



## MEMORANDUM

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

**FROM:** Stacy Bowerman, Regional Project Manager

**DATE:** May 30, 2012

**SUBJECT:** Approval of Michigan Business Development Request for \$900,000 Performance-based Grant to:

A.G. Simpson (USA), Inc. ("Applicant")  
6640 Sterling Drive South  
Sterling Heights, Michigan 48312  
[www.agsautomotive.com](http://www.agsautomotive.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

The Applicant is the U.S. subsidiary of A.G. Simpson Automotive Inc., which is based in Canada. These entities and others are branded as AGS Automotive Systems, which has over 60 years of experience in the manufacturing of automotive components, specifically related to impact system assemblies (especially with chrome plating of bumpers), stamping and complex welded assemblies. AGS Automotive Systems operates manufacturing facilities throughout southern Ontario as well as Sterling Heights, Michigan and Shreveport, Louisiana.

The Applicant is assessing its manufacturing operations throughout Ontario and Michigan to determine the location for new business the Applicant has acquired. Without the location of new work to Michigan, the future viability of their Sterling Heights location is at risk. The Applicant is considering the purchase of an existing vacant building that requires significant upgrades to become productive. In total, the Applicant anticipates a capital investment of up to \$21.2 million related to this project.

Michigan Economic Development Corporation

The Applicant received an employment tax credit through the Michigan Economic Growth Authority (MEGA) in 2006 for their facility in Sterling Heights. The estimated value of that credit was \$622,000. The credit was never activated and no certificate was issued.

### **PROJECT DESCRIPTION**

The Applicant plans to expand their Sterling Heights operations 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 is located and operates in Michigan.
- b) The project will be located in City of Sterling Heights. The City of Sterling Heights has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement. The value of a 12-year abatement under P.A. 198 of 1974 is estimated at over \$1 million and will be considered by City Council at a future date.
- c) The Applicant has demonstrated a need for the funding. The Applicant has identified available space in southern Ontario versus the need for building improvements at the proposed facility in Sterling Heights.
- d) The Applicant plans to create 90 Qualified New Jobs above a statewide base employment level of 51.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the Applicant expects job creation and investment to begin immediately; the project involved out-of-state competition with southern Ontario; the project will reuse and rehabilitate an existing facility in Michigan; and the project has an expected net positive return to Michigan.

### **INCENTIVE OPPORTUNITY**

This project involves the creation of 90 Qualified New Jobs and a capital investment of up to \$21.2 million in the City of Sterling Heights. The requested incentive amount from the MSF is \$900,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

### **RECOMMENDATIONS**

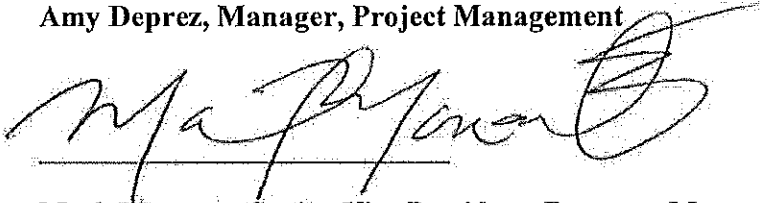
MEDC Staff recommends (the following, collectively, “Recommendation”):

- 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**

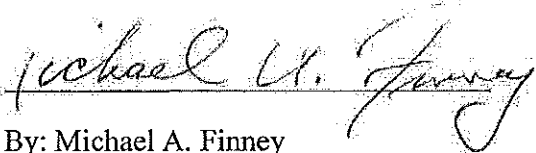


**Mark Morante, Senior Vice President, Program Management**

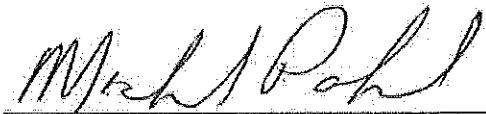
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

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