



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: March 18, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Sakti3
High-Technology Look-Back MEGA Credit

COMPANY NAME AND ADDRESS:

Sakti3
4663 Erin Court
Ann Arbor, Michigan 48105

HISTORY OF COMPANY:

Sakti3 is a startup company that intends to develop and commercialize an advanced manufacturing method for high power batteries primarily for placement in electric vehicles. The premise of this new manufacturing process is to produce batteries capable of withstanding the rigors of automotive usage. The technology for this process stemmed from research performed at the University of Michigan by Sakti3's CEO, Ann Marie Sastry. Professor Sastry has worked extensively in batteries and power systems, including development of first-ever three dimensional finite element simulations of electrodes, design of novel batteries, and optimization of power systems.

PROJECT DESCRIPTION:

As mentioned previously, Sakti3 intends to commercialize a manufacturing process for the development of high power batteries primarily for electric vehicles. The company intends to lease a facility in the City of Ann Arbor with a total capital investment of approximately \$1.1 million including initial leasehold improvements, furniture and fixtures, machinery and equipment and computers.

The proposed project would create a total of 112 over the next five years, paying an average weekly wage of \$1,263.

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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 230 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 \$7.63 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

Sakti3 has attracted a Series A venture capital investment, of \$2 million, from Khosla Ventures. Khosla Ventures, headquartered in Menlo Park, California is a prominent venture capital firm involved in alternative energy investments. Since the company is a startup, Khosla is placing strong pressure for it to locate in California to be closer to the investor group, electronics industry, and existing research clusters in the area.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Ann Arbor will be providing local assistance by paying the \$1,000 application fee for this project.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is Alternative Energy Technology, as defined in the Act.

LOOK BACK AGREEMENT REQUEST:

Sakti3 has requested a job credit look back to March 10, 2008. The rationale for this request being that the technology for this product is very specialized and there is a limited pool of qualified candidates from which to choose. Typically the competition for these types of engineers is fierce with many offers being accepted in California in lieu of Michigan. Dr. Sastry has an immediate need to hire 2 PhD level scientists in the areas of Material Science and Mechanical Engineering respectively. Dr. Sastry has identified two excellent candidates, and this look back will assist her in her efforts to secure a commitment from both.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 112 net new employees.