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MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: November 13, 2007

TO: Michigan Economic Growth Authority

FROM: Mark Morante, Vice President
Development Finance

Amy Banninga, Project Team Manager
Development Finance

SUBJECT: Briefing Memo – International Automotive Components Group
Retention Credit

COMPANY NAME AND ADDRESS:

International Automotive Components Group N.A., Inc.
5300 Auto Club Drive
Dearborn, Michigan 48126

HISTORY OF COMPANY:

International Automotive Components Group N.A., Inc. (IAC) is a Delaware Corporation held 100% by International Automotive Components Group North America, LLC, which is a venture owned by WL Ross & Co. LLC (37.5%), Collins & Aikman Products Co. (25%), Franklin Mutual Advisers, LLC (18.75%), and Lear Corporation (18.75%).

IAC was formed on April 1, 2007 and is comprised of Lear Corporation's former Interior Systems Division, Collins & Aikman Soft Trim Division, as well as other injection molding business that has been acquired from Collins & Aikman through the ongoing bankruptcy proceedings. IAC currently employs 2,409 associates at five manufacturing plants and three administrative facilities in Michigan. The manufacturing plants are located in Alma, Mendon, Port Huron, St. Clair and Warren. The administrative facilities are located in Dearborn (Corporate Headquarters), Plymouth and Rochester Hills.

IAC develops and manufactures products for the global automotive industry. IAC's core business is the development and production of automotive interior systems, carpet, and acoustics products.

PROJECT DESCRIPTION:

IAC is in the process of optimizing its manufacturing footprint to eliminate excess capacity and reduce its cost structure. The company is committed to retaining its Michigan workforce, and will make investment at several locations to retain and create jobs at their facilities. Initial investments of $3.3 million at Port Huron and $2.6 million at St. Clair will result in the creation of approximately 68 new positions at these facilities. Some of these job gains will be offset by layoffs at the Mendon facility, but the company is considering additional investment and transfers of business from IAC facilities outside of Michigan which should counter these layoffs and could result in a net creation of up to 200 new jobs and the retention of up to 2,409 employees. The average weekly wages for positions retained and created are $1,641 for headquarters and administrative locations, and $550 for manufacturing locations.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that the retention of the company's operations will retain a total of 7,722 jobs in the state by the year 2017. We also estimate that the project would maintain total state government revenues through the year 2017, net of MEGA cost and adjusted for inflation, of $23.5 million (2007 dollars) due to the retention of these facilities.

BUT FOR:

The automotive supplier industry is currently in the midst of very difficult times due to reduced vehicle volumes, rising raw material costs, and excess manufacturing capacity. The company is in the process of determining the facilities which it will continue to operate. Multiple factors are considered when making these decisions, including overall cost structure, business climate, and incentives which directly reduce the cost of operations

OTHER STATE AND LOCAL ASSISTANCE:

The City of Port Huron has proposed a 6 year, 50 percent abatement of new personal property taxes in support of a $3.3 million investment in new equipment at the site. This abatement has an estimated value of $258,000.

The City of St. Clair has proposed a 6 year, 50 percent abatement of new personal property taxes in support of a $2.6 million investment in new equipment at the site. This abatement has an estimated value of $202,000.

The City of Warren has proposed a 10 year, 50 percent abatement of new personal property taxes in support of a $804,000 investment in new equipment at the site. This abatement has an estimated value of $57,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 50 percent employment credit for ten years for up to 2,409 retained jobs at the Alma, Mendon, Pt. Huron, St. Clair and Warren manufacturing facilities and the Dearborn, Plymouth and Rochester Hills administrative facilities, if at least 2,100 jobs are retained in the state.

Additionally, the Michigan Economic Development Corporation recommends a 75 percent employment credit for ten years for up to 200 new jobs, if at least a total of 50 new jobs are created in the first year of operations at the Port Huron, St. Clair, or Warren facilities. These positions must be in excess of the 2,409 existing employment in the state.

As required by the MEGA statute, this credit is subject to a clawback should the company not meet certain contractual requirements.