



MEMORANDUM

DATE: May 23, 2012

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Marcia Gebarowski, Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,500,000 Performance-based Grant to:

Sakthi Automotive Group USA, Inc.
86 Executive Drive
Troy, Michigan 48083
www.sakthigroup.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 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

The Sakthi Group is a \$1.2 billion industrial conglomerate and one of the fastest growing business groups in South India. The Sakthi Group has a strong market presence in a number of markets with a host of group companies operating under its umbrella. Sakthi Automotive Group is one of the vertical operations of the Sakthi Group. Sakthi Auto is a major supplier of critical components to auto OEM's. These components include steering knuckles, brake drums, brake discs, hubs, brake calipers and carriers. This project represents Sakthi's first North American manufacturing operation.

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

Michigan Economic Development Corporation

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

PROJECT DESCRIPTION

The Applicant plans to open a new operation in Michigan, make investments and create jobs related to the manufacturing of automotive components.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in the City of Detroit. The city has offered a “staff, financial, or economic commitment to the project” in the form of a 12 year property tax abatement with an estimated value of \$903,000.
- c) The Applicant has demonstrated a need for the funding based on having a competitive economic incentive package from South Carolina and a higher property tax burden in Michigan.
- d) The Applicant plans to create 183 Qualified New Jobs above a statewide base employment level of 2.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company has indicated that investment will begin in 2012, job creation will ramp up beginning in 2013, the company had solid out-of-state competition for this project from South Carolina and the project involves the re-use of an existing building in the City of Detroit.

INCENTIVE OPPORTUNITY

This project involves the creation of 183 Qualified New Jobs and a capital investment of up to \$18.6 million in the City of Detroit. The requested incentive amount from the MSF is \$1.5 million 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”), completion of due diligence, the results of which are satisfactory to the MEDC (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.

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