



MEMORANDUM

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

FROM: Joshua Hundt, Manager – Development Finance

DATE: November 8, 2012

SUBJECT: Approval of Michigan Business Development Request for \$370,000 Performance-based Grant to:

Summit Polymers, Inc. ("Applicant" or "Company")
6715 S. Sprinkle Road
Portage, Michigan 49002
www.summitpolymers.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

Summit Polymers, Inc. ("Summit Polymers") was founded in 1972 and currently operates nine manufacturing facilities in the United States, Mexico, and China. Summit Polymers is a Tier I supplier to the automotive industry. The Company specializes in the design, engineering, and manufacturing of interior kinetic and decorative components and systems. The Company currently has 991 employees in Michigan.

The Applicant has previously received Community Development Block Grants from the MSF. These incentives have been successfully closed.

PROJECT DESCRIPTION

The Applicant plans to expand existing operations in the City of Portage, City of Sturgis, and Village of Vicksburg, make investments and create jobs related to increasing its injection molding capacity.

- 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 Portage, City of Sturgis, and Village of Vicksburg. The municipalities have offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements.
- c) The Applicant has demonstrated a need for the funding because of competition from alternative project locations. The company considered locating this project at one of its facilities in Elizabethtown, Kentucky; Silao, Mexico; and Nanjing, China. The State of Kentucky offered a competing incentive package and the wages are lower in each of the three alternative locations.
- d) The Applicant plans to create 70 Qualified New Jobs above a statewide base employment level of 991.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: The project involves near-term job creation, is shovel ready with support from the MSF, and involves out-of-state competition from sites in Kentucky, Mexico, and China. Additionally, the project has a projected positive ROI for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 70 Qualified New Jobs, with the potential for up to 74 total jobs as a result of the Project, and a capital investment of up to \$9,300,000 in the City of Portage, City of Sturgis, and Village of Vicksburg. The requested incentive amount from the MSF is \$370,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

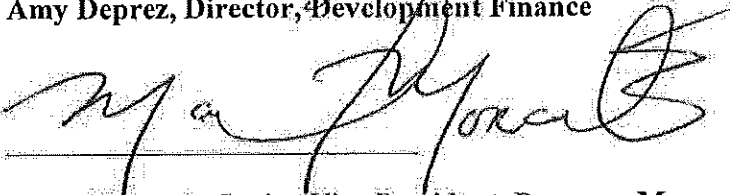
MEDC Staff recommends (the following, collectively, “Recommendation”):

- 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 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

APPROVAL AUTHORITY – MBDP SUPPORT MEMO
Michigan Economic Development Corporation



Amy Deprez, Director, Development Finance

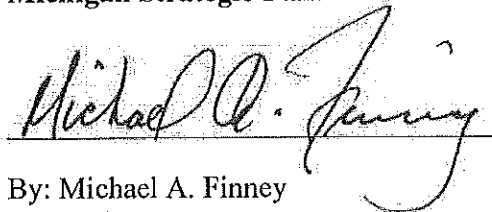


Mark Morante, Senior Vice President, Program Management

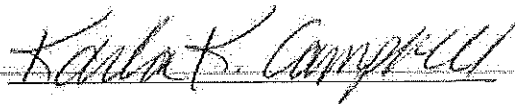
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

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

Michigan Strategic Fund



By: Michael A. Finney
Its: Chairman



By: Karla Campbell
Its: Fund Manager

N/A

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"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 10/25/2012

- 1. **Company Name:** Summit Polymers, Inc. ("Company" or "Applicant")
- 2. **Company Address:** 6715 S. Sprinkle Road
Portage, Michigan 49002
- 3. **Project Address ("Project"):** 4750 Executive Drive
Portage, Michigan 49002

1211 Progress Street
Sturgis, Michigan 49091

115 South Leja Drive
Vicksburg, Michigan 49097

6715 S. Sprinkle Road
Portage, Michigan 49002

6717 S. Sprinkle Road
Portage, Michigan 49002
- 4. **MBDP Incentive Type:** Performance Based Grant
- 5. **Maximum Amount of MBDP Incentive:** Up to \$370,000 ("MBDP Incentive Award")
- 6. **Base Employment Level** 991 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 statewide employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement

("Agreement") between the MSF and the Company.

7. **Total Qualified New Job Creation:** 70
(above Base Employment Level)

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. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of 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:** August 7, 2012

8. **Company Investment:** Up to \$9,300,000 in new construction, machinery & equipment, or any combination thereof, for the Project.

9. **Municipality supporting the Project:** City of Sturgis, City of Portage, or Village of Vicksburg

a. **Municipality Support:** One of the conditions of execution of the final Agreement is the requirement that at least one of the Project municipalities shall have committed to provide a property tax abatement in support of 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 \$110,000 Upon demonstrated creation of 20 Qualified New Jobs above the Base Employment Level and verification of final approval of municipality support by at least one of the Project sites by no later than June 30, 2013.