality and each business that will receive Catalyst Fund Proceeds, each business receiving any Catalyst Fund Proceeds agrees to and consents to the public disclosure of: (i) the company name of any entity receiving Catalyst Fund Proceeds; (ii) the applicable ownership interests for the entity receiving Catalyst Fund Proceeds, including but not limited to; equity interests, partnership interests, membership interests, shareholder interests, and any other ownership interests and by whom held; (iii) the award amount requested, and (iv) agreed-upon performance requirements, including, but not limited to: (a) number of primary jobs created, (b) anticipated wage levels to be paid, (c) capital investment, and (d) other project specific performance requirements to be determined under paragraph (5) of this Section;

4. The Sponsoring Municipality covenants, warrants, and represents that pursuant to the agreement between the Sponsoring Municipality and each business that will receive Catalyst Fund Proceeds, each business receiving Catalyst Fund Proceeds agrees to disclose all details, not subject to privilege or confidentiality restrictions, regarding: (i) proposed plans; (ii) projects and programs for which the Catalyst Fund grant or loan will be used; and (iii) any other information relevant to the proposed project for which Catalyst Fund Proceeds;

5. The Executive Director of GOED may, from time to time and based on the specific request of each individual Catalyst Fund Proceeds applicant, request additional information that he or she deems necessary for approval or denial of the request, in his or her sole discretion.

III. Sponsoring Municipality Reporting Requirements

1. The overall grant period for this award is defined as: March 21, 2013 through 42 months following the Execution Date, with Award Periods as defined below.
    a. The award disbursement schedule is agreed upon as follows:

AWARD PERIOD	THROUGH DATE	AMOUNT	DISBURSEMENT CRITERIA
Period 1	The sooner of (a) 18 months following execution of this Agreement; OR (b) pursuant to the close of the fiscal quarter during which creation of the initial 25 primary jobs is completed.	Up to $80,000	$3,200 per primary job up to $80,000 disbursed following the sooner of either (a) the quarter in which the initial 25 jobs are created, or (b) 18 months following the effective date of this Agreement. The average wage for jobs created must meet or exceed the lesser of the average wage in the State or in the county in which operations are established. No funding will be disbursed if less than 15 primary jobs are created during the initial 18-month period of this Agreement.
Period 2	30 months following execution of this Agreement.	Up to $60,000	$1,500 per primary job, up to $60,000, disbursed after the end of 30 months following the effective date of this Agreement. The average wage for jobs created must meet or exceed the lesser of the average wage in the State or in the county in which operations are established. No funding will be disbursed if less than 25 primary jobs are created cumulatively by the end of the 30-month period.
Period 3	42 months following execution of this Agreement.	Up to $60,000	$1,200 per primary job, up to $60,000, disbursed after the end of 42 months following the effective date of this Agreement. The average wage for jobs created must meet or exceed the lesser of the average wage in the State or in the county in which operations are established. No funding will be disbursed if less than 40 primary jobs are created cumulatively by the end of the 42-month period.

2. After the grant of Catalyst Fund Proceeds to a Sponsoring Municipality, the Sponsoring Municipality, within thirty (30) days after the close of the Award Period during which Catalyst Fund Proceeds were approved for disbursement, shall provide to the Executive Director of GOED, an initial report on the project that includes ALL of the following information:

    a. A description of each activity undertaken with the Catalyst Fund Proceeds and the amount of Catalyst Fund Proceeds used for each activity;

    b. The return-on-investment on the Catalyst Fund Proceeds provided through the grant or loan expressed through performance measures including, but not limited to; (i) number of primary jobs created, (ii) anticipated wage levels to be paid, (iii) and (d) other project specific performance requirements to be determined under paragraph (d) of this Section.;

    c. A statement of the benefit to the public from the distribution of Catalyst Fund Proceeds, including documentation that supports the benefit; and

    d. Any additional documentation that the Executive Director of GOED deems appropriate to support the grant or loan application request.

3. The Sponsoring Municipality hereby agrees to a continued reporting requirement based on disbursement of Catalyst Fund Proceeds. The Sponsoring Municipality shall make annual reports to GOED within thirty (30) days after the close of the State of Nevada's fiscal year (June 30) after the filing of the initial report described in Section III(1)(a) above is delivered. Within these subsequent reports, the Sponsoring Municipality shall provide a report to GOED that includes the following information:

a. The number of primary jobs created as a result of each specific grant or loan made pursuant to the specific application for which this Agreement was entered into and Catalyst Fund Proceeds were disbursed;
    i. "Primary Job" as used herein shall have the definition set forth in NAC 360.474(3), defining "primary job" to mean "a position of employment offered by an applicant for a partial abatement, the compensation for which is obtained from revenue that is generated outside the economic region in which the business is located";

b. The wage levels of the primary jobs created as a result of each specific grant or loan made pursuant to the specific application for which this Agreement was entered into and Catalyst Fund Proceeds were disbursed; and

c. Confirmation that the minimum primary job target agreed to by and between the Sponsoring Municipality and the ultimate recipient of Catalyst Fund Proceeds has been reached in a given period.

4. The disbursement of Catalyst Fund Proceeds by GOED to the Sponsoring Municipality shall be made in defined installments only after an affirmative demonstration by the Sponsoring Municipality that:

    a. The agreement between the Sponsoring Municipality and the Catalyst Fund Proceeds recipient is not in default, breach, or otherwise non-complaint by either party;

    b. The Sponsoring Municipality has provided certification of such compliance of the underlying agreement between the Sponsoring Municipality and the Catalyst Fund Proceeds recipient through filing of a report in compliance with the requirements of Section III(2) hereof; and

    c. The Sponsoring Municipality confirms that it has no knowledge of then existing facts that would indicate the Catalyst Fund Proceeds recipient is in danger of being unable to satisfy the requirements contained in the agreement between the Sponsoring Municipality and the Catalyst Fund Proceeds recipient.

    d. Disbursements of an installment of Catalyst Fund Proceeds by GOED not made because of the Sponsoring Municipality's inability to satisfy the Requirements of III(3) of this Agreement revert back to the Catalyst Fund and GOED, and the Sponsoring Municipality shall have no right to funds properly withheld by GOED based on the Sponsoring Municipality's failure to satisfy the requirements of Section III(3) hereof.

IV. Reimbursement for Failure to Comply with Terms of Agreements

1. If GOED finds after a reasonable investigation that the Sponsoring Municipality has failed to use or misused the Catalyst Fund money in accordance with the terms of the Agreement between the Sponsoring Municipality and GOED, the Executive Director of GOED may immediately cease providing the Sponsoring Municipality with funds allocated from the Catalyst Fund, and the Executive Director of GOED may, in his or her sole discretion, determine that the Agreement is void. In such a case, the Sponsoring Municipality hereby agrees to repay to the Catalyst Fund the amount of the grant or loan provided in connection with the voided Agreement, plus interest at the statutory rate.

    a. Interest accrual shall begin on disbursed Catalyst Fund Proceeds on an Agreement between GOED and the Sponsoring Municipality once this Agreement is declared void and the Sponsoring Municipality has been provided an opportunity to cure after:
        i. GOED has provided notice of the intention to void the Agreement;

ii. The Sponsoring Municipality has been given thirty (30) days to cure the non-compliance; and
iii. The Sponsoring Municipality has not actually cured the non-compliance within thirty (30) days;

b. After this Agreement has become void, interest shall accrue as of the date of expiration of the thirty (30) days provided to the Sponsoring Municipality to cure.

2. Through this Agreement, the Sponsoring Municipality agrees, acknowledges, and consents to the requirements herein, and agrees, acknowledges, and consents to the authority of GOED to seek reimbursement or "claw back" funds distributed to the Sponsoring Municipality for the ultimate disbursement of Catalyst Fund Proceeds that are not used in accordance with the statutory requirements for Catalyst Fund Proceeds disbursement, or where the recipient fails to conform to the agreement between the Catalyst Fund Proceeds recipient and the Sponsoring Municipality, including failure to conform to the specific listed conditions set forth in Section III(1) above.

3. If the Sponsoring Municipality or GOED, after reasonable investigation, find that a business that received a grant or loan from the Sponsoring Municipality has failed to use or misused the Catalyst Fund money in accordance with the terms of the agreement between the Sponsoring Municipality and the business, the business shall repay to the Sponsoring Municipality the amount of the grant or loan that was received. The business shall, in addition to the amount of the grant or loan required to be repaid pursuant to this subsection, pay interest on the amount due at the rate most recently established pursuant to NRS 99.040 for each month, or portion thereof, from the last day of the month following the period of the grant or loan until the full repayment of the Catalyst Fund Proceeds provided by grant or loan. The Sponsoring Municipality must repay the Catalyst Fund within 30 days of receipt of repayment from the business. The Sponsoring Municipality will use its best efforts to secure repayment and interest from the business, and ensure reimbursement of those funds to the Catalyst Fund of the State of Nevada.

4. For purposes of this Section IV of the Agreement, "misused" shall mean any failure to specifically comply with the express terms of this Agreement, the agreement between the Sponsoring Municipality and the Catalyst Fund Proceeds recipient, or any specific provision of NRS 231.1571 to 231.1579.

V. Termination for Failure to Comply with Terms of Agreements

1. If GOED finds after a reasonable investigation that the Sponsoring Municipality has failed to use or misused the Catalyst Fund money in accordance with the terms of the Agreement between the Sponsoring Municipality and GOED, the Executive Director of GOED may immediately redirect the applicable and approved funds allocated from the Catalyst Fund, and the Executive Director of GOED may, in his or her sole discretion, determine that the Agreement is void, including but not limited to, the following circumstances, unless specifically agreed as otherwise:

   a. The Catalyst Funds recipient fails to meet the minimum standard (50% of target) for creation of primary jobs during each of the first two periods, as defined in this Agreement, following execution of its contract with the sponsoring Municipality; or

   b. The Catalyst Fund recipient fails to remain in good legal standing, as determined by the Executive Director under advisement of legal counsel or the Board of GOED, or the recipient admits to guilt and/or is otherwise found guilty of any crime or wrong-doing; or

i. Under this Section V.1.d., the Board of Directors of GOED also maintains the right to direct and demand repayment of all Catalyst Fund award payments disbursed to-date under this Agreement.

c. Other circumstances wherein the Executive Director makes the determination that it is in the best interest for the State of Nevada to unencumber the allocation of Catalyst Funds.

Representative of the Sponsoring Municipality	Title	Executive Director, GOED
Doug N. Johnson	Chair	Steve O'Hill
Address		Board Chairman, GOED (when applicable)
P.O. Box 218		N/A
City, State, Zip	Phone	
Minden, NV 89423	(775) 782-9821	ECONOMIC DEVELOPMENT
Signature	Date	808 West Nye Lane Carson City, NV 89703 888.336.1600
Doug N. Johnson	Jan. 6, 2014	

CRISTEK
INTERCONNECTS INC

Cristek Northern Nevada Expansion Location White Paper

Revision C
12 March 2013

Executive Summary:

The business climate and quality of life in California has motivated Anaheim, California based, Cristek Interconnects, Inc., a Sub S Corporation, founded in 1985, to conduct a feasibility study to expand its growing operations into Nevada or Arizona. Corporate headquarters along with a progressive amount of its manufacturing operations would be located into this lower cost expansion location, which will be referred to as "EXLOC".

Despite the economic benefit of completely relocating the business to a more business friendly environment, the values of the Cristek Executive Team preclude a decision to vacate California and leave 125 employees faced with the difficult choice of unemployment or leaving extended families. The organization would therefore maintain a large manufacturing presence in California (125 employees) and through attrition and continued expansion migrate jobs and revenue to the EXLOC over 3 years. Cristek also has a manufacturing facility - successfully self funded from scratch during the 2009/2010 recession - in Massachusetts. This facility will continue to grow incrementally to support local customers and specific technologies.

Cristek intends to locate it highest growth/highest value-add product lines in EXLOC to facilitate rapid employee and revenue growth in that location. Over the next 2-5 years this strategy should lead to an operational split of 50% EXLOC/30% CA/20%. During that same period, Cristek is expected to grow from 150 – 250 total employees with revenues nearly doubling to $30 million.

Despite economic and logistic advantages of an Arizona site selection, the company CEO has a strong personal desire to place EXLOC in Northern Nevada. Therefore, the purpose of this document is to provide a foundation to explore ways that Cristek and the State of Nevada can work together to create a model for this project that will enable each stakeholder to achieve their economic and strategic goals.

Cristek's Pedigree & Successful Track Record

Cristek refers the State to its website (www.cristek.com) for a detailed Pedigree overview and company background. A separate document has already been provided that contains relevant fiscal data. Key customer information and other references can be provided upon request; however, most relevant to the purpose of this document is Cristek's ability as a small business to execute on a major remote project such as the EXLOC.

During the height of the recession in 2010, Cristek, with no customer backlog, elected to stand up a new facility in Lowell, MA to win local customers and strengthen its ability to service two major, long time customers. The company remodeled a portion of a historic mill building (not used in over 50 years), invested over $1 million in capital investment and expenses and currently employs over 15 people from a high unemployment Enterprise and HUB Zone. The total build out of this project is slated for 40 jobs by the end of 2016 to support local customers and perform. The success of this project demonstrates the bandwidth of the company's management team to open an extremely remote location and make it viable in less than 3 years.

The current project under consideration is different in that it is an expansion project to support current and forecasted work that would otherwise be performed in Anaheim, CA. It is less risky because it is in closer proximity to Anaheim, the CEO intends to locate in Minden, a General Manager (with precisely the same experience in Arizona for a competitor) has been hired and some core employees will migrate to NV. Cristek is also significantly stronger financially than at the time the MA project was undertaken.

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The Opportunities & The Challenges:

Cristek, deriving 90%+ of its revenues from Tier 1 and Tier 2 Defense Manufacturers, is uniquely positioned to maintain 20-35% year over year growth for 2013 through 2015. As a Preferred and/or key supplier to several multi-year defense Programs concentrated with Foreign Military Sales and/or technologies that have highest priority with the DoD, the organization must ensure its capability to service customers with a reliable workforce, operating from an affordable and positive business climate.

Cristek maintains a loyal, long term and capable workforce in Southern California and the local labor pool is adequate to support projected growth; however, concerns about immediate cost impacts of Proposition 30 to a Subchapter S organization such as Cristek coupled with the risk of accelerated cost increases driven by the current/foreseeable business/political climate in the State have created compelling reasons to investigate an EXLOC strategy. Texas would be the most economically attractive solution; however, is logistically unfeasible. Therefore Arizona and Nevada are being considered. Initially, Clark County was part of a 3 location study but for various reasons, the options have been narrowed to include only the Greater Phoenix area and Douglas County/Carson City.

Ironically, Cristek's current and projected growth present both the largest opportunity and most significant challenges to the EXLOC Project. The growth of the company enables Cristek to place a significant amount of business within a new location while at the same time adhering to its core values by not eliminating jobs in California. The EXLOC must, however, be implemented while continuing to execute flawlessly during a period of 20-30% growth, creating a situation where personnel, infrastructure and cash resources will be diluted to support EXLOC at precisely the same time as they will be required for rapid growth.

The EXLOC Project is further challenged in the initial 12-18 months – in either location under consideration – with limited revenue ramp/negative cash flows. This is attributable to the requirement to become fully operational prior to applying for the required industry and customer surveys, audits and approvals to actual manufacture product at EXLOC. Essentially Cristek cannot produce products for most of its largest customers until it is fully operational and it cannot become fully operational without some critical mass of manufacturing activity. This obstacle has been successfully overcome during the Massachusetts start up but it does create a lag in income and job growth. The benefit of this barrier to entry in a new location is that once work has been placed at EXLOC it will be extremely difficult to move it. This creates long term, stability of employment and revenue.

The EXLOC Project value proposition analysis and ultimate operational structure must take all these various challenging circumstances into account. Therefore, to minimize risk to the core business and ensure ultimate success of the Project, the pace of the migration to EXLOC will therefore be less rapid than would otherwise be mutually desirable. The short term expense and the ultimate economic value proposition of the EXLOC is necessarily under even more scrutiny than under other circumstances (eg: Cristek's successful 2010 Massachusetts facility addition)

Study Results:

Studies to date indicate Arizona has a larger, more affordable workforce (and associated costs) and more manufacturing supply chain support than Northern Nevada. Labor costs in Northern Nevada are on par with what Cristek pays in Anaheim. Cristek operates its business in California at a 70% X-Mod for Workers Compensation so the approximate 30% base rate advantage in Nevada will be offset by a 100% rating for a a new business. The labor costs are not in and of themselves a problem; however, there is no immediate relief available in Nevada to offset the incremental increase to monthly expenses to operate an additional facility and duplicate several functions.

In preparing the economic analysis, this therefore leads Cristek to seek some offset through the only other major avenue available - income tax savings. Although this will be realized once enough nexus is created in Nevada, for the first 24 months these savings would be minimal. Here too, Arizona has an advantage in that Cristek currently derives nearly 20% of its income from its Arizona customer base, providing immediate 70% income tax relief for this portion of its income.

In summary, with the exception of the income tax climate in Nevada (which appears to be under significant debate), a straight cost and risk analysis places Northern Nevada at disadvantage when compared to Arizona. Although when income tax savings from Nevada are realized, the gap will narrow the it most prevalent during the initial set up phases I & II (12-18 months). In Nevada's favor is that the Founder/CEO's personal relocation to Minden/ Gardnerville, producing a strong personal preference to locate EXLOC in the same area.

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Operational Scope & Investment:

Mitigation of the aforementioned risks and costs of executing the EXLOC project during a period of rapid growth necessitates a phased approach to operational scope of the planned location. Initial expansion efforts are planned to include the relocation key executives & one major product line which is expected to enter a steep growth trajectory in the Fall of 2013. Two other product lines – both 2014 major growth lines will be facilitized during the building acquisition but not staffed until 2014. Relevant details follow:

- Facilities –

  Cristek's operating shareholders would *purchase* a suitable corporate facility immediately following a decision to proceed with the EXLOC Several properties have been identified in Douglas County and Carson City. They range in cost from $700K to $1.8 million with tenant improvement requirements from $250K to $500K. Cristek has spoken with its long term banking institution – City National Bank – and is approved to access either SBA 504 or conventional financing to acquire one of these facilities. The facility would be acquired through a limited partnership held by the 3 shareholders active in the day to day management of the business, all of whom would also be establishing Nevada residency (ie – *purchasing primary residences*).

- Equipment –

  Cristek has a Capital Equipment investment budget for the next 18 months of $1 - $1.5 million. 50 to 66% of this equipment would be deployed at EXLOC. In the event the implementation of machining at EXLOC is expedited the investment during this period could increase $250K to $500K.

- Staffing & Capability Phases –

  For Phase I Cristek will blend a core group of Anaheim employees with qualified Nevadans to ensure business continuity, instill customer confidence and guarantee success. More detail is available, however, due to time constraints, a notional summary of the capabilities and staffing is offered -

PHASE I – June 2013 through May 2014

Cristek's on site General Manager will work with the CEO and remote Anaheim Staff to implement a production CNC machine shop as soon as feasible. Once the balance of the tenant improvements are completed on the facility the company will transfer its MWV (microwave) product line to EXLOC. Several support (engineering, materials, quality, etc) functions specific to that product will be implemented. The CEO will split her time during Phase I between EXLOC and Anaheim. Although the two shareholder VP's will begin to establish residency near EXLOC, they will spend more time during Phase I in Anaheim. As customers are identified, a HAR (cable harness) capability – a capability that all 3 Cristek locations will have – will be developed. During this phase, the facility will be prepared to house production of the Condor Product which is presently under development in Anaheim. The nature of this product is confidential at this time but it is a multi-year contract for a product that is under high demand from DoD contractors and presently has only one domestic source.

Phase I Staffing Estimates

Function	Nevada	Out of State Transfer	Total Jobs Estimated	Average Wage Per Cat
Executive	0	3	3	$ 60.10
Machining	3	1	4	$ 22.14
Engineering	1	2	3	$ 38.46
Quality	1	0	1	$ 19.23
Materials	0	1	1	$ 21.63
Prod Super	0	1	1	$ 19.23
Assembly & Prod	9	2	11	$ 14.00
Admin	1	0	1	$ 24.04
TOTALS	15	10	25	$ 24.89

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PHASE II – June 2014 through May 2015

This phase will include further growth of MWV, a ramp of HAR and pre production work on Condor. More corporate functions – Accounting, Materials, Sales will be developed during this timeframe. Dependent upon the success to date of the Project and company needs it is possible that additional vertical manufacturing capability will be added during this phase.

Phase II Staffing Estimates

Function	Carry Forward from Phase I	Phase II Nevada	Phase II Out of State Transfer	Estimated Phase II Jobs Created	Cumulative Total Jobs Estimated	Average Wage Per Cat
Executive	3	1	1	2	5	$ 60.10
Machining	4	4	0	4	8	$ 21.94
Sales	0	2	0	2	2	$ 24.04
Engineering	3	2	0	2	5	$ 34.62
Quality	1	1	1	2	3	$ 24.84
Materials	1	1	0	1	2	$ 24.04
Prod Super	1	1	0	1	2	$ 24.04
Assembly & Prod	11	8	2	10	21	$ 14.50
Admin (inc Acct)	1	2	1	3	4	$ 27.64
TOTALS	25	24	10	35	52	$ 24.67

PHASE III – June 2015 through May 2016

This phase will complete nearly a full transition of corporate functions and will begin full rate production of all three competency areas.

Phase III Staffing Estimates

Function	Carry Forward from Phase II	Phase III Nevada	Phase III Out of State Transfer	Estimated Phase III Jobs Created	Cumulative Total Jobs Estimated	Average Wage Per Cat	Average Annual Wage Per Cat
Executive	5	0	0	0	5	$ 60.10	$125,008.00
Machining	8	12	0	12	20	$ 22.75	$47,320.00
Sales	2	2	0	2	4	$ 36.50	$75,920.00
Engineering	5	3	0	3	8	$ 37.50	$78,000.00
Quality	3	2	0	2	5	$ 26.50	$55,120.00
Materials	2	1	0	1	3	$ 36.50	$75,920.00
Prod Super	2	1	0	1	3	$ 30.00	$62,400.00
Assembly & Prod	21	15	0	15	36	$ 15.00	$31,200.00
Admin (inc Acct, HR)	4	1	0	1	5	$ 29.00	$60,320.00
TOTALS	52	37	0	37	89	$ 24.93	$51,848.09

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Relocation Packages -

Cristek's culture promotes family opportunities so the organization intends to assist any employee agreeing to relocate to realize the dream of owning their own home – something that would be difficult, if not impossible for some California employees. Cristek, therefore intends to offer $10,000. relocation package to those Phase I employees who will purchase a home in Douglas or Lyon County within 6 months of their transfer. All Phase I employees who rent will receive $5,000. relocation assistance. This program may continue into Phase II.

Revenue Projections :

See Attachment D

Conclusion :

Cristek wishes to become operational in its EXLOC by June 30, 2013 and provide clarity to its employees as soon as possible. It therefore needs conclude its study and decision making phase relative to Northern Nevada by the end of February. Despite the CEO's preferences and all the wonderful assets of the community, Cristek's study and analysis has not yet produced a compelling business case to proceed with a Northern Nevada EXLOC decision.

Prior to initiating in depth discussions with the alternative location, the organization requests the State of Nevada to consider how the long term Cristek commitment summarized in this document would contribute to the strategic and economic goals of Nevada in general and to Douglas County/Carson City/Dayton communities in particular. Cristek welcomes any proposals from Nevada and/or its designated agents that may assist its Executive Team to mitigate risk and offset costs, particularly over the next 12-18 months. Should such proposals sufficiently enhance the business case for Northern Nevada, Cristek will immediately conclude its study process and move straight to a commitment to Nevada and into its implementation phase of the EXLOC.

Further information and detail will be provided upon request via phone and email. If a personal meeting would be useful to our mutual goals, the three main principals of Cristek can be available in the early afternoon of February 20th.

Cristek thanks the State of Nevada for its kind consideration.

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Cristek intends to locate it highest growth/highest value-add product lines in EXLOC to facilitate rapid employee and revenue growth in that location. Over the next 2-5 years this strategy should lead to an operational split of 50% EXLOC/30% CA/20%. During that same period, Cristek is expected to grow from 150 – 250 total employees with revenues nearly doubling to $30 million.

Despite economic and logistic advantages of an Arizona site selection, the company CEO has a strong personal desire to place EXLOC in Northern Nevada. Therefore, the purpose of this document is to provide a foundation to explore ways that Cristek and the State of Nevada can work together to create a model for this project that will enable each stakeholder to achieve their economic and strategic goals.

Cristek's Pedigree & Successful Track Record

Cristek refers the State to its website (www.cristek.com) for a detailed Pedigree overview and company background. A separate document has already been provided that contains relevant fiscal data. Key customer information and other references can be provided upon request; however, most relevant to the purpose of this document is Cristek's ability as a small business to execute on a major remote project such as the EXLOC.

During the height of the recession in 2010, Cristek, with no customer backlog, elected to stand up a new facility in Lowell, MA to win local customers and strengthen its ability to service two major, long time customers. The company remodeled a portion of a historic mill building (not used in over 50 years), invested over $1 million in capital investment and expenses and currently employs over 15 people from a high unemployment Enterprise and HUB Zone. The total build out of this project is slated for 40 jobs by the end of 2016 to support local customers and perform. The success of this project demonstrates the bandwidth of the company's management team to open an extremely remote location and make it viable in less than 3 years.

The current project under consideration is different in that it is an expansion project to support current and forecasted work that would otherwise be performed in Anaheim, CA. It is less risky because it is in closer proximity to Anaheim, the CEO intends to locate in Minden, a General Manager (with precisely the same experience in Arizona for a competitor) has been hired and some core employees will migrate to NV. Cristek is also significantly stronger financially than at the time the MA project was undertaken

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The Opportunities & The Challenges:

Cristek, deriving 90%+ of its revenues from Tier 1 and Tier 2 Defense Manufacturers, is uniquely positioned to maintain 20-35% year over year growth for 2013 through 2015. As a Preferred and/or key supplier to several multi-year defense Programs concentrated with Foreign Military Sales and/or technologies that have highest priority with the DoD, the organization must ensure its capability to service customers with a reliable workforce, operating from an affordable and positive business climate.

Cristek maintains a loyal, long term and capable workforce in Southern California and the local labor pool is adequate to support projected growth; however, concerns about immediate cost impacts of Proposition 30 to a Subchapter S organization such as Cristek coupled with the risk of accelerated cost increases driven by the current/foreseeable business/political climate in the State have created compelling reasons to investigate an EXLOC strategy. Texas would be the most economically attractive solution; however, is logistically unfeasible. Therefore Arizona and Nevada are being considered. Initially, Clark County was part of a 3 location study but for various reasons, the options have been narrowed to include only the Greater Phoenix area and Douglas County/Carson City.

Ironically, Cristek's current and projected growth present both the largest opportunity and most significant challenges to the EXLOC Project. The growth of the company enables Cristek to place a significant amount of business within a new location while at the same time adhering to its core values by not eliminating jobs in California. The EXLOC must, however, be implemented while continuing to execute flawlessly during a period of 20-30% growth, creating a situation where personnel, infrastructure and cash resources will be diluted to support EXLOC at precisely the same time as they will be required for rapid growth.

The EXLOC Project is further challenged in the initial 12-18 months – in either location under consideration – with limited revenue ramp/negative cash flows. This is attributable to the requirement to become fully operational prior to applying for the required industry and customer surveys, audits and approvals to actual manufacture product at EXLOC. Essentially Cristek cannot produce products for most of its largest customers until it is fully operational and it cannot become fully operational without some critical mass of manufacturing activity. This obstacle has been successfully overcome during the Massachusetts start up but it does create a lag in income and job growth. The benefit of this barrier to entry in a new location is that once work has been placed at EXLOC it will be extremely difficult to move it. This creates long term, stability of employment and revenue.

The EXLOC Project value proposition analysis and ultimate operational structure must take all these various challenging circumstances into account. Therefore, to minimize risk to the core business and ensure ultimate success of the Project, the pace of the migration to EXLOC will therefore be less rapid than would otherwise be mutually desirable. The short term expense and the ultimate economic value proposition of the EXLOC is necessarily under even more scrutiny than under other circumstances (eg: Cristek's successful 2010 Massachusetts facility addition).

Study Results:

Studies to date indicate Arizona has a larger, more affordable workforce (and associated costs) and more manufacturing supply chain support than Northern Nevada. Labor costs in Northern Nevada are on par with what Cristek pays in Anaheim. Cristek operates its business in California at a 70% X-Mod for Workers Compensation so the approximate 30% base rate advantage in Nevada will be offset by a 100% rating for a a new business. The labor costs are not in and of themselves a problem; however, there is no immediate relief available in Nevada to offset the incremental increase to monthly expenses to operate an additional facility and duplicate several functions.

In preparing the economic analysis, this therefore leads Cristek to seek some offset through the only other major avenue available - income tax savings. Although this will be realized once enough nexus is created in Nevada, for the first 24 months these savings would be minimal. Here too, Arizona has an advantage in that Cristek currently derives nearly 20% of its income from its Arizona customer base, providing immediate 70% income tax relief for this portion of its income.

In summary, with the exception of the income tax climate in Nevada (which appears to be under significant debate), a straight cost and risk analysis places Northern Nevada at disadvantage when compared to Arizona. Although when income tax savings from Nevada are realized, the gap will narrow the it most prevalent during the initial set up phases I & II (12-18 months). In Nevada's favor is that the Founder/CEO's personal relocation to Minden/ Gardnerville, producing a strong personal preference to locate EXLOC in the same area.

Operational Scope & Investment:

Mitigation of the aforementioned risks and costs of executing the EXLOC project during a period of rapid growth necessitates a phased approach to operational scope of the planned location. Initial expansion efforts are planned to include the relocation key executives & one major product line which is expected to enter a steep growth trajectory in the Fall of 2013. Two other product lines – both 2014 major growth lines will be facilitized during the building acquisition but not staffed until 2014. Relevant details follow:

- Facilities –

  Cristek's operating shareholders would *purchase* a suitable corporate facility immediately following a decision to proceed with the EXLOC. Several properties have been identified in Douglas County and Carson City. They range in cost from $700K to $1.8 million with tenant improvement requirements from $250K to $500K. Cristek has spoken with its long term banking institution – City National Bank – and is approved to access either SBA 504 or conventional financing to acquire one of these facilities. The facility would be acquired through a limited partnership held by the 3 shareholders active in the day to day management of the business, all of whom would also be establishing Nevada residency (ie – *purchasing primary residences*).

- Equipment –

  Cristek has a Capital Equipment investment budget for the next 18 months of $1 - $1.5 million. 50 to 66% of this equipment would be deployed at EXLOC. In the event the implementation of machining at EXLOC is expedited the investment during this period could increase $250K to $500K.

- Staffing & Capability Phases –

  For Phase I Cristek will blend a core group of Anaheim employees with qualified Nevadans to ensure business continuity, instill customer confidence and guarantee success. More detail is available, however, due to time constraints, a notional summary of the capabilities and staffing is offered -

PHASE I – June 2013 through May 2014

Cristek's on site General Manager will work with the CEO and remote Anaheim Staff to implement a production CNC machine shop as soon as feasible. Once the balance of the tenant improvements are completed on the facility the company will transfer its MWV (microwave) product line to EXLOC. Several support (engineering, materials, quality, etc) functions specific to that product will be implemented. The CEO will split her time during Phase I between EXLOC and Anaheim. Although the two shareholder VP's will begin to establish residency near EXLOC, they will spend more time during Phase I in Anaheim. As customers are identified, a HAR (cable harness) capability – a capability that all 3 Cristek locations will have – will be developed. During this phase, the facility will be prepared to house production of the Condor Product which is presently under development in Anaheim. The nature of this product is confidential at this time but it is a multi-year contract for a product that is under high demand from DoD contractors and presently has only one domestic source.

Phase I Staffing Estimates

Function	Nevada	Out of State Transfer	Total Jobs Estimated	Average Wage Per Cat
Executive	0	3	3	$ 60.10
Machining	3	1	4	$ 22.14
Engineering	1	2	3	$ 38.46
Quality	1	0	1	$ 19.23
Materials	0	1	1	$ 21.63
Prod Super	0	1	1	$ 19.23
Assembly & Prod	9	2	11	$ 14.00
Admin	1	0	1	$ 24.04
TOTALS	15	10	25	$ 24.89

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PHASE II – June 2014 through May 2015

This phase will include further growth of MWV, a ramp of HAR and pre production work on Condor. More corporate functions – Accounting, Materials, Sales will be developed during this timeframe. Dependent upon the success to date of the Project and company needs it is possible that additional vertical manufacturing capability will be added during this phase.

Phase II Staffing Estimates

Function	Carry Forward from Phase I	Phase II Nevada	Phase II Out of State Transfer	Estimated Phase II Jobs Created	Cumulative Total Jobs Estimated	Average Wage Per Cat
Executive	3	1	1	2	5	$ 60.10
Machining	4	4	0	4	8	$ 21.94
Sales	0	2	0	2	2	$ 24.04
Engineering	3	2	0	2	5	$ 34.62
Quality	1	1	1	2	3	$ 24.84
Materials	1	1	0	1	2	$ 24.04
Prod Super	1	1	0	1	2	$ 24.04
Assembly & Prod	11	8	2	10	21	$ 14.50
Admin (inc Acct)	1	2	1	3	4	$ 27.64
TOTALS	25	24	10	35	52	$ 24.67

PHASE III – June 2015 through May 2016

This phase will complete nearly a full transition of corporate functions and will begin full rate production of all three competency areas.

Phase III Staffing Estimates

Function	Carry Forward from Phase II	Phase III Nevada	Phase III Out of State Transfer	Estimated Phase III Jobs Created	Cumulative Total Jobs Estimated	Average Wage Per Cat	Average Annual Wage Per Cat
Executive	5	0	0	0	5	$ 60.10	$125,008.00
Machining	8	12	0	12	20	$ 22.75	$47,320.00
Sales	2	2	0	2	4	$ 36.50	$75,920.00
Engineering	5	3	0	3	8	$ 37.50	$78,000.00
Quality	3	2	0	2	5	$ 26.50	$55,120.00
Materials	2	1	0	1	3	$ 36.50	$75,920.00
Prod Super	2	1	0	1	3	$ 30.00	$62,400.00
Assembly & Prod	21	15	0	15	36	$ 15.00	$31,200.00
Admin (inc Acct, HR)	4	1	0	1	5	$ 29.00	$60,320.00
TOTALS	52	37	0	37	89	$ 24.93	$51,848.09

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Relocation Packages -

Cristek's culture promotes family opportunities so the organization intends to assist any employee agreeing to relocate to realize the dream of owning their own home – something that would be difficult, if not impossible for some California employees. Cristek, therefore intends to offer $10,000. relocation package to those Phase I employees who will purchase a home in Douglas or Lyon County within 6 months of their transfer. All Phase I employees who rent will receive $5,000. relocation assistance. This program may continue into Phase II.

Revenue Projections :

See Attachment D

Conclusion :

Cristek wishes to become operational in its EXLOC by June 30, 2013 and provide clarity to its employees as soon as possible. It therefore needs conclude its study and decision making phase relative to Northern Nevada by the end of February. Despite the CEO's preferences and all the wonderful assets of the community, Cristek's study and analysis has not yet produced a compelling business case to proceed with a Northern Nevada EXLOC decision.

Prior to initiating in depth discussions with the alternative location, the organization requests the State of Nevada to consider how the long term Cristek commitment summarized in this document would contribute to the strategic and economic goals of Nevada in general and to Douglas County/Carson City/Dayton communities in particular. Cristek welcomes any proposals from Nevada and/or its designated agents that may assist its Executive Team to mitigate risk and offset costs, particularly over the next 12-18 months. Should such proposals sufficiently enhance the business case for Northern Nevada, Cristek will immediately conclude its study process and move straight to a commitment to Nevada and into its implementation phase of the EXLOC.

Further information and detail will be provided upon request via phone and email. If a personal meeting would be useful to our mutual goals, the three main principals of Cristek can be available in the early afternoon of February 20th.

Cristek thanks the State of Nevada for its kind consideration.

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Douglas County State of Nevada

CERTIFIED COPY

I certify that the document to which this certificate is attached is a full and correct copy of the original record on file in the Clerk-Treasurer's Office on this

12th day of Feb, 2014

By [signature] Deputy