



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
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Subject: Briefing Memo – Xtreme Power Inc.
Standard MEGA Credit

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COMPANY NAME

Xtreme Power Inc.
1120 Goforth Road
Kyle, Texas 78640

HISTORY OF COMPANY

Xtreme Power, Inc. was founded in 2004, and is a Texas-based clean tech company. The company's mission is focused in the replacement of fossil-fueled power plants with a green solution; replace and defer Transmission and Distribution grid upgrades; and lower energy costs with the improvement of reliability for large industrial customers.

Xtreme Power manufactures large scale power management, control, and storage systems at multiple facilities throughout the world. The company's electrical energy storage systems are unique to the industry because they are less expensive to buy and maintain, and they are more reliable, more efficient, and completely recyclable at Xtreme Power's in-house recycling facility.

Xtreme Power, Inc. does not currently have any employees in Michigan.

PROJECT DESCRIPTION

Xtreme Power plans to renovate and repurpose the 4.7 million square feet Ford Wixom Assembly Plant in the City of Wixom, Oakland County, into a renewable energy park with several green energy manufacturers. Xtreme Power plans to be one of the anchor tenants of the new renewable energy park and will occupy up to one million square feet of the facility to expand their manufacturing operations and produce 2GWh of renewable electrical energy storage systems by 2014.

Xtreme Power plans to create 2,500 jobs over the next five years paying an average weekly wage of \$769. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. The company plans to make a total capital investment of \$475.4 million.

Xtreme Power is unaware of any other energy storage manufacturer in Michigan. However, Xtreme Power anticipates the Project will only positively impact the State and other Michigan businesses through increased demand for certain products or services that result in additional jobs and increased revenues. One could consider the other battery manufacturers that have been awarded State funds to expand in Michigan as “businesses within the same industry.” The demand for the various battery technologies is large enough that additional production will not negatively affect battery manufacturing companies, individually or collectively.

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 7,211 jobs in the state by the year 2029. Total state government revenues through the year 2029, net of MEGA costs, would be increased by \$561,472,756 (current dollars) due to the presence of this facility.

BUSINESS CASE

Xtreme Power Inc. also considered Texas, Oklahoma, Kansas, and Arkansas for this project. Xtreme Power Inc. is a Texas based company and has developed a strong vendor relationship in that region of the country. The Ford Wixom site also has substantially higher remediation and renovation requirements when compared to the other potential project locations.

The MEGA Tax Credit, Battery Cell Manufacturing MBT Credit, and other incentives offered by the Michigan Economic Development Corporation offset the above mentioned competitive disadvantages.

OTHER STATE AND LOCAL ASSISTANCE

The company has submitted its application for federal funding to the U.S. Department of Energy’s 1705 Loan Guarantee Program. The MEDC has defined its support for the project in the form of a commitment letter with following proposed incentives (all subject to approval of the 1705 loan and/or other alternate sources of financing to complete the proposed project):

- Battery Cell Manufacturing MBT Credit - On October 6, 2009 the MEGA Board approved a Battery Cell Manufacturing MBT Credit for this project. The tax credit equal to 25% of the capital investment of expenses for construction of an integrated cell manufacturing facility that includes anode and cathode manufacturing and cell assembly. The credit shall not exceed \$25 million per year for no more than 4 years. The maximum value of the credit is limited to \$100 million.
- Renaissance Zone - The property taxes savings are estimated at over \$57 million for a 15-year Renaissance Zone designation.
- Brownfield Michigan Business Tax Credit - The site qualifies as a Brownfield property. The estimated value of this credit would be up to \$10 million.
- Anchor District Tax Credit designation.

The MEGA Board and other entities will consider these incentives at a later time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years for up to 2,500 net new employees in excess of the company's established base of 0, provided that:

- The company creates and maintains a minimum of 2,000 jobs over the employment base of 0 by the end of the fifteenth year. Failure to do so will forfeit the remaining years of the credit.