



MEMORANDUM

Date: May 17, 2011

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – Kenersys Americas, LLC
High Technology MEGA Credit

COMPANY NAME

Kenersys Americas, LLC
50 W. Big Beaver Rd., Ste. 120
Troy, Michigan 48084

HISTORY OF COMPANY

Kenersys Americas, LLC is a newly formed business entity of the Kenersys Group, a global wind turbine manufacturing company with an in-depth knowledge of sales, project development, manufacturing and marketing for high-quality wind turbines. The Kenersys Group is headquartered in Muenster Germany. The Kenersys family of companies claims to provide the highest selling turbine in the European and Indian wind markets and has designed a vast range of wind turbines from 1.0 MW to 3.6 MW.

The company currently does not have any employees in Michigan.

PROJECT DESCRIPTION

Kenersys Americas, LLC will be the first presence of the Kenersys Group in the western hemisphere. This project is planned over two-phases. For the first phase, Kenersys Americas plans to establish a sales and headquarters operation in the City of Troy. The second phase of the project consists of the company locating a manufacturing facility in Michigan at a site yet to be determined by 2013 and to ramp up wind turbine manufacturing operations in North America.

The company plans to invest approximately \$10.2 million, of which \$437,000 is lease costs, and create 160 jobs over the next five years, with approximately 30 jobs projected for the headquarters operations and 130 for the manufacturing operations, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$831. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 336 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$3,731,729 (current dollars) due to the presence of this facility.

BUSINESS CASE

Kenersys has also been engaged with the State of Ohio in tapping into the potential renewable energy market based on that state's higher RPS (25% by 2025 vs. Michigan's 10% by 2015) requirements. Ohio has fewer wind installations than Michigan, so there is a greater market potential for Kenersys to tap into. Moreover, Kenersys' first turbine in North America will be installed in Euclid, Ohio.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy and Automation Alley have teamed up to provide Kenersys with a two year membership to Automation Alley.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Alternative Energy Technology, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 5 year high technology employment tax credit for this project. The credit percentage will be 50% for years 1-3 and 100% for years 4-5 for up to 160 net new employees in excess of the company's established base of 0, contingent upon the following:

- The company must identify a Michigan manufacturing project site and secure local support by the end of year 3. Failure to do so will result in the forfeiture of all remaining credit years.