



## MEMORANDUM

**TO:** Delegates of the Michigan Strategic Fund ("MSF") Board for the Michigan Business Development Program

**FROM:** Marcia Gebarowski, Senior Development Finance Manager

**DATE:** January 29, 2013

**SUBJECT:** Approval of Michigan Business Development Request for \$800,000 Performance-based Grant to:

Baker Aerospace Tooling & Machining, Inc. ("Applicant" or "Company")  
16936 Enterprise Drive  
Macomb, Michigan 48044  
www.bakermachining.com

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### MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### SOURCE OF INFORMATION

It is the role of the Development Finance staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

### HISTORY OF THE APPLICANT

Founded in 1992, Baker Aerospace Tooling & Machining, Inc. (the "Company") specializes in designing, machining, fabricating, welding of complex 3-dimensional prototype production parts and tooling for the aircraft, military, and the automotive industries.

The Company is being urged by their customers to add capacity in order to be considered a preferred supplier. Without this added capacity, the Company cannot bid on larger programs.

The Company was awarded a Tool & Die Recovery Zone by the MSF in 2009 which was amended by the MSF in 2012 to add an adjacent parcel for the remaining seven years of the zone as well as approval for a second Recovery Zone designation for a separate parcel for a term of seven years.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

## **PROJECT DESCRIPTION**

The Applicant plans to lease two facilities, make repairs at each site for suitable occupancy as well as add new machinery and equipment in the Charter Township of Macomb, make investments and create jobs related to industrial mold manufacturing

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the Charter Township of Macomb. The Township has offered a “staff, financial, or economic commitment to the project” in the form of a Tool & Die Recovery Zone for seven years with an estimated value of \$766,000.
- c) The Applicant has demonstrated a need for the funding. The Company has indicated that the combined state and local sales and corporate taxes, building lease rates and property millage rates are higher in Michigan compared to Jacksonville, Florida. The Company considered expanding into an existing building in this region of Florida.
- d) The Applicant plans to create 165 Qualified New Jobs above a statewide base employment level of 133.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Company indicates that investment and job creation will begin in early 2013; the project involves out-of-state competition and involves the reuse and renovation of two vacant buildings.

## **INCENTIVE OPPORTUNITY**

This project involves the creation of 165 Qualified New Jobs, with the potential for up to 188 total jobs as a result of the Project, and a capital investment of up to \$9,856,650, of which \$1,200,000 is Qualified Investment in the Charter Township of Macomb. The requested incentive amount from the MSF is \$800,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

## **RECOMMENDATIONS**

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
  - b. MSF Fund Manager can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

Baker Aerospace Tooling & Machining, Inc.

**APPROVAL AUTHORITY – MBDP SUPPORT MEMO**  
**Michigan Economic Development Corporation**



**Amy Deprez, Director, Development Finance**

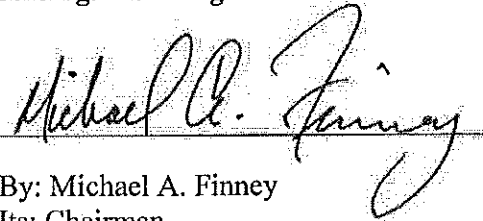


**Mark Morante, Senior Vice President, Program Management**

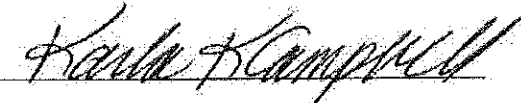
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager of the MSF State Treasurer Director, are required for this commitment under the MBDP:

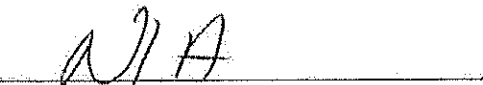
**Michigan Strategic Fund**



By: Michael A. Finney  
Its: Chairman



By: Karla K. Campbell  
Its: Fund Manager



By: Andy Dillon, State Treasurer  
Its: Director

Baker Aerospace Tooling & Machining, Inc.



MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

Date: 1/17/2013

1. Company Name: Baker Aerospace Tooling & Machining, Inc. ("Company" or "Applicant")

2. Company Address: 16936 Enterprise Drive
Macomb, Michigan 48044

3. Project Address ("Project"): 16931 Enterprise Drive
Macomb, Michigan 48044
if different than above

50271 Corporate Drive
Macomb, Michigan 48044

16725 Enterprise Drive
Macomb, Michigan 48044

4. MBDP Incentive Type: Performance Based Grant

5. Maximum Amount of MBDP Incentive: Up to \$800,000 ("MBDP Incentive Award")

6. Base Employment Level 133 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.

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7. **Total Qualified New Job Creation:** 165 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.
- (above Base Employment Level)
- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Accepted Terms Sheet
8. **Company Investment:** \$9,856,650 In building renovations, annual lease costs, leasehold improvements, machinery and equipment, furniture and fixtures, computers, special tooling or any combination thereof, for the Project.
9. **Qualified Investment:** \$1,200,000 The total minimum amount of the required Company Investment in Michigan related to the project, which at a minimum must include the following: machinery and equipment ("Qualified Investment"). The final terms and conditions of the Qualified Investment shall be included in the final Agreement.
10. **Municipality supporting the Project:** Macomb Township
- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a Tool and Die Renaissance Zone. The final terms and conditions demonstrating this support shall be included in the final Agreement.
11. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must have maintained the amount of the required Qualified Investment and otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

- |                                     |                 |  |
|-------------------------------------|-----------------|--|
| <b>a. Disbursement Milestone 1:</b> | Up to \$200,000 | Upon demonstrated creation of 30 Qualified New Jobs above the Base Employment Level, upon demonstrated completion of the minimum required Qualified Investment, and verification of final approval of municipality support by no later than December 31, 2013. |
| <b>b. Disbursement Milestone 2:</b> | Up to \$300,000 | Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 65 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2014.   |
| <b>c. Disbursement Milestone 3:</b> | Up to \$300,000 | Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 70 additional Qualified New Jobs above the Base Employment Level, by no later than December 31, 2015.  |

**12. Term of Agreement:** Execution of Agreement to December 31, 2017

**13. Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

**14. Reporting Requirements:**

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

**15. Public Announcements:**

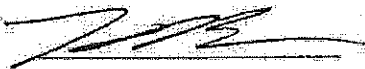
The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

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Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by January 22, 2013, the MEDC may not be able to proceed with any recommendation to the MSF.

Baker Aerospace Tooling & Machining, Inc.

By: 

Printed Name: Kevin Baker

Its: pres. & CEO

Dated: 1/17/13

Acknowledged as received by:

Michigan Economic Development Corporation

By: Marcia Gebarowski

Printed Name: Marcia Gebarowski

Its: Senior Development Finance Manger

Dated: January 17, 2013