



MEMORANDUM

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

FROM: Joshua Hundt, Senior Regional Project Manager

DATE: April 30, 2012

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

Hark Orchids, LP
321 Clark Street, Suite 1425
Chicago, Illinois 60654-4714
www.hark-orchideen.com

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

Hark Orchids, LP ("Hark Orchids") was incorporated in 2012 as a subsidiary of Hark Orchids, GmbH & Co. KG, a successful orchid propagation company based in Germany. Hark Orchids was set up to establish an existing successful concept from Europe in the United States, the laboratory production of orchid young plants.

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

Michigan Economic Development Corporation

00 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

PROJECT DESCRIPTION

The Applicant plans to build a new operation in Michigan, make investments and create jobs related to mass propagation of orchids. The laboratory constructed by Hark Orchids will be the first professional laboratory for orchid production in the United States.

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in Comstock Charter Township. Comstock Charter Township has offered a "staff, financial, or economic commitment to the project" in the form of property tax abatement under PA 198 of 1974 for twelve years. The estimated value of the abatement is \$277,000. Portions of the site also are in an existing Renaissance Zone that will remain in place for the next six years and the Company will receive the benefit during that time.
- c) The Applicant has demonstrated a need for the funding based on a competing economic development incentive offer from Elkhart, Indiana.
- d) The Applicant plans to create 80 Qualified New Jobs above a statewide base employment level of 0.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: Hark Orchids indicates it will begin making capital investment related to the project in 2012 and begin hiring in 2013. This project faced significant competition from a competing site in Elkhart, Indiana. Additionally, this project has a net positive return on investment for Michigan.

INCENTIVE OPPORTUNITY

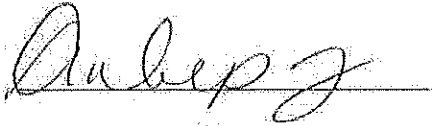
This project involves the creation of 80 Qualified New Jobs and a capital investment of up to \$5,000,000 in the Charter Township of Comstock. The requested incentive amount from the MSF is \$500,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

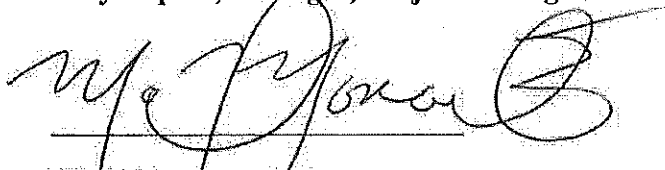
MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the 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

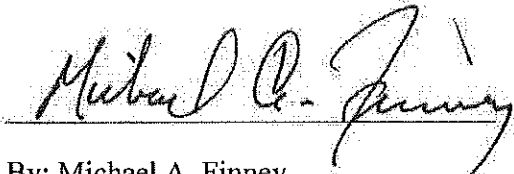


Mark Morante, Senior Vice President, Program Management

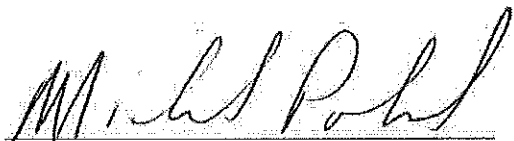
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

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