



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.MICHIGAN.ORG

DATE: January 22, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director *VH*
Portfolio Management & Packaging
Toni Brownfield, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – NxtGen Emission Controls USA Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

NxtGen Emission Controls USA Inc.
Unit C 4242 Phillips Avenue
Burnaby, British Columbia
Canada V5A 2X2

HISTORY OF COMPANY:

NxtGen Emission Controls Inc., a high technology company delivering clean, efficient diesel technology, was established in Canada in 2004 to research and develop a breakthrough method for regenerating lean NOx (Nitrous Oxide) traps (LNTs) and diesel particulate filters (DPFs) with the goal to improve overall diesel engine aftertreatment system performance and vehicle fuel efficiency. NxtGen was founded by former employees of Ballard Power Systems (TSE:BLD) and QuestAir Technologies (TSE:QAR). The company currently employs three Michigan associates.

NxtGen's patented (pending) technology is the syngas generator (SGG), its innovative control algorithms and proprietary diverter valving system. This new method of regeneration is a simplified approach compared to the current technology, which drives strategic value from the Original Equipment Manufacturer (OEM) through the value chain to the end-user. It is anticipated that NxtGen's products will be introduced by the major automotive and truck manufacturers between the years of 2010 and 2012. In the interim, NxtGen will commercialize the product technology in the on-highway retrofit market, as well as off-road OEM applications.

PROJECT DESCRIPTION:

NextGen is considering where to locate its administration and manufacturing facility in North America. Should NxtGen choose to locate this operation in Michigan, the project will require an initial capital investment of approximately \$1.2 million, which includes machinery and equipment, lease cost, and leasehold improvements. NxtGen is proposing the lease of a facility in the City of Wixom, Oakland County. Over the course of the next five years, NxtGen expects to create up to 47 new jobs, paying an average weekly wage of \$1,003.

EXECUTIVE COMMITTEE
MATTHEW P. CULLEN
Chair
General Motors

PHILIP H. POWER
Vice-Chair
The Center for Michigan, Inc.

JAMES C. EPOLITO
President & CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

KEITH W. COOLEY
Michigan Department of Labor &
Economic Growth

JOANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Ford Motor Company

HAYDEN H. HARRIS
EDF Ventures

PAUL HILLEGONDS
DTE Energy Company

GEORGE JACKSON JR.
Detroit Economic Growth
Corporation

MICHAEL J. JANDERNOA
Bridge Street Capital
Partners, LLC.

BIRGIT M. KLOHS
The Right Place, Inc.

F. THOMAS LEWAND
Bodman LLP

DR. IRVIN D. REID
Wayne State University

MICHAEL B. STAEBLER
Pepper Hamilton LLP

DENNIS R. TOFFOLO
Oakland County

PETER S. WALTERS
Guardian Industries Corp.

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 106 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs and adjusted for inflation, would be increased by \$2.8 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

NxtGen is also considering Windsor, Ontario for the location of this facility. When comparing the two locations, labor costs in Windsor are significantly less than the Wixom location. In addition, local Canadian officials are offering the company the following incentives: Advanced Manufacturing Incentive Subsidy; Target Wage Subsidy; and Rural Economic Development Grant.

OTHER STATE AND LOCAL ASSISTANCE:

On January 8, 2008, the City of Wixom approved a 50% abatement of the company's new personal property taxes under PA 198 for five years. The estimated value of this abatement is \$15,000.

Oakland County has also committed up to \$20,000 of federal training dollars under the Workforce Investment Act (WIA). To supplement the WIA training funds, the MEDC is also committing up to \$20,000 in Economic Development Job Training funds.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is technology for the assessment or prevention of threats to the environment, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 47 net new employees.