



## MEMORANDUM

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

**FROM:** Kenneth Murdoch, Development Finance Manager

**DATE:** January 23, 2013

**SUBJECT:** Approval of Michigan Business Development Request for \$2,000,000  
Performance-based grant to:

Moran Iron Works, Inc. ("Applicant" or "Company")  
11739 M68  
Onaway, Michigan  
[www.moraniron.com](http://www.moraniron.com)

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### 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 Project Management 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

Moran Iron Works, Inc. is a custom fabrication facility that has been designing, developing and manufacturing custom large metal modular components since 1978. The company's customers include Mining, Marine Steel, Cement, Power Generation, Green House Gas Reduction and Pollution Control industries.

The Applicant previously benefitted from a High Wire Corridor project which was funded with \$580,000 of Community Development Block Grant funds. This project was completed in 2003 and has been successfully closed out.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | [MichiganAdvantage.org](http://MichiganAdvantage.org) | [michigan.org](http://michigan.org)

### **PROJECT DESCRIPTION**

The Applicant has the opportunity to produce larger modules and components. For them to produce these larger products they need to expand their facility in the City of Onaway, Michigan and make dock and facility improvements at the Port of Calcite in Rogers City, Michigan. The company plans to invest over \$16 million in building and port improvements and create 75 jobs related to fabrication of custom metal products.

- 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 Onaway and Rogers City, Michigan. The County has offered a financial commitment to the project in the form of a purchase of a boom crawler crane to be used at the Port of Calcite. The County will agree to lease the crane to Moran Iron Works and other Port of Calcite businesses for 10 years. At the end of 10 years Moran Iron Works will have the option to purchase the crane for the sum of \$1. The estimated value of the crane is \$4 million.
- c) The Applicant has demonstrated a need for the funding based on the need for the Port of Calcite to be improved and the company to have access to a larger crane which will allow them to load the large modules and components onto ships. Without these improvements the company will be unable to meet customer demand.
- d) The Applicant plans to create 75 Qualified New Jobs above a statewide base employment level of 89.
- e) The project meets the program guidelines as follows: the proposed project is expected to create job creation and investment to begin immediately has a net positive return to Michigan and the project is located in a distressed area.

### **INCENTIVE OPPORTUNITY**

This project involves the creation of 75 Qualified New Jobs and a capital investment of up to \$16 million in the village of Onaway and Rogers City. The requested incentive amount from the MSF is \$2 million 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.

