



MEMORANDUM

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

FROM: Stacy Bowerman, Development Finance Manager

DATE: April 29, 2013

SUBJECT: Approval of Michigan Business Development Request for \$300,000 Performance-based Grant to:

J.R. Automation Technologies, LLC (“Applicant” or “Company”)
13365 Tyler Street
Holland, Michigan 49424
www.jrauto.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 Development Finance 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

The Company, established in 1980, designs, manufactures and maintains specialized automated machinery around the world. In the beginning, the Company provided automated machinery to customers within the automotive industry. In 2008, the Company expanded into new markets which now include consumer products, food processing, pharmaceutical, medical device and aeronautic industries. The Company currently operates in three facilities in Michigan and one in South Carolina.

The Applicant has not received any incentives from the MSF in the past.

PROJECT DESCRIPTION

The Company is at capacity at its Michigan facilities and would like to expand its design, engineering and fabrication units as well as add a new business venture to implement a repeat manufacturing process.

The Applicant plans to expand its existing operations located at 13365 Tyler Street, Holland (Olive Township); 12688 New Holland Street, Holland (Holland Charter Township); and 13521 Quality Drive, Holland (Holland Charter Township), make investments and create jobs related to the design and manufacture of automated equipment related to the automotive, consumer products, food processing, pharmaceutical, medical device and aeronautic industries.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is will located and operates in Michigan.
- b) The project will be located in Olive Township and Holland Charter Township. The Townships have offered a “staff, financial, or economic commitment to the project” in the form of a 12 year property tax abatement under Public Act 198 of 1974.
- c) The Applicant has demonstrated a need for the funding. The Company has an existing facility in South Carolina that could support this growth. The Company has partnered with South Carolina in the past to implement an employee recruitment and development program that allows the company to quickly and affordably find talent. The MBDP funding will allow the Company to upgrade and expand its facilities to be better able to attract new employees to Michigan.
- d) The Applicant plans to create 90 Qualified New Jobs above a statewide base employment level of 341.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project involves out-of-state competition with South Carolina; the company anticipates near term job creation and investment; the average hourly wage rate for the newly created positions will be over \$29, which is 160% of county average; the Company will use local suppliers for additional labor and services needed in its production; and the project has a net positive return to Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 90 Qualified New Jobs, with the potential for up to 99 total jobs as a result of the Project, and a capital investment of up to \$4.2 million in Olive Township and Holland Charter Township. The requested incentive amount from the MSF is \$300,000 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 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days;
- b. MSF Fund Manager can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

APPROVAL AUTHORITY – MBDP SUPPORT MEMO
Michigan Economic Development Corporation

Amy Deprez, Director, Development Finance

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 of the MSF State Treasurer Director, are required for this commitment under the MBDP:

Michigan Strategic Fund

By: Michael A. Finney
Its: Chairman

By: Karla K. Campbell
Its: Fund Manager

By: Andy Dillon, State Treasurer
Its: Director

J.R. Automation Technologies, LLC