

MEMORANDUM

DATE: March 22, 2006

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development

SUBJECT: Briefing Memo – United Solar Ovonix, LLC
Standard MEGA Credit

COMPANY NAME AND ADDRESS:

United Solar Ovonix, LLC
3800 Lapeer Road
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

United Solar Ovonix, LLC is the world leader in thin-film photovoltaics (PV). PV systems provide a clean and simple solid-state method for direct conversion of sunlight into electrical energy. United Solar products are marketed under the brand name UNI-SOLAR® and include a complete line of flexible solar power panels, and a new line of roofing tile products. The company is currently owned by Energy Conversion Devices and United Solar Ovonix Corp and currently has 259 employees in Auburn Hills and Troy.

PROJECT DESCRIPTION:

United Solar has continued to gain market share in the growing market of photovoltaic energy systems and it needs to add approximately 50 megawatt (MW) of manufacturing capacity for photovoltaic cells in order to meet future growth demands. The company is considering acquiring 90 acres of available property in Greenville for this new facility. If Greenville is selected, the company would construct a new 205,000 square foot facility. The project would lead to the creation of 200 new jobs, paying an average starting weekly wage of \$560.

Total capital investment for the initial project would be approximately \$129.2 million, including \$1.1 million for land, \$23.9 million for the building and building modifications, and \$104.2 million for new machinery and equipment.

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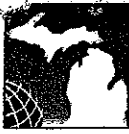
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If market conditions remain favorable, the company will continue to add additional facilities in Greenville. Potentially, the company could add five additional facilities, creating a total of 300 MW of manufacturing capacity. Each new facility would be 200,000 square feet and would create 200 additional jobs, potentially creating 1,000 additional jobs over the next eight years if all five facilities are constructed.

Total capital investment for the additional five facilities would be approximately \$640.7 million, including \$94.7 million for the buildings and building modifications, and \$546 million for new machinery and equipment.

BENEFIT TO STATE:

Due to the nature of this project, two REMI analyses were completed for this project. The first analysis outlines the impact of the project when only considering the initial phase of the project with 200 new jobs. The second analysis outlines the impact when all phases of the project are considered and there are 1,200 jobs created by the company. For the initial 200 jobs phase, the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software estimates this facility will generate a total of 563 jobs in the state by the year 2027. Total state government revenues through the year 2027, net of MEGA costs and adjusted for inflation, would be increased by \$22.9 million (2006 dollars) due to the presence of this facility.

When all phases are considered, the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software estimates this facility will generate a total of 3,276 jobs in the state by the year 2027. Total state government revenues through the year 2027, net of MEGA costs and adjusted for inflation, would be increased by \$117.6 million (2006 dollars) due to the presence of this facility.

BUT FOR:

In addition to Greenville, United Solar is also considering Orangeburg, South Carolina for their growth. The State of South Carolina is aggressively recruiting United Solar and has offered a substantial incentive package to the company in excess of \$100 million. Incentives offered include free land, jobs creation tax credits, investment tax credits, training support, and infrastructure support. In addition, South Carolina has lower building construction and electrical utility costs. Building construction costs are estimated to be about 8% lower in South Carolina, saving the company an estimated \$1.5 million for

each building constructed. Electrical costs are estimated to be nearly 50% lower in South Carolina, potentially saving the company \$4.7 million per year.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 200 new hires, up to \$100,000. In addition, the Department of Labor and Economic Growth, through the Central Area Michigan Works! Consortium is willing to provide up to \$1.5 million for tuition, books and fees for classroom training or reimbursement of a portion of employee's wages during on-the-job training for eligible workers.

The City of Greenville will support approval of a tax-free Renaissance Zone for 15 years for the site. The Renaissance Zone designation will allow United Solar Ovonix, LLC to receive tax-free status for Single Business Taxes (SBT) and property taxes within the zone. The company will still be responsible for local debt mills, which are not exempted as part of the zone. For the initial phase of the project, the zone is expected to provide property tax savings of \$18.9 million and SBT savings of \$1.5 million. When considering all phases of the project, the zone is expected to provide property tax savings of \$98.2 million and SBT savings of \$7.1 million.

The City of Greenville has also proposed a 50 percent PA 198 real and personal property tax abatement for 12 years. For the initial investment, this abatement would mainly apply to the debt mills, which are not exempt under the Renaissance Zone. However, for subsequent investments, this abatement will apply to all mills as the Renaissance Zone begins to phase-out in year 13 and is completed in year 15. The estimated value of this abatement for the initial phase of the project is \$3.6 million. When considering all phases of the project, the estimated value of this abatement is \$21.0 million.

In addition, the Renaissance Zone Act allows this type of MSF-designated zone to have a payment in lieu of taxes (PILOT) between the community and the company. An agreement between the community and United Solar Ovonix will provide a PILOT equal to 50 percent of the City of Greenville mills. This agreement will allow the community to receive funding while providing an estimated savings of \$8.8 million to United Solar Ovonix.



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RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years for up to 1,200 net new employees.