

MICHIGAN *Good News*

a monthly update brought to you by the Michigan Economic Development Corporation
June 2009





Dear Friends,

The auto industry's second century in Michigan is coming into sharper focus with Ford's historic announcement that it has chosen the Michigan Assembly plant in Wayne to begin production of battery-powered electric cars. The automaker will invest up to \$550 million to convert the plant in western Wayne County into a flexible facility for the manufacture of smaller, more fuel-efficient vehicles, starting in 2011. This comes on the heels of announcement by four companies—Johnson Controls-Saft Advanced Power Solutions LLC, LG Chem-Compact Power Inc., KD Advanced Battery Group LLC, and A123Systems Inc.—that they will invest more than \$1.7 billion in launching advanced battery manufacturing facilities here.

On the supplier front, companies now have access to the new Michigan Supplier Diversification Fund. The \$12 million allocated to this initiative by the Michigan Strategic Fund is intended to ease the availability of credit, allowing these companies to diversify into the new opportunity sectors of alternative energy, homeland security/defense, medical instruments and aerospace. Access to funding, in combination with the monthly manufacturing diversification summits co-sponsored by MEDC, help assure that suppliers and other manufacturers have the networking, information and assistance they need to get from here to there.

A total of 16 business location and expansion projects were announced by MEDC in May, including several auto-affiliated companies and/or manufacturers that are either diversifying or expanding into the wind, solar, medical device or aerospace sectors. There were also two life science companies, one of which was seeded through the state's Company Formation and Growth Fund aimed at retaining Pfizer talent in Michigan, and an interesting high-tech company coming out of Oakland University's incubator. In Grand Rapids, a brownfield project will rehab an abandoned industrial building into office space. Based on the MEDC's recommendation, the MEGA (Michigan Economic Growth Authority) board approved state tax credits valued at more than \$19 million to help win these investments and expansions for Michigan over competing sites in other states or countries. The projects in total are expected to generate more than \$103 million in new investment and create and/or retain 4,286 jobs.

These stories, and more, inside. Enjoy!

A handwritten signature in dark ink, appearing to read "Greg Main". The signature is fluid and cursive, with a large initial "G" and "M".

Greg Main, *President and CEO*
Michigan Economic Development CorporationSM

MICHIGAN EDGING UP IN NATIONAL RANKINGS

Site Selection magazine, whose business rankings are regarded as the industry scorecard by corporate site selection and real estate analysts, has named Michigan No. 3 on list of the Top Ten Competitive States for 2008, up from 15th place in 2007. Ohio and North Carolina took first and second place, respectively, with Pennsylvania and Kentucky/Texas rounding out the top five. The Competitiveness Award is based on 10 criteria, including total new and expanded facilities, investment and new jobs per one million population. As announced earlier in these pages, Michigan was also No. 3 in the publication's Governor's Cup competition with 123 new or expanded capital projects in 2008. The Competitiveness Award rankings are available online at siteselection.com/issues/2009/may/Comp-Awards.

The May issue of *Site Selection* named MPI Research, Kalamazoo, as one of the Top Deals in 2008 (siteselection.com/issues/2009/may/Top-Deals) and featured Kalamazoo's comeback from the Pfizer downsizing (siteselection.com/features/2009/may/Life-Sciences) in what the magazine refers to as "today's global pharma shakeout."

BUSINESS PUBLICATION FEATURES MICHIGAN

The spotlight is on "Michigan: Revitalization through Innovation" in *Trade & Industry Development's* May/June issue. The three-page spread details the state's leadership in advanced-battery development, alternative energy technologies and university research-business partnerships fostering energy innovation at tradeandindustrydev.com/issues/ID-390-article.aspx.

NEW FUND TO HELP AUTO SUPPLIERS DIVERSIFY INTO EMERGING INDUSTRIES

The Michigan Supplier Diversification Fund has been established to help Michigan manufacturers and auto suppliers find new markets in emerging sectors such as alternative energy, homeland security/defense, medical devices and aerospace. The Michigan Strategic Fund (MSF) board established the multi-faceted initiative as part of the MEDC's ongoing diversification strategy.

The first program launched under the Michigan Supplier Diversification Fund, the Michigan Loan Participation Program, will address the current lack of bank financing available to companies attempting to diversify. Under the loan program, the MEDC will partner with private lenders to offer loan participations with little or no interest payments for a specific period of time.

The MSF board approved allocation of \$12 million to purchase a portion of a loan from a lender and offer a grace period to suppliers initiating diversification projects

for up to 36 months. The participating lending institution will be considered the "lead bank" and will retain no less than 50 percent of the total loan balance at all times. The maximum participation by the state will be \$500,000, except in the case where it's determined that the project provides unique and high-level economic development or job-creation benefits to the state.

To be eligible for the program, a company must fall under the definition of a firm eligible to receive a MEGA tax credit. A business must also be engaged with a private lender for the purpose of acquiring a commercial loan for a diversification project and must exhibit a cash-flow shortage according to the lender's analysis. The MEDC is now accepting applications for the Michigan Loan Participation Program. Interested borrowers and lenders should contact the MEDC customer service center at 517.373.9808 for more information.

MANUFACTURING DIVERSIFICATION SUMMITS HELPING SUPPLIERS FIND NEW MARKETS

The MEDC partnered with the Macomb County Planning and Economic Development Department and the Economic Development Alliance of St. Clair in May for the Automotive Diversification Summit held at MacRay Harbor Events Center in Harrison Township. An audience of more than 200 learned about strategies for converting capacity to alternative energy, medical device, aerospace and homeland security/defense manufacturing. It was the fifth of 12 statewide summits targeting more than 2,500 companies with a goal of \$1 billion in contracts, outreach to 400 companies to be serviced by industry experts and 100 companies receiving certification assistance from the Michigan Manufacturing Technology Center. The next regional summit on June 17 will be hosted by Saginaw Valley State University. Further information is available at MichiganAdvantage.org/diversification.





FORD TO MAKE ITS FIRST BATTERY-POWERED VEHICLE IN MICHIGAN, KEEP THOUSANDS OF JOBS HERE

Ford Motor Company announced plans to invest up to \$550 million to revamp the Michigan assembly plant in Wayne, keeping 3,200 workers at the plant employed, with the possibility of another 1,500 jobs retained over the next five years and another 12,450 spin-off jobs retained, adding up to a total of 17,150 direct and spin-off jobs retained. The plant, previously devoted to production of large-body vehicles such as the Expedition and Navigator, will be turned into a flexible facility for the manufacture of smaller, more fuel-efficient vehicles and Ford’s first battery-powered electric vehicle. The Michigan assembly plant will be the first Ford facility in the world to produce a battery electric vehicle—the Ford Focus BEV—slated for 2011. The project includes investment in the adjacent Wayne Stamping Plant.

Ford President and CEO Alan Mulally said: **“Our investment in the Michigan assembly plant will create a manufacturing facility able to compete with the best in the industry to produce small cars competitively.** As a key part of Ford’s transformation, it reflects not just an investment in our future, but also in the state of Michigan and in American manufacturing.”

A total of \$174.7 million in state and local tax incentives is supporting the project, in addition to an Anchor Zone designation for the project—a tax credit that is available for companies that attract or influence a supplier or customer to locate or expand in Michigan: State tax credit valued at \$123 million over 10 years to help win Ford’s investment over competing facilities in other states, \$6.4 million in state and local tax capture, a \$30 million state brownfield tax credit, and city of Wayne 12-year tax abatements valued at \$15.3 million.

With factories on six continents, Ford is the world’s second-largest producer of cars and trucks combined

with markets in more than 200 countries and territories. In 2005 it sold 6.8 million vehicles and employed 300,000 people worldwide.

In total, four battery companies plan to invest over \$1.7 billion in new battery manufacturing facilities in Michigan expected to create over 6,600 jobs—part of Michigan’s strategy to position itself as the advanced-battery capital of the world. In January, Governor Granholm signed legislation establishing tax incentives of \$335 million to help establish the advanced-battery industry in Michigan. To aid the momentum of the success of those incentives—the first in the nation—the governor signed legislation last month expanding those tax credits by \$200 million.

RIBBON CUTTING OPENS DANOTEK’S WIND TURBINE GENERATOR PLANT IN CANTON

In late May, Danotek Motion Technologies opened a 40,000-square-foot **world-class manufacturing center** at its corporate headquarters in Canton (Wayne County). The plant has the capacity to produce up to 4,000 electric generators for wind turbines per year, creating 150 skilled and professional jobs plus opportunities for local components outsourcing and other services including forging, casting, machining and electronics assembly. It is in the first phase of operation and has plans to expand.

Danotek was founded 2001 in Ann Arbor as an engineering service firm, and today develops and manufactures advanced permanent magnet (PM) generators and electric power conditioning systems for clean energy applications. It was awarded a \$1.8 million loan from the state’s 21st Century Jobs Fund. Last November the company announced it raised an initial \$7.25 million as part of a larger \$14.5 million funding agreement from CMEA Capital, StatoilHydro (NYSE: STO) unit StatoilHydro Venture and GE (NYSE: GE) unit GE Energy Financial Services, with the balance of the funds to be provided in a subsequent round.



**ASSET ACCEPTANCE EXPANSION
ADDING JOBS IN MACOMB COUNTY**

Asset Acceptance, a specialty financial services company which purchases and collects charged-off consumer debt, plans to **invest \$8.1 million to expand** existing core competencies while building analytical and technical capabilities to fuel future growth, adding 432 new jobs plus 601 spin-off jobs. The Warren-based company, founded in 1962, currently has 806 employees in Michigan and operations in nine states. State and local tax incentives amounting to \$2,955,179 over seven years helped make the case for Michigan over an alternative site in Brooklyn Heights, Ohio. To learn more, visit assetacceptance.com.

**BATTLE CREEK MOBILITY VEHICLE MAKER
ADDING MANUFACTURING CAPACITY**

Autovan, the manufacturer of an innovative new form of handicap-accessible vehicles, plans to **invest \$2.8 million in an expansion** that will accommodate production of more than 3,000 accessible vehicles a year. The four-year-old company, with 23 employees in Battle Creek, will develop and manufacture a new front-entry conversion platform that takes less space and increases seating capacity in the vehicle, the first product of its kind. The project is expected to create 469 new jobs, including 140 directly by the company. Alternative sites in Elkhart, Indiana, were under consideration but state and local tax incentives totaling \$718,399 over 12 years make a Michigan location a cost-effective alternative. To learn more, visit autovan.com.

**KENT COUNTY SUPPLIER JOBS WILL
NOT GO TO MEXICO, AFTER ALL**

Weighing the cost of shipping product to customers in Mexico, GRW Technologies in Grand Rapids was thinking about relocating. State tax credits of \$606,963 over seven years are making it possible for GRW to retain and add jobs in Michigan instead. GRW, formed in 1997, is an arm of Walter Sohner GmbH & Co. of Schwaigern, Germany, and has 34 employees in Michigan. The company moved its Winchester, Virginia-based operations to Kentwood in 2007. The provider of precision injection molding designs and supplier of ABS, powertrain and sensor systems for the automotive industry plans to **invest \$2 million to purchase equipment** for Continental Inc. to take over their production of plastic auto parts in Kentwood. Total investment required for the project, expected to create 149 new jobs, including 66 directly by the company, is approximately \$2 million.

**KALAMAZOO COUNTY SUPPLIER
EXPANDING, ADDING 200 NEW JOBS**

Mann + Hummel USA will use state credits of \$2,425,871 over seven years to retain and expand operations at North

American headquarters in Portage instead of relocating to alternative sites in Indiana or Kentucky. The designer and producer of air-intake manifolds, air-cleaner systems and fluid reservoirs for the automotive, heavy duty and industrial markets plans to **invest \$19.95 million in the project** expected to create 200 new direct jobs plus 478 spin-off jobs for a total of 678 jobs. MHUS, a subsidiary of the Mann + Hummel Group in Ludwigsburg, Germany, currently has 185 employees in Michigan. To learn more, visit mann-hummel.com.

**ALTERNATIVE ENERGY START-UP PLANS
PRODUCTION OF AFFORDABLE WIND TURBINES**

New alternative-energy company Windtronics is considering **investment of \$4.4 million to locate its North American manufacturing plant in Muskegon** for production of small-scale wind turbines for commercial and residential use. The company is planning at least five or more plants over the next two years, in China, India and Europe, at least two in the United States and possibly one in Canada, according to President Reg Adams. The household turbine systems, with a suggested retail price of \$4,500, will be available first at Ace Hardware stores later this year. The company has been offered a state tax credit of \$3,796,526 over 10 years and is also mulling offers from Florida and Oregon. The gearless turbine, developed in conjunction with Grand Valley State University's MAREC (Michigan Alternative and Renewable Energy Center) in Muskegon, creates power at the blade tip, not the gearbox like a traditional wind turbine, resulting in greater energy production at low wind speeds. It is licensed through Honeywell International Inc. The project is expected to create 462 new jobs, comprising 219 direct jobs and 243 spin-offs.



PLASTIC INJECTION MOLDER DIVERSIFYING INTO HIGH-TECH MEDICAL DEVICES

WJG Enterprises, started operations in Grand Rapids in 2003 as a plastic-injection molding company producing low-volume service parts for the automotive industry, and has since opened a facility in Charlotte (Eaton County) and moved the active products to that location. The company will diversify into production of new high-tech medical devices used in MRI and lab equipment through GE Healthcare Supplier Diversity Initiatives lead by Michael Lucas and Raphael Strosin. The move has been made possible through the development of a strategic plan created by Christopher Baskel of Spectrum Health in Grand Rapids. This plan includes the mentorship of minority-owned companies to enter into the complex world of healthcare with the assistance of Donna Clutter and Lamont Robinson. WJG plans to **invest \$4 million in its facility in Charlotte** and create 109 new jobs with the assistance of \$993,024 in state tax credits over seven years which helped make the business case for Michigan over competing sites in Ohio and Tennessee. Increased economic activity created by the project is estimated to create an additional 142 indirect jobs. To learn more, visit wjgenterprises.us.

LAB OUTGROWS EMU LOCATION, EXPANDING TO YPSILANTI TOWNSHIP

CAS-MI is an independent testing laboratory specializing in paints and coatings, plastics and polymers, and adhesives and sealants. The contract research, product development and testing center was purchased in 2004 as a wholly owned subsidiary of Chemir Analytical Services in St. Louis. It plans to open an Innovation Center to help entrepreneurs and established companies create new specialty chemical products from concept to commercialization. A state tax credit for CAS-MI valued at **\$1.2 million over 10 years** is making it possible for CAS-MI to expand to an 11,000-square-foot facility in Ypsilanti Township as opposed to a competing location in Missouri. The project is expected to create 124 jobs, including 60 directly by the company plus 64 indirect jobs. To learn more, visit cas-mi.com.

ENGINEERING SERVICES FIRM SEEKS NATIONAL AEROSPACE BUSINESS

DornerWorks Ltd., a high-tech engineering company founded in 2000, anticipates doubling in size over the next five years as the result of its focus in the national aerospace market. The company currently employs 46 people in Michigan. After checking out sites in Arizona, Iowa, Utah and Virginia, the company plans to invest \$1.5 million to expand in Grand Rapids. The project will create 92 total jobs, including 50 directly by the company and 42 spin-off jobs. A state high-technology tax credit of

\$600,398 helped make the business case for a Michigan location. To learn more, visit dornerworks.com.

ENERGY COMPONENTS GROUP BRANCHING OUT INTO ALTERNATIVE ENERGY SECTOR

Energy Components Group was created in 2008 in an effort to **diversify out of the automotive industry and into the alternative energy sector**. As part of the successful transition, the company plans to invest approximately \$21 million to expand its research and development facility at a site in St. Clair. The project is expected to create 513 jobs, including 250 directly by the company and an additional 263 indirect jobs due to increased economic activity in the community generated by the project. A state and local incentive package, including employee training, valued at approximately \$2.25 million over seven years helped convince Energy Components Group to expand in Michigan over a competing site in New Mexico.

ESSEN INSTRUMENTS RAMPING UP BIOTECH, LIFE-SCIENCE RESEARCH

Essen Instruments is a company specializing in the invention, manufacturing and distribution of pre-clinical, cell-based research tools. To date, their inventions have generated more than \$1 billion in life-science equipment sales to pharmaceutical and biotech firms engaged in drug research. The company plans to **invest \$3.1 million** to establish a new Discovery Services Unit of contract research scientists, technicians and instrument operators in Pittsfield Charter Township. The unit will capitalize on the growing need large pharmaceutical companies have to outsource drug research as opposed to doing it in-house. The project is expected to create 244 total jobs, including 43 directly by the company and an additional 201 indirect jobs. State and local tax incentives valued at \$409,940 over



seven years were approved to encourage the company to expand in Michigan over a competing site in California. To learn more, visit essen-instruments.com.

PUMP ENGINEERING EXPANDING TO ACCOMMODATE GROWTH

Pump Engineering was founded in 1986 to develop innovative solutions in the manufacture of high-efficiency pumps and energy-recovery turbochargers used mainly in the water desalination industry. The products produced by Pump Engineering reduce the motor size needed to power the desalination process and reduce overall energy costs. The company's current location will not accommodate the growth expected to support increased sales of its products, so it plans to **invest \$4.25 million to expand in Huron Charter Township**. The project will create 51 jobs over the next five years. A state and local incentive package valued at \$686,936 over seven years to encourage the company to expand over a competing site in Ohio. To learn more, visit pumpengineering.com.

VELESCO PHARMACEUTICALS BUILDING NEW MANUFACTURING FACILITY

Velesco Pharmaceuticals was founded in 2007 by former Pfizer employees to provide analytical and drug formulation laboratory services to small- and medium-size pharmaceutical companies. In 2008, Velesco received a \$450,000 loan through the Pfizer Company Formation and Growth Fund to expand. Now the company is preparing to **invest \$1.8 million to build** a new office and manufacturing facility in Comstock Township and expand its laboratories in Plymouth Township. The project will create 109 total jobs, including 35 directly by the company and an additional 74 indirect jobs. A package of state and local tax incentives valued at \$431,536 over seven years convinced the company to expand in Michigan over

competing sites in California and Massachusetts. For more information, go to velescopharma.com.

KILWIN'S QUALITY CONFECTIONS WHIPPING UP AN EXPANSION, CONSOLIDATION

Kilwin's Quality Confections, the Petoskey-based candy company famous for its fudge, chocolates, brittles and caramel corn has enjoyed increasing sales on average of 15 percent since 1994. The 61-year-old company plans to invest approximately **\$7.5 million to expand and consolidate** its existing manufacturing, administrative and distribution operations in Petoskey. The project will create 84 total jobs, including 40 directly by the company. State and local tax incentives valued at \$557,643 over seven years to encourage the company to expand in Michigan over a competing site in Florida. For details, visit kilwins.com.

MARTINREA INDUSTRIES BRINGING NEW JOBS TO FORMER SKD FACILITY

Martinrea Industries Inc. develops and manufactures state-of-the-art metal forming and fluid management systems for the automotive and industrial sectors, and has 4,400 people across North America, Mexico and Europe. The company plans to **invest \$18.4 million to renovate** and bring new contracts and jobs to the former SKD facility in Jonesville. This project includes combining the pre-existing business with the relocation and purchase of machinery from Ford, General Motors, Chrysler and Honda. The project will create 361 total jobs, including 104 directly by the company and an additional 257 indirect jobs. State and local tax incentives valued at \$2.5 million convinced the company to expand in Michigan over a competing site in Ontario. For more information, go to martinrea.com.

VACANT BUILDING IN DOWNTOWN GRAND RAPIDS GETTING NEW LIFE

Construction will soon start on the **redevelopment of a 3,500-square-foot industrial building** that has been vacant and vandalized at 502 Second Street in downtown Grand Rapids. The two-story building will be transformed into office space with an extra lot for future residential or office expansion. The \$500,000 project will create four jobs.

GRINDSTONE CAPITAL, ITRACK TEAMING UP TO DEVELOP LOCAL POSITIONING SYSTEM

Grindstone Capital, an investment company, and iTrack, a firm doing research and development on the Local Positioning and Tracking System (LPTS) at the Oakland University Incubator in Rochester, plan to team up to continue to develop and commercialize the LPTS system. The companies will **invest \$700,000 in the project**, which will create up to 35 jobs.



CALENDAR OF EVENTS

The following list has activities conducted/sponsored by both the MEDC and local economic development partner organizations throughout the state. For more detailed information on any of these activities, please contact the MEDC at 517.373.9808, e-mail at MEDCservices@michigan.org or visit MichiganAdvantage.org.

JUNE

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SEIC Board Meeting

MEDC offices, Lansing

The Strategic Economic Investment and Commercialization (SEIC) board seeks to foster the growth of Michigan's high-tech economy by investing in the best research and commercialization opportunities.

15-17

The National Summit

Ford Field, Detroit

The National Summit will engage prominent leaders and participants from across the nation in debate and dialogue on four issues of vital importance to America's future in the global economy: technology, energy, environment and manufacturing. www.nationalsummit.org

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MEGA Board Meeting

MEDC offices, Lansing

A monthly meeting of the Michigan Economic Growth Authority (MEGA) to consider awarding Michigan Business Tax (MBT) credits as incentives for job-creating business expansions in Michigan.

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Manufacturing Diversification Summit

Saginaw Valley State University, Saginaw

The goal of these summits is to connect auto suppliers and other manufacturers with targeted diversification industry experts to demonstrate exciting new opportunities available in Michigan. www.MichiganAdvantage.org/diversification

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MSF Board Meeting

MEDC Offices, Lansing

A monthly meeting of the Michigan Strategic Fund (MSF) to review and approve applications relative to the Private Activity Bond (PAB) program, Community Development Block Grant (CDBG) program and other relevant issues.

JULY

15

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Traverse City Chamber of Commerce, Traverse City

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AUGUST

3-7

CAR Management

Briefing Seminars 2009

Grand Traverse Resort and Spa, Traverse City

These Center for Automotive Research (CAR) seminars will update more than 1,200 industry, academic and government leaders on what they need to know to be ready for the competitive automotive industry of tomorrow. www.cargroup.org

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