

MICHIGAN ECONOMIC GROWTH AUTHORITY BOARD
January 18, 2011

APPROVED MEETING MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) Board was held on Tuesday, January 18 2010 at the Michigan Economic Development Corporation, Lake Michigan Conference Room, 300 North Washington Square, Lansing, Michigan.

MEMBERS PRESENT: Susan Corbin (acting on behalf of Andrew Levin, authorization attached); Baldomero Garcia; Tim Herman; Andrew Dillon (Chairperson); Michael Finney (non-voting, ex officio member); Laura Mester (acting on behalf of John Nixon, authorization attached); Cullen DuBose; Douglas Buckler.

CALL TO ORDER: At 10:06 a.m. the meeting was called to order by Treasurer Dillon.

APPROVAL OF MINUTES: Treasurer Dillon asked for a motion to approve the December 15, 2010 meeting minutes. **Mr. Buckler motioned approval of the minutes. Mr. Herman seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent

PUBLIC COMMENT: Treasurer Dillon asked if there was any public comment. There was none.

PROPOSED HIGH-TECH MEGA CREDITS:

Resolution 2011-001: Changan US Research and Development Center, Inc.

Jeff Sand, MEDC Business Development Manager, provided background information and introduced the guest presenters; Jianjun Guo, Director and Treasurer; Jianmin Gu, Deputy General Manager; Pei Harrison, CPA and Partner, Mellen Smith & Pivoz PLC; and Jim Paquet, Development Officer, Wayne County EDGE.

Mr. Gu gave a history of Changan and spoke about how honored they were to have the opportunity to be there. He said Changan is 100% owned by Chongqing Changan Automobile Co., Ltd, which is owned by the central government of China. Changan has four major production bases across China, including 11 complete vehicle plants and 2 engine plants. It also has 6 production bases in Asia, America, Africa and Europe, and research and development facilities in China, Italy, the United Kingdom and Japan, partnering with Suzuki, Ford, Volvo, JMC and others. The proposed research facility will be the first presence of Changan in Michigan and the United States, where they will conduct testing, analysis, simulation and verification activities for the automotive industry. Jim Paquet declared Wayne County's support of the Project.

Joe Quick, MEDC Project Specialist provided additional information and recommendations.

Mr. Quick spoke about the company and its plans to invest approximately \$7 million and create 161 jobs over the next five years, with 30 engineer jobs projected in year one. The average weekly wage for the newly created jobs will be \$1,069.

Recommendation: MEDC Staff recommended approval of a 75% high-technology employment tax credit for seven years for up to 161 net new employees in excess of the company's established base of 0.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High Technology Credit and recommends approval. Karla Campbell, MEGA Board Secretary stated there was one contingency—the Charter Township of Plymouth approve a tax abatement for new property related to the project. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-001. Ms. Corbin seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-002: Crain Communications, Inc.

Camille Walker, MEDC Business Development Manager, provided background information and introduced the guest presenters; Bill Morrow, Executive Vice-President of Operations; Peter Grantz, Associate Counsel; Richard Barr, Partner at Honigman; and Kenyetta Bridges, Business Retention Manager at Detroit Economic Growth Corporation.

Mr. Morrow indicated that Crain has over 800 employees and is a vital news leader, owning more than 30 publications and related websites in North America and Europe. Crain has recognized the need to expand and has recently done so, including work with its publication, AutoWeek, which has 275,000 subscribers and hundreds of thousands of visitors. In Crain's decision to expand AutoWeek, it considered both Chicago and Detroit but is pleased to keep the expansion in Michigan. Ms. Bridges confirmed local support and the financial incentive of the application fee on behalf of the Detroit Economic Growth Corporation.

Greg West, MEDC Project Specialist, provided additional information and recommendations.

Mr. West spoke about the company's plans to invest approximately \$3.6 million and create 50 jobs over the next five years, with 25 jobs projected in year one. The average weekly wage for the newly created jobs is anticipated to be \$1,127.

Recommendation: MEDC Staff recommended a 75 percent high-technology high-wage employment tax credit for five years for up to 50 net new employees in excess of the company's established base of 252.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Tech High-Wage MEGA Credit and recommends approval. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Herman made a motion for approval of Resolution 2011-002. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-003: Macprofessionals, Inc.

David Kurtycz, MEDC Business Development Manager, provided background information and introduced the guest presenters; Lisa Glush, Owner/President; Ara Topouzian, Economic Development Director of the City of Novi; and Mark Adams, Oakland County, Senior Business Development Manager.

Ms. Glush spoke about Macprofessionals, Inc. having the largest staff of Apple-certified technicians in the United States and Canada. The company has identified an existing facility in the City of Novi with sufficient office and warehouse space to support their current operations and well as a planned expansion. Mr. Topousizan thanked those present for the opportunity to be involved in the project. Mr. Adams spoke about the MI New Jobs Credit and said he was looking forward to working with the new administration.

Stacey Bowerman, MEDC Portfolio and Packaging Analyst, provided additional information and recommendations.

Ms. Bowerman said the company plans to invest approximately \$2.2 million and create up to 119 jobs over the next five years as a result of the project, with an average weekly wage for the newly created jobs anticipated to be \$676. In addition, total state government revenues through the year 2015, net of MEGA costs, would be increased by \$2 million (current dollars) due to the presence of this facility.

Recommendation: MEDC Staff recommended a 100 percent high-technology employment tax credit for five years for up to 119 net new employees in excess of the company's established base of 61.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Tech MEGA Credit and recommends approval. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler**

made a motion for approval of Resolution 2011-003. Mr. Garcia seconded the motion. The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED RETENTION MEGA CREDITS:

Resolution 2011-004: Chemetall US, Inc.

Aaron Young, MEDC Business Development Manager, provided background information and introduced the guest presenters; Dr. Ron Felber, President and CEO; Barry Martin, Vice President, Manufacturing; Scott Fleming, CEO, The Enterprise Group of Jackson; Dan Hawkins, Township Supervisor, Blackman Township.

Dr. Felber spoke about Chemetall US, Inc.'s wide product range developing, manufacturing and supplying state-of-the-art specialty chemicals. Dr. Felber said that Chemetall needed to expand and had looked into expansion options in Indiana, Kentucky and North Carolina. Mr. Fleming said he was pleased and honored to be a part of the project. Mr. Hawkins said Blackman Township fully supported the expansion through PA 198. Mr. Young acknowledged the presence of Amy Torres and Bettie Brockie.

Stacy Bowerman provided additional information and recommendations.

Ms. Bowerman spoke about the company's plan to invest \$20.7 million for the construction of this facility and retain 74 jobs over the next five years a result of this consolidation. The average weekly wage for the retained jobs will be \$708.

Recommendation: MEDC Staff recommended approval of up to a 100 percent retention employment tax credit for five years for the 74 retained employees at the Blackman Charter Township facility, provided that the company maintains at least 74 employees in Michigan.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Retention Employment MEGA Credit and recommends approval. Ms. Campbell pointed out that there was one contingency—that Blackman Township approve a tax abatement. **Mr. Herman made a motion for approval of Resolution 2011-004. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-005: Macomb Pipe & Supply Co., Inc. d/b/a The Macomb Group

Larry Gormezano, MEDC Manager of Retention and Growth, provided background information and introduced the guest presenters; Bill McGivern, President; and David Margolis.

Mr. Margolis spoke about Macomb Group, a wholesale distributor of pipes, valves and fittings (PVF) with multiple locations in Michigan, Ohio and Tennessee. A premiere top 20, the Macomb Group services a diverse mix of end markets including automotive, food and beverage, schools and universities, general manufacturing, hospitals, power plans and pharmaceuticals. The company recently expanded their capabilities within the PVCF market to include fabrication and light manufacturing, as well as offering a MERIT program (energy assessment audit service). Mr. McGivern thanked the MEDC for the opportunity. The representative from Sterling Heights said that the Macomb Group is committed to the community and the community is considering a PA 198 tax abatement and has a 100% history approval. The Brownfield was approved by 3/1 fast track.

Marcia Gebarowski, MEDC Project Specialist, provided additional information and recommendations.

Ms. Gebarowski said the Macomb Group plans to retain 107 jobs and the average weekly wage for the retained jobs will be \$1,088. The company is consolidating its headquarters and two Metro-Detroit locations into a single facility in the City of Sterling Heights smart zone.

Recommendation: MEDC Staff recommended a 60 percent retention employment tax credit for 6 years for the 107 retained employees at the Sterling Heights facility provided that the company maintains a statewide employment threshold of at least 155. Failure to do so will result in the forfeiture of the tax credit for that tax year.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Retention MEGA Credit and recommends approval. Ms. Campbell pointed out that there was one contingency—Sterling Height’s approval of a tax abatement for new property related to the project. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-005. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED RURAL MEGA CREDITS:

Resolution 2011-006: Avon Protection Systems, Inc.

Lydia Murray, MEDC Business Development Manager provided background information and introduced the guest presenters: Michael Hamner, Vice President; Jackson Hamner; and Marcus Peccia, City Manager, City of Cadillac.

Mr. Hamner provided an overview of the company regarding Avon’s production of gas masks as a wholly-owned subsidiary of Avon Rubber, PLC. They provide gas masks for the Department of Defense as well as commercially for civilian SWAT teams and municipalities. Mr. Peccia emphasized Avon’s importance to the economic health of Cadillac. He said that the city is considering PA 198 and has a history of approving. He extended and pledged his support to Avon.

Stacy Bowerman provided additional information and recommendations.

Ms. Bowerman spoke about the company’s plan to invest approximately \$600,000 and create up to 143 jobs over the next five years, the average weekly wage for which is anticipated to be \$440.

Recommendation: MEDC Staff recommended a 75 percent rural employment tax credit for six years for up to 143 net new employees in excess of the company’s established base of 276.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Rural MEGA Credit and recommends approval. Ms. Campbell pointed out that there was one contingency—approval of a tax abatement for new property related to the project. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-006. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-007: Middleby Marshall Holding LLC d/b/a NU-VU Food Service Systems

Toni Brownfield, MEDC Business Development Manager, provided background information and introduced the guest presenters; Nancy Douglas, Menominee Economic Development Corporation; Gary Hahn, Vice President and General Manager; and Trudie Genhart, Controller.

Mr. Hahn informed the Board that NU-VU is a manufacturer of commercial foodservice equipment, including the ovens for Subway. As of 2005, NU-VU is a subsidiary of The Middleby Corporation (Middleby), which is publicly traded under MIDD. Middleby has 27 different product lines and \$700 million in sales. Doyon was purchased by Middleby in December 2009, and Middleby is relocating the manufacturing of the Doyon product line from Canada to the City of Menominee, in Menominee County. Ms. Douglas said that there is local commitment to the project and that Middleby has proven to be a good corporate citizen. The city has already approved a PA 328 tax abatement.

Robert Wilson, MEDC Project Specialist, provided additional information and recommendations.

Mr. Wilson spoke about the company’s plan to invest approximately \$950,000 and create 40 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$435.

Recommendation: MEDC Staff recommended a 75 percent rural employment tax credit for 3 years for up to 40 net new employees in excess of the company’s established base of 52.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Rural MEGA Credit and recommends approval. Ms. Campbell pointed out that there was one contingency—a tax abatement under PA 328 which was already approved. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. DuBose made a motion for approval of Resolution 2011-007. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED STANDARD MEGA CREDITS:

Resolution 2011-008: Martinrea Jonesville, LLC

Tom Tarleton, MEDC Business Development Manager, provided background information and introduced the guest presenters; Pete Bernology, General Manager; Bob Snow, President of Jonesville Village; and Kenyetta Bridges, Business Retention Manager at Detroit Economic Growth Corporation.

Mr. Bernology mentioned that Martinrea was last in front of the MEGA board in 2006 and has met all of the requirements in the past. He said that the company is a Tier I automotive supplier that manufactures underbody components and is based in Toronto. They are expanding to open capacity in Michigan and appreciate the past credit they were given. Mr. Snow said that the investment in Jonesville has full support of the community. Ms. Bridges said the City of Detroit values Martinrea as a good portion of its employees are Detroit residents. Mr. Smith recognized two Martinrea HR managers who were there to show support for the project.

Greg West provided additional information and recommendations.

Mr. West spoke about the company's plan to invest approximately \$15.9 million and create 168 jobs over the next five years, the average weekly wage anticipated at \$623.

Mr. Tarleton mentioned that Pete Bernology's assistant, Lindsey Mitzer, had been a big help on the project.

Recommendation: MEDC Staff recommended a 75 percent standard employment tax credit for five years for up to 168 net new employees in excess of the company's established base of 1,026, subject to the company maintaining a minimum of 170 full-time employees as its Martinrea Fabco Hot Stampings facility located at 19200 Glendale Avenue, Detroit, Michigan 48233. Failure to do so would make the applicant ineligible to collect the MEGA tax credit for that year.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Treasurer Dillon asked for clarification on the relationship between Jonesville and Detroit facilities. Treasurer Dillon asked if there were any additional questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-008. Ms. Mester seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED STANDARD AND RETENTION MEGA CREDITS:

Resolution 2011-009: MTU Detroit Diesel, Inc.

Christine Roeder, MEDC Business Development Manager, provided background information for the project and introduced the participants: Michael Hamner, Vice President; Richard Barr, Honigman Miller; Jeff Bryant, Wayne County; Joe Santo, Brownstown Economic Development Manager; and Unka Lorisay, executive with MTU Detroit Diesel, Inc.

Ms. Lorisay said that MTU Detroit Diesel, Inc. manufactures sells and services diesel engines and propulsion systems for off-highway applications like shipping, rail and defense vehicles. They are expanding their training facility in Michigan. This is a multi-facility project. Mr. Santo gave his support on behalf of Brownstown. Mr. Bryant said Wayne County was excited that three communities have pledged full commitment to PA 198.

Phil Santer, MEDC Project Specialist, provided additional information and recommendations.

Mr. Santer provided information that the company plans to invest \$32 million, retain 245 jobs, create up to 115 new jobs, all over the next five years. The average weekly wage for the

retained jobs is anticipated to be \$1,104, while the average weekly wage for the newly created jobs is anticipated to be \$659.

Recommendation: MEDC Staff recommended approval of a 100 percent standard employment tax credit for eight years for up to 115 new employees, above their base of 257, provided that the company creates and maintains at least 80 Qualified New Jobs in years six, seven or eight of the credit, otherwise that credit year, and any remaining credit years, will be forfeited. In addition, staff recommends approval of up to 100 percent retention employment tax credit for eight years for the 245 retained employees in Michigan, provided that the company maintains at least 200 employees in the state of Michigan, failure to do so would make the company ineligible to take advantage of the credit in that year; and the company makes an initial capital investment of at least \$7.8 million to activate the credit.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and the Retention MEGA Credit and recommends approval. Ms. Campbell pointed out that the only contingency was that the Charter Township of Brownstown approves a tax abatement under PA 328. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Herman made a motion for approval of Resolution 2011-009. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

PROPOSED MEGA CREDIT AMENDMENTS:

Resolution 2011-010: Delphi Automotive Systems, LLC

Jonathan Younkman, Team Leader, MEGA Program Administration, provided information. Mr. Younkman said Delphi was awarded a Retention MEGA on March 13, 2007 for more than 1,117 retained jobs, with a minimum employment threshold of 750 retained jobs, all of which would be located at the Auburn Hills facility, the initial year at 100% credit and the remaining years at 35%. Delphi recently emerged from an extended bankruptcy, which led to significant downsizing. As of October 19, 2010, the company had slightly fewer than 1,400 employees statewide and is seeking to retain their corporate headquarters in Troy. Modifying this MEGA will help to accomplish the goal of retaining Delphi's corporate headquarters in the state by including the Troy and Auburn Hills locations.

Recommendation: MEDC staff recommended expanding the Project Description to include the Troy facility as well as the Auburn Hills facility; reducing the minimum employment threshold from 750 to 500 retained jobs; extending the Anniversary Date to December 31, 2010; reducing the Recovery of Credit provision from a threshold of 500 to 375 retained jobs; reducing the total years of the credit from seven to five years giving the credit an end date of December 31, 2014. The Staff also recommended that the credit be assigned to the new post-bankruptcy entity and that all changes be made effective October 6, 2009. All remaining aspects and conditions of the credit shall remain unchanged.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA Retention Amendment and recommends approval. Ms. Campbell pointed out that there were no contingencies. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2011-010. Mr. Garcia seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-011: EcoMotors International, Inc.

Jonathan Younkman, Team Leader provided information. Mr. Younkman said a 100 percent High Tech MEGA Credit was awarded to EcoMotors International, Inc. on May 20, 2008. EcoMotors recently developed a strong working relationship with Roush Industries in the R&D and prototyping of their OPOC engine. Roush has allowed EcoMotors staff to use space and instruments at their facility in Allen Park. EcoMotors would prefer to locate their R&D facility in

Allen Park to be close to Roush and other companies with whom they do business. They plan to relocate the EcoMotors Mekatronik activity from Goleta, California to the Allen Park facility, resulting in up to 20 additional high paying technical jobs not included in the 2008 MEGA. The City of Troy submitted a letter to the MEDC stating that EcoMotors International had not received any financial incentive specific to the P.A. 198 tax abatement that was approved. The City of Allen Park also stated they will support EcoMotors International with occupancy and inspection fee waivers, as well as consideration for a P.A. 198 tax abatement.

Recommendation: MEDC Staff recommended that Resolution 2008-037 be amended to change the project description from the City of Troy, Oakland County to the City of Allen Park, Wayne County. The MEDC Staff further recommended the tenth credit year be deducted from EcoMotors original 2008 credit. This will result in the Company receiving nine years of benefit. Staff also recommends that Resolution 2008-037 be amended to correct the first tax year the Company is to claim their credit from December 31, 2009 to December 31, 2010. All other terms and conditions of the credit remain unchanged.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA Credit Amendment and recommends approval. Ms. Campbell pointed out that the only contingency is that the City of Allen Park approves the tax abatement. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-011. Ms. Corbin seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

Resolution 2011-012: Xoran Technologies, Inc.

Jonathan Younkman provided information.

Mr. Younkman said in 2007 the FDA audited Xoran and recommended specific actions that needed to be taken which effectively required the company to locate a new facility. The MEGA Board authorized the Company to transfer its project location from the City of Ann Arbor to Pittsfield Charter Township. An Amendment to the Agreement was not executed.

Recommendation: MEDC Staff recommends that the project location be amended retroactively from December 15, 2008, to Pittsfield Charter Township, Washentaw County. All other aspects of the original Mega remain as is and execute the amended agreement within 30 days.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA Credit Amendment and recommends approval. Ms. Campbell pointed out that there are no contingencies. Treasurer Dillon asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2011-012. Mr. DuBose seconded the motion.** The motion carried unanimously – 7 ayes; 0 nays; 0 recused; 0 absent.

QUARTERLY REPORT OF ADMINISTRATIVE AMENDMENTS: Ms. Campbell reviewed the quarterly report of administrative amendments with the Board.

ADJOURNMENT: The meeting was adjourned by Treasurer Dillon at 11:15 a.m.