

4 February 2025

Stavatti Statement on Tax Breaks

There have been a variety of misconceptions regarding Stavatti Aerospace and any tax relief that was received by the company as associated with its purchase of the 9400 Porter Road property in Niagara Falls, New York. This statement was prepared to provide a better understanding tax benefits and Stavatti's position regarding operations in New York State.

Stavatti entered into a PILOT program with the Niagara County Economic Development Agency (NCIDA) in 2021 shortly after acquiring our 9400 Porter Road Property. To participate in this program and receive the PILOT benefits, Stavatti paid more than \$287,000 to the NCIDA. In 2024, Stavatti was nearing the conclusion of its third year under this Payment in Lieu of Taxes (PILOT) program. On the counsel of the NCIDA, Stavatti chose to voluntarily terminate the agreement. This strategic move was intended to preserve the benefits related to sales and property taxes for a future period when Stavatti would begin making dramatic renovations and improvements to the 9400 Porter Road property. The NCIDA approved the termination as "without prejudice," allowing Stavatti the flexibility to reapply for a new PILOT agreement of up to three years at a later date. Consequently, Stavatti retains the opportunity to initiate a new project with the NCIDA in the future.

Stavatti is not currently receiving any tax relief in the State of New York, nor has Stavatti received any grants, loans or direct public funding from the State of New York, Niagara County or the Town of Niagara prior to or during our tenure at the 9400 Porter Road property.

Stavatti began a formal site selection process to identify a suitable site at which to establish an aircraft prototype development as and production center in December 2018. Circulating a comprehensive Request For Information (RFI) to airports and communities throughout the USA and Canada, Stavatti received over 40 responses from candidate locations. Respondents included multiple airports located in Alabama, Alaska, Arizona, British Columbia, California, Florida, Manitoba, Minnesota, Nevada, New York, North Carolina, North Dakota, Texas, Virginia, Washington, West Virginia and other many states.

On 18 March 2019 Stavatti received a "Proposal For Stavatti" as a formal response to our RFI from the Niagara Country Center for Economic Development. On page 3 of this 33 page response, the former US Army Reserve Center (USARC) located at 9400 Porter Road, Niagara Falls, NY 14304 was identified as the number one Phase I solution for Stavatti's site requirements being identified at the time as a 150,000 sq ft facility with a 65,000 sq ft aircraft hangar. The Wheatfield Business Park (Former Bell Aerospace Plant) was also identified as a Phase II site for Stavatti. A Detailed summary of the USARC facility was provided on page 4 of the response while the balance of the proposal sited the value of the Niagara Falls International Airport, the community, the region and the economic support and incentives that would be made available to Stavatti if we should choose to select Niagara County as our new corporate home.

Following an extensive evaluation and analysis of possible sites, it was determined that the 9400 Porter Road property, which then consisted of nine buildings totaling approximately 180,113 sq ft of combined hangar and office space situated on 19.52 acres of land with direct access to the Niagara Falls International Airport through adjacent tarmac and ramps, was an ideal solution for our Phase I requirements.

The facility itself is tremendously unique combining both a large 41,000 sq ft hangar with over 76,800 sq ft of attached office to its north and south sides. Known as building 4, it is one of the largest free-standing hangars in North America with a clear span in excess of 190 feet and hangar doors with a center height of 52 ft. With a heated hangar floor, a 5 ton loading crane, munitions vaults and machining centers, Building 4 provides Stavatti with numerous engineering and prototyping options. The facilities ceiling height and clear span hangar doors of over 150 ft will allow Building 4 to serve as a superior prototyping center for large Stavatti aircraft including the SM-100 transport and SM-920 commercial airliner, while also

enabling the facility to serve as a Low Rate Initial Production (LRIP) site for many new Stavatti aircraft.

What attracted Stavatti to Niagara Falls on a fundamental level was the facility itself. It is unique among hangar/office complexes on a global scale and was one of the only facilities of its type available for acquisition and ownership in 2019. Unlike many hangars at airports throughout the country, ownership of the land itself was part of the purchase price of the 9400 Porter Road facility. Most airports “own” the land that hangars stand upon. The airport leases the land to the hangar owner for a fixed period of time, and in so doing, generates revenue for the airport. In the case of the former USARC property, the land was included in the purchase of the facility, hence there is no land lease to the airport.

9400 Porter Road is not “airport owned property” but rather “private property” and this is in many ways to the great benefit of the owner of the facility and the land. While this is a very positive element, it also poses challenges as access to the ramps and associated tarmac connecting the hangar to the airport taxi and runways is defined by a negotiated “Through the Fence Agreement” between the owner of the property and the Niagara Frontier Transportation Authority (NFTA).

On 30 October 2020 Stavatti purchased 9400 Porter Road as an all cash property acquisition. The purchase included the property along with the option to purchase an additional parcel of improved real property of approximately 3.76 acres in area from the Town of Niagara at a purchase price of \$1 and an option period Expiration Date of 14 December 2024. This option to purchase was included as a continuation from the previous owner from whom Stavatti purchased the property, Niagara Falls Airport Center of Commerce LLC of West Seneca, New York.

Prior to acquiring 9400 Porter Road, Stavatti was introduced to Standard “As of right state tax exemptions” as outlined in the Proposal to Stavatti by the Niagara County Industrial Development Agency (NCIDA) dated 18 March 2019. These standard tax benefits available to all companies that locate in the Buffalo Niagara region in 2019 included no state corporate income tax for manufacturing companies, no inventory/real personal property tax and no sales tax on production or R&D equipment.

Incentives offered under the New York State Excelsior Jobs program that business can claim over a 10 year period as also introduced to Stavatti included:

- **The Excelsior Jobs Tax Credit:** A credit of 6.85 percent of wages per new job to cover a portion of the associated payroll cost.
- **The Excelsior Investment Tax Credit:** Valued at two percent of qualified investments.
- **The Excelsior Research and Development Tax Credit:** A credit of 50 percent of the Federal Research and Development credit up to three percent of research expenditures in New York State.
- **The Excelsior Real Property Tax Credit:** Available to firms locating in certain distressed areas and to firms in targeted industries that meet higher employment and investment threshold.

Offered on a regional level, Stavatti could receive a Property Tax Abatement in the form of a Payment in Lieu of Taxes (PILOT) as managed directly through the NCIDA. Stavatti could also receive a possible Sales Tax Abatement as well as a Mortgage Recording Tax Abatement.

Finally, there was a possibility of obtaining Low-Cost Hydropower from Niagara Falls and receive a power allocation award based upon job creation, capital investment, local economic development support and efforts to reduce energy costs.

Of all of the aforementioned programs, Stavatti entered into only a PILOT program with the NCIDA while also receiving a 2,700 kW allocation of Expansion Power for a 10 year term with the NY Power Authority.

Stavatti did not receive any Financial Assistance from National Fuel Gas or National Grid. Stavatti did not receive assistance from Empire State Development (ESD) or the Empire State Economic Development Fund Program. Stavatti did not receive assistance from NYSERDA or from NYS Brownfields as part of the Brownfield Cleanup Program. Stavatti did not receive any financial assistance from the Department of

Defense, the Department of Transportation, the Federal Aviation Administration or the National Aeronautics and Space Administration in our relocation to Niagara Falls, New York. Stavatti did not acquire 9400 Porter Road with the assistance of DARPA, the CIA or other intelligence community agencies.

In discussions regarding potential New York State incentives, including grants and loans, with Empire State Development (ESD) representatives that due to past experiences with other businesses who received State provided funding to establish business operations in New York, the State was not interested in extending assistance to Stavatti at the then stage of the project. One such past project that influenced that decision was the \$750 Million SolarCity solar panel factory. Stavatti was never part of the Buffalo Billion project nor did we receive any incentives from ESD.

Regarding the incentives that were received, Stavatti paid over \$287,000 to enter into the PILOT program with the NCIDA including NCIDA legal costs. The PILOT program, which provided a property tax abatement, required that Stavatti enter into a 40 page Leaseback Agreement with the NCIDA. This Leaseback structure and its associated terms, while familiar to parties within New York, proved challenging for potential Stavatti investors and lenders not familiar with New York practices to provide investment capital to remodel and improve the 9400 Porter Road property. Under the PILOT program it was perceived by lenders that Stavatti was not the owner of the 9400 Porter Road property with specific loan terms being subject to governance by the NCIDA, making the property less attractive to the investment community.

Ultimately it was realized that the sum total benefit of the PILOT program for Stavatti resulted in less than \$20,000 in overall tax savings while inhibiting our need to secure investment capital. The next tax benefit to Stavatti was actually a loss of approximately \$250,000. In essence Stavatti invested in New York while paying more to be in New York than many other states. Rather than continue to participate in the PILOT program which made it challenging for Stavatti to secure financing to conduct necessary upgrades and remodeling on the facility, Stavatti opted to terminate the PILOT program in April 2024. In short, Stavatti experienced a net loss of approximately one quarter of a million dollars through the PILOT program.

With respect to the 2,700 kW allocation of Expansion Power for a term of 10 years with the New York Power Authority, this was welcomed by Stavatti, however, in order to benefit from this Power Award Letter, Stavatti must first perform a dramatic replacement and upgrade of the private substation located at the 9400 Porter Road property at an estimated cost of over \$1 Million. This substation upgrade is one element of a substantial remodeling and revitalization effort planned for the entire 9400 Porter Road property with an estimated cost of \$8 Million over the next 24 months. As the substation upgrade is ongoing, Stavatti has yet to benefit from the New York Power Authority Power Award.

With the PILOT agreement terminated in 2024, Stavatti began working with non-New York lenders and investors who could navigate the value and opportunity associated with the 9400 Porter Road property without the encumbrances and complexities associated with the Leaseback Agreement.

Generally Speaking, Stavatti is not seeking "Tax Breaks." As a potential defense contractor to the United States Government, the focus of Stavatti is not reducing our tax burden but rather offering and delivering high performance, cost effective defense systems to the DoD. Traditionally the DoD has in many instances funded the complete development, production launch and procurement of new military aircraft. This was the case with aircraft such as the F-14, F-15, F-16, F-117, A-10, B-2, F-35 and B-21. In other cases the aircraft manufacture has paid for the development of a new military aircraft, in whole or in part, including such aircraft as the P-36, B-17, P-51, KC-135 and F-20.

While the Stavatti business model has focused upon the commercial, private sector development of new aircraft in a manner similar to the development approach used by Boeing in the engineering and prototyping of the B-17 and KC-135, in order for that model to be successful significant development capital must be provided by company shareholders, outside investors or lenders willing to participate in an aircraft development program. Unfortunately to develop a new aircraft, achieve FAA certification and/or military qualification and have it enter production it requires significant up-front capital (on the order of millions or billions of dollars) over a period of three to six years during which very little revenue is generated. Aircraft programs do not begin generating revenue and providing returns on investment until the aircraft enters production. Many investors and lenders do not wish to wait three to six years until they begin receiving a return on their investment or a repayment of principal. This is the uphill battle that Stavatti

confronts with or without government participation or support in our new aircraft development programs.

For Stavatti, tax breaks are not even necessary until an aircraft enters production and begins generating revenue. Once that does happen, the best “tax incentive” is simply establishing aircraft production in a state which does not have a corporate income tax. This is critical as Stavatti has a long term vision. Many Stavatti aircraft will remain in production for 20 or more years. Similar to the Lockheed C-130 and Cessna 172, Stavatti aircraft could theoretically remain in production for a period of more than 50 years. As such, focusing on a ten year tax break is not nearly as important as working with a municipality that has a long term vision and a desire to reduce corporate tax burdens over multiple decades, not just one.

It was not the promise of a tax break or a PILOT Program or reduced electricity costs that attracted Stavatti to 9400 Porter Road. It was the facility itself, the airport, the region and the people from which a skilled and capable work force many be drawn to achieve long term business success.

At time when the world was panicking and forcing many small businesses to close permanently, Stavatti was advancing. We did not stop our business because of “Covid.” Instead we invested into the purchase of a stunning aerospace property. Closed under BRAC, the property does need significant Tender Loving Care and Stavatti is committed to ensuring that the property is renovated and becomes a major center for the development and prototyping of next generation military and civil aircraft over generations to come.

Stavatti Aerospace Ltd. is an innovative aerospace defense enterprise focused on the design, development, and production of next generation aerospace vehicles. Stavatti Aerospace Ltd is an American owned corporation with a CAGE Code of 8GT89 and a UEI of GSJ9JXA9FEE4.

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