

PROPOSED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, Victor Corporate Center, 20255 Victor Parkway, Suite 180, Livonia, Michigan on April 25, 2001 at 1:00 p.m.

Members Present

Craig DeNooyer (by phone)

Sarah Deson-Fried

Nancy Duncan (acting for and on behalf of Duane Berger, authorization attached)

Mark Haas (acting for and on behalf of Mark Murray, authorization attached)

Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)

Tim Ward

Members Absent

Beth Chappell

Doug Rothwell

Others Present

Karen Ammarman, MEGA, MEDC

Peter Anastor, MEGA, MEDC

Ted Bergtold, Hi-Lex Controls, Inc.

Kathy Blake, Senior Vice President, Business Development, MEDC

John Czarnecki, Vice President, Business Services, MEDC

Linda Dankoff, MEGA, MEDC

Jean Derenzy, Grand Traverse Company

Todd Fink, Butzel Long (Johnson Controls, Inc.)

Dan Foster, Ernst and Young

Toshio Fujimoto, Hi-Lex Controls, Inc.

Val Hoag, MEDC

David Jeup, MEDC

Jeff Kaczmarek, Vice President, Business Services, MEDC

Mark Knoblauch, City of Hudson

Jennifer Kopp, Communications, MEDC

Mac McClelland, Grand Traverse Company

Peggy McNichol, Ernst and Young

Dave Morrison, Strategic Interactive, Inc.

David Munson, Lenawee Tomorrow

Patrick Nettesheim, Johnson Controls, Inc.

Jeff Noel, Cornerstone Alliance

Margaret O'Riley, Sterling Corporation

Jim Paquet, Secretary to the MEGA Board, MEDC

Paul Platroff, Siemens Automotive Corporation

Mike Ponhl, MEDC

Robin Risser, Picotronix, Inc.

Ellen Ross, MEDC

Tom Schimpf, Attorney General
Katsuaki Tolserhiro, Hi-Lex Controls, Inc.
Bruce Umstead, Strategic Interactive, Inc.

Call to Order

Tim Ward served as Acting Chair in the absence of Doug Rothwell. Tim Ward called the meeting to order at 1:05 p.m.

Public Comment

There was no public comment.

Approval of Minutes from March 22, 2001 and April 12, 2001

It was moved, supported and carried that the minutes from the March 22, 2001 and April 12, 2001 meetings be adopted.

Action Item:

~~Johnson Controls Technology Company~~
49200 Halyard Drive
Plymouth, Michigan 48170

Kathy Blake introduced Patrick Nettesheim, Legal Counsel, Johnson Controls, to provide an overview of Johnson Controls Technology Company, Inc.

Mr. Nettesheim explained that Salem Township would be the new headquarters for R&D and executive functions. The group would include two main groups – the automotive and controls group. The company currently has more than 10,000 employees in Michigan. He indicated that size, physical characteristics and a supportive business climate were the principal criteria used to select a site. Sites were considered in Michigan, Indiana and Ohio. The facility will be an located in an expansive, campus-like setting. Jobs will be transferred from Plymouth and more than 1000 new jobs will be created.

Kathy Blake continued with a presentation to the Board.

Johnson Controls Technology Company is a subsidiary of Hoover Universal, Inc., which in turn is a wholly owned company of Johnson Controls, Inc. of Milwaukee, Wisconsin. The company produces a wide array of vehicle interior products, including seat systems and components, and instrument panels for the automobile industry.

The project will combine the technical center and world headquarters for the company's Automotive Systems Group to house existing design, engineering and development functions as well as up to 1,200 additional technical jobs. Total capital investment is estimated at more than \$168 million. Average weekly wages of the newly created jobs would total \$1,467 and a benefit package equal to approximately 20% of wages.

Construction of the new technical campus would commence in April of 2002 and be complete by the end of 2003. Operations would begin in the facility immediately.

The economic analysis done by the University of Michigan estimates the facility will generate a total of 1,938 jobs in the state by the year 2013. Net state government revenues through the year 2013, would be increased by \$88.9 million due to the presence of this facility.

The competition for the facility is a location in Indiana where Johnson Controls has a technical center with available space. Locating in Indiana would allow the expansion to occur with the minimal outlay of capital, since it requires a facility for only the new jobs and not one for the entire operation. It also allows the company to potentially locate engineering and technical services closer to the ultimate customer.

The cost differential between the two alternatives is somewhere in the range of \$180 million, primarily due to increased capital expenditures required in Michigan, utility extension costs and slightly lower wage rates. A MEGA tax credit is required to help this project come to Michigan.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 1,189 new employees, totaling \$594,500. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$4,186,745.

The Washtenaw County Road Commission has committed to applying for a Category A grant from the Michigan Department of Transportation at a cost of \$3,000 to \$5,000.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for ten years and 80 percent for the eleventh year for up to 1,189 net new jobs.

The board's attention was called to the fact that it was recommending that the credit be conditioned on additional local assistance. Ms. Blake explained that Salem Township was expected to provide a 50 percent abatement of the company's real and personal property taxes for a period of twelve years, valued at \$10,764,157.

The MEGA credit awarded this company will be reduced by one year for each year of tax abatement not awarded.

Board Discussion:

Tim Ward presented the report of the Executive Committee. The Executive Committee recommended adoption based on the number and types of jobs that would be created.

Mark Haas questioned whether new construction would be required in the competing state. The company's representative replied that existing buildings would be used.

Craig DeNooyer requested an interpretation of the language in Briefing Memo indicating that the competing site was "closer to ultimate customers". Kathy Blake explained that the company serves customers throughout the country and that Indiana was a more accessible location.

Chairman Ward asked if there were any further questions from the Board. Jim Paquet noted that the "Inc." would be deleted from the company's name. There being no further comments,, it was moved, supported and carried that Resolution 2001-015 awarding a MEGA Tax credit to Johnson Controls Technology Company be awarded.

Action Item:

~~Hi-Lex Controls, Inc.~~
152 Simpson Drive
Litchfield, Michigan 49252

Val Hoag introduced Ted Bergtold of Hi-Lex Controls, Inc., to present a background of the company.

Mr. Bergtold explained to the Board that Hi-Lex Controls, Inc. requires a new facility because of its growth. It has considered sites in Michigan and Ohio and is hopeful that it can occupy a facility by December 1, 2001 and begin production in February 2001. A 190-200 job expansion is expected.

Val Hoag continued her presentation to the Board. Hi-Lex Controls, Inc. is a separate entity of Hi-Lex Corporation, located in Battle Creek, Michigan. Hi-Lex Controls manufactures window regulators and it, and its related companies, have a total of 992 employees in Michigan.

Hi-Lex Controls has manufactured window regulators in Litchfield since 1990. The Litchfield facility has been expanded four times since 1990 including an expansion in 1996 with the help of a MEGA tax credit. The company feels that the community's labor force cannot support another expansion and is therefore proposing to build a

new facility in Hudson, Michigan or Liberty Center, Ohio. The new plant will employ 190 workers within three years and will require investment totaling \$9,963,000; \$5 million for the plant and the balance in machinery and equipment. The average wage will be \$466 weekly with a benefit package worth up to 25 percent of wages.

Based on an economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. (REMI) software, it is estimated the facility will generate a total of 291 jobs in the state by the year 2008. Net state government revenues through the year 2008, would be increased by \$8.4 million due to the presence of this facility.

The company compared Hudson, Michigan to Liberty Center, Ohio, for the new facility. The main cost differential was the incentive package that Ohio offered the company. The incentives include the Machinery & Equipment Tax Credit, valued at approximately \$370,000, and the Ohio Jobs Creation Tax Credit, valued at \$630,000. Training, local tax abatement and low cost financing were also offered by Ohio. The MEGA credit proposed would match the incentive package offered by Ohio.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 190 new employees, totaling \$190,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$284,506. The Michigan Strategic Fund is also prepared to work with the company to issue tax exempt, industrial revenue bonds for eligible capital costs.

The City of Hudson will provide a 50 percent abatement of the company's real and personal property taxes for twelve years. The estimated value of this local abatement is \$1,153,910. In addition, the City of Hudson has agreed to provide the company with free land in its industrial park and to waive traditional utility tap-in fees.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for three years, 75 percent for two years and 50 percent for two years for up to 190 net new jobs.

Board Discussion:

Tim Ward presented the report of the Executive Committee. The Committee noted the significant local contribution for the project and the previous growth at the Litchfield facility. It was noted that the credit will only be earned on payroll paid to Michigan residents.

Craig DeNooyer asked why the company did not expand in Litchfield. Mr. Bergtold responded that Litchfield only had room for an incremental expansion and that there was not enough labor available.

Craig DeNooyer asked how the company determined that labor was not available. Mr. Bergtold explained that the current facility was in an industrial park populated with auto suppliers and that the competition among them for employees was very strong.

Sarah Deson-Fried questioned how many jobs would be filled by Ohio hires. Mr. Bergtold estimated that 10-20% of the jobs might be held by Ohio residents.

Chairman Ward asked if there were any further questions from the Board. Jim Paquet noted that the 992 current jobs referenced in the resolution included jobs at both the company and Hi-Lex Corporation. There being no further comments, it was moved, supported and carried that Resolution 2001-016 awarding a MEGA tax credit to Hi-Lex Controls, Inc. be adopted.

Action Item:

~~IPC Communication Services, Inc.~~
501 Colonial Drive
St. Joseph, Michigan 49085

Val Hoag introduced Jeff Noel, Cornerstone Alliance, who provided an overview of the company.

Mr. Noel explained that IPC Communication Services, Inc. was a home grown business which, when it was acquired by a larger company, approached corporate headquarters with a plan to expand here. The MEGA tax credit is an important factor in offsetting the higher costs of doing so.

Val Hoag continued the presentation. IPC Communication Services is involved in the manufacture, assembly, and distribution of media (print, CD and DVD) for the computer software and publishing markets. IPC's principal products are software and hardware documentation kits and magazines and its principal services are fulfillment, e-business and project management. IPC is owned by Journal Communications, Inc., a media conglomerate with other subsidiaries in the newspaper, data communications, broadcasting and direct media markets.

This project would be an expansion of one of IPC's existing facilities through the transfer of an operation currently located in Foothill Ranch, California. The California facility will be downsized and partly folded into operations in either St. Joseph Township, Michigan or Lebanon, Tennessee. IPC would lease additional space in its current facility in St. Joseph Township. Capitalized lease costs would be \$576,000 and leasehold improvements to the building would total \$200,000. In

addition, the company would spend \$1.5 million in machinery and equipment, bringing the company's total capital investment in the project to \$2,276,000. Up to 106 jobs would be created at the facility within three years at an average weekly wage of \$703 with a benefit package equaling approximately 25 percent of wages.

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. (REMI) software, it is estimated the project will generate a total of 159 jobs in the state by the year 2010. Net state government revenues through the year 2010 would be increased by \$6 million due to the project.

Based on information provided by the company, it is estimated that there will be a \$3.2 million cost differential between locating in St. Joseph Township and Lebanon, Tennessee over the first ten years of the project. Most of this cost differential is due to lower wage rates in Tennessee.

While the cost differential will not be entirely eliminated with the MEGA credit, the company has stated other reasons for wanting to put the project in Michigan. It has enjoyed a good relationship with its current workforce of over 500 in St. Joseph. The St. Joseph facility is more closely aligned with the California operation in its product line, allowing greater synergies and the leverage of existing resources at the St. Joseph facility.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 106 new employees, totaling \$53,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$8,562.

St. Joseph Township will provide a 50 percent abatement of the company's personal property taxes for twelve years. The estimated value of this local abatement is \$100,676.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for two years, 75 percent for three years, 50 percent for three years and 25 percent for two years for up to 106 net new jobs.

Board Discussion:

Tim Ward presented the report of the Executive Committee. He cited the support of the local community and the importance of assisting Michigan firms in making the case that Michigan was a good place to do business to parents located elsewhere. He noted that the local abatement was for only personal property because the company leased its facilities.

Nancy Duncan questioned why the company did not stay in California. Mr. Noel explained that Michigan offers a more dedicated workforce with lower turnover and leverages activities already taking place here.

Mr. Ward asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-017 awarding a MEGA tax credit to IPC Communication Services, Inc. be adopted.

Action Item:

Strategic Interactive, Inc.
3101 Technology Parkway, Suite H
Lansing, Michigan 48910

Kathy Blake introduced Dave Morrison of Strategic Interactive Inc. to provide an overview of the company.

Mr. Morrison explained to the board that the company, which produces web-based tools and products, has been in existence for five years. It currently employs 93 people in Michigan. Mid-Michigan is fertile ground for recruitment of energetic college graduates. He estimated that 70% of their employees have been recruited from MSU, Wayne State and U of M. The project site is a 28,400 square foot facility behind its current location in the MSU Technology and Research Park. The alternative site, should the MEGA not be approved, is Des Moines, where the company's parent has excess space.

Kathy Blake continued her presentation to the Board.

Strategic Interactive was purchased by Provant, a publicly traded company, in 1998. Strategic Interactive is Provant's development source and its expansion will require a capital investment of \$3.8 million in lease costs, \$1.85 million in equipment and the hiring up to 150 new employees over a 5-year period. The new employees would have an average weekly wage of \$687 with a complete benefit package. The company has the option of leasing a 28,400 square foot building currently under construction in Lansing or moving to available space at a Provant facility in Des Moines, Iowa. If the project is located in Michigan, the company would begin operations in mid-May, 2001.

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated the project will generate 205 jobs in the state by the year 2007. Net state government revenues through the year 2007, would be increased by \$6.0 million due to the project.

The company's analysis of the cost differences between Lansing and Des Moines averaged \$117,000 per year, largely due to Provant having available space in Des Moines. A wage differential of approximately 10 percent also favors the Des Moines location.

Strategic Interactive would prefer to remain in Michigan due to the excellent workforce it has recruited. The company was founded here and its executives do not want to move. However, unless a substantial portion of the cost gap can be offset by MEGA, Provant will consolidate the project operations in Des Moines.

Economic Development Job Training funds will be offered to the company at \$500 per employee for up to 150 net new employees for a total of \$75,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$82,414.

The City of Lansing will provide an abatement of 50 percent of the real and personal property taxes for a period of six years. The value of this local abatement is estimated at \$371,836.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for the initial three years, 75 percent for years four and five, and 50 percent for years six and seven for up to 150 net new jobs.

Board Discussion:

Tim Ward presented the report of the Executive Committee, which recommended the credit to offset the cost differential to help make the business case to the parent company. He explained that, although the company developed high-tech products, the credit recommended was a standard credit and the company would need to create 75 jobs. The credit was also contingent on the City of Lansing's approval of a tax abatement.

Craig DeNooyer questioned what percentage of sales the \$117,000/year cost differential represented. Bruce Umstead responded that it was 3-5% of revenues.

Craig DeNooyer indicated that he was not convinced that the "But For" requirement had been met by the project because the cost differential was not significant enough to force a move, particularly in light of the comments that had been made about the nature of the company's workforce.

Kathy Blake explained the company is trying to convince the parent company which is focused more on costs than the labor situation.

Craig DeNooyer asked whether Ms. Blake was convinced that the company would move, but for the MEGA. Ms. Blake replied that she was convinced.

Mark Haas asked about the local tax abatement contingency. Jim Paquet explained that unlike the Johnson Controls project, where the MEGA credit would be reduced year for year based on the length of the local abatement, the local abatement for the Strategic Interactive project was an all or nothing proposition. There will be no MEGA award if the Lansing abatement is not approved.

Chairman Ward asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-018 awarding a MEGA tax Credit to Strategic Interactive, Inc. be adopted.

Craig DeNooyer opposed the adoption of the Resolution.

Action Item:

~~Siemens Automotive Corporation~~
2400 Executive Hills Blvd.
Auburn Hills, Michigan 48326-2980

Kathy Blake introduced Paul Platroff who gave an overview of the company.

Mr. Platroff explained to the Board that the company was committed to helping its customers find electronics solutions to emissions and safety problems and was one of the initial participants in Automation Alley, the endeavor to transition from the "rust belt" to a "high technology belt". He noted that being a good corporate citizen is important to attracting employees and cited the company's many contributions within the community, including participating in the March of Dimes and many education programs, particularly science education. He explained that the MEGA credit was an important factor in the company's location decision because of the \$4 million wage and lease cost differential, and the increasingly competitive workforce talent in South Carolina.

William Ross, the City Manager of Auburn Hills announced that the City Council had approved an eight-year tax abatement for the project. The abatement was the maximum allowable for an expansion under the city's abatement policy. He also cited the company's exemplary corporate citizenship and its contributions to the Boys Clubs and Girls Clubs locally. He said that while in Germany last summer, he witnessed first hand Siemens internal debate over the location of the project now being considered by the MEGA board.

Kathy Blake continued her presentation to the Board.

Siemens Automotive designs, engineers and builds automotive electrical and electronic systems for the entire automobile. Its products include wiring harnesses,

electronics for power windows, sun roofs, seats, clutch systems, hydraulic pumps and brakes, heating and cooling systems and a variety of automotive sensors.

Siemens Automotive is proposing to build a 250,000 square foot new vehicle and application engineering facility at its Auburn Hills North American headquarters campus. The facility will include a research and development testing facility with engine chassis dynamometers, emission testing, a model shop and CAD facilities plus offices for the professionals and engineers. It will employ approximately 800 new staff. The average weekly wage will be \$1,265 and capital investment is anticipated to be \$67.5 million. Construction of the new facility would begin by mid-May of this year and be complete by October, 2002. Operations would begin in the new facility in January, 2003.

Based on the economic analysis done by the University of Michigan, it is estimated the project will generate a total of 1,231 jobs in the state by the year 2015. Net state government revenues through the year 2015, will be increased by \$76.5 million due to the presence of the project.

The company is considering Columbia, South Carolina as an alternate location for the project. South Carolina is the home of BMW's U.S. operations and numerous German automotive suppliers. Putting the facility in South Carolina rather than Michigan would save the company an estimated \$4 million per year due to lower lease costs and wage rates.

There are a number of intangible reasons for the company to locate the project in Michigan. These include being at the center of the U.S. automotive industry, having a larger talent pool from which to recruit engineers and other automotive professionals, and excellent relationships with local and state governments. The intangibles are not enough, however, to convince the Board of Siemens to locate in Michigan. An offset of some of the cost differential with a MEGA tax credit is necessary to make a business case favoring Michigan.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,250 for each of the 800 new employees, totaling \$1,000,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$1,419,033.

The City of Auburn Hills will provide a 50 percent abatement of the company's real and personal property taxes for eight years. The estimated value of this local abatement is \$4,833,973.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for thirteen years for up to 800 net new jobs.

Board Discussion:

Tim Ward presented the report of the Executive Committee. He indicated that the lower costs of doing business in South Carolina, the company's recent success with a joint venture located there, and the local contribution to the project, were all factors which led the Executive Committee to recommend the project.

Jackie Shinn asked where the Research and Development functions were currently located. A Siemens representative explained they were located all over the world, including Troy, Michigan.

Ms. Shinn then asked if there were plans for consolidation. A Siemens representative explained it is their intent to house all Research and Development under one roof, including employees now located in Troy.

Chairman Ward asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-019 awarding a MEGA tax credit to Siemens Automotive Corporation be adopted.

Action Item:

~~Integrity Design, Inc.~~
1436 Ventnor Avenue
St. Joseph, Michigan 49085

Val Hoag reintroduced Jeff Noel of Cornerstone Alliance to provide an overview of the company.

Mr. Noel explained that the Company will provide 3-D elements which will be priced as 2-D elements. The site is within the Edgewater area, which is in a Renaissance Zone as well as also being in a brownfield redevelopment area. The Company will receive eighteen months of free rent from Cornerstone Alliance.

Val Hoag continued her presentation to the Board.

Integrity Design, Inc. is a start-up mechanical engineering and design firm specializing in automated assembly machine design, welding design and engineering for tooling fixtures and gauges for advanced manufacturing companies. Integrity Design utilizes state of the art 3-D solid modeling software to reduce design costs and eliminate costly machining and assembly rework that is currently common in model prototyping and advanced manufacturing of special machines. Its president, Matthew D. Bechtel, and future employees who will have part ownership in the company, own Integrity Design in its entirety.

Integrity Design plans to begin operations this year. As part of this initiative, the company plans to lease 5,000 square feet over a five-year growth period. The space will be in a built-to-suit building in the St. Joseph Renaissance Zone. The company anticipates investing \$575,400 in the project, including \$395,400 in capitalized lease costs and \$180,000 in new machinery, equipment and computers.

Integrity Design would hire 28 people within a five-year period, including ten new employees in the first year of operation. The new positions would have an average weekly wage of \$1,003 with a full benefit package.

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated this facility will generate a total of 46 jobs in the state by the year 2005. Net state government revenues through the year 2005, would be increased by \$577,000 due to the project.

Integrity Design is considering sites in Illinois, Ohio and Michigan. The company indicates suitable space is available at all locations considered.

Location in the Renaissance Zone in Michigan would virtually eliminate all real and personal property tax and the Single Business Tax. The site would also provide the company with a location close to the automotive industry and other clients in the Midwest, which is regionally the largest user of custom equipment in the U.S.

Integrity Design must weigh these positives against some competitive disadvantages in selecting Michigan. First, the availability of the talent for 3-D solid modeling is very scarce and could more likely be found in the Chicago area. Recruitment of this talent to the southwest Michigan area may be difficult and expensive for the company. Also, both Illinois and Ohio have excellent resources available for start-up companies such as low-cost loans, etc., which make these states attractive.

The company believes that the MEGA and job training assistance, as well as the local commitment provided, tips the scales in Michigan's favor for the project.

Economic Development Job Training funds will be offered to the company at \$700 per employee for up to 28 net new employees for a total of \$19,600.

Because of the Renaissance Zone, the company will not be paying any local or state property taxes except debt service for the first eight years of the project. In the final three years of the Renaissance Zone the property taxes will phase back in with the company receiving a 75 percent abatement in year nine, a 50 percent abatement in year ten, and a 25 percent abatement in year eleven. The estimated value of local property tax savings due to the Renaissance Zone is \$30,750. The estimated value of the six-mill State Education Tax savings over the same time period totals \$3,970.

Integrity Design has also worked with and received assistance from Cornerstone Alliance including rent subsidy, training and assistance with start up costs. The estimated value of Cornerstone's commitments totals \$20,000 over a three-year period.

Recommendation:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for the initial two years, 75 percent for the third year, and 50 percent for years four and five for up to 28 net new jobs.

Board Discussion:

Tim Ward presented the report of the Executive Committee. He cited that other states offer start-up incentives similar to the Edgewater deal.

Craig DeNooyer questioned whether the company had a backlog of contracts. Mr. Noel indicated that it does.

Craig DeNooyer asked if the company was new to Michigan. Mr. Noel explained that the head of the company had been in Michigan for eight years and has decided to go out on his own.

Sarah Deson-Fried questioned the level of funding for the company. Mr. Noel explained there was a \$1 million start-up and the working capital was being underwritten.

Chairman Ward asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-020 awarding a MEGA tax credit to Integrity Design, Inc. be adopted.

Action Item:

~~Picotronix, Inc. dba Picometrix, Inc.~~
P. O. Box 130243
Ann Arbor, Michigan 48113-0243

Kathy Blake introduced Robin Risser, CEO, Picometrix, who provided an overview of the company.

Mr. Risser indicated that the company began in 1992. It was a spin-off of the U of M Center for Ultrafast Optical Science. The company is in the high speed data transmission market.

Kathy Blake continued her presentation to the Board.

The devices developed by Picometrix, Inc. can convert optical pulses from fiber optic cable to the electrical pulses needed by computers and other equipment. The company currently has 37 employees at its facility in Ann Arbor.

Picometrix, Inc.'s business expansion plans require the relocation of its existing operations in Ann Arbor into a larger facility. The company's plans include the investment of approximately \$18.3 million in new machinery and \$700,000 in computer equipment to expand its manufacturing capabilities and continue its extensive research and development activity. In addition, Picometrix would lease a 52,000 square foot facility in Ann Arbor with a capitalized lease value of \$6.3 million and leasehold improvements totaling \$3.5 million. The company would hire up to 243 new employees with an average weekly wage of \$1,062 within three years. Production at the facility is anticipated to begin in October 2001.

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated this project will generate a total of 383 jobs in the state by the year 2016. Net state government revenues through the year 2016 would be increased by \$30.4 million due to the presence of this facility.

Although the company would prefer to remain in Michigan, the fiber optics components and equipment industry is concentrated in Massachusetts, California, New Jersey, Virginia and Texas. This puts the company at a disadvantage for procuring resources such as talented labor, infrastructure, capital, suppliers, and creates a distance between them and their customers.

The company has compared locating this project in Austin, Texas and found that not only would they be able to recruit more talent due to Austin's position as a telecommunications center, but they could pay these employees less than they would have to in the Ann Arbor market area. The company estimates that indirect and direct labor costs would be \$2.7 million higher in Michigan than in Texas over the first three years of the project.

The support of this project through MEGA credits and other state and local incentives will help to alleviate these cost and market considerations and put Michigan on a more even playing field for this expansion project.

The State of Michigan will provide an Economic Development Job Training grant of up to \$243,000 for the 243 net new jobs to be hired by the company.

Washtenaw Community College has committed to contributing up to \$30,000 per year over the next three years to develop a new college curriculum in the micro/photo electronics area, pay for professional development of faculty, payment of faculty salaries, purchase of materials and refitting of laboratory space. Picometrix will materially impact the timing of development of this program as Washtenaw Community College strives to meet the company's training needs.

Recommendation:

The Michigan Economic Development Corporation recommends a High Tech MEGA tax credit consisting of an employment credit of 100 percent for two years and fifty percent for four years for up to 243 net new jobs, and a business activity credit of 100 percent for 16 years. Also, due to the necessity for the company to hire talented people when they are available, we are asking that the 120-day look-back provision be granted this project.

Board Discussion:

Tim Ward presented the report of the Executive Committee. In addition to the reasons cited in Kathy Blake's presentation the committee discussed the local commitment, which was creative. It was felt that this is exactly the kind of project the high-tech credit was intended for.

Mark Haas questioned what the company considered indirect labor costs. Linda Dankoff explained that the direct costs were the people hired. Indirect costs would be person contracted, i.e., professors; those who were not permanent employees.

Craig DeNooyer was curious as to no local representation. Kathy Blake explained that Sue Lackey was in the meeting. She indicated that the City of Ann Arbor does not offer tax abatements, but is reviewing that policy.

Sarah Deson-Fried questioned whether this project would serve as a catalyst to provide a larger market in this industry in Michigan. Mr. Risser explained that the potential was there with the U of M Center for Ultrafast Optical Science and companies like his own and Nanovation locating in Ann Arbor.

Chairman Ward asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-021 awarding a MEGA tax credit to Picotronix, Inc. be adopted.

Action Item:

Ashley Livonia, A&P, L.L.C.
36663 Van Born Road
Romulus, Michigan 48174

Borman's Inc. d/b/a, Farmer Jack
18718 Borman's Avenue
Detroit, Michigan

It was decided to defer this project to the May 15, 2001 Board meeting. Tom Schimpf explained it would be held in abeyance for 30 days, during which time neither the MEGA nor the company were waiving any rights.

Tim Ward stated that he was agreeable to holding the matter over to the next meeting although the Executive Committee was in support of the staff recommendation on the project.

Chairman Ward asked if there were any questions from the Board. There being none, a motion to defer consideration of the Ashley Livonia, A&P Borman project for up to 30 days with the understanding that neither the MEGA Board nor the company were waiving any rights, was adopted.

The meeting was adjourned at 3:28 p.m.