



MEMORANDUM

DATE: June 27, 2012

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

FROM: Joseph M Martin, Regional Project Manager

SUBJECT: Approval of Michigan Business Development Request for \$3,500,000 Performance-based Grant to:

Brose New Boston, Inc. ("Applicant" or "Company")
23400 Bell Road
New Boston, Michigan 48164
<http://www.brose.com/ww/en/pub/home.htm>

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

Brose New Boston, Inc., one of seven entities under the larger Brose North America Group (Brose North America Holding, LP), is a leading manufacturer of mechatronic components for vehicle bodies and interiors. The companies currently have two facilities in Michigan, Brose North America, Inc. located in Auburn Hills and Brose Jefferson, Inc. located in Warren. Brose International GmbH, the parent to the North American Group, is an international supplier to automotive markets worldwide.

The Applicant has not received any incentives from the MSF previously. Brose North America Group previously received employment tax credits through the Michigan Economic Growth Authority (MEGA) in 2002 for its facility in Auburn Hills and in 2008 for its facility in Warren. The estimated value of the 2002 credit for the Auburn Hills location was \$14,417,536. The 2008 MEGA for the Warren facility was never activated and will be forgone as part of this MBDP request.

Michigan Economic Development Corporation

PROJECT DESCRIPTION

The Applicant plans to open a new facility to expand its existing operations in Michigan, make investments and create jobs related to the manufacturing of high-technology mechatronic systems for automobiles. The project will supply Ford Motor Company and Chrysler with systems that include door modules that include power locks and latches and window regulators.

- 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 Huron Charter Township. Huron Charter Township has offered a "staff, financial, or economic commitment to the project" in the form of property tax abatement under P.A. 328 of 1998. The abatement will run for 12 years and has an estimated value of \$3.7 million.
- c) The Applicant has demonstrated a need for the funding based on a cost disadvantage of not leasing space next to the Chrysler Toledo Facility. The Ohio location would offer the Company a competitive package of tax incentives in combination with no personal property tax.
- d) The Applicant plans to create 350 Qualified New Jobs above a statewide base employment level of 513. As requirement of the performance based grant, the project will create or cause the creation of 100 additional jobs over the statewide base at the project site, or the Auburn Hills or Warren facility.
- e) The project meets the program guidelines as follows: the proposed project involves out-of-state competition with Ohio; has a net positive return to Michigan; reuses an existing facility; and has the prospect of near-term job creation.

INCENTIVE OPPORTUNITY

This project involves the creation of 350 Qualified New Jobs and a capital investment of up to \$61,773,500 in Huron Charter Township. The requested incentive amount from the MSF is \$3,500,000 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 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"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:

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.