



“Why the Delta?”

Eight Solid Business Reasons to Expand Your Business into The Delta

with Information Sources

Eight Reasons to Expand into The Delta

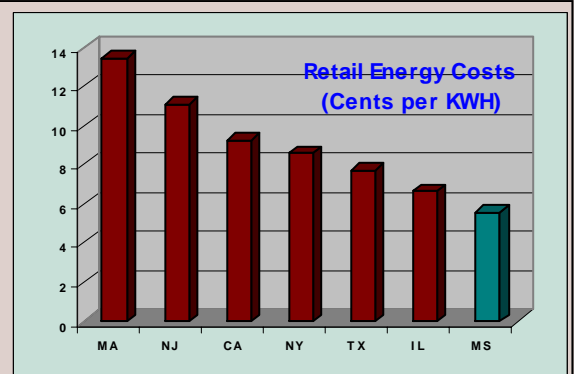
One. You can **save a lot of money on wages** in Mississippi. Our average weekly wages are **28% lower than the national average**, and considerably less expensive than other major states:

- ◆ 46% lower than New York
- ◆ 42% lower than Massachusetts
- ◆ 40% lower than New Jersey
- ◆ 36% lower than California
- ◆ 33% lower than Illinois
- ◆ 25% lower than Georgia
- ◆ 23% lower than Arizona
- ◆ 19% lower than Florida

A **28% reduction in payroll costs**—with the commensurate reduction in payroll taxes and wage-indexed benefits—would make a healthy contribution to anyone’s **earnings-per-share**. Do the math on *your* payroll expenses and see if you owe it to the stakeholders to consider the Delta for your next business expansion.

Data sources: “Table 6. Private industry by State, 2006 annual averages: Establishments, employment, and wages, change from 2005”, US Department of Labor, table stored at <http://www.bls.gov/cew/ew06table6.pdf>

Two. You can **save a lot of money on energy costs**. Our composite energy prices in Mississippi (across all industry sectors) for 2005 were **lower** than MA (by 18.4%), NY (by 16.4%), FL (by 11.6%), CA (by 9.0%), and NJ (by 2.3%) [*Note 1*]. And Distillate **Fuel** prices for our state—for the Transportation industry—were **3.4% lower** than the national average, and between 3.4% and 7% lower than the states of MA, AZ, CA, IL, and NY [*Note 2*]. In fact, **our retail energy costs trended downward by almost 10%** from Feb 2006 to Feb 2007 [*Note 3*, also applies to the chart on the right]. Check *your* energy costs—remembering that they are steadily going up in today’s world—and using some of these percentages, make a rough estimate of what they *could* have been had some of your operations been here. Then, *daydream* about the effect on your **Net Income line...**



Data sources:

Note 1: Energy Information Administration, “Table S1a. Energy Price Estimates by Source, 2005; All Sectors Average”, sourced at http://www.eia.doe.gov/emeu/states/sep_sum/html/pdf/sum_pr_tot.pdf

Note 2: Energy Information Administration, “Table F3b: Distillate Fuel Price and Expenditure Estimates by Sector, 2006”, sourced at http://www.eia.doe.gov/emeu/states/sep_fuel/html/pdf/fuel_pr_df.pdf

Note 3: DataCenterKnowledge, citing EIA numbers for Feb2006, sourced at http://www.datacenterknowledge.com/archives/2007/Aug/13/energy_prices_state_by_state.html



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Three. The Delta is **perfectly situated for distribution** of goods. It sits at the intersection of US highways 82, 61, and the Mississippi River, and within an eight-hour drive are the major markets and metros of New Orleans, Houston, Dallas/Fort Worth, Oklahoma City, Tulsa, Little Rock, St. Louis, Memphis, Nashville, Atlanta, and Mobile. Over **22,000 vehicles** enter Greenville *each day* from the East, many headed to the new Mississippi River Bridge [Note 1]. The Port of Greenville (a covered U.S. Port of Entry) on the Mississippi River is a major hub for petroleum products, building materials, chemicals, and agricultural goods, and can dock several hundred barges [Note 2]. The Delta Regional Airport, serviced by Northwest Airlines, is in the metro area, and accommodates jet cargo and passenger flights. The county and the port are served by the C&G Railroad system.

Data Sources:

Note 1: Mississippi Dept of Transportation, Office of Intermodal Planning,

sourced at http://www.gomdot.com/divisions/intermodalplanning/Resources/Maps/pdf/CountyAADT/2006/Washington_adt.pdf

Note 2: US Army Corps of Engineers, Navigation Data Center, Summarized Port Series Reports, Port Series No. 72,

sourced at <http://www.iwr.usace.army.mil/ndc/ports/pdf/ps/ps72.pdf>

Four. Many **investment incentives** exist. Many communities and areas have **tax credits that** can be earned by new business entrants. Some of these are for renovation/re-purposing of historic buildings—qualifying for **20% Federal tax credits and 25% State tax credits**— and some are double-digit **tax credits on employee wages** [Note 1]. These tax credits can be powerful tools for financial executives, and a simple glance at your past Funds Flow Statements would allow you to estimate what credits you might have earned by situating some of your PP&E (Property, Plant, and Equipment) in our area. And it is *always* good to lower the “T” in EBITDA *whenever* you can! In addition, there are a number of **economic development incentives**—federal, state, local, and even private-- for our area, addressing many expense categories: **labor**, fuel, technology, construction [Note 2]. All of these programs are designed to reduce entry cost barriers and **rapidly accelerate ROI** as you select the Delta as your next site for business expansion or relocation.

Data Sources:

Note 1: Federal tax credit information on historic districts (20%) available at <http://www.nps.gov/history/tax.htm>; MS state tax credits on these projects, from Mississippi Dept of Archives and History, are described at <http://mdah.state.ms.us/hpres/prestaxincent.php>;

Tax credits on employee wages derive from Empowerment Zone funding, described at

http://taxguide.completetax.com/text/Q16_3214.asp and in the specific government publication at

<http://www.ezec.gov/Pubs/taxincentives051701.pdf>

Note 2: Economic incentives can be found in numerous places, including the Mississippi Development Authority’s list at

<http://www.mississippi.org/content.aspx?url=/page/loangrantintro&>; and

<http://www.areadevelopment.com/stateresources/mississippi/msIncentives.shtml>;

Contact the Delta Economic Development Council for more information and sources.

Five. Availability of **Buildings and Labor force**. The economic downturn of the late 1990’s left a number of buildings under-used and a section of the actual workforce unproductive. This was a disappointment to the local economy but is a **significant opportunity for new business entrants**. With higher-than-normal unemployment (of previously-employed workers), an employer can maintain somewhat lower labor costs, enjoy reduced turnover, and have a larger pool of replacement/expansion resources. There are a number of buildings and properties in Delta communities which could be *quickly* re-purposed for manufacturing, distribution, industrial, commercial, and service industries—**allowing a faster ROI than starting from scratch**. It should also be remembered, with today’s emphasis on the environment, that the “most green building” is one that is *already built*.



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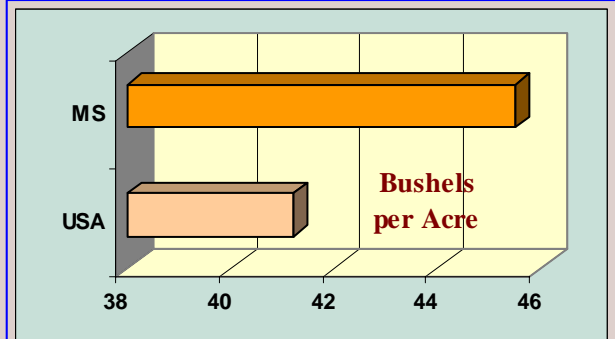
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Six. Strong Community and Government Support. Similarly, the aftermath of the pre-2000 decade created numerous government and community programs to support redevelopment of the area—and these can be **tapped into for your business goals**. State organizations such as the Mississippi Development Authority will be very interested in helping your business become profitable, stable, and growing as quickly as possible. Local community leadership—in all the Delta communities—will be supportive (and ‘flexible’!) during your implementation of a new plant, office, or facility. A particularly strong resource will be the **Delta Economic Development Center**, located in the heart of the Delta in Greenville, and led by CEO Ed Johnson. This group works closely with national, state, and city officials and development personnel to facilitate government assistance, business networking, and resource acquisition as needed.

“States in the South have been on the forefront of creating these [non-tax based incentive] programs; they have landed, and most likely will continue to land, the large scale industrial facilities. Along with these primary facilities, many Tier I and Tier II suppliers will follow suit and locate production facilities near assembly facilities” [PWC, 2008]

Data Source: The boxed quote is from a PriceWaterhouseCoopers LLP publication, “State and local tax trends affecting businesses in 2008: Looking back, looking ahead”, page 27.

Seven. Advantages for the Alternative Energy Industry. The rich Mississippi Delta is of special significance for the rapidly growing Alternative Energy industry sector. For example, **soybeans** are one of the primary sources of **biodiesel**, and the Delta produced **70%** of the soybeans grown on the state’s 1.46 million acres (2007 figures) [Note 1]. But more importantly—at least to those with financial responsibility in this industry(!)—is the fact that Delta acreage produced approximately **10% more yield per acre than the national average** (45.5 bushels versus 41.2 bushels) [Note 2, also applies to the chart to the right]. That’s a big number, and a significant incentive to place crop production here. Similarly, the Delta region has over 5 million acres of land suitable for biomass feedstocks such as sawgrass (SWG) and short rotation woody crops (SRWC), and its **yield/rent ratio for sawgrass is better** than AR and LA (21.4% higher and 26.7% higher, respectively) [Note 3]. Again, these numbers are big enough to have major impact on financial results and competitive flexibility. And, coupled with the strategic location and extensive **pipeline-fitted river Port**, early entrants will be able to accelerate investment returns and achieve superior market position.



Data sources:

Notes 1 and 2: Soybean Research page, at the website of the Delta Research & Extension Center, Mississippi State University, Sourced at <http://msucare.com/drec/soybeans/index.html>

Note 3: A National Assessment of Promising Areas for Switchgrass, Hybrid Poplar, or Willow Energy Crop Production, Sourced at <http://bioenergy.ornl.gov/reports/graham/delta.html>



THE DELTA ECONOMIC DEVELOPMENT CENTER

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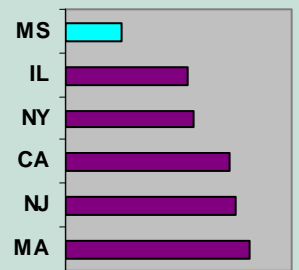
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Eight. “Do the math—It’s a P&L Thing...”

	Sample (USA, NY)		MS Delta	
Sales (in 000s)	200,000	100.0%	200,000	100.0%
Cost of Goods Sold	130,000		130,000	
Gross Margin	70,000	35.0%	70,000	35.0%
Selling, General, and Administrative Expenses:				
Salaries and Wages	22,000		15,840	28% Lower than National Average
Payroll taxes & wage-indexed benefits	3,300		2,376	
Rent	6,000		5,400	10-20% Lower than Major Metros
Light, heat, power	6,000		4,866	18.9% Lower than NY
Other Expenses	4,000		4,000	
State and Local Taxes/Fees	1,000		1,000	
Depreciation and Amortization	500		500	
Repairs	1,500		1,500	
Total SG&A	44,300	22.2%	35,482	17.7%
Profit from Operations	25,700	12.9%	34,518	17.3%
Earnings Before Interest and Taxes				
Interest Expense	1,000		1,000	
Income Taxes: US	10,280		13,807	
Income Taxes: State	1,928		1,726	
(less Tax Credits)	-		345	
Net Earnings	12,493	6.2%	17,640	8.8%

State Income Tax %



MS highest tax point is 5%.
Many tax credits in MS (only 1% of Earnings assumed here)

Data Sources:

1. State Tax figures from “Range of State Corporate Income Tax Rates (for tax year 2008)” by Federation of Tax Administrators, Sourced at: http://taxadmin.org/fta/rate/corp_inc.html
2. All lower State expenses were based against US national averages, except *Light, Heat, and Power* and *State Income Tax* (used NY for these 2 figures, since US averages were not available)
3. Obviously, many expense categories would be adjusted up/down in actual financial planning for such a move, but these mock-up numbers are significant enough to warrant the more detailed planning effort required to insure the best ROE for the owners or shareholders.