

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 North Washington Square, on September 18, 2007 at 10:00 a.m.

Members Present

Susan Corbin (acting on behalf of Keith Cooley, authorization attached)

Jim Epolito

Baldomero Garcia

Andrew Lockwood (acting on behalf of Robert Kleine, authorization attached)

Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

Call to Order

Jim Epolito called the meeting to order at 10:08 a.m.

Approval of Minutes from May15, 2007

After review, a motion was made, supported and carried that board meeting minutes from the August 14, 2007, meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Credit Acceptance Corporation
25505 West Twelve Mile Road
Southfield, Michigan, 48034*

Kathy Kleckner introduced Ken Booth with Credit Acceptance Corporation, Rochelle Katz Freeman from the City of Southfield, and Mark Pflug with Price Waterhouse Coopers. Mr. Booth provided information about the company and project for the board. Since 1972, Credit Acceptance Corporation has provided auto loans to consumers, regardless of their credit history. The company's product is offered through a nationwide network of automobile dealers who benefit by selling vehicles to consumers who otherwise could not obtain financing, by repeat and referral sales generated by these same customers, and from sales to customers responding to advertisements for the company's product, but who actually end up qualifying for traditional financing. Credit Acceptance currently employs 549 associates in Michigan.

Credit Acceptance Corporation is undertaking the creation of an additional loan servicing facility due to the continued growth of its underlying business. The company is considering a significant reconfiguration and renovation of a portion its existing Southfield headquarters. In addition, the annexation of an additional 30,000 square feet within the existing building that is currently leased to third parties will be necessary in order to expand its operations. If additional space is required beyond what is available at the headquarters facility, the Company is prepared to seek incremental space within the City of Southfield.

Ms. Freeman discussed the local contribution for the board. The City of Southfield has proposed and will consider a 100% abatement of the company's new personal property taxes under PA328 for three years at its October 9 council meeting. The estimated value of this abatement is \$144,000.

Toni Brownfield provided additional information about the project for the board. The initial capital investment anticipated to renovate and reconfigure the building is approximately \$3.8 million. To support Credit Acceptance Corporation's growth, the company will hire up to 506 associates over the next five years, paying an average weekly wage of \$788.

It is estimated that this facility will create a total of 1,108 jobs in the state by the year 2015. It is also estimated that the project would increase total state government revenues through the year 2015, by \$19.7 million due to the expansion of this operation.

Credit Acceptance Corporation is considering opening a satellite office in South Atlanta, Georgia, where it could locate the new loan service center. When comparing the Michigan and Georgia locations, the company estimates that wage rates in Georgia are significantly lower.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for seven years, for up to 506 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-70, authorizing a MEGA tax credit for Credit Acceptance Corporation, was adopted.

ACTION ITEM

*Granvic Investments, LLC
1415 W Cedar Dr
Standish, MI 48658*

Lydia Murray introduced Paul Aultman with Granvic Investments/Vantage Plastics along with Tori Kelly from the City of Standish. Mr. Aultman described the company for the board. Granvic Investments is a newly created wholly-owned subsidiary of PRA Company. PRA Company operates as Vantage Plastics, which is a custom plastics thermoformer specializing in durable plastic packaging through both single and twin sheet forming. A large part of its current business is the manufacture of custom-fit plastic containers for auto parts. With a complete engineering staff, Vantage offers full design, prototype and tooling services in house.

Vantage began operations in 1996 with four thermoforming machines and six employees. In 2006 the company expanded to add much needed warehouse and office space. The company has 66 full time employees at their Standish facility.

Ms. Kelly discussed the local contribution for the board. The City of Standish is in support of the project and plans to assist with a local property tax abatement under Public Act 198 of 1974 for 10 years on new real and personal property, which is expected to be approved at its October 17th council meeting. This abatement has an estimated value of \$117,000.

Stephen Haakenson provided additional information about the project for the board. The company is considering an equipment purchase from a Canadian company, along with an exclusivity agreement for the production of all of their thermoformed products. This project would create a new extrusion operation and an expansion of Vantage's current business in

Standish. A large part of Vantage's current product line is automotive related, so this expansion would diversify its product line into consumer goods, such as pools, sleds, pedal boats, and kayaks. The project will result in investment and job creation at both Granvic and Vantage.

The total project is estimated to create 75 jobs over the first 5 years, with an average weekly wage of \$477. The anticipated capital investment of this expansion is \$2.7 million. It is also estimated that this facility will create a total of 136 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$1.98 million due to the expansion of this facility.

If the company is not able to acquire the equipment from the Canadian company, the business and jobs will remain in Montreal, Quebec. A MEGA tax credit will reduce the company's Michigan operating costs and assist with the growth of this small manufacturer.

The MEDC is also in the process of reviewing a request by the company and the City of Standish for CDBG funds to assist with the construction of a road between the company's current facility and their proposed location for the new extrusion operation.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 75 net new jobs.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-71, authorizing a MEGA tax credit for Granvic, LLC, was adopted.

ACTION ITEM

*SYSCO Food Services of Detroit, LLC
41600 Van Born Road
Canton, Michigan 48188*

Jeff Sands introduced Jim Amos with Sysco Food Services of Detroit, LLC, Dalip Bammi with Bammi Consulting, as well as Greg Capote from Wayne County. Mr. Amos described the project for the board. SYSCO Food Services of Detroit, LLC, is a wholly-owned subsidiary of SYSCO Corporation (NYSE: SYY). SYSCO Corporation also operates a facility in Grand Rapids. Collectively, these two locations employ 1,101 in the state, with 650 employees located in Canton Township.

SYSCO Food Services of Detroit, LLC, provides over 10,000 products and multiple services to the food service industry from its facility in Canton Township. Certain products (cut seafood and produce) are processed in its facility while the majority of products are purchased, warehoused and distributed to its 5,000 customers.

SYSCO Food Services of Detroit, LLC needs a larger facility due to its continuing growth. The company is proposing a 90,000 square foot expansion to its existing facility which requires the acquisition of 8 acres west of its existing facility.

Mr. Capote discussed the local contribution for the board. Wayne County's TURBO program, "Transforming Underdeveloped Residential & Business Opportunities" is offering a one hundred percent reimbursement of SYSCO's property taxes during the first year of construction of their expansion followed by a fifty percent reimbursement of SYSCO's property taxes for a period of five years. Wayne County estimates the value of the reimbursements at approximately \$452,603. Wayne County will execute a development agreement within a two-day period once the application is received from SYSCO.

Additionally, Wayne County's Land Bank Corporation provided a Phase II baseline environmental assessment (BEA) valued at \$6,855, for the property SYSCO is proposing to purchase for its expansion. The BEA found that the site is not a contaminated facility; therefore, the property does not qualify for brownfield incentives.

Toni Brownfield provided additional information about the project for the board. This expansion will require capital investment of at least \$18 million and will lead to the addition of 130 jobs over the next five years, paying an average weekly wage of \$1,095. It is estimated that the facility will create a total of 199 jobs in the state by the year 2017. It is also estimated that the project would increase total state government revenues through the year 2017, by \$4 million.

SYSCO Food Services of Detroit, LLC is considering relocating its entire Canton operation to Ashley, Indiana. A move to Indiana would require the construction of a new automated, efficient facility. Efficiencies gained through the new automated facility, coupled with lower wage rates, would save the company significant costs over the life of the project. In addition, the State of Indiana, has offered up to \$7 million in incentives.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for nine years, for up to 130 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-72, authorizing a MEGA tax credit for Sysco Food Services of Detroit, LLC, was adopted.

ACTION ITEM

*Thunder Bay Development LLC
615 McKinley Street
Alpena, Michigan 49707*

Lydia Murray introduced G. Scott Rantovich with Thunder Bay Development, LLC, David Neil with ATI Castings Service, and Greg Sundin from the City of Alpena. Mr. Rantovich and Mr. Neil described the company for the board. Thunder Bay Development LLC would be operated as part of Allegheny Technologies Inc. (ATI) Casting Service, which has been in operation in LaPorte, Indiana for 73 years. ATI Casting Service was an operating company of Teledyne, Inc. for approximately 30 years prior to Teledyne's 1996 business combination with Allegheny Ludlum Corporation. This business combination formed what is known today as Allegheny Technologies Incorporated (ATI), which is a publicly traded company on the New York stock

exchange. ATI Casting Service is one of the operating companies of ATI's Engineered Products segment and produces grey and ductile iron castings to virtually any specification.

Allegheny Technologies Inc. (ATI) is considering the purchase and reopening of the former Thunder Bay Manufacturing facility, which ceased operations in May 2007, located in Alpena, Michigan. ATI will form a new entity called Thunder Bay Development LLC that will be a manufacturer of grey and ductile iron castings concentrated on wind energy castings.

Mr. Sundin discussed the local contribution for the board. The City of Alpena approved a 100% abatement of the company's new personal property taxes under PA328 for nine years at its September 17 council meeting. The estimated value of this abatement is \$1.6 million.

Toni Brownfield provided additional information about the project for the board. To support this project, the company will make an initial capital investment of approximately \$15 million to acquire, equip, and renovate the building. Thunder Bay Development LLC will hire up to 150 employees over the next five years, paying an average weekly wage of \$646. It is estimated that this facility will create a total of 368 jobs in the state by the year 2014. It is also estimated that the project would increase total state government revenues through the year 2014, by \$7.7 million due to the expansion of this operation.

ATI is considering expanding its existing facility in La Porte, Indiana. When comparing the Michigan and Indiana locations, the company estimates that wage rates in Indiana are significantly lower. However, strategic reasons such as opening an existing Michigan facility in one month versus constructing an expansion and opening in two years in Indiana helps bridge the wage cost gap.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 150 net new employees if at least 100 new jobs are created in the state.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

The board and company representatives discussed the production of the wind turbines in further detail.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-73, authorizing a MEGA tax credit for Thunder Bay Development, LLC, was adopted.

ACTION ITEM

*Aernnova Engineering US, Inc.
TBD (Pittsfield Township)
Ann Arbor, MI*

Karen Lee introduced Juan Carols Ortiz Villajos and Luis Perez Oliva with Aernnova Engineering US, Inc. and James Gartin with Ann Arbor SPARK. Mr. Oliva and Mr. Villajos described the company for the board. Aernnova Engineering US, Inc. (Aernnova US) is a newly formed subsidiary of Aernnova Aerospace, S.A. (Aernnova SA), a Spain based global Aerostructures Company that offers a complete range of aerospace products and engineering

services. The company has five business units; Engineering, Composite Parts Manufacturing, Metallic Part Manufacturing, Large Assemblies and Product Support Services. Aernnova SA has been in business since 1986 and employs approximately 3050 people in seven locations in three countries (Spain, Brazil, Mexico). In 2007 Aernnova SA booked approximately \$470 Million (US dollars) in sales revenue. The company made its decision to locate in Michigan based on the following five factors: 1) the number of talented engineers; 2) the schools and universities in the area; 3) the quality of life; 4) incentives; and 5) sensitivity.

Aernnova US will provide aerospace engineering services primarily to North American based aircraft manufacturers. Aernnova proposes to locate a new engineering services operation in Pittsfield Township, which will require an investment of approximately \$10 million within the first 5 years.

Mr. Gartin discussed the local contribution for the board. Pittsfield Township has proposed local property tax abatement under Public Act 198 of 1974 for 12 years on new personal property. This abatement has an estimated value of \$304,000.

The State will also abate 100 percent of the State Education Tax (SET) mills for the length of the local property tax abatement. The value of the SET abatement is worth up to of \$88,000 if the community approves a 12-year local abatement and will be finalized by the end of October.

Stephen Haakenson provided additional information about the project for the board. It is anticipated that the engineering services facility will create approximately 450 jobs in the first five years of operations. The Company may create up to 600 new jobs over the life of the credit which may or may not include a manufacturing facility. The new jobs will earn an average weekly wage of \$1,224.

It is estimated that this facility will create a total of 1,257 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be increased by \$51 million due to the presence of this facility.

The company is also considering locating its operations to Atlanta, Georgia or Austin, Texas. Michigan's higher corporate taxes and higher wage rates puts it at a cost disadvantage compared to the competitive site in Atlanta.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for fifteen years, for up to 600 net new jobs.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Jim Epolito asked the company who its primary customers are. Mr. Oliva stated the primary customers are major aircraft manufacturers such as Airbus and Boeing.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-74, authorizing a MEGA high technology tax credit for Aernnova Engineering US, Inc., was adopted.

ACTION ITEM

*Azure Dynamics Corporation of America
350 Bay Street, Suite 400
Toronto, Ontario M5H 2S6*

Kathy Kleckner introduced Curt Huston and Steven Glaser with Azure Dynamics along with James Hock from the City of Oak Park. Mr. Huston described the company and project for the board. Azure Dynamics has developed proprietary hybrid vehicle technology for the light to heavy duty commercial vehicle category and has expertise in the areas of vehicle controls software, power electronics, electric machine design, vehicle systems engineering and vehicle integration. Azure's principal business is the supply of hybrid electric vehicle and electric vehicle control and powertrain systems for commercial and military vehicles, a target market that includes urban delivery, postal, courier, taxi and shuttle bus applications. Azure's growth in operations has been supported by fund raising initiatives that have raised approximately \$100 million in new equity funds (net of costs) over a three year period.

During 2006, Azure concluded arrangements with Ford Motor Company and the StarTrans division of Supreme Corporation that will focus their efforts around core programs for delivery vans and shuttle busses. The company will maintain engineering, sales and service operations in Boston, Vancouver and Toronto, while consolidating headquarters and development operations from several locations into offices in Oak Park.

Mr. Hock discussed the local contribution for the board. The City of Oak Park has approved an eleven year personal property tax abatement under PA198 of 1974. This abatement has an estimated value of \$55,400.

Amy Banninga provided additional information about the project for the board. The company proposes to lease existing space in Oak Park, requiring an initial investment of \$2.3 million, including \$1.5 million in lease costs. Through this consolidation, the company proposes to create up to 125 new positions over the first five years of operations with an average weekly wage of \$1,320.

It is estimated that this facility will generate a total of 251 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$4.5 million due to the presence of this facility.

The company has identified a facility in Oak Park for this expansion, but is also considering locations in Pennsylvania, Ohio, Illinois, and Ontario. Pennsylvania has offered a comprehensive package that proposes grant funding of up to \$1 million through the Pennsylvania Energy Development Authority (PEDA), a \$1,000 per job tax credit, the Opportunity Grant Program which provides direct grants to new businesses that establish a national or regional headquarters in Pennsylvania, the Guaranteed Free Training Program, and a saleable Research and Development Tax Credit.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years, for up to 125 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-75, authorizing a MEGA high technology tax credit for Azure Dynamics Corporation of America, was adopted.

ACTION ITEM

*MARS Advertising Prize Logic, LLC
25200 Telegraph Road, 5th Floor
Southfield, MI 48034-7496*

Jennifer Owens introduced Mark Jacobs with MARS Advertising, Inc., Greg Burkhart with Squire, Sanders, & Dempsey LLP, along with Rochell Katz Freeman from the City of Southfield. Mr. Jacobs described the company and project for the board. MARS Advertising Prize Logic LLC (Joint Venture) is a joint venture formed between Mars Advertising Inc. (MARS) and Prize Logic, LLC focusing on its business activity of on-line advertising. The new initiative will be led by MARS.

MARS was founded in 1973 in Southfield and currently has approximately 360 employees in 12 offices nationwide, with 192 employees working at its headquarters in Southfield. They are a promotion and marketing agency specializing in retail marketing for some of the largest consumer packaged goods companies in the world. MARS provides services ranging from in-store sampling and mobile marketing to sweepstakes/contests and web-based promotions.

The Joint Venture is poised to make a major investment into the web-based promotions business, which will focus on online advertising. The company is proposing to establish this new enterprise at MARS' current facility in the City of Southfield. As a result of the new initiative, the company anticipates making an investment of approximately \$1.7 million over 4 years, and creating approximately 150 new high-tech jobs over 10 years at the Joint Venture and MARS with an average weekly wage of \$1,117.

Ms. Freeman discussed the local contribution for the board. The City of Southfield has approved a local property tax abatement under Public Act 328 of 1998 for 3 years on new personal property. This abatement has an estimated value of \$18,000.

Stephen Haakenson provided additional information about the project for the board. It is estimated that this project will create a total of 297 jobs in the state by the year 2017. Total state government revenues through the year 2017, would be increased by \$5.4 million due to the presence of this facility.

The company is also considering relocating its operations to Bentonville, Arkansas due to its close proximity to a major client.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for ten years, for up to 150 net new jobs. However, the Company may only claim the credit in years eight, nine, and ten in which it has more than 100 net new jobs.

Board Discussion

Bo Garcia gave the Executive Committee report and recommended approval of the requested transfer of tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-76, authorizing a MEGA high technology tax credit for MARS Advertising Prize Logic, LLC, was adopted.

ACTION ITEM

*Genesee County Brownfield Redevelopment Authority
Genesee County Land Bank Fast Track Authority*

Peter Anastor introduced Christina Kelly with the Genesee County Land Bank Fast Track Authority along with Jim Linton with AKT Peerless Environmental Services and discussed the amendment request for the board. The Genesee County Brownfield Redevelopment Authority has requested an amendment #2 to the Genesee County Land Bank Fast Track Authority Work Plan. The Work Plan was originally approved by the MEGA Board on January 18, 2005 and first amended on April 18, 2006. This request would add 704 tax reverted parcels in the City of Flint, including the former Berridge Hotel and Durant Hotel and increase the amount for eligible activities, including bond interest on these properties. The amended Land Bank work plan includes parcels of properties in 15 communities throughout Genesee County. The total amended local and school tax capture being requested is \$20,595,910.

COST OF MEGA ELIGIBLE ACTIVITIES:

	2006	2007	
	<u>Amendment</u>	<u>Amendment</u>	<u>Change</u>
Demolition	\$ 2,370,600	\$ 3,161,200	\$ 790,600
Lead and Asbestos	\$ 1,444,180	\$ 1,773,680	\$ 329,500
Operation & Maintenance Plans	\$ 6,000	\$ 6,000	\$ 0
Site Preparation	\$ 229,020	\$ 379,020	\$ 150,000
Infrastructure Improvements	\$ 200,000	\$ 500,000	\$ 300,000
Berridge Hotel	\$ 0	\$ 561,800	\$ 561,800
Durant Hotel	<u>\$ 0</u>	<u>\$ 4,050,000</u>	<u>\$ 4,050,000</u>
Sub-Total	\$ 4,249,800	\$ 10,431,700	\$ 6,181,900
Plan Preparation & Review	\$ 10,000	\$ 18,000	\$ 8,000
Bond Interest & Expense	\$ 800,000	\$ 10,296,010	\$ 9,496,010
Contingency	<u>\$ 95,200</u>	<u>\$ 95,200</u>	<u>\$ 0</u>
Total Eligible Activity Costs	\$ 5,155,000	\$ 20,840,910	\$ 15,685,910
(EPA Funds)	<u>\$ (245,000)</u>	<u>\$ (245,000)</u>	<u>\$ 0</u>
TOTAL	\$ 4,910,000	\$ 20,595,910	\$ 15,685,910

Ms. Kelly provided additional information about the project for the board. The Genesee County Land Bank Fast Track Authority, acting as a developer, proposes to conduct eligible activities on eligible properties, which are scattered sites throughout Genesee County, but primarily located in the City of Flint. In addition to the City of Flint, properties are located in the cities of Swartz Creek and Mt. Morris and the Townships of Flint, Genesee, Gaines, Fenton, Richfield, Argentine, Mt. Morris, Grand Blanc, Thetford, Davison, Forest and Flushing. The project will allow the Land Bank to issue new bonds to perform demolition work on 100 additional structures, lead and asbestos abatement on 30 additional units and site preparation on 100 sites located on parcels of eligible tax reverted property included in the plan.

The bond issuance will also allow for the redevelopment of the former Durant Hotel and Berridge Hotel in downtown Flint. The Durant Hotel is a vacant eight-story building in downtown which will be converted into 109 two-bedroom apartments, with retail and office space on the first two floors of the building. The project will also include the construction of a parking deck which will be owned and maintained by the Land Bank or another public body. The Land Bank is expected to invest \$20 million into this project.

The former Berridge hotel will be redeveloped into 20 affordable and market rate housing and commercial units. In addition, the Tinlin building, a vacant historic building next to the Berridge Hotel, will be redeveloped into a four-unit apartment building. The MEGA Board approved a City of Flint work plan request for the Berridge project on October 17, 2006, however both the City of Flint and Genesee County are requesting that the project now become part of this work plan request by the Genesee County Land Bank.

The properties qualify on the basis that they are tax reverted and owned or are under the control of the Genesee Land Bank Fast Track Authority. These sites are the subject of an amended Brownfield Plan approved by the Genesee County Brownfield Redevelopment Authority and the Genesee County Board of Commissioners. The Brownfield Plan also has concurrence resolutions approved by the 15 communities that have parcels included in the plan.

The Genesee County Land Bank Fast Track Authority will seek to use other funding to continue conducting eligible activities on the various sites as the funds and redevelopment opportunities become available.

There is an estimated blended millage rate equal to 54.2074 mills, with 24 mills (44.3%) available for school tax capture and 30.2074 mills (55.7%) available for local tax capture. The estimated tax capture breakdown is as follows:

School Tax Capture (44%)	\$ 9,123,988
Local Tax Capture (56%)	<u>\$ 11,471,922</u>
TOTAL CAPTURE	\$ 20,595,910

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$20,595,910, described above. Utilizing the current estimated blended state to local capture ratio, the amount of school tax capture for this project is estimated at \$9,123,988.

In addition, the Brownfield Redevelopment staff recommends an amendment to the City of Flint Berridge Hotel project approved on October 17, 2006 to include those properties as part of this Genesee County Land Bank request and to reduce to \$0 the amount of eligible activities that are part of that plan which would be eligible for state school tax capture.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested amendments.

Hearing no further discussion, motions were made and supported, and Resolution 2007-77, authorizing an amendment to Resolution 2006-23, which amends Resolution 2005-03, for the Genesee County Brownfield Redevelopment Authority's Genesee County Land Bank Fast Track Authority redevelopment project along with Resolution 2007-78, authorizing the amendment to Resolution 2006-86 for the City of Flint Brownfield Redevelopment Authority's Berridge Place project, were adopted.

The meeting was adjourned at 11:15 a.m.