



MEMORANDUM

TO: Michigan Strategic Fund (“MSF”) Board Members

FROM: Joshua Hundt, Manager – Development Finance

DATE: September 27, 2012

SUBJECT: Approval of Michigan Business Development Request for \$1,200,000 Performance-based Grant to:

Magna Mirrors of America, Inc. DBA Magna Sealing and Glass Systems
 (“Applicant” or “Company”)
 3501 John F Donnelly Drive
 Holland, Michigan 49424
 www.magna.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

Magna Mirrors of America, Inc. DBA Magna Sealing and Glass Systems (“Magna Sealing and Glass Systems”) is a wholly owned subsidiary of Magna International, Inc. Magna International, Inc. represents itself as the most diversified global automotive supplier. Magna International, Inc. and its subsidiaries design, develop, and manufacture technologically advanced automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for the sale to original equipment manufacturers of cars and light trucks.

Magna International, Inc. has 35 locations and over 8,000 employees in the state of Michigan, of which 408 are employed by Magna Sealing and Glass.

Michigan Economic Development Corporation

On June 17, 2011 the Applicant, the Michigan Strategic Fund, and Bowne Township completed a settlement agreement to set aside the Applicant's Renaissance Zone in Bowne Township.

PROJECT DESCRIPTION

The Applicant plans to expand an existing operation in Holland Charter Township, make investments and create jobs related to develop, test, and commercialize a new sunroof technology for the passenger automobile industry, named SunBlade TM. The application of this technology will allow Magna Sealing and Glass to manufacture an electro-polymeric shade to be used in sunroofs, along with other applications.

- 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 Holland Charter Township. The municipality has offered "staff, financial, or economic commitment to the project" in the form of a property tax abatement under PA 198 of 1974 for twelve years.
- c) The Applicant has demonstrated a need for the funding through competition from sites in Tennessee, Ohio, and South Carolina. Magna International, Inc. has operations in these three states and they provided competing incentive offers. The flexibility of the timing on the disbursement schedule under the MBDP program made the Michigan site competitive for the development and manufacturing phases of the project. .
- d) The Applicant plans to create 177 Qualified New Jobs above a statewide base employment level of 408.
- e) The project meets the program guidelines as follows: the proposed project involves out of state competition from sites in Ohio, South Carolina, and Tennessee, the wages for the project are higher than the average wage for Ottawa County, the project has strong links to Michigan suppliers, and the project results in a net positive return-on-investment to the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 177 Qualified New Jobs and a capital investment of up to \$10.1 million in Holland Charter Township. The requested incentive amount from the MSF is \$1,200,000 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 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

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