



## MEMORANDUM

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

**FROM:** Kenneth Murdoch, Regional Project Manager

**DATE:** June 13, 2012

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

FIAMM Technologies, L.L.C.  
1550 Lesson Ave  
Cadillac, Michigan 49601  
www.fiamm.com

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### BDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("BDP") and its guidelines. The primary intended objective of the BDP 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 BDP 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 staff.

### HISTORY OF THE APPLICANT

Originally, the Cadillac operation, which was founded in 1982, was known as Signaltone and was a subsidiary of a French company named Klaxon. In 1990, FIAMM Technologies purchased Klaxon and in 1992 moved FIAMM's horn operations from Brownsville, Texas to the recently purchased Cadillac facility.

Today, FIAMM Technologies is focused on the manufacturing of automotive horns, the mainstream AM80 trumpet horn along with a long life disc horn, the HK9E. According to the company it is the only major horn producer in North America and currently has a 65% market share. Their customers include GM, Ford, Chrysler, BMW, Mercedes Benz, Mazda, Nissan, Hyundai/Kia, Mitsubishi, Freightliner, Kenworth, and Peterbilt, Mack and many other heavy truck and industrial aftermarket customers.

The Applicant was approved for a \$500,000 MBDP Performance-based grant earlier this year, however the approval was withdrawn when the MEDC was informed that the Company was not prepared to

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announce publically the location decision for the project. The Company has received the final clearance from their Board of Directors and is prepared to move forward with the project in Cadillac, pending the approval of the MBDP Performanc-based grant from the MSF.

#### **PROJECT DESCRIPTION**

The Applicant plans to add a sixth manufacturing line (in its existing facility) related to automotive horns to provide additional capacity to support the growth of FIAMM Technologies automotive business.

- a) The Applicant is a "Qualified Business" that is located and operates in Michigan.
- b) The project will be located in the City of Cadillac. The City of Cadillac is supportive of a financial commitment to the project in the form of property tax abatements. The estimated value of the abatements is \$252,000.
- c) The Applicant has demonstrated a need for the funding. The alternative for the project was to place the additional work at an existing facility in Wuhan China. The company represents that they could do the project in their China facility for approximately 30% of the required Cadillac investment.
- d) The Applicant plans to create 31 Qualified New Jobs above a statewide base employment level of 139.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company indicates that investment will begin in the fall of 2012, job creation is expected to commence in June of 2012 and the project results in a positive ROI for Michigan.

#### **INCENTIVE OPPORTUNITY**

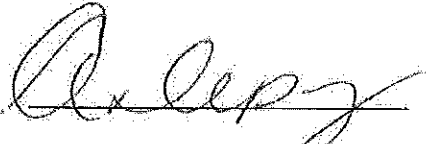
This project involves the creation of 31 Qualified New Jobs and a capital investment of up to \$4.4 million in the City of Cadillac. The requested incentive amount from the MSF is \$500,000. Please see below for more information on the recommended action.

#### **RECOMMENDATIONS**

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the BDP Proposal as outlined in the attached term sheet (collectively, "BDP Proposal");
- b) Closing the BDP Proposal, subject to available funding under the BDP at the time of closing ("Available Funding"), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, "Due Diligence"), finalization of all BDP 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 – BDP SUPPORT MEMO**  
**Michigan Economic Development Corporation**



**Amy Deprez, Manager, Project Management**

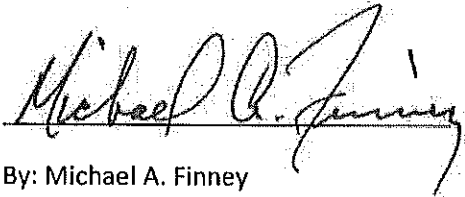


**Mark Morante, Senior Vice President, Program Management**

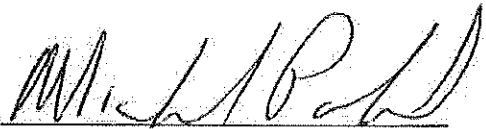
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all BDP transaction documents, all in accordance with the BDP and its guidelines:

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 BDP:

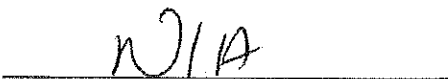
**Michigan Strategic Fund**



By: Michael A. Finney  
Its: Chairman



By: Michael Pohnl  
Its: Fund Manager



By: Andy Dillon, State Treasurer  
Its: Director