



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 15, 2008

TO: Michigan Economic Growth Authority

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SUBJECT: Briefing Memo – Global Wind Systems Inc.
High-Technology MEGA Credit

COMPANY NAME:

Global Wind Systems Inc.
6866 Longworth
Waterford, MI 48329

HISTORY OF COMPANY:

Global Wind Systems Inc. (GWS) is an Original Equipment Manufacturer (OEM) for a 1.5 Mega Watt Wind Turbine Generation System. The GWS 1500|70 is a utility scale wind turbine that is ideal to serve community and utility projects from one unit to 50 Mega Watt. The GWS 1500|70 will be the first Wind Turbine Generator (WTG) with 100% manufacturing content sourced in the United States with specific focus in the Michigan and Great Lakes Region. The manufacturing capacity and subject matter expertise of the automotive, aerospace and defense industries is ideal for the development and assembly of the GWS 1500|70 power transmission systems.

Global Wind Systems Inc. currently has 0 employees in Michigan.

PROJECT DESCRIPTION:

Global Wind Systems is a start-up Wind Turbine Generation System OEM company that plans to locate their first site in Novi, Michigan. The lead time for manufacturing and delivery of the GWS 1500|70 will be 12-18 months. Developers of wind farm projects will have access to Wind Turbine Generation systems within timelines that match their project financing and total cost of ownership requirements.

GWS anticipates 39 units sold per year at a unit price of \$2.4 Million. In the first year of operations, GWS plans to ramp up supply chain and assembly operations. Targeted sales by year two is expected to increase by 147 units as assembly operations are scaled to the capacity of building two systems per week. Cash flow breakeven is forecasted within the first six months. The three year target is to exceed \$500 Million in cumulative booked sales, while achieving and maintaining a complete production cycle for delivery within 12-18 months.

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Total investment for GWS over five years will be approximately \$32.3 million. This project will create 356 new jobs with an average weekly wage of \$1,095. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 807 jobs in the state by the year 2017. We also estimate that the project would create total state government revenues through the year 2017, net of MEGA cost and adjusted for inflation, of \$18 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company is considering locations in Ohio, Iowa and Nebraska for their first site. The Michigan Business Tax is a significant disadvantage to establish Global Wind Systems rate and assembly operations to the State of Michigan. By comparison, the State of Ohio will abate any and all sales/business tax under the Ohio Department of Development for all alternative energy manufacturing and assembly operations.

OTHER STATE AND LOCAL ASSISTANCE:

No local commitment is in place at this time. Oakland County has indicated support for the project and that the project may be eligible for employee training funds through the local Michigan Works program.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is Alternative Energy Technology.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent personal income tax withholding credit for nine years, for up to 356 net new employees, over the company's employment base of 0. Failure to create the 356 jobs by the end of year six will void the remaining three years of the tax credit.