



MEMORANDUM

DATE: November 28, 2012

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

FROM: Marcia Gebarowski, Development Finance Manager

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

Dart Container of Michigan, LLC ("Applicant" or "Company")
500 Hogsback Road
Mason, Michigan 48854
www.dart.biz

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

Dart Corporation was established in 1937 as Dart Manufacturing Company to manufacture products such as plastic key cases, steel tape measures, and identification tags for the armed services. Subsequent experimentation with expandable polystyrene in the late 1950s led to a line of high quality insulated foam cups. Dart Container Corporation was incorporated in 1960 with the production of 6 ounce foam cups. On May 4, 2012 Dart acquired Solo Cup Inc., headquartered in Illinois. Dart Container Corporation and its subsidiary Dart Container of Michigan, LLC are headquartered in Mason, Michigan.

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

PROJECT DESCRIPTION

The Applicant plans to construct a new office building and warehouse facility as well as expand and reconfigure other buildings at the headquarters campus to integrate Solo Cup operations into Dart's operation in Michigan, make investments and create jobs related to the Corporate or Headquarter Managing Offices.

- 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 Alaideon Township. The township has offered a "staff, financial, or economic commitment to the project" in the form of a PA 198 tax abatement.
- c) The Applicant has demonstrated a need for the funding based on a cost disadvantage for Michigan over the competing site of Lake Forest, Illinois. The Michigan location will require investment for reconfiguration and expansion of the offices. Solo Cup, in Lake Forest, to accommodate the project and Dart could shift job functions there or to other Dart or Solo locations around the world.
- d) The Applicant plans to create 325 Qualified New Jobs above a statewide base employment level of 1167.
- e) The project meets the program guidelines as follows: the proposed project involves a high level of investment which is anticipated to commence in 2012, a high number of new jobs, high wages and has a net positive return to Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 325 Qualified New Jobs though the Company anticipates the project will create up to 347 new jobs and a Qualified Investment of \$15 million of the total capital investment of up to \$47 million in Alaideon Township. The requested incentive amount from the MSF is \$3,000,000 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:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.