



MEMORANDUM

TO: Delegates of the Michigan Strategic Fund ("MSF") Board for the Michigan Business Development Program

FROM: Mike Gietzen, Development Finance Manager

DATE: May 7, 2013

SUBJECT: Approval of Michigan Business Development Request for \$700,000 Performance-based Grant to:

Post Foods, LLC ("Applicant" or "Company")
2503 S. Hanley Road
St. Louis, Missouri
www.postfoods.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

Post Foods, LLC history dates back to 1895 when C.W. Post came to Michigan in 1892, and formed Postum Company, which was one of the early pioneers in the ready to eat breakfast cereal business. Postum Company become one of the initial businesses of General Foods and eventually was merged into Kraft Foods. In 2012, Post Foods was spun off and organized under Post Holdings Inc. which is now the parent company of Post Foods, LLC.

The Applicant has received a Single Business Tax Brownfield Redevelopment Tax Credit which was certified complete on August 14, 2007.

Michigan Economic Development Corporation

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PROJECT DESCRIPTION

The Applicant, Post Foods, LLC, currently has production manufacturing facilities at 4 locations; Battle Creek, Michigan; Jonesboro, Arkansas; Modesto, California and Niagara, Ontario. This project would consolidate the manufacturing headquarters for Post Foods to Battle Creek, Michigan (275 Cliff Street Battle Creek, MI 49014). The project would also involve relocating key leadership roles to Battle Creek, and closing the Modesto, California manufacturing site to relocate operations in Battle Creek. This project will involve capital investment of nearly \$30 million in the form of building renovations and machinery & equipment. The Company anticipates the creation of 92 jobs as a result of the consolidation.

- 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 the City of Battle Creek. The City of Battle Creek has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatement under Public Act 198 of 1974.
- c) The Applicant has demonstrated a need for the funding based on the competitiveness of their options in Jonesboro, Arkansas and Niagara, Ontario. The wage rate of the Battle Creek facility averages \$27/hour, which is much higher than other competitive site options.
- d) The Applicant plans to create 92 Qualified New Jobs above a statewide base employment level of 646.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the project involves very strong out-of-state competition from Arkansas and Canada, the company has very strong relationships to Michigan suppliers and has a long lasting tradition and history of operating in Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 92 Qualified New Jobs and a capital investment of up to \$29,825,000 in the City of Battle Creek. The requested incentive amount from the MSF is \$700,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

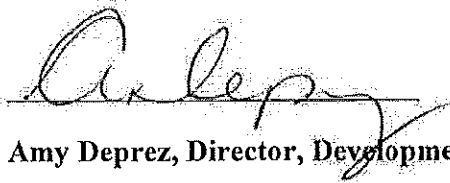
RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (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;

- b. MSF Fund Manager can negotiate final milestone performance terms from that contained in the Term Sheet, and additional and other terms so long as the additional and other terms are not otherwise materially adverse to the MSF, to accommodate final signing of the Transaction Documents.

APPROVAL AUTHORITY – MBDP SUPPORT MEMO
Michigan Economic Development Corporation

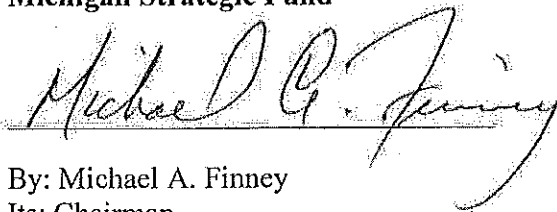


Amy Deprez, Director, Development Finance

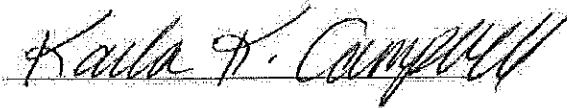
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager of the MSF State Treasurer Director, are required for this commitment under the MBDP:

Michigan Strategic Fund



By: Michael A. Finney
Its: Chairman



By: Karla K. Campbell
Its: Fund Manager



By: Andy Dillon, State Treasurer
Its: Director



MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP").

Date: 4/26/2013

- 1. Company Name: Post Foods, LLC ("Company" or "Applicant")
2. Company Address: 2503 S Hanley Road, St. Louis, Missouri 63144
3. Project Address ("Project"): 275 Cliff Street, Battle Creek, Michigan 49014
4. MBDP Incentive Type: Performance Based Grant
5. Maximum Amount of MBDP Incentive: Up to \$700,000 ("MBDP Incentive Award")
6. Base Employment Level: 646. The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's employment level in Michigan prior to the proposed project.
7. Total Qualified New Job Creation: 92. The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award.

the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award

8. **Company Investment:** \$29,825,000 for building renovations, machinery & equipment, and pollution control equipment or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Battle Creek

- a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: a property tax abatement related to the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.

10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:

- a. **Disbursement Milestone 1:** Up to \$410,000 Upon demonstrated creation of 54 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by no later than May 1, 2014.
- b. **Disbursement Milestone 2:** Up to \$290,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 38 additional Qualified New Jobs above the Base Employment Level, by no later than May 1, 2015.

11. **Term of Agreement:** Execution of Agreement to May 1, 2017

12. **Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base

Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs Incented by this Award.

13. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed Incentive, amount of actual Incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

14. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by 05/3/2013, the MEDC may not be able to proceed with any recommendation to the MSF.

COMPANY NAME

By:

[Signature]
V.P. Operations

Printed Name:

Steven Schonhoff

Its:

Dated:

4/29/2013

Acknowledged as received by:

Michigan Economic Development Corporation

By:

[Signature]

Printed Name:

Michael Gietzen

Its:

Development Finance Analyst

Dated:

5/7/2013