

There are Great Things Happening in Michigan

November 2008

MICHIGAN GIVES YOU THE UPPER HAND



Dear Friends:

Several developments in October generated lots of excitement and enthusiasm in communities across Michigan, starting with the launch of three new SmartZonesSM in Blackman Twp. (Jackson County), Sterling Heights and Sault Ste. Marie made possible by bipartisan legislation approved by the Legislature and signed by Governor Granholm. These communities won this coveted designation following a competitive application process administered by the MEDC. Celebrations at each of the new SmartZonesSM attracted hundreds of people, from members of Congress and mayors to economic developers and business leaders. Since the inception of the SmartZonesSM program in 2002, more than 845 businesses have located or expanded in the zones, resulting in more than 16,359 jobs and \$1.1 billion in private investment. These new additions to the SmartZoneSM family are sure to enhance the progress we are making in commercializing groundbreaking research and technology into new companies, new products and new jobs.

The SmartZonesSM program is one of the best examples of Michigan's proactive approach to facilitate technology transfer. It is exceeded in impact only by the 21st Century Jobs Fund competition, which in October awarded approximately \$30 million in low-interest loans to 16 high-tech firms ready to create jobs in the targeted sectors of alternative energy, life sciences, advanced manufacturing and homeland security/defense. In these pages you'll find details about one of the "graduates" of the first-round competition in 2006, Adaptive Materials, which just won \$500,000 in a Pentagon competition to create a better, lighter-weight battery for U.S. soldiers to carry.

Again, it was another great month for attracting new investment and jobs to Michigan, with the MEDC helping nine businesses expand or locate in Michigan over competing sites in South Carolina, Canada, Oregon, Texas, Florida, Ohio, Kentucky, Alabama and Arizona. The alternative energy star in this month's lineup was the latest United Solar Ovonic investment in Michigan, this time \$220 million in a new, high-tech solar cell manufacturing facility in Battle Creek—and the possibility of a second plant. That brings to five (potentially six) the number of solar energy plants the company will operate in Michigan, with two existing solar operations in Auburn Hills and another two in Greenville.

Other highlights include Advanced Defense Vehicle Systems' expansion in Orion, Ohio-based hospital laundry service provider Reino Linens launching Michigan operations in Brownstown Township, expansion/consolidations by auto supplier JCI M US in four Michigan communities, Hagerty Insurance Agency headquarters expansion in Traverse City, with high-tech investments by Morley Companies in Saginaw Township and the new NetEnrich R&D and network operations center in Washtenaw County topping off the list.

These and other good news stories are detailed in the pages that follow.

Enjoy!

A handwritten signature in black ink that reads "James C. Epolito". The signature is fluid and cursive, with a long horizontal stroke at the end.

James C. Epolito, President and CEO
Michigan Economic Development CorporationSM

AWARDS AND ACHIEVEMENTS

21ST CENTURY JOBS FUND AWARDS \$30 MILLION TO 17 HIGH-TECH FIRMS

A total of 17 companies have been selected by the Strategic Economic Investment and Commercialization (SEIC) board to share nearly \$30 million from the 21st Century Jobs Fund to initially **create over 1,500 new jobs in emerging high-tech sectors**. Awards were made to companies in the later stages of development ready to create jobs in the competitive-edge sectors of alternative energy, life sciences, advanced automotive, manufacturing and materials, and homeland security and defense. Once due diligence has been completed and contracts signed, details of the awards will be available at themedc.org/21CBizPlan. The first round of funding in 2006 resulted in the award of \$126.3 million to 78 organizations now engaged in high-tech research, commercializing new products, and creating new jobs.

SMARTZONE NETWORK EXPANDS TO 15, ADDING JACKSON, MACOMB, SAULT STE. MARIE

New SmartZonesSM have been established in Blackman Township (Jackson County), Sterling Heights (Macomb) and Sault Ste. Marie, **bringing to 15 the number of technology centers established to foster collaborations between industry and universities** aimed at the commercialization of research. They are: Jackson Technology Park SmartZoneSM supported by Spring Arbor University, Baker College, Jackson Community College and local community groups; Macomb Technology Advancement SmartZoneSM supported by Oakland University and local businesses;



and Sault Ste. Marie SmartZoneSM supported by the city and Lake Superior State University. Since inception of the program in 2002, more than 845 businesses have located or expanded in SmartZonesSM resulting in more than 16,359 jobs and \$1.1 billion in private investment.

RENEWABLE ENERGY PACKAGE WILL CREATE JOBS, ENSURE CLEAN AFFORDABLE ENERGY

The three-bill package energy packaged signed into law by Gov. Granholm on October 6 includes a renewable portfolio standard (RPS) that mandates **10 percent of the state's energy come from renewable sources by 2015**, regulatory reform that protects Michigan ratepayers and allows utility companies to build new electricity generation in Michigan, and a requirement that utilities meet an additional 5.5 percent of Michigan's annual electricity demands through energy efficiency by 2015.

The package also includes an income tax credit to offset a portion of ratepayers' investments in renewable energy for Michigan and a "net metering" law that allows customers to sell renewable electricity they produce at their homes or businesses to their utility companies.

TRAVEL MICHIGAN HOSTS GERMAN TRAVEL WRITERS

Travel Michigan's goal of generating **international media attention** to Michigan as the perfect American leisure getaway is gaining momentum. German travel writers Dr. Margit Brinke and Dr. Peter Kranzle visited Munising, Mackinac Island, Traverse City, Detroit and other areas. Our CVB (convention and visitors bureau) and related partners assisted as the writers experienced spectacular fall weather. They enjoyed kayaking, shipwreck tours, Pictured Rocks National Lakeshore and Mackinac Island in the Upper Peninsula. They toured Sleeping Bear Dunes National Lakeshore and the Leelanau Peninsula in the Traverse City area and then enjoyed the city scene in Detroit. These high profile writers expect to place several stories in travel magazines and newspapers in Germany and Austria, encouraging readers to take the trip for a Pure Michigan experience. Travel Michigan, a division of the MEDC, is the state of Michigan's official agency for tourism promotion.

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OVER 7,500 NEW JOBS, \$489 MILLION CAPITAL INVESTMENT PLANNED FOR MICHIGAN

The MEDC is helping seven companies grow in Michigan and is backing two downtown brownfield redevelopment projects. Combined, the **nine projects are expected to create 7,556 new jobs**, retain 86 jobs and generate over \$489.2 million in new investment in the state.

MILITARY VEHICLE BUILDER EXPANDING IN ORION

Advanced Defense Vehicle Systems Corporation, the designer, developer and manufacturer of military vehicles, plans to **invest more than \$5.4 million to expand its facility** in the Charter Township of Orion. The expansion is expected to create 520 new Michigan jobs, including 223 directly by the company. Based on the MEDC's recommendation, the Michigan Economic Growth Authority (MEGA) board approved a state tax credit valued at \$5.6 million over 10 years to help convince the company to expand in Michigan over a competing site in South Carolina. In addition, the MEDC will provide up to \$171,750 in job training funds through the Economic Development Job Training program. The Charter Township of Orion is considering a 12-year tax abatement valued at \$2.3 million to support the project.

BATTLE CREEK HOME OF NEWEST UNITED SOLAR OVONIC PLANT

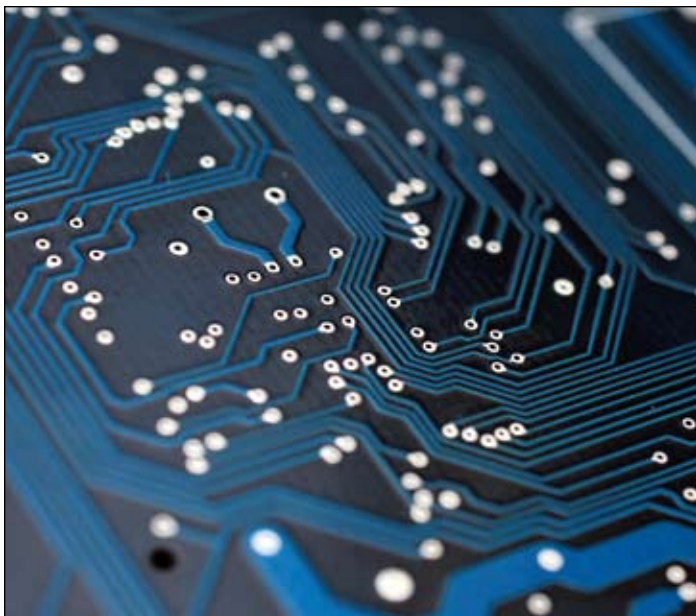
The wholly owned subsidiary of Energy Conversion Devices Inc. (NASDAQ: ENER) plans to make a **\$220 million investment in its new, high-tech solar cell manufacturing facility** in Battle Creek's Fort Custer Industrial Park. The project is estimated to create up to 350 new jobs at United Solar. The company also has the option to invest another \$220 million and build a second manufacturing facility with the potential for 350 additional jobs in the same location. Based on the MEDC's recommendation, the MEGA board approved a state tax credit valued at \$17.3 million over 20 years to win the company's expansion over



competing sites nationwide. To support the project, the city of Battle Creek is supporting the approval of the Renaissance Zone® and has proposed up to a 30 percent match of potential Community Development Block Grant (CDBG) funding. In addition, the city is considering a 12-year property tax abatement. An economic analysis conducted by the MEDC estimates that increased economic activity created by the new facilities will create 3,062 spin-off jobs throughout the state, in addition to the 700 potential jobs created directly by United Solar.

ADDITIONAL SUPPORT APPROVED FOR UNITED SOLAR IN BATTLE CREEK

The Michigan Strategic Fund (MSF) board approved a tax-free Renaissance Zone® and a \$10-million CDBG to support United Solar Ovonic's planned \$220 million advanced solar manufacturing facility in Battle Creek's Fort Custer Industrial Park. The new facility is projected to **create up to 350 new jobs** at United Solar. The grant is being made available to Calhoun County by the MEDC with funds provided by the federal CDBG program to help with the purchase of machinery and equipment. The city of Battle Creek will contribute \$2.6 million to support the



project. In addition, the city supports the 153.58-acre, 15-year Renaissance Zone®. Renaissance Zone® designation allows a company operating within the zone to operate free of virtually all state and local taxes.

MORLEY COMPANIES CREATING HIGH-TECH DATA, CALL CENTER IN SAGINAW

Morley Companies Inc. provides services to a diverse group of Fortune 500 clients including: group travel, business theater, interactive, research, exhibits, displays and experiences, and performance improvement. Morley plans to **invest \$1.7 million at its facility** in Saginaw Township to support a high-tech project that involves maintaining database information, generating client-derived statistics, associated reporting and call center data capture activities. The initial project is expected to create 90 new Michigan jobs for Morley and up to 350 total new jobs in Michigan at Morley headquarters in Saginaw Township. Based on the MEDC's recommendation, the MEGA board approved a state tax credit valued at \$2.8 million over five years to win the company's investment over competing sites in Canada, Oregon and Texas. To support the project, Saginaw, Bay, and Midland Michigan Works! will make available up to \$20,000 in incumbent worker training funds.

CALIFORNIA IT FIRM OPTS FOR WASHTENAW

California-based NetEnrich, IT service provider, will **invest \$2.7 million in a new R&D and network operations center** in Washtenaw County. The project is expected to create 435 new Michigan jobs, including 225 directly by the company. Based on the MEDC's recommendation, the MEGA board approved a state tax credit valued at \$3.9 million over 10 years to help convince the company to expand in Michigan over competing sites in Florida and South Carolina. Ann Arbor SPARK will facilitate local support from the community where NetEnrich decides to locate.

MEDICAL LAUNDRY FIRM CHOOSES BROWNSTOWN TOWNSHIP FOR LAUNCH OF MICHIGAN OPERATIONS

Ohio-based Reino Linen Service Inc., providing laundry services to more than 20 hospitals and 100 clinics and doctors' offices, plans to **invest \$11.5 million to launch its Michigan operations** in Brownstown Township. The project is expected to create 445 new Michigan jobs, including 315 directly by the company. Based on the MEDC's recommendation, the MEGA board approved a state tax credit valued at \$603,000 over five years to help convince the company to expand in Michigan over a competing site in Ohio. Brownstown Township plans to offer the company reduced permit fees and other public infrastructure improvements to support the project.

AUTO SUPPLIER CONSOLIDATING, EXPANDING IN FOUR COMMUNITIES

JCIM US LLC, the supplier of interior automotive components to OEMs, plans to consolidate operations and **expand facilities** in Frenchtown Township, Romulus, Lansing and Port Huron, at expected costs of approximately \$4 million. The expansion is expected to create 325 new jobs at these facilities. An economic analysis conducted by the MEDC estimates the project will generate an additional 1,124 spin-off jobs. Based on the MEDC's recommendation, the MEGA board

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approved a state tax credit valued at \$3.37 million over 10 years to help convince the company to expand these named facilities in Michigan over competing sites in Kentucky and Alabama. To support the project, the cities of Romulus, Lansing, Frenchtown and Port Huron will transfer property tax abatements.

INSURER OF COLLECTOR CARS EXPANDS IN TRAVERSE CITY

Headquartered in Traverse City for over 40 years, Hagerty Insurance Agency, the leading insurer of collector cars and wooden boats in the United States, plans to **invest more than \$7 million to expand its operation**, in Traverse City. The expansion is expected to create 386 new Michigan jobs, including 226 directly by the company. Based on the MEDC's recommendation, the MEGA board approved a state tax credit valued at \$2.2 million to support the company's expansion in Michigan. In addition, the MEDC has proposed up to \$150,000 in job training funds through the Economic Development Job Training program. The MEGA board also approved an amended Brownfield work plan, allowing for \$3.9 million in state and local tax capture for the construction of a publicly owned parking deck by the city of Traverse City. This 410-space public parking facility will create the opportunity for Hagerty to expand its headquarters and create these new jobs. The city of Traverse City and the Grand Traverse County Brownfield Authority will provide \$6.8 million towards the construction of the public parking structure to support this project.

ADDITIONAL SUPPORT OK'D FOR HAGERTY IN TRAVERSE CITY

A \$1 million grant was awarded to the city of Traverse City for property acquisition and construction of a public parking facility needed to accommodate the expected expansion of Hagerty Insurance corporate offices in the city's Old Town area. The project is expected to generate \$7.7 million in capital investment and create 386 new jobs including up to 226 directly by the company. The grant is being made available by the

MEDC and the Michigan State Housing Development Authority (MSHDA) with funds provided by the federal CDBG program.

STURGIS KIRSCH LOFTS PROJECT UNDERWAY

State and local tax capture valued at more than \$1.7 million will support the proposed Kirsch Lofts project to **completely renovate and restore a vacant building** near the Sturgis municipal wells Superfund site. The two-phase development will include condos, commercial space and parking. The project will generate \$8.6 million in new capital investment and up to 100 new jobs.

LUDINGTON GAINING NEW RETAIL DEVELOPMENT

State and local tax capture valued at \$504,638 will support a proposed project to construct the new K.E. Wilson Building at the corner of Robert and Loomis Streets in downtown Ludington. The mixed-use, five-story, 45,000-square-foot retail development will **generate \$8.3 million in new capital investment and create 40 new jobs**. The project will also retain 86 jobs.



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OTTAWA COUNTY COMPANY GAINS TAX-FREE STATUS IN TOOL & DIE RECOVERY ZONE

Falcon Tool & Die in Spring Lake has been **approved to join the First Choice Machining Solutions Tool & Die Recovery Zone**. As a member of the collaborative, the company will be able to operate free of most state and local taxes for 12 years, making it more competitive in today's global market. The designation was approved by the Michigan Strategic Fund Board. The zones allow companies to operate free of most state and local taxes. Amendments to the Michigan Renaissance Zone[®] Act in 2004 allow existing zones to request the inclusion of additional companies. To receive consideration for Recovery Zone designation, tool and die companies must have a collaborative agreement that demonstrates synergistic opportunities among the companies.

TOYOTA DEDICATES NEW ANN ARBOR-AREA TECHNICAL CENTER

The new **\$187-million Toyota Technical Center** in York Township celebrated its grand opening in October. The 530,000-square-foot complex on 700 acres houses a crash test/safety facility and the larger engineering/design building. Combined with an existing facility near Ann Arbor, the new safety and engineering center brings Toyota's technical employment in the area to just over 1,000. Toyota was granted a \$38.9-million state credit through the MEGA board to support the project.

21ST CENTURY JOBS FUND RECIPIENT WINS PENTAGON PRIZE FOR BETTER BATTERY DESIGN

Adaptive Materials Inc. has taken second place against a field of 47 competitors in the **Pentagon's Wearable Power Prize, winning \$500,000**. The company's entry was a propane-based power cell weighing about seven pounds. Adaptive Materials, founded in 2001, was awarded a \$6.27 million commercialization loan through the 21st Century Jobs Fund program to move its fuel cell system into the market. In addition, it was granted \$760,000 in tax credits for its expansion to a 47,000-square-foot headquarters in Pittsfield Township south of Ann Arbor.

MASCOMA RECEIVES FEDERAL, STATE FUNDING FOR CELLULOSIC FUEL FACILITY

Mascoma Corporation is receiving \$26 million in funding from the U.S. Department of Energy (DOE) and \$23.5 million from the state of Michigan which will allow the company to **accelerate construction of a cellulosic fuel facility** in Kinross, in the Upper Peninsula's Chippewa County, and scale-up its technology process while also paving the pathway to commercial cellulosic fuels production in Michigan. Mascoma chose Michigan for its first commercial-scale facility based on the vast sustainable forests and agricultural materials available and the expertise provided by JM Longyear. In addition, it will collaborate with Michigan State University and Michigan Technological University to develop and hone scientific processes that utilize Michigan feedstocks for cellulosic ethanol production. The cellulosic fuel facility is expected to produce 40 million gallons of ethanol and other valuable fuel products per year. The project is



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estimated to cost over \$250 million to complete and will be funded by a combination of grants, equity capital and debt. General Motors and Marathon Oil, which are both investors in Mascoma, are providing funding and support for this project.

PALM PLASTICS EXPANDING IN MORENCI, 132 NEW JOBS

A \$2.9 million grant is supporting a \$10.5 million expansion by Palm Plastics Ltd. in Morenci. The project is expected to **create 132 new jobs and \$7.2 million in new capital investment.** The grant is being made available by the MEDC with funds provided by the federal CDBG program. The grant will help the city of Morenci extend public water lines, sanitary sewers, storm sewers and industrial park roadways as Palm Plastics plans to construct a 70,000-square-foot building in the Morenci Industrial Park. The grant will also assist with the purchase of new machinery and equipment. To support the expansion, the city of Morenci will provide \$270,090. Palm Plastics was formed in 2003 and is the world's largest producer of plastic pallets. The company, which currently employs 252 people, also produces various plastic consumer products for the retail market.

STATE SUPPORTS WIND-POWER MANUFACTURING PARTNERSHIP IN MANISTEE

Nevada-based Mariah Power and Michigan-based MasTech will partner on a **\$2.2 million wind-power project** in Manistee County. The companies are working together to mass-produce the Windspire® affordable and easy-to-use wind-power system designed for homes and businesses. The project is expected to create 141 new jobs and \$1.8 million in new capital investment. A \$400,000 CDBG grant is being made available by the MEDC to support the project. The grant will be used to assist MasTech with financing of equipment. The Windspire system connects directly to the building power supply and can produce enough energy to power 25 percent of the average home.



ANN ARBOR HEALTH CARE SOFTWARE FIRM ACQUIRED BY JOHNSON & JOHNSON

HealthMedia Inc., a privately held company that creates Web-based behavior change interventions, was acquired by New Brunswick, N.J.-based global health giant Johnson & Johnson. The University of Michigan spinoff will continue to operate in Ann Arbor as an independent, wholly owned subsidiary of J&J and will **add a significant number of jobs.** The \$23 million, 140-employee company was founded in 1998. Johnson & Johnson has about 120,000 employees, \$61.1 billion in revenue and some 250 companies.

GLOBAL HEALTH CARE GIANT EXPANDING IN WEST MICHIGAN

Perrigo (NASDAQ: PRGO), one of the world's largest suppliers of over-the-counter prescription pharmaceuticals and nutritional products, announced a **\$25 million expansion on top of a \$10.5 million headquarters expansion** in July assisted by an \$8.4 million state tax credit. The \$1.8-billion company employs about 3,000 between the Allegan headquarters campus and the recently acquired JB Laboratories in Holland Township.