



MEMORANDUM

Date: July 25, 2012

To: Michigan Strategic Fund (“MSF”) Board Members

From: Joshua Hundt, Manager – Development Finance

Subject: Briefing Memo – General Motors LLC and GM Subsystems Manufacturing LLC
Amendment to Global Retention MEGA (595)
Amendment to Plug-In Electric Vehicle Engineering Credit
Amendment to Plug-In Battery Pack Credit

COMPANY NAME

General Motors LLC and GM Subsystems Manufacturing LLC
300 Renaissance Center
Detroit, Michigan 48265

BACKGROUND

General Motors Corporation was founded in 1908, and manufactures and markets automobiles, automotive systems, engines, heavy duty automatic transmissions, component parts and locomotives worldwide. In 2009, the former General Motors Corporation filed bankruptcy, resulting in the reorganization of its North American operations. Under a court approved transaction General Motors Corporation transferred substantially all of its operating assets to General Motors Company and its operating company General Motors, LLC.

On June 25, 2009, the Michigan Economic Growth Authority (MEGA) approved a Global Retention MEGA tax credit that included all existing Retention credits, as well as the opportunity to keep the Orion facility in Michigan. At that time, the project encompassed 17 facilities. That credit was later amended to include GM’s headquarters at the Detroit Renaissance Center, with certain provisions included.

On October 26, 2010 the MEGA approved amendments to the Global Retention MEGA tax credit to support the proposed addition of Hybrid Electric Vehicle battery and vehicle engineering and development operation at the existing battery development center located at the Warren Tech Center.

Project Description

Since the amendment to the MEGA Credit in 2010 General Motors, LLC has continued to grow in Michigan. General Motors is considering further investment in Michigan that may result in the creation of 2,000 additional jobs in the state of Michigan and up to \$300 million in additional new investment by the company. These figures are in excess of the 30,000 jobs currently being retained and up to \$2.5 billion in investment in Michigan as a result of the credit.

Michigan Economic Development Corporation

One of the potential projects at this time is a new IT Development Center to be located at the GM Technical Center in Warren. It is anticipated that this project could result in the creation of 1,500 additional jobs.

General Motors, LLC's recent and proposed growth is causing the company to near the 30,000 cap for retained jobs on their Global Retention MEGA Tax credit. As a result of these projects the company is requesting an increase in the maximum allowance for retained jobs on their Global Retention MEGA tax credit from 30,000 to 33,000. In addition to this request, the company is seeking additional amendments to the Global retention MEGA tax credit, the Plug-In Electric Vehicle Engineering Credit, and the Amendment to Plug-In Battery Pack Credit to simplify, clarify, and enhance the credit agreements.

OTHER STATE AND LOCAL ASSISTANCE

No additional local support is required for this amendment. The original local support offered by Orion Township was a requirement for the activation of the Global Solutions MEGA tax credit.

STATUS OF PROJECT

The MEGA tax credit began with the company's tax year ending December 31, 2010. As of today, the Company has submitted their MEGA Tax Credit Certificate for the 2010 tax year.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the up to 100% Global Retention MEGA tax credit, for 20 years (595):

- Increase the maximum retained jobs by 3,000, allowing for up to 33,000 retained jobs to be covered under this tax credit;
- Amend and clarify the "Shared Services" definition in the agreement;
- Amend the agreement to require, for reporting purposes, annual submission of employment information, instead of quarterly submission of employment information;
- Amend the maximum credit for the Detroit Renaissance Center from \$75 million to \$125 million over the life of the credit;
- Amend the agreement to remove the exception for the Battery Research and Testing Lab and the Manufacturing Validation Center at the GM Technical Center in Warren, and allow for the inclusion of up to 5,000 retained jobs at the GM Technical Center in Warren;
- Amend the repayment provision for relocation to 100% repayment for a relocation that occurs on or before the end of the fourth year of the credit and a rolling 50% repayment of the three previous years of the credit for a relocation that occurs after the fourth year and within 24 months after the end of the twentieth year of the credit;
- Set the effective date of these amendments as January 1, 2011.

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendment to the Plug-In Electric Vehicle Engineering Credit:

- The current repayment for relocation is a repayment of up to 100% for a relocation that occurs on or before the third year of the credit and a repayment of up to 50% for a relocation that occurs within 36 months after the end of the term of the credit. Amend proposal to remove the 50% repayment provision for the second 36 months.

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendment to GM Subsystems Manufacturing LLC's Plug-In Battery Pack Credit:

- The current repayment for relocation is a repayment of up to 100% for a relocation that occurs on or before the third year of the credit and a repayment of up to 50% for a relocation that occurs within 36 months after the end of the term of the credit. Amend proposal to remove the 50% repayment provision for the second 36 months.