



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373-9808

WWW.MICHIGAN.ORG

DATE: March 18, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director
Portfolio Management & Packaging

Amy Deprez, Project Manager *AD*
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Ricardo, Inc.
High-Technology MEGA Credit

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COMPANY NAME AND ADDRESS:

Ricardo, Inc.
40000 Ricardo Drive
Van Buren Township, Michigan 48111

HISTORY OF COMPANY:

Ricardo, Inc. is a leading provider of technology, product innovation, engineering solutions and strategic consulting to the world's automotive, transport and energy industries. With a global network of advanced and well-equipped technical centers, Ricardo serves a wide and balanced customer base represented by the leading global automakers, vehicle component and system manufacturers, and automotive regulatory agencies. The company also serves motorcycle, heavy duty truck, off-highway, military vehicle, marine and locomotive propulsion system manufacturers, as well as leading teams in all formula of motorsport. The company's new energy customers cover developers and investors in wind, wave and tidal power systems as well as energy efficiency improvement technologies, micro CHP and fuel cells and their associated control and electrical systems.

The need to minimize the environmental impact of future vehicles is a major driver for the company's own technology research program. Recent benefits of this approach are apparent, for example, in the leading position Ricardo now occupies in the development of hybrid vehicle systems and of clean diesel and gasoline engine technologies offering improved fuel economy, reduced CO2 and low regulated exhaust emissions. Some of the technology and processes developed in the automotive field are finding rapid application in the new energy sector.

The company currently employs 262 associates in Michigan.

PROJECT DESCRIPTION:

Battery pack development for hybrids is a new technical specialty with limited Industry experience available to allow suppliers to meet the exacting automotive requirements for cost, safety and reliability. While battery test providers exist, few have experience or facilities to meet automotive safety requirements. New battery chemistries are presenting additional safety challenges over existing ones. New chemistries require fire and explosion safe facilities for safe development and validation. These don't exist on the scale that can currently support the industry in the future. OEMs are each faced with the scenario of having to invest in their own facilities to perform intermittent validation work. To address this need, Ricardo proposes to establish a battery test center at their location in Van Buren Township.

The test center and associated equipment will be used to cycle batteries as part of the engineering design and development work needed to get these systems production ready. The company anticipates that when the facility is fully operational it will create up to 32 new jobs, paying an average weekly wage of \$1,558 and will include an investment of over \$2 million dollars.

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 48 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation, would be increased by \$1.2 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

While an existing Ricardo facility in Illinois is also being considered for the test facility, the establishment of a center of excellence in Michigan will allow a fast track for current and future energy storage system development -- particularly in cooperation with Michigan-based automotive OEMs. This center will allow Ricardo to develop world-class capabilities in the design and manufacture of energy storage systems, benefit hybrid and plug-in hybrids, and should help significantly reduce the cost of hybrids battery systems.

The battery center has the ability to serve both automotive OEMs and battery developers. Though the Michigan facility has the benefit of being in close proximity to the largest domestic automotive OEMs, this is not the same for the majority of the battery engineering companies. The Chicago facility offers a closer proximity to these battery development companies and also distances the company the stigma of being viewed as purely "rust-belt" automotive consultancy.

OTHER STATE AND LOCAL ASSISTANCE:

Van Buren Township supports this expansion and anticipates approval of a property tax abatement for 8 years under PA198 of 1974. Approval of the tax abatement is expected to take place on March 18, 2008 and has an estimated value, including Michigan Business Tax benefits, of \$74,200.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is advanced vehicle technology, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for ten years, for up to 32 net new employees.