



MEMORANDUM

DATE: January 23, 2013

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,600,000 Performance-based Grant to:

Lear Corporation ("Applicant" or "Company")
21557 Telegraph Road
Southfield, Michigan 48033
www.lear.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

Lear was founded in 1917 in Detroit, Michigan as American Metals Products, a manufacturer of tubular, welded and stamped assemblies for the automotive and aircraft industries. The Company went public in 1994 and today, they provide complete seating and electrical power management systems worldwide. Lear Corporation ranks #189 among the Fortune 500. With headquarters located in Southfield, Michigan, Lear continues to operate 207 facilities in 35 countries around the globe. Lear is traded on the New York Stock Exchange under the symbol (LEA).

Lear Corporation was awarded a five year Standard/Retention MBT jobs credit on November 17, 2009. On January 23, 2013, Integrated Manufacturing & Assembly, LLC (a Lear subsidiary) will be before the MSF Board for consideration of an MBDP performance based grant.

Michigan Economic Development Corporation

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

PROJECT DESCRIPTION

The Applicant plans to expand its operations by leasing an additional facility to accommodate new work in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Highland Park. The City of Highland Park has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 328 for 12 years. The estimated value of this abatement is \$3.4 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic incentive packages from Ohio and Indiana.
- d) The Applicant plans to create 230 Qualified New Jobs above a statewide base employment level of 2575.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility located in a distressed city and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 230 Qualified New Jobs, with the potential to create up to 334 total jobs and a capital investment of up to \$18,751,279 in the City of Highland Park. The requested incentive amount from the MSF is \$1,600,000 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 term sheet attached to the proposed Resolution (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.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.