



## MEMORANDUM

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

**FROM:** Joshua Hundt, Senior Regional Project Manager

**DATE:** June 25, 2012

**SUBJECT:** Approval of Michigan Business Development Request for \$310,000 Performance-based Grant to:

Quality Edge, Inc. ("Applicant" or "Company")  
2712 Walkent Drive  
Walker, Michigan 49544  
www.qualityedge.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 Project Management 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

Quality Edge, Inc. is a privately held Michigan C-corporation that was formed in 1991. The company was acquired by MISA, Inc. in 2006. Quality Edge, Inc. is an innovative manufacturer of residential building products such as soffit, fascia, drip edge, gutter protection, and siding. The company's products are made from aluminum and steel and are sold to building product distributors throughout the United States.

The Applicant has not received any incentives from the MSF previously.

Michigan Economic Development Corporation

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

### **PROJECT DESCRIPTION**

The Applicant plans to expand an existing facility in Michigan, make investments and create jobs related to the launch of a new metal roofing line. The product will be designed at developed at the project. It is anticipated that this product will serve as a catalyst for other new product offerings.

- 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 Walker. The City of Walker has offered a "staff, financial, or economic commitment to the project" in the form of a twelve year property tax abatement under PA 198 of 1974. The estimated value of this abatement is \$149,000.
- c) The Applicant has demonstrated a need for the funding based on requirements from the Applicant's parent company that require a certain projected rate of return on any new project before internal financing is authorized. Without the incentive the parent company would've required the Applicant to pursue this project at one of its alternative locations.
- d) The Applicant plans to create 70 Qualified New Jobs above a statewide base employment level of 75.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The Company indicates that this project will result in job creation and investment in 2012. This project was in competition with competing locations in Nevada and Arizona. Additionally, this project has a positive projected return-on-investment for the State of Michigan.

### **INCENTIVE OPPORTUNITY**

This project involves the creation of 70 Qualified New Jobs and a capital investment of up to \$10,478,300 in the City of Walker. The requested incentive amount from the MSF is \$310,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

### **RECOMMENDATIONS**

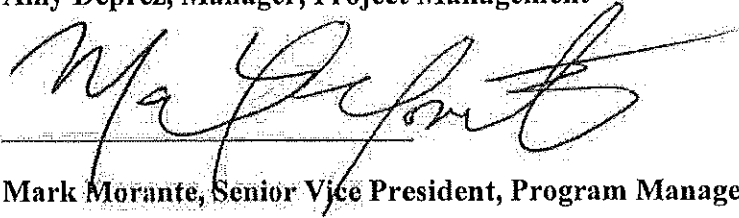
MEDC Staff recommends (the following, collectively, "Recommendation"):

- 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 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

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



**Amy Deprez, Manager, Project Management**

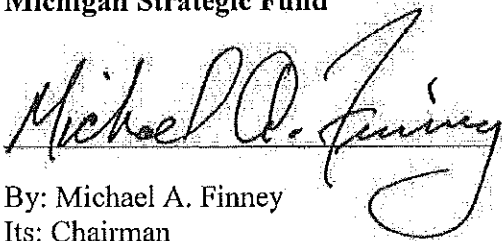


**Mark Morante, Senior Vice President, Program Management**

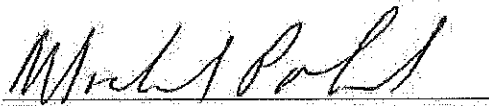
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

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


**Michigan Strategic Fund**



By: Michael A. Finney  
Its: Chairman



By: Michael Pohnl  
Its: Fund Manager



By: Andy Dillon, State Treasurer  
Its: Director

# PURE MICHIGAN

## 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"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 6/6/2012

1. **Company Name:** Quality Edge, Inc. ("Company" or "Applicant")
2. **Company Address:** 2712 Walkent Drive NW  
Walker, Michigan 49544
3. **Project Address ("Project"):** 2640 Walkent Drive NW  
Walker, Michigan 49544
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$310,000 ("MBDP Incentive Award")
6. **Base Employment Level** 75 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.
7. **Total Qualified New Job Creation:** 70 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),  
*(above Base Employment Level)*

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, and the effects of short term layoffs, furloughs, or similar gaps in employment on the required minimum hours per week, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** May 21, 2012
- 8. **Company Investment:** Up to \$10,478,300 in annual lease costs, machinery & equipment, furniture & fixtures, computers, special tooling, or any combination thereof.
- 9. **Municipality supporting the Project:** City of Walker
  - 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 property tax abatement in support of the Project. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 10. **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 otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
  - a. **Disbursement Milestone 1:** Up to \$130,000 Upon demonstrated creation of 25 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than June 30, 2013.
  - b. **Disbursement Milestone 2:** Up to \$110,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 25 additional Qualified New Jobs above the Base Employment Level, by no later than June 30, 2014.
  - c. **Disbursement Milestone 3:** Up to \$70,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 20 additional Qualified New Jobs above the Base Employment Level, by no later than

June 30, 2015.

**11. Term of Agreement:**

Execution of Agreement to June 30, 2017

**12. 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 or operations for the Project 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.

**13. 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.

**14. 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.

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 June 11, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Quality Edge, Inc.

By:



Its:

PRESIDENT

Dated: JUNE 7, 2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: John E. HW

Its: Sr. Regional Project Manager

Dated: 6/8/2012