



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 15, 2008
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging
Greg West, Project Specialist
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Hemlock Semiconductor Corporation
High-Technology MEGA Credit and
Anchor New Jobs and District Designations

COMPANY NAME:

Hemlock Semiconductor Corporation
12334 Geddes Road
Hemlock, Michigan 48626

HISTORY OF COMPANY:

Hemlock Semiconductor Corporation (HSC) is the leading Global supplier of polycrystalline silicon to the semiconductor and photovoltaic industry (solar power). HSC began manufacturing in Hemlock, Michigan, in 1961. Growing demand for silicon in the electronic era led to HSC's doubling its production capabilities three times in the 1960's. HSC was formed as a wholly-owned subsidiary of Dow Corning Corporation in 1979, and in 1984 added partners to become a joint venture of Dow Corning Corporation and two of Japan's largest single-crystal wafer manufacturers: Shin-Etsu Handotai Company, Ltd. and Mitsubishi Materials Corporation. HSC tripled its production capacity in 1986 after completing its largest expansion and implementing new technology. Expansions nearly doubled capacity in 1994 and 1995, 1998 and again in 2008. The most recent expansion started in 2007 and will again almost double the capacity of the site.

Hemlock Semiconductor Corporation currently has 639 employees in Michigan.

PROJECT DESCRIPTION:

HSC proposes to expand its existing polycrystalline silicon manufacturing facility in Thomas Township in Saginaw County. The polycrystalline silicon business is very strong today and is being driven primarily by high growth in the solar energy power industry. The solar industry has been growing at an annual rate of 35% for the last 10 years, and the long-term growth forecasts remain strong due to the Kyoto Accord and various incentives provided by governments around the world. Since HSC is the global industry leader in supplying silicon to this rapidly growing industry, our customers have

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OTHER STATE AND LOCAL ASSISTANCE:

Property Tax Abatements (PA 198 and PA 328): Thomas Township will support a 50 percent abatement on real property for 12 years. In addition, the township will support a 100 percent abatement on personal property for 30 years.

State Education Tax Abatement: The State of Michigan offers an abatement of the entire six-mill state education tax over the same term as the local real property tax abatement.

Economic Development Job Training: The MEDC has also approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant of \$1,000 per job for up to 190 new jobs and \$500 per job for existing employees. This training grant could be worth up to a maximum of \$390,000.

Site Development/Public Infrastructure: The Michigan Economic Development Corporation and the local community anticipate approval for funding for needed water and sewer improvements needed for this expansion. Funds will be available through the Michigan Community Development Block Grant (CDBG) program. The funds would be in the form of a grant to the local unit of government for the purpose of providing the public infrastructure improvements necessary to the site.

State Transportation Funding: The proposed expansion meets all the basic requirements of the TEDF Category A program. The Michigan Department of Transportation anticipates approval to provide funding support for the demonstrated transportation needs of the proposed expansion.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

Hemlock Semiconductor Corporation is a qualified high-technology business, whose primary business activity is Electronic Device Technology, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent High Technology employment tax credit for 20 years, for up to 190 net new employees, and approval of the Anchor New Jobs and District designations for the maximum designation of 5 years each.