

MICHIGAN ECONOMIC GROWTH AUTHORITY BOARD
May 18, 2010

ADOPTED MEETING MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) Board was held on Tuesday, May 18, 2010 at the Michigan Economic Development Corporation (MEDC) building, Lake Michigan Room, 300 N. Washington Sq., Lansing, Michigan.

MEMBERS PRESENT: Douglas Buckler; Susan Corbin (acting on behalf of Stanley “Skip” Pruss, authorization attached); Baldomero Garcia; Robert Kleine; Greg Main; Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

MEMBERS ABSENT: Cullen DuBose; Tim Herman

CALL TO ORDER: Mr. Main called the meeting to order at 10:02 a.m.

APPROVAL OF MINUTES: Mr. Main asked for a motion to approve the April 20, 2010 meeting minutes. **Mr. Buckler motioned approval of the minutes. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent

PUBLIC COMMENT: There was no public comment.

PROPOSED BROWNFIELD WORK PLAN APPROVALS:

Resolution 2010-064: City of Flint – IRS Building, 901-915 North Saginaw St. Project

Eric Helzer, MEDC Program Analyst, provided background information for the action and introduced guest presenters: Terri Huebner, ELBA Road Development, LLC; and Anne Jamieson-Urena, Consultant, AKT Peerless Environmental & Energy.

Ms. Huebner indicated that the building had been purchased from the previous owner due to the current economic conditions and the inability to raise capital, and that the building would be LEED “silver” certified. Ms. Jamieson-Urena indicated that this project is important will add jobs to Flint.

Karla Campbell, MEDC MEGA Program Manager provided additional information and recommendations.

Ms. Campbell indicated that the company would invest approximately \$2.5 million as a result of this project and create 15 new jobs.

Recommendation: MEDC Staff recommends approval of local and school tax capture for the eligible activities totaling \$227,786. Utilizing the school to local tax capture ratio, the amount of school tax capture for this project is estimated at \$94,281.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Ms. Shinn made a motion for approval of Resolution 2010-064. Ms. Corbin seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

PROPOSED HIGH-TECH MEGA CREDITS:

Resolution 2010-065: Proto Manufacturing, Inc. (Proto)

Aaron Young, MEDC Business Development Manager, provided background information for the action and introduced guest presenters; Daniel Gorzen, VP, Proto; Kurt Brauer, Consultant, Warner Norcross & Judd, LLP; Michael O'Malley, Marketing & Economic Development, City of Taylor; and Jim Paquet, Wayne County.

Mr. Gorzen indicated that Proto measures and maps residual stresses through x-ray technology, and currently is the only North American company in this niche market. Mr. Gorzen indicated that this is a huge opportunity for Proto to capture the US market in x-ray diffraction

technology systems. Mr. O'Malley indicated that this project will kick start the employment in the area and that the community is supporting a PA328 for the project. Mr. Paquet indicated that these are exactly the type of jobs that Wayne County is looking for, and that the county is very supportive of this project.

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

Ms. Gebarowski indicated that the company would create 46 jobs with an investment of \$5.25 million as a result of this project.

Recommendation: MEDC Staff recommends a 100 percent high-technology employment tax credit for seven years for up to 46 net new employees in excess of the company's established base of 4. If the company fails to create and maintain at least 46 net new employees and make a capital investment of at least \$4.0 million by the end of the fifth credit year the remaining credit years will be forfeited.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Technology MEGA Credit and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2010-065. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-066: TK Holdings, Inc. (TK)

Clarinda Barnett-Harrison, MEDC Business Development Manager, provided background information for the action and introduced guest presenters: Christine Quast, Group Financial Controller, TK; Chuck Holmes, Senior Business Development Manager, Oakland County; and Laurie Johnson, Economic Development Manager, City of Auburn Hills.

Ms. Quast indicated that TK is part of Takata Corporation and focuses on automotive safety systems. Ms. Quast indicated that this project will help TK purchase a new "sled" for safety testing that will save significant time and money. Mr. Holmes indicated that the community is very supportive of this project, and that the R&D and testing is very important for the area. Ms. Johnson indicated that the community is supporting a PA198 for this project.

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

Mr. Santer indicated that the company would create 40 jobs with an investment of \$14.6 million as a result of this project.

Recommendation: MEDC Staff recommends a 100 percent high-technology employment tax credit for eight years for up to 40 net new employees in excess of the company's established base of 537. If the company fails to create and maintain at least 40 net new employees and invest at least \$14.6 million in capital investment by the end of the fifth credit year, the remaining credit years will be forfeited.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed High-Technology MEGA Credit and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2010-066. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

PROPOSED STANDARD MEGA CREDITS:

Resolution 2010-067: ConAgra Foods Packaged Foods, LLC (ConAgra)

Susan Novakoski, MEDC Business Development Manager, provided background information for the action and introduced guest presenters: Tom Olive, President of Supply Chain Snacks, ConAgra; George Bosnjak, The Right Place; and Bob Coughlin, Kentwood City Commissioner.

Mr. Olive indicated that this project will create a R&D center of excellence for nutrition food bars, and that it will help the company expand their facilities significantly in Michigan rather than Wisconsin. Mr. Coughlin indicated that the community is very supportive of this project and will support a PA198.

Ms. Shinn asked if the company gets its produce from Michigan. Mr. Olive responded that ConAgra gets its produce from all over North America, including Michigan.

Phil Santer provided additional information and recommendations.

Mr. Santer indicated that the company would create 75 jobs and invest \$73 million as a result of this project.

Recommendation: MEDC Staff recommends a 100 percent standard employment tax credit for five years for up to 205 net new employees in excess of the company's established base of 533.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Mr. Garcia made a motion for approval of Resolution 2010-067. Ms. Buckler seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-068: Grandpapa's, Inc.

Camille Walker, MEDC Business Development Manager, provided background information for the action and introduced guest presenters: Michael Rubin, President, Grandpapa's; Greg Burcz, Burcz & Associates, LLC; and Jim Paquet, Wayne County.

Mr. Rubin indicated that he has been in the business for 40 years, and that Grandpapa's does business in over 40 countries. Mr. Rubin indicated that the company needed to expand to fulfill new orders, which could potentially create significant profit in a short amount of time, working with household names such as Planters and Nabisco. Mr. Paquet indicated that the community looks forward to continuing to work with the company and help it boost its exports to China.

Phil Santer provided additional information and recommendations.

Mr. Santer indicated that the company would create 125 jobs and invest \$4.18 million as a result of this project.

Recommendation: MEDC Staff recommends a 75 percent employment tax credit for five years for up to 125 net new employees in excess of the company's established base of 23.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Standard MEGA Credit and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Mr. Kleine made a motion for approval of Resolution 2010-068. Ms. Corbin seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Mr. Main indicated that this would be the last meeting that he would serve as Chair to the MEGA Board, and that Treasurer Kleine would serve as the Chair starting in June. Mr. Main also thanked Jackie Shinn for her service on the MEGA Board, as well as to the State of Michigan, and indicated that her presence on the Board will be missed.

PROPOSED MEGA AMENDMENTS:

Resolutions 2010-069 and 2010-070: Chrysler, LLC

Karla Campbell provided background information for the action.

Ms. Campbell indicated that Chrysler currently has several MEGA Retention Tax Credits, and that following the bankruptcy proceedings has changed its name. Ms. Campbell indicated that the company would also like to extend the anniversary date on the Retention Credits for both the Jefferson North and Trenton Engine facilities.

Recommendation: MEDC Staff recommends following change for Trenton North, which was awarded a MEGA Tax Credit on April 17, 2007: (1) Transfer the MEGA Credit from Chrysler LLC to Chrysler Group LLC; and (2)Extend the Anniversary Date from March 31, 2010 to September 30, 2010. Staff recommends the following changes for Jefferson North Assembly Plant, which was awarded October 26, 2007: (1) Transfer the MEGA Credit from Chrysler LLC to Chrysler Group LLC; and (2)Extend the Anniversary Date from March 31, 2010 to September 30, 2010. All other provisions of the existing Agreement and Resolution remain in effect.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA amendments and recommends approval. Mr. Main asked if there were any questions from the Board. Being none, **Mr. Buckler made a motion for approval of Resolution 2010-069. Mr. Kleine seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent. **Mr. Buckler made a motion for approval of Resolution 2010-070. Mr. Kleine seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-071: Chrysler, LLC

Karla Campbell provided background information for the action.

Ms. Campbell indicated that Chrysler currently has several MEGA Retention Tax Credits, and that following the bankruptcy proceedings has changed its name. Ms. Campbell indicated that the company would also like to amend the minimum retained jobs at the Sterling Heights facility from 3,000 to 2,500.

Recommendation: MEDC Staff recommends the following for Chrysler's Sterling Heights MEGA: (1) Transfer the MEGA Credit from Chrysler LLC to Chrysler Group LLC; (2) Amend the minimum threshold from 3,000 to a four-quarter average of 2,500, which will decrease the credit from the current 40% to 34%, allowing the company to receive a 40% credit if they maintain 3,000 employees; (3) If the employment number falls below 2,500, the credit amount will be based on the percentage difference from 3,000. For example, if the four-quarter employment level is 2,200, the percentage of the credit will be 29%; and (4) If the employment number falls below a four-quarter average of 1,500, the Company will not be able to collect the credit in that year.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA amendment and recommends approval. Mr. Main asked if there were any questions from the Board. Being none **Mr. Buckler made a motion for approval of Resolution 2010-071. Mr. Kleine seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-072: Ford Motor Company

Karla Campbell provided background information for the action.

Ms. Campbell indicated that Ford Motor Company was awarded a 20 year Multi-site MEGA for up to 30 percent for the retention of up to 13,740 employees located at company's Dearborn Stamping, Livonia Transmission, Michigan Proving Grounds, Michigan Truck Plant, Romeo Engine, Sterling Axle, Sustained Mobility Laboratory, Van Dyke Transmission and Woodhaven Stamping sites. Ms. Campbell indicated that as a condition of the MEGA Board's approval of the Ford Electrified Transportation incentives in January 2010, this multi-site MEGA must be amended to remove the Van Dyke Transmission and former Michigan Truck Plant facilities from the project, as well as properly designating the eligible investments for those facilities.

Recommendation: MEDC staff recommends that Resolution 2006-51 be amended as follows: (1) Remove the Van Dyke Transmission and Michigan Assembly Plant facilities from the Project; (2) Reduce the maximum number of Retained Jobs from 13,740 to 9,900; (3) Amend the average number of Retained Jobs in relative to the percentage of the credit as follows: (a) If the average number of Retained Jobs is 7,205 to 9,900, the percentage of the Employment Credit claimed in that year is 30 percent; (b) If the average number of Retained Jobs is 6,485 to 7,204, the percentage of the Employment Credit claimed in that year is 20 percent; (c) If the average number of Retained Jobs is 5,764 to 6,484, the percentage of the Employment Credit claimed in that year is 15 percent; (d) If the average number of Retained Jobs is 5,044 to 5,763, the percentage of the Employment Credit claimed in that year is 12 percent; and (e) If the average number of Retained Jobs is 4,323 to 5,043, the percentage of the Employment Credit claimed in that year is 10 percent; and (4) Amend Resolution 2006-51 to state that all investments made at Van Dyke Transmission Plant and Michigan Assembly Plant after the

Board Approval of the Electrified Transportation MEGA project are not eligible Multisite MEGA investments, but are rather eligible investments for the Electrified Transportation MEGA project.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA amendment and recommends approval. Mr. Main asked if there were any questions from the Board. Being none **Mr. Garcia made a motion for approval of Resolution 2010-072. Ms. Kleine seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-073: Michigan Institute of Aeronautics, Inc. (MIA)

Karla Campbell provided background information for the action.

Ms. Campbell indicated that on July 15, 2008, the MEGA Board approved a High-Tech MEGA Credit for MIA for a project to be located in New Boston, MI. MIA was not able to come to terms on a lease at that location, and subsequently located in Canton, MI.

Recommendation: MEDC Staff recommends that the Project Description location of Huron Charter Township, Michigan be changed to Canton, Michigan.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA amendment and recommends approval. Mr. Main asked if there were any questions from the Board. Being none **Mr. Kleine made a motion for approval of Resolution 2010-073. Mr. Garcia seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

Resolution 2010-074: Reino Linen Services, Inc.

Karla Campbell provided background information for the action.

Ms. Campbell indicated that Reino Linen Services was awarded a Standard MEGA Credit in 2008 to expand into an additional facility in order to accommodate growth from Michigan institutional healthcare clients. Ms. Campbell indicated that there was some confusion on the timing of the hiring, and that the company is requesting that the first year of the agreement be extended by one year to the tax year ending December 31, 2010. This will enable the company to receive a full year of benefit under the Tax Credit Agreement.

Recommendation: MEDC Staff recommends the advance of the first year of the Standard MEGA Tax Credit awarded under Resolution 2008-133 to Reino Linen Service, Inc from the tax year ending December 31, 2009 to the tax year ending December 31, 2010. The project scope, estimated amount of credit and timeline will not be affected.

Board Discussion: Mr. Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed MEGA amendment and recommends approval. Mr. Main asked if there were any questions from the Board. Being none **Mr. Buckler made a motion for approval of Resolution 2010-074. Ms. Corbin seconded the motion.** The motion carried unanimously – 6 ayes; 0 nays; 0 recused; 2 absent.

DISCUSSION: Mr. Main asked if there were any additional comments. There were none.

ADJOURNMENT: The meeting was adjourned by Mr. Main at 10:45 a.m.