



MEMORANDUM

TO: Michigan Strategic Fund (“MSF”) Board Members

FROM: Joshua Hundt, Manager – Development Finance

DATE: January 23, 2013

SUBJECT: Approval of Michigan Business Development Request for \$1,600,000 Performance-based Grant to:

Dieomatic Incorporated DBA Cosma Casting Michigan (“Applicant” or “Company”)
10 Clark Road North
Battle Creek, Michigan 49037
www.magna.com

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

Dieomatic Incorporated DBA Cosma Casting Michigan (“Cosma Casting”) is a subsidiary Magna International, Inc. which represents that it is the world’s most diversified automotive supplier. Magna International, Inc. designs, develops, and manufactures automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to the car and light truck OEMs.

Magna International, Inc. and its subsidiaries currently have approximately 8,000 employees in Michigan. Cosma Casting doesn’t have any employees in Michigan.

Dieomatic Inc. DBA P&F Systems was awarded a \$690,000 Michigan Business Development Program Grant by the Michigan Strategic Fund on September 28, 2012.

Michigan Economic Development Corporation

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to a new major sourcing contract to supply components and systems to a major automotive OEM.

- 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 City of Battle Creek. The City of Battle Creek has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 and PA 328 of 1998.
- c) The Applicant has demonstrated a need for the funding based on competitive economic development incentive packages from sites in Ontario, Canada; Louisville, Kentucky; Toledo, Ohio; and Greenville, South Carolina.
- d) The Applicant plans to create 500 Qualified New Jobs above a statewide base employment level of 0.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 500 Qualified New Jobs, with the potential to create up 527 total jobs, and a capital investment of up to \$162,072,542 in the City of Battle Creek. The requested incentive amount from the MSF is \$1,600,000 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 term sheet attached to the proposed Resolution (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.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.