

March 11, 2013

**VIA ELECTRONIC MAIL TO: gary.price@cpa.state.tx.us
AND FIRST CLASS MAIL**

Mr. Gary Price
Economic Development and Analysis
Comptroller of Public Accounts
of the State of Texas
P.O. Box 13528, Capitol Station
Austin, Texas 78711-3528

Re: Application No. 258 to the Red Oak Independent School District from Triumph
Aerostructures, LLC

Dear Mr. Price:

We are writing in response to the requests for additional information contained in the Completeness Letter dated December 20, 2012, and your e-mail of January 9, 2013. In this letter, we are also supplementing the Application to add a co-applicant.

Requests for Additional Information

You have requested additional information concerning the relocation of jobs, resources or assets to Red Oak from other Texas sites, and specifically:

- The other sites in Texas that are (or may be) involved, the taxable value of property at those sites, employees and contractors currently at those sites, plans for those facilities and workers, and timeline.
- Details regarding the final location of the transferred tangible personal property and the new tangible personal property listed in Schedule A to the application, i.e., how much of each of those classes of property is going to be in the non-qualified-property-existing building, and how much is going to be in the new, qualifying-property-building.

In response to your requests, attached are the following:

1. Attachment 1: A Project Narrative that provides additional information concerning the project, including matters relating to the potential relocation of the

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Applicant's largest manufacturing facility currently located at 9314 W. Jefferson Blvd., in the City of Dallas, Dallas County, Texas to the Red Oak Project.

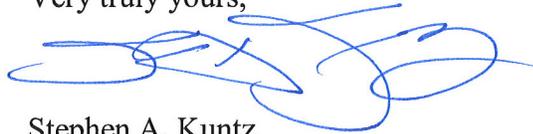
2. Attachment 2: A Description of Relocated Assets that provides details concerning the assets that under current projections, would be relocated from the 9314 W. Jefferson Blvd., Dallas, Texas location to the Red Oak Site.
3. Attachment 3: An Estimated Headcount to be Relocated to Red Oak Project Site that provides details concerning the current estimate of the number of employees, by classification, that would be relocated from the 9314 W. Jefferson Blvd., Dallas, Texas location to the Red Oak Site.

* * * * *

Please do not hesitate to call me at (713) 651-5241 if you have any questions or need any additional information.

Thank you for your consideration.

Very truly yours,



Stephen A. Kuntz

Attachments

cc: Mr. Kevin O'Hanlon
O'Hanlon, McCollom & Demerath
808 West Avenue
Austin, Texas 78701
(w/attachments)
Via Electronic Mail To: kohanlon@808west.com

TRIUMPH AEROSTRUCTURES, LLC PROJECT

Red Oak ISD No. 258

Attachment 1

Project Narrative

Description of the Project

The project includes the construction and acquisition of manufacturing facilities and the related infrastructure and tangible personal property (collectively, the "Project") for Triumph Aerostructures-Vought Aircraft Division, an aerospace and aircraft related manufacturing, research and development, engineering and administrative services company (the "Company"). It is anticipated that the new construction of improvements and the installation of the related infrastructure and new equipment and other tangible personal property for the manufacturing facilities for the Company will cost approximately \$102 million. The Project will be constructed on approximately 130 acres of land (the "Red Oak Project Site") located within the city limits of the City of Red Oak (the "City") located in Ellis County, Texas.

Triumph Aerostructures has six manufacturing locations in the U.S. The Company plans to relocate its largest manufacturing facility (generating approximately \$300 million in annual sales) currently located at the former Naval Weapons Industrial Reserve Plant, 9314 W. Jefferson Blvd., in the City of Dallas, Dallas County, Texas. The U.S. Navy completed the sale of the Jefferson Blvd. property to a private real estate development company on October 5, 2012. With the new ownership of the Jefferson Blvd. facilities, Triumph has made a determination that it can no longer sustain a viable operation at the Jefferson Blvd. facilities. This has led Triumph to launch a nationwide search for either a location to build a new facility or a location with existing facilities that would accommodate the Company's operations. Triumph has solicited and received numerous viable economic development proposals from States and communities outside of Texas.

An appraised value limitation agreement (Chapter 313) with Red Oak Independent School District is a critical part of a broader incentive package offered collectively by the City of Red Oak, Ellis County and Red Oak Independent School District and is a necessary element of that package in order to relocate these jobs in the State of Texas and to create new jobs in the State of Texas, as discussed below.

Upon completion of the Project, the Company estimates that approximately 800+ full-time jobs will be transferred to the Red Oak Project Site from the Jefferson Blvd. location, which will allow all of these jobs to be retained within the State of Texas. In addition, the Company will create approximately 35 new jobs associated with the Project. This is a significant influx of jobs into this community and is expected to bring significant economic growth into the City and Ellis County.

The Company has recently completed construction of a manufacturing building currently located at the Red Oak Project Site (the "Existing Building"). The Existing Building will be used for manufacturing a new commercial wing. The Existing Building is not included as a part of this Application. The new construction of additional facilities at the Red Oak Project Site (the "New Qualified Property Facilities") and the purchase of new tangible personal property (the "New Qualified TPP") is estimated to cost approximately \$102 million, which is in addition to the equipment and other tangible personal property (the "Relocated Non-Qualified TPP") to be moved from the Jefferson Blvd. location to the New Qualified Property Facilities. The New Qualified TPP will be located in both the New Qualified Property Facilities and the Existing Building, and the Relocated Non-Qualified TPP will be located in both the New Qualified Property Facilities and the Existing Building. The Company currently projects that a majority of both the New Qualified TPP and the Relocated Non-Qualified TPP will be located in the New Qualified Property Facilities.

In connection with the relocation, the balance of the equipment and other tangible personal property currently located at the Jefferson Blvd. site will be abandoned and sold or scrapped. When the relocation is completed, no further operations will be conducted by the Company at the Jefferson Blvd. location.

Construction of the New Qualified Property Facilities began in the 1st quarter of 2013 and is projected to be completed in the 1st quarter of 2014. The Relocated Non-Qualified TPP will be moved to the New Qualified Property Facilities as completion occurs. Similarly, jobs will be transferred to the Red Oak Project Site from the Jefferson Blvd. location as the New Qualified Property Facilities are completed and equipped and the Existing Building is equipped.

Company History

Triumph Aerostructures' heritage evolves from a world-class family tree: Grumman, Northrop, Stinson, Textron, Avco and Vought. The Vought name extends back to the military aircraft company founded by aviation pioneer, Chance Milton Vought. In 1917, with Birdseye B. Lewis, Vought organized the Lewis & Vought Corp. Among the more than 15,000 aircraft produced by Chance Vought's legacy companies, some notable models include the VE-7 Bluebird, the OS2U Kingfisher, the F4U Corsair, the F-8 Crusader, the A-7 Corsair II, and major portions of the B-1B and B-2 Bombers.

Triumph Aerostructures was formed in June 2010 when Triumph Group, Inc. (TGI) acquired Vought Aircraft Industries.

Description of the Company

Triumph Aerostructures-Vought Aircraft Division (Triumph Aerostructures), a subsidiary of Triumph Group Inc., is a leading global manufacturer of aerostructures for commercial, military and business jet aircraft generating approximately \$2 billion in sales annually. Products include fuselages, wings, empennages, nacelles and helicopter cabins. The Company's customer base consists of the world's

leading aerospace prime contractors, and more than 80 percent of its programs are sole-source, long-term contracts.

Triumph Aerostructures is positioned as a Tier I Integrator that designs, produces and delivers large-scale complex aero structures and offers a full range of design, testing, manufacturing and support capabilities. The Company excels in its role as a Tier I Integrator — filling the gap between prime contractors and traditional subcontractors by integrating the supply base and providing large, complex aerostructures on a turnkey basis. The Company's key capabilities include: Research and Development, Design and Tooling, Assembly and Integration, Testing, and Maintenance, Repair and Overhaul. These capabilities are best suited for the design and manufacture of wings, empennages, fuselage sections, control surfaces, nacelles and other structural components.

Planned Business Base at the Red Oak Project Site

The scope of work at the Red Oak Project Site will include both military and commercial programs. Current programs include:

- Major sections for the C-17 Globemaster III Cargo Aircraft, including the Tail section, nacelles and aerial refueling receptacle
- Wings for Global Hawk UAV
- Cabin structure for BLACK HAWK UH-60 variants;
- Empennage for the V-22 Osprey;
- Wings for Gulfstream G550 and G500 (operated under the designation C-37A by the U.S. Air Force); and
- Flight control surfaces for the C-5 Galaxy.

TRIUMPH AEROSTRUCTURES, LLC PROJECT

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Attachment 2

Description of Relocated Assets

The Applicant will relocate certain machinery, equipment and other tangible personal property from its facilities located at 9314 W. Jefferson Blvd., in the City of Dallas, Dallas County, Texas, to the new improvements at the Red Oak Site. The relocated items are not included in the project for purposes of this Application. For the tax year 2012, the relocated items are included in Dallas County Appraisal District Business Personal Property Account Number 99000000216760850, which also includes inventory, machinery, equipment and other tangible personal property that are not being relocated to the Red Oak Site. The total 2012 taxable value for the assets in Dallas County Appraisal District Business Personal Property Account Number 99000000216760850 was \$135,718,480.00, including \$70,000,000.00 of inventory.

Set forth below is a schedule that summarizes the taxable value of the manufacturing assets that are currently projected to be relocated to the Red Oak Site from the 9314 W. Jefferson Blvd., Dallas, Texas location:

<u>Description</u>	<u>2012 Taxable Value</u>
Computers	\$741,086.03
Forklifts	629,618.73
Furniture & Fixtures	487,003.04
Golf Carts	1,109.90
Machine Shop – Machinery & Equipment	9,856,405.05
Machinery & Equipment	2,068,188.44
Manufacturing Test Equipment	1,492,949.86
Office Equipment	410,391.61
Short Life – Machinery & Equipment	650,016.96
Total 2012 Taxable Value	<u>\$16,336,769.62</u>

The Applicant currently projects that a majority of the relocated assets will be located in the new improvements at the Red Oak Site.

The assets that are not being relocated to the Red Oak Site will be abandoned and sold or scrapped. When the relocation is completed, no further operations will be conducted by the Applicant at the 9314 W. Jefferson Blvd., Dallas, Texas location.

Please note the following with respect to the foregoing information:

1. The tax year 2012 is the latest tax year for which taxable value information is available, and accordingly, the information shown is for assets and taxable values as of January 1, 2012. Since that date, assets included in Dallas County Appraisal District Business Personal Property Account Number 99000000216760850 have been retired and disposed of, and new assets have been acquired.

2. The above schedule of values is Applicant's estimate of the 2012 taxable value in Dallas County Appraisal District Business Personal Property Account Number 99000000216760850 that is attributable to items that are projected to be relocated to the new improvements at the Red Oak Site. The Applicant is continuing to review the assets currently located at the 9314 W. Jefferson Blvd., Dallas, Texas location in order to make a final decision as to which tangible personal property will be relocated to the Red Oak Site. All tangible personal property not relocated to the Red Oak Site will be liquidated.

3. In order to ensure that no relocated property is incorrectly linked to the value limitation, the Applicant will track and identify the assets ultimately relocated to the Red Oak Site and will request that the Ellis County Appraisal District:
 - create new property account numbers for the property that is the subject of this Application in order to track the increased value attributable to the qualified property;

 - create a new property account number for the existing building (or add the existing building to an existing account number for the tract of land underlying the existing building) that is not included in the project for purposes of this Application in order to separately track the value attributable to the existing building; and

 - create a new property account number or numbers for the relocated property that is not included in the project for purposes of this Application in order to separately track the value attributable to the relocated property.

TRIUMPH AEROSTRUCTURES, LLC PROJECT

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Attachment 3

Estimated Headcount to be Relocated to Red Oak Project Site

Estimated Headcount to be Relocated to Red Oak Site		
	Headcount	Estimated Average Annual Salary & Wage per person
UAW - Hourly	519	\$ 72,833
Professional	119	\$ 64,177
Technical	123	\$ 84,722
Managerial	86	\$ 122,229
Total	847	\$ 78,358

These employees support the following current programs:

- C-17
- Gulfstream 550
- V22
- H60 - Black Hawk
- GF-135
- Global Hawk/ BAMS