

MICHIGAN

BUSINESS REPORT

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION | VOL.2 NO.3 MAY/JUNE 2004



GOING GLOBAL

>> GROWING YOUR BUSINESS IN AN INTERNATIONAL MARKET

MICHIGAN RANKED EIGHTH SMALL TECH HOT SPOT

Small Times magazine ranked Michigan the eighth small tech hot spot in the nation. The state moved up one spot from last year's rankings. The magazine said Michigan's "academic institutions increasingly embrace small tech, and industry is following suit. The state's ability to transform lab-based ideas into products and solutions is building a foundation for sustained growth." Also cited was the state's ability to attract federal R&D money for small tech research and match this research with industry needs. The rankings were based on criteria used by economists who specialize in emerging technology hubs. Small Times is published by a unit of Ardesta L.L.C. of Ann Arbor, a small tech "industry accelerator" offering expertise, financing and incubator space to small tech firms. To view the complete list, visit the Web site at www.smalltimes.com.

MICHIGAN CITIES/REGIONS RANKED AMONG AMERICA'S 'MOST LIVABLE' COMMUNITIES

Two northern Michigan regions and the city of Grand Rapids were recognized as three of America's 'Most Livable' cities/regions. Marquette (2nd), Traverse City (5th) and Grand Rapids (3rd, mid-size city) were ranked among the nation's top locations to live, work and play by Partners for Livable Communities. Criteria for this decade's livability honors were determined from the Partners' on-going work with communities developing themselves in the creative economy. Each of the chosen communities have taken major strides to prepare itself for the new global economy. Michigan ranked second in the number of 'Most Livable' cities/regions in the United States. Partners for Livable Communities is a non-profit leadership organization working to improve the livability of communities by promoting quality of life, economic development and social equity. To view the complete list, visit www.livable.com.

MICHIGAN CITIES NAMED IN NATIONAL 'QUALITY OF LIFE QUOTIENT' RANKINGS

Grand Rapids, Muskegon, Holland, Lansing and East Lansing each received a five star ranking in Expansion Management magazine's newest 'Quality of Life Quotient' rankings. In their sixth annual Quality of Life Quotient, the top 50 metropolitan statistical areas (MSAs) earned Expansion Management's five-star distinction, while the next 60 cities, the top 33 percent of the MSAs, received the four-star distinction. Michigan's four-star cities include Ann Arbor, Saginaw,

Bay City and Midland. The quotient rates more than 300 MSAs throughout the United States. Criteria measured include affordable living conditions, quality of public schools and the ability of families and individuals to meet their financial needs and desires. Median family income, per capita income and per capita disposable income levels were combined with the cost of living adjustments, state and local tax burdens, family and individual poverty levels and unemployment rates. Low crime rates and low taxes were also a factor in the rankings. The complete list can be viewed at www.expansionmanagement.com.

TRAVEL MICHIGAN RECOGNIZED FOR WEB MARKETING PROGRAM

Travel Michigan's Web marketing initiatives has been recognized as one of the best in the tourism industry. The Georgia Institute of Technology designated the Web site as a national 'best practice.' Traffic to the Travel Michigan site, www.michigan.org, rose 83 percent in 2003 to more than four million Web user sessions. In addition, to Travel Michigan, the Harbor County Chamber of Commerce and Lodging Association of New Buffalo in southwest Michigan also won in the category of 'best practice' adapters. Information from the 'best practices' award winners will be published as a resource for tourism and destination management promotion agencies. For a complete list of award winners, visit the Georgia Tech Economic Development Institute at www.edi.gatech.edu.

MICHIGAN COMPANIES RECEIVE OPTIMA AWARD

Detroit-based General Motors Corporation was awarded the 2004 Optima Award for General Excellence by the Workforce Management magazine for turning its workforce managers into strategic partners with its 'GoFast' workshops. Ann Arbor-based Washtenaw County Book Manufacturers, Washtenaw Literacy and the Washtenaw Development Council received the partnership award for The Global Workplace Collaboration. The groups were honored for their ability to combine resources to create a unique program, the Michigan book producers, designed to assist workers with limited English-reading skills. The Optima Awards recognize workforce management initiatives that create positive business results. The publication presents 10 Optima Awards each year. For more info, visit www.workforce.com.

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International Trade Works Both Ways

International trade activities contribute in a major way to Michigan's continuing prosperity. Whether a foreign-based company locates a factory or tech center in Michigan, or a local company sells products, goods and services to customers overseas, the economic effect is the same—jobs are created here at home.

In fact, Michigan gains more from international trade than most other states. Although the eighth-largest in population, Michigan posts the fifth-highest export totals of any state. Our export sales of merchandise in 2003 amounted to \$32.9 billion worth of goods and services to markets in 185 countries. Nearly half of those exports are automobiles, trucks and parts, with this state alone accounting for 22.5 percent of all U.S. vehicle-related sales abroad. (Trade Exports, pg. 18)

More than one-third of the total agricultural products grown in Michigan are exported each year.

On the investment side, more than 1,000 international companies representing 30 countries are doing business in Michigan. The Washington, D.C.-based Organization for International Investment, a business group tracking data on jobs created by foreign companies in the United States, finds that Michigan has imported 244,000 jobs, about six percent of the workforce.

All of which constitutes a good beginning. Michigan's success in exporting and investment attraction over recent years is the work of many hands. Among our partners in trade are the Japan Business Society of Detroit, JETRO (Japanese External Trade Organization), KOTRA, the Korea trade and investment promotion agency, Oakland County's Automation Alley, Grand Rapids-based Right Place Program and the Van Andel Global Trade Center, the Detroit Chamber of Commerce, Saginaw Future, Grand Valley and Saginaw Valley State Universities, and banks and international service providers too numerous to mention.

Our newly formed International Business Development unit will work to position Michigan as the premiere North American location for international companies, and establish a Michigan presence in key strategic locations on top of our existing trade and investment development offices in Mexico City and Shanghai, China. (Foreign Investment, pg. 9 and Trade Offices, pg. 15)

In the past year alone, Smiths Aerospace, American Mitsuba, the Hyundai Technical Center and Dr. Schneider Automotive Systems, among others, have chosen to locate major tech centers and R&D projects in Michigan. These international facilities not only contribute to the economic health of our state by employing thousands and creating a new tax base. They are attracted by, and in turn contribute to, the dynamic climate of innovation that keeps Michigan at the forefront of global technology advancements.

Michigan is well positioned to continue importing investment, exporting goods and creating good-paying jobs.



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Cherry Products Exported To Japan

The taste of northern Michigan cherries is no longer just an American treat. A partnership between MEDC, Japan Export Trade Organization (JETRO) and the Traverse Bay Economic Development Corporation helped introduce a number of Michigan cherry products to the Japan market last year. The products include cherry concentrate, cherries in meat, jelly, jam and other products.

Cherry concentrate is completely new to Japan, according to Glenn LaCross, president of Leelanau Fruit. Our Japanese counterparts are excited about the health aspects of the product.

Ray Pleva, president of Plevalean is working to fill a niche in the Japanese market for meat products. "With cherries in the meat, it's lower in fat but higher in moisture content," said Pleva. "There's a huge health benefit of being easier to digest and enhancing flavor."

The introduction of cherry meats to Japan will start with the school system. The first two meats to be introduced are pre-cooked Plevalean Beef Patties and Rite Bite steak with cherries.

Like LaCross, Pleva was introduced to Japan exports through JETRO and Charles Blankenship, president, Traverse Bay Economic Development Corporation. "MEDC'S sponsorship of JETRO has made it possible for us to expand the export of regional products to Japan," said Blankenship. "We would not have the resources to implement our exports to Japan without the MEDC."

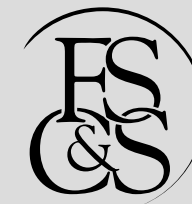
"Working with JETRO gave me a lot more confidence to do business in Japan," said Pleva.

Don Nugent, president and CEO of Graceland Fruit, Inc. in Frankfort has also worked with JETRO. His company has been exporting dried cherries, blue-

berries and cranberries to Japan since 1996. "JETRO utilizes cost-sharing funding, brings people to the region and even offers cooking seminars to showcase new products," said Nugent. "Traverse Bay Economic Development Corporation and MEDC have played a vital role in northwest Michigan's cherry industry."



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YEARS OF COOPERATION BRING FOUR NEW COMPANIES TO SAGINAW COUNTY

NEW GM SUPPLIERS SET UP SHOP AT THE FORMER NODULAR IRON SITE

In March 2004, construction began on a new \$9 million structure to be built on the former General Motors Nodular Plant property. Three companies will be setting up shop for the first time in Saginaw by September. The companies are all automotive suppliers who will perform processing operations on aluminum engine blocks for GM Powertrain—Saginaw Metal Casting Operations (GM-SMCO). A fourth company will also be supplying GM-SMCO from a separate site.

The suppliers who are making the move to the Nodular site include:

- B&W of Michigan Inc.
- CMI-Schneible Co.
- Enterprise Automotive Systems

GM-SMCO is investing over \$80 million in the casting operations to build the engine blocks. Not only is this project bringing new investment and an initial 112 new jobs to Saginaw, it's making use of property that has been standing idle for nearly 20 years. GM-SMCO played a substantial leadership role in making the project a success for the entire community.

"Reclaiming brownfields in Michigan is important to the ongoing economic success of our core communities," Granholm said. "This project will create vital manufacturing jobs and make it possible to revitalize an obsolete property making Saginaw a magnet for future development."

Throughout the past decade, Saginaw Future Inc., the local economic development agency, and the city of Saginaw have been working together to build on the legacy of Saginaw's long-standing manufacturing base.

"A project of this magnitude and complexity required a heightened sense of

teamwork. We are truly grateful to GM, the suppliers and developers, the city of Saginaw, MEDC and the Governor's office for their leadership, perseverance and commitment," said JoAnn Crary, president of Saginaw Future Inc.

In 2002, Saginaw's City Council demonstrated its cooperation with General Motors by approving major tax incentives. One year later, that spirit of cooperation continued to pay off for Saginaw—bringing new investment dollars, companies and jobs.

The Michigan Economic Development Corporation contributed to the project through the approval of Brownfield Single Business Tax credits totaling more than

\$4.4 million that will be utilized to redevelop the site. Due to job creation, three of the suppliers, CMI-Schneible Company, Enterprise Automotive Systems and Michigan Production Machining, received approval for Single Business Tax credits. These credits are valued at \$1.2 million over a 10-year period.

The developer for the new GM suppliers building is Corvus Nodular Interests, LLC, who is working in a joint venture with Pumford Construction Inc. Pumford is also the general contractor for the project.

When the project is complete, the total investment in the new facility is expected to be about \$60 million.

GROWING A STRONGER MICHIGAN



Michigan has established a new department aimed at streamlining and focusing the state's resources to create and support a stronger economy.

The Department of Labor and Economic Growth (DLEG), created by Governor Jennifer Granholm's Executive Order in December 2003, reorganizes the state's workforce and economic development efforts into one department headed by Director Dave Hollister. DLEG was created to implement Granholm's vision of growing Michigan into an economic powerhouse.

"Our goal is to break down the silos that we know stifle growth and creativity," said Hollister. "We want to enhance Michigan's economic position and the job opportunities for all its residents."

DLEG is comprised of 25 agencies and commissions, ranging from Career Development to Workers' Compensation

and the Michigan Broadband Authority. Though each has a unique area of expertise, they are all focused on growing Michigan businesses, entrepreneurship and communities.

Establishing Michigan as an economic magnet, while shepherding finite resources and aligning development policies, is the core of the governor's vision.

"THE GOAL WE ALL WANT TO REACH"

As mentioned in the January State of the State address, the Governor is determined and committed to attracting and retaining businesses that create good jobs in Michigan. To do this the Governor said, the state must aggressively pursue "the goal we all want to reach." Four of those goals—retaining business, attracting entrepreneurs, developing a 21st century workforce and creating cool cities—drive right through the middle of DLEG. They form the base clusters of the Grow Michigan's Economy Plan, which is aggressively pursued by Hollister and his agencies, including the MEDC.

Michigan will seize opportunities presented in life sciences, transportation, communication and technology in order to grow the state's economy. DLEG's ambitions rely heavily on collaboration between the administration and the state Legislature and the abilities of all levels of state government to advocate change. One example of collaboration and change are the "resource toolboxes" being assembled to draw upon the various programs offered by the different agencies making it more attractive and easier for businesses to initiate, expand or relocate operations in Michigan.

"WE DID IT TOGETHER"

Through teamwork and cooperation Michigan aims to ignite the creativity and opportunity for business to attract and keep good jobs.

"Only those states with the ability to continuously and collaboratively adapt to new economic circumstances will survive and thrive," said Hollister. "Innovation is not an option, it's an overarching imperative."

The Michigan Department of Labor and Economic Growth (DLEG) is composed of the following labor and economic development agencies and commissions to promote job creation and economic growth in Michigan by centralizing and streamlining the state's job, workforce and economic development functions under one department.

Advisory Council on Deaf and Hard of Hearing	Michigan Broadband Development Authority	Michigan Public Service Commission
Career Development	MI Careers	Unemployment Insurance Agency
Commission for the Blind	Michigan Community Service Commission	Veterans Services
Commission on Disability Concerns	Michigan Economic Development Corporation	Workers' Compensation Agency
Commission of Spanish-Speaking Affairs	Michigan State Housing Development Authority	

PLAYING TO WIN

IN A GLOBAL ECONOMY

Outsourcing. Insourcing. Offshoring. Contracting. Globalization. Localization. Jobs are moving around. Opportunities are being created. Michigan is proving to be a winning partner in these changes by assisting companies looking for opportunities. More than 1,000 companies from dozens of coun-

tries have set up operations in Michigan. They are here because it's a winning situation for them. "There are partnerships that can be forged," said Michigan Economic Development Corporation President and CEO Don Jakeway. "We have done it with German companies, Japanese companies, Brit-

ish companies, and others that are looking for investment opportunities in our state. Sometimes the investment is in partnership with existing Michigan businesses that would allow us to build a win-win scenario for those companies and for ourselves."

A GLOBAL FOCUS

Michigan has refocused its global business development efforts by creating a stand-alone international business development unit within the MEDC. This unit's purpose is to reposition Michigan in the international marketplace. Previously, all domestic and international business development activities were handled by a single unit. Now one unit handles all international attraction and trade development activities within the MEDC while another handles domestic business development activities. The goal for both of these units is to enhance Michigan's image among potential business partners and help establish relationships that will generate opportunities for Michigan companies.

As part of this transformation the MEDC is evaluating the possibility of establishing new international office locations in Europe, Japan, Canada and possibly South America. These offices will assist Michigan companies anticipating or expanding their trade globally and serve as gateways for direct investment into Michigan from international companies. New locations will be patterned after Michigan's highly successful offices in China and Mexico—two of Michigan's largest trading partners. Those offices work on assisting Michigan companies that are doing business there as well as attracting more business to Michigan.

The international development unit through a variety of attraction initiatives will enhance Michigan's image in key international markets. The unit is comprised of 10 individuals including two current overseas trade office directors in Shanghai and Mexico City. Responsibilities for the new unit include lead generation and trade development promotion. Through the unit's European and Japan Business Development Managers, calls are conducted several times a year in these markets. Utilizing partnership investment missions, economic devel-

opment teams travel abroad to present Michigan as a business location for firms preparing to expand. These missions are one of the primary ways that local economic developers attract investment to the state. The MEDC markets the state for what it is: a leading international business location. "We have the ability to open doors around the world," said Jakeway. "Governors like Jennifer M. Granholm can open up lots of doors with high level corporate executives of international firms, agencies like the U.S. Department of Commerce and various non-governmental international business organizations around the globe."

AS EVIDENCED BY SITE SELECTION AWARDS, MICHIGAN IS INDEED A LEADER IN THE NATION AND AN AREA WHERE COMPANIES CAN SUCCESSFULLY LOCATE AND BE COMPETITIVE IN THE GLOBAL MARKETPLACE.

MICHIGAN GLOBAL PARTNERSHIP—TEAMWORK IN ACTION

Teamwork is the name of the game. Agencies like the MEDC often succeed when recruiting alone, but when public/private alliances are formed to develop international business, results can be even better. The Michigan Global Partnership (MGP) was formed to team up the MEDC, local economic development partners and private sector investors to work shoulder-to-shoulder in global business development.

As Dennis Marvin, regional economic development director at CMS Energy in Jackson and chair of the MGP Asia Committee told MBR, "We are strong

partners with the MEDC in a variety of ways...the Michigan Global Partnership...is a private/public partnership that was formed a number of years ago to bring interested parties together to help promote Michigan in international markets." Marvin noted that since utility companies can't grow by physically expanding their footprint, they must work to attract new customers to their service areas in order to prosper and grow.

The MGP markets Michigan to overseas prospects. It tells prospects about Michigan's leadership in research and development, which consists of 142 R&D centers employing 65,000 and contributing \$18.8 billion to the economy. Michigan's strong workforce and strong educational system—not only at the college and university level but also at the primary and secondary levels—are central to the sales pitch. Michigan's cost competitiveness is another selling point. "As evidenced by Site Selection awards, Michigan is indeed a leader in the nation and an area where companies can successfully locate and be competitive in the global marketplace," said Marvin. Michigan was also named one of the 10 most business-friendly states in America, and the only Midwestern state to be recognized, according to Pollina Corporate Real Estate of Chicago.

WORLD-CLASS INFRASTRUCTURE

Good people and goodwill from local partners aren't enough to attract international investment. Global companies need to be able to move goods and people across the globe at low cost and at great speed. Fortunately, Michigan has one of the best transportation infrastructure in the world.

Detroit Metropolitan Wayne County Airport is "a global connection to capitals around the world," said Harry C. Whalen, senior vice president of international development at the MEDC. "Our clients can access their markets and

home bases from Detroit." The 2002 addition of the \$1.2 billion McNamara Terminal/Northwest WorldGateway makes Metro Airport one of the finest in the nation, if not the world. A new North Terminal, currently being planned, will cement Metro's status as one of the world's premier air hubs.

Michigan's fully developed infrastructure gives it a winning edge over some less developed, lower-cost competitors. In addition to global links via Metro Airport and connections through 18 other regional airports, Michigan offers sea-way-depth ports connected to the Great Lakes, St. Lawrence Seaway System, rail and the interstate highway system. Michigan is a leading international hub to Midwest markets.

Tying this all together are Michigan's Foreign Trade Zones (FTZ). FTZ allow companies to defer, or in some cases virtually eliminate customs fees, duties and tariffs on international shipments. Unless a FTZ good enters the U.S. mar-

ket for sale, it is exempt from any tariffs or duties. The Greater Detroit Foreign Trade Zone (GDFTZ) is one of the largest Foreign Trade Zones in the United States, thanks to heavy use by the global automotive industry. There are 15 general-purpose zones within the GDFTZ and 20 subzones. In addition, there are major FTZs in Battle Creek, Sault Ste. Marie, Kent-Ottawa-Muskegon counties, St. Clair County and Flint.

What's known as an inverted tariff can be a boon to manufacturers located within a foreign trade zone. "By having their assembly plants designated as foreign trade zones, manufacturers pay no duty upon entry," said Steven Olinek, director of the Greater Detroit Foreign Trade Zone. "Through the process of manufacturing, they can turn these average five to six percent tariffed parts into a 2.5 percent tariffed automobile. That 2.5 percent savings extrapolated across their production numbers means millions and millions of dollars of sav-

ings." Not every company can take advantage of the massive savings afforded by inverted tariffs, but at the very least a company can benefit from tariff deferrals. Roughly \$5 billion worth of goods flow through the Greater Detroit Foreign Trade Zone each year.

Michigan's infrastructure advantages provide the connection for international companies to invest and be successful. Strategic alliances and networking partnerships formed by the MEDC insure Michigan's competitive advantages in the North American marketplace are presented to international clients. There are approximately 153,500 Michigan jobs tied to direct investment by international companies in Michigan. Expect to see that number grow in the years ahead as the MEDC positions Michigan as the premiere location for international companies seeking their first entry into the North American market. "We're back in the international game," the MEDC's Jakeway said.

CASE STUDY GERMAN FIRM PICKS MICHIGAN

Karmann USA is an example of how international investment and global trade can be a win-win. Companies like W. Karmann GmbH are choosing Michigan to be their North American operational, technical and/or logistical base. Based in Germany for over 100 years, Karmann, a full-service automotive supplier specializing in convertible technology, wanted to expand into the North American market. The company chose to set up a subsidiary in Livonia in 1996. The subsidiary, Karmann USA, grew quickly and in 2003 the company built a new 17,000 square-foot North American headquarters and technical center in Plymouth. The company announced plans late last year to manufacture convertible top systems out of a new facility in Plymouth adjacent to its headquarters and technical center, creating another 250 new jobs for Michigan's skilled workers.

Karmann provides roof systems for the VW Beetle convertible and the Renault Megane convertible models. It also supplies body modules for the Mercedes SLK and Jaguar XK8.

Karmann not only provides the roof systems, from its Plymouth facility it also assists its automotive partners in engineering, prototyping and system integration. Its state of the art test equipment and world-class workforce have resulted in Karmann engineering showing up in some of the most recognizable vehicles on the road today. The Chrysler Crossfire, Mercedes CLK convertible and Audi A4 convertible are all Karmann success stories.

Karmann USA President Tim Olind said that the MEDC, through the use of Michigan Economic Growth Authority incentives, was "instrumental in helping us get situated here." Karmann was able to grow its business and create and sell products for North America in a way that wouldn't be possible if they directed their efforts solely from its headquarters in Lower Saxony. And good jobs were created for Michigan workers as a result.

TAKING FLIGHT IN MENOMINEE



'Made in Michigan.' The phrase brings to mind all sorts of images: automobiles, cutting-edge telematics, nanotech advancements and helicopters. Helicopters? A firm in the Upper Peninsula is working on making Michigan a world leader in the field of light helicopters and a multi-million dollar foreign contract may help it achieve that goal.

Enstrom Helicopter Corporation was founded by Rudy Enstrom, a native of northern Michigan. Enstrom was captivated by the technology of helicopters and started building his own in the 1940s and 50s. After securing financing from a group of small business owners, he opened Enstrom Corporation in 1959. The company changed hands several times during its history, going public for a time before returning to private ownership. From the landmark F-28—the company's first helicopter—to the turbine-powered 480 series, Enstrom has stayed true to Rudy Enstrom's dream of developing innovative helicopter designs at affordable prices.

Thanks to Enstrom, Michigan-made helicopters are journeying abroad, growing the firm's international cachet and helping to grow the state's economy. Enstrom Helicopter Corporation is located in a Federal Aviation Administration-qualified production facility at Menominee-Marinette Twin County Airport in Menominee, on the border of Michigan and Wisconsin.

SELLING TO THE WORLD

In 1988, Enstrom sold 15 of its 280FX helicopters to the Chilean Army. The units were used for military flight training. Following the sale to Chile, Enstrom closed deals with governments in Peru, Colombia and Venezuela. Today Enstrom helicopters are in service in nearly 50 countries worldwide.

Most recently, Enstrom closed a deal with the Indonesian government for 18 model 480B turbine-powered helicopters. Indonesia's national police force will use the Enstrom 480B for search-and-rescue missions and to maintain public order.

Enstrom used to sell a handful of helicopters each year. In 2003, they sold 17. Thanks to the Indonesia contract, that number will likely jump to 30 or more this year. For a big-ticket item like a helicopter, a small sales increase can have massive bottom-line implications.



The Indonesia deal is a big one for Enstrom and it translates directly into jobs. "We've increased our employment by something like 40 people, which in this case...is a 30 percent increase in people," said Tracy Biegler, director of sales and marketing at Enstrom Helicopter Corporation. "Right now we're at 105, and we're going to continue to grow that."

GOOD PRICE, GREAT QUALITY

The Enstrom 480B, first introduced in 2001, is growing in popularity. Its price helps make it an attractive buy. It is priced roughly \$250,000 below competing aircraft such as the Bell Helicopters

206B-3 or the Eurocopter EC120.

Like all Enstrom helicopters, the 480B has a reputation for quality. An Enstrom product has never experienced a main rotor system failure. A failure of the main rotor system almost always results in loss of control and a crash. While most helicopter rotor systems last for 3,000 to 6,000 hours in the air, Enstrom rotors are expected to live more than 10 times longer. Enstrom helicopters have been involved in very few serious accidents. "Look at our direct operating cost, which right now, if you look in the industry, is the lowest of the single-turbine helicopters," said Biegler. "That points toward a quality product."

GOVERNMENT SUPPORT

To engage in the complicated game of exporting, Enstrom enlisted the help of the Export-Import Bank of the United States (Ex-Im Bank), the official export credit agency of the U.S. government. Ex-Im Bank has assisted with the financial aspects of Enstrom's multi-million dollar international transactions.

In addition to support from Ex-Im Bank, the Michigan Economic Development Corporation's Trade Services has supported Enstrom's international sales. "They (MEDC Trade Services) have been, and continue to be, an extremely important part of our process...and it's something that this company never really took advantage of before," said Biegler. "I think it was a real good find for us."

Enstrom has carved a niche for itself by manufacturing a quality high-tech product in a highly competitive marketplace dominated by large manufacturers with a focus on quality, durability and price.

To learn more about Enstrom Corporation, visit them online at www.enstrom-helicopter.com.

Opportunities abound for Michigan companies looking for international business growth. Michigan's export trade promotion offices in China and Mexico can assist companies looking to do business in those markets. China and Mexico are among Michigan's top 10 trading partners. Their growing automotive industries make them perfect customers for Michigan's auto-related businesses. The staff at the Michigan export trade promotion offices help businesses deal with the issues of business climates and social cultures.

THE CHINA CONNECTION

Seize the opportunities. That's the advice of Yvonne Warmbier-Ramp, managing director of the state of Michigan's China Office, who helps Michigan businesses export products and services to Asia. Located in Shanghai, the office covers China, Taiwan, Hong Kong and parts of Southeast Asia, including Thailand, Korea and Vietnam.

Warmbier-Ramp occasionally services large Michigan companies, but the majority are small- to medium-sized with under \$10 million in annual revenue. China's economy is so hot these days, especially since its succession to the World Trade Organization (WTO) in 2001, that it has become a very popular destination for Michigan companies looking for ways to grow their profits during a struggling U.S. economy. Last year, Michigan's exports to China increased approximately 24 percent, for a total of \$366.7 million, making it the state's 10th largest export market.

Many of the Michigan-based operations in China are auto-related businesses and supporting players to the industry, including Delphi, Johnson Controls Inc., Lear, Amway and Hayworth Furniture. Their presence offers a big advantage for Michigan businesses looking to get involved in the region. "Michigan has large, powerful companies already established in China. That in itself is a big help, because a lot of businesses already supply these corporations at home, so why couldn't they supply them in China?" said Warmbier-Ramp. "Michigan has a strong understanding of automotive parts, equipment and manufacturing technology...Those are all very key things that a lot of other states do not have."

A DIFFERENT ENVIRONMENT

China's cultural and business climate differences can intimidate people who are used to operating only within the United States, Canada or Mexico. For Michigan companies to be successful

in China, they must adjust to a different kind of business environment and, in some cases, get over a fear of doing business in a faraway land. "China is a long way away. And it's not the easiest environment to work in. You don't necessarily know what you need to do and nobody can tell you. You kind of have to learn as you go along," said Warmbier-Ramp.

Right now China buys everything from computer software to lumber for furniture to plumbing products to automotive parts and equipment from Michigan companies. Businesses as diverse as agriculture and medical products have found China a growing market ready to be tapped.

Warmbier-Ramp is there to assist companies every step of the way from counseling them about the market to setting them up with agents who can start selling their products in the market, arranging meetings with corporate executives, addressing problems and setting up strategic partnerships.

THE LATIN AMERICAN LINK

Over the past 10 years, Manuel Otolara has assisted more than 500 Michigan companies from his post at Michigan's Latin American Office in Mexico City. He helps Michigan businesses export to Mexico, Argentina, Brazil and Chile and has promoted the participation of small- and medium-sized companies in Mexican trade shows and conducted several trade missions and catalog shows in the region.

Mexico is the number two market for Michigan products. In 2003 Michigan exported more than \$4 billion in goods and services to Mexico, 35 percent of it in vehicles and automotive parts.

"Mexico is the 10th largest automotive manufacturer in the world. So a lot of what we do is related to the automotive industry or automotive suppliers," Otolara explained. "Some of the vehicles

that are sold all over the world are only manufactured in Mexico, like the VW Beetle and the (Chrysler) PT Cruiser." On the other hand, Mexico imports other vehicles from the U.S. or other countries including most top of the line cars from Michigan.

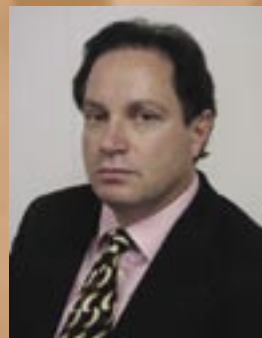
WORKING TOGETHER, RESPECTING DIFFERENCES


The Mexico office also deals with many other types of industries, including software companies, hand tools, plastics, medical and surgery products, office furniture and much more. Otolara matches the Michigan businesses with the appropriate Mexican companies, gets a dialog started and then let's them work out the details. He does market studies and finds information on companies or topics such as tariffs.

Just like China, Latin America has its own idiosyncrasies when it comes to completing business deals. According to Otolara, it takes perseverance, patience and dedication to make it in the Latin American export market where it can take about two years to become successful. Establishing relationships through personal contact is very important to Mexican businesses. "Some (U.S.) companies don't like to travel and they think they can do business by e-mail and by phone. But it doesn't work here. We (Mexicans) like to see who we're dealing with and we base our business more on trust and personal relations than just a cold business relationship," said Otolara. He also recommends that Michigan business people interested in exporting to Mexico learn a little about the country, including its culture, customs and politics. "That is always appreciated in any foreign country."

Companies interested in exporting products and services to Asia or Latin America can contact Janet Clark, MEDC director of trade services, at 517.373.6212 or clarkj@michigan.org.

AN EXPERT EXPORTER WITH BRIGHT SOLUTIONS
AN EXPERT EXPORTER WITH BRIGHT SOLUTIONS



 **Bright Solutions, Inc.**

Terrence Kalley, president of Bright Solutions, Inc. in Troy, has a clear view of the world. Born and educated in South Africa, he continued his education here in the United States. He established a Michigan business that has made him an authentic globe trotter. His passport includes stamps from China, France, Greece, Hungary, Italy, Japan, Korea, Mexico, Norway, Poland and Spain.

Bright Solutions produces automotive equipment used in servicing vehicles. It specializes in products used in diagnostics, such as fluorescent leak-detect-

tion to repair air conditioning, engine coolant and fuel systems. In addition, the company produces equipment used in diagnosing troubles and problems with a vehicle's electrical system.

It also supplies air conditioned service products to the commercial refrigeration and industrial markets.

Kalley founded Bright Solutions in 1992. He earned his bachelor's degree in his hometown and received an M.B.A. from Case Western Reserve University in Cleveland, Ohio. Kalley, chair of the Michigan District Export Council (MDEC), talks to MBR about the secrets to success in the world of exporting.

TERRENCE KALLEY: I think to be successful you have to be open-minded in terms of cultural awareness because in different parts of the world people live differently and they do things differently. Sometimes they think a little differently. And unless you're very flexible and open-minded, it's going to bother you. And if it bothers you, then you're going to potentially offend somebody you're dealing with and that is not sound business.

MBR: Kalley has a list of do's and don'ts for Michigan companies new to the export business. Visit your customer base. Don't try to communicate with them from home. Do your homework and learn about the market. Attend trade shows. Network while you're traveling. Remain flexible about the different ways of conducting business. Identify the right entity or distributor to get your products in the market and trust their judgment and expertise on their home market. Communicate with your international partners frequently. To help put the pieces in place, Kalley recommends businesses utilize the international services and resources available from the Michigan Economic Development Corporation, U.S. Department of Commerce and MDEC. The MDEC is a group of thirty individuals from Michigan's international community, appointed by the Secretary of Commerce, for the purpose of counseling Michigan business in international market entry.

FREE ADVICE, WORTH A FORTUNE

They (MDEC members) can provide insights, information and contacts that would take us forever to develop if we could even manage to do it. What makes MDEC unusual is that we have private enterprise, academia and government working together. And we're all there to attempt to boost exports from the state of Michigan...we have real, live businesspeople—men and women—like myself, who have a lot of practical experience. And we're avail-

able to counsel Michigan businesses, primarily small- and medium-sized, to guide them in their export activities. The MDEC members provide their expertise for free.

One piece of advice that Kalley offers is similar to the old saying, "When the going gets tough, the tough get going." He says a challenging American economy presents a good opportunity to sell products and services overseas. Right now is a particularly excellent time to get into exporting for those who have not, because the dollar is very weak (against international currencies), which makes it very attractive for people outside of the states to buy from us. This is particularly true in Europe, Japan and Australia. All of their currencies are very high relative to the dollar, meaning it's less expensive for them to buy from us than it was a year or two ago. And we're talking differences of sometimes 30 or 40 percent. That's huge.

I believe that there are many, many Michigan corporations that have the potential to export that currently do not. Sometimes people think they need huge resources to do this, and it's possible to explore exporting without spending a fortune. You can put information on your Web site. You can utilize the services of the U.S. Department of Commerce or MEDC's Trade Services. For some, there's also a fear of the unknown. Yes, there are additional factors to take into account when dealing internationally...But the fundamentals of good business apply across borders and the free market system is one where buyers and sellers wish to meet for profit. These Michigan companies have excellent products that are well-priced. If they can get them into international markets on time, then there are willing buyers all around the world. They just have to find them.

EXPORTS = MORE JOBS, MORE PROFIT

Kalley continues to seek out new distributors around the world for his products. In September he will exhibit at Germany's Auto Mechanica, the premier international trade show for automotive parts and service equipment. The trip provides an opportune time to meet new people who are looking for product. It also fits into Kalley's goals for Bright Solutions.

As a company, we're heading more and more into diagnostic equipment. Vehicles are getting more and more complicated to service, so we wish to provide easy solutions for professional service technicians. Internationally, I hope to keep increasing the number of countries that we currently sell to.

Kalley has similar hopes for the future of Michigan's exporting business. He says an increase in exports will boost economic activity in the state and create jobs and profitable companies.

We in the United States are extremely productive relative to the rest of the world. We have excellent technology. We have excellent service companies...not just manufacturing. We run a tremendous trade surplus on services right now with the rest of the world. All of these are positive, and I believe that as the cost of communications decreases...it will become easier to communicate with more people and that the distinction between domestic and international business really will become less and less distinct. So I would anticipate that the world will become far more internationalized and Michigan, with a host of technology companies, ought to benefit from that greatly and ought to see a large rise in exports in the future from the state.

For more on Bright Solutions, Inc., go to www.brightsol.com. For more information on Michigan Economic Development Corporation's Trade Services, call 517.373.6212.

MICHIGAN TOP 10 EXPORT COUNTRIES

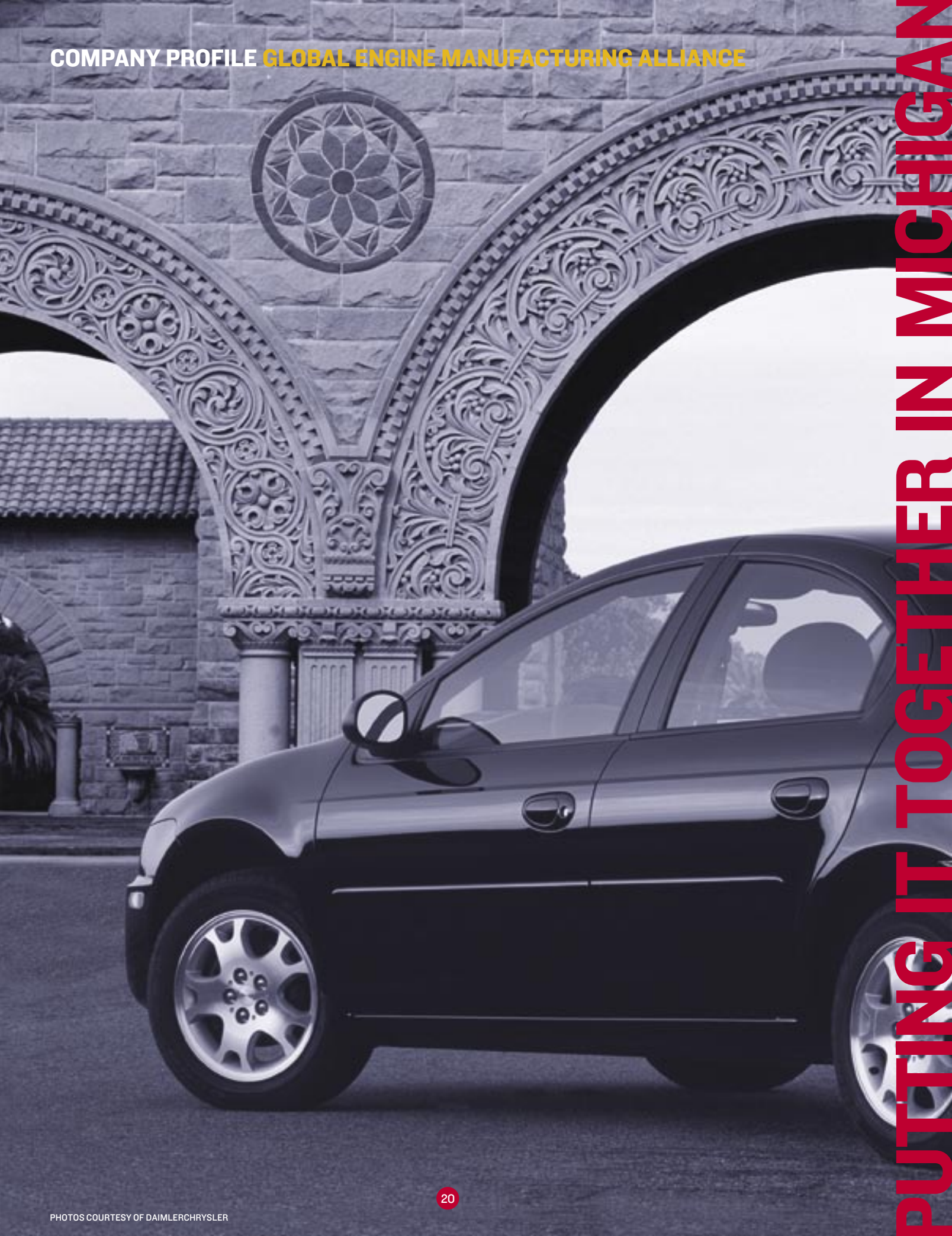
RANK	COUNTRY	ANNUAL 2003
1	Canada	19,799,053,612.00
2	Mexico	4,006,425,809.00
3	Japan	1,099,942,844.00
4	Germany	973,432,464.00
5	United Kingdom	706,105,641.00
6	Australia	524,481,112.00
7	Belgium	424,398,018.00
8	France	380,319,683.00
9	Austria	378,178,551.00
10	China (Mainland)	366,701,599.00
TOTAL		\$32,941,108,751.00

U.S. EXPORT RANKINGS BY STATE

RANK	COUNTRY	ANNUAL 2003
1	Texas	98,846,082,565.00
2	California	93,994,882,282.00
3	New York	39,180,708,413.00
4	Washington	34,172,826,419.00
5	MICHIGAN	32,941,108,751.00
6	Ohio	29,764,417,806.00
7	Illinois	26,472,902,154.00
8	Florida	24,953,413,564.00
9	Massachusetts	18,662,575,189.00
10	Louisiana	18,390,130,016.00
TOTAL		\$723,743,176,992.00

MICHIGAN EXPORTS BY COMMODITY

RANK	COUNTRY	ANNUAL 2003
1	VEHICLES (Except railway or tramway and parts etc...)	14,639,924,904.00
2	INDUSTRIAL MACHINERY (Including computers)	6,037,112,365.00
3	ELECTRIC MACHINERY, SOUND AND TELEVISION EQUIPMENT AND PARTS	1,805,877,470.00
4	PLASTICS (Articles thereof)	1,326,461,903.00
5	OPTIC, PHOTO, MEDIC OR SURGICAL INSTRUMENTS	969,743,141.00
6	FURNITURE, BEDDING, LAMPS, PRE-FABRICATED BEDDING	770,653,040.00
7	ORGANIC CHEMICALS	675,581,046.00
8	MINERAL FUEL, OIL, BITUMIN SUBSTITUTE, MINERAL WAX	588,309,108.00
9	IRON AND STEEL	510,851,876.00
10	ARTICLES OF IRON AND STEEL	507,271,415.00
TOTAL		\$32,941,108,751.00



PUTTING IT TOGETHER IN MICHIGAN

Proving that Michigan is the world's premier manufacturing location, Global Engine Manufacturing Alliance (GEMA) has selected Dundee in Monroe County for its second U.S. manufacturing facility.

GEMA is an equally-owned joint venture of DaimlerChrysler, Hyundai Motor America and Mitsubishi Motors. Chrysler Group President and CEO Dr. Dieter Zetsche called GEMA "a true melting pot of cultures." The new plant will double GEMA's capacity in Dundee to build a new line of four-cylinder engines to be used in future DCX, Hyundai and Mitsubishi vehicles.

GEMA first selected a 245-acre site in Dundee in 2003. The decision to build a 450,000 square foot addition on 25 acres came in February 2004. GEMA's expansion in Dundee is expected to create 250 new jobs directly by the company, plus 50 tier-one jobs and another 542 spin-off jobs, for a total of 842 new jobs.

GEMA currently has facilities in Japan and Korea that could have been expanded, so the decision to locate in Michigan wasn't automatic. The company cast a wide net before focusing on North America. "Besides the obvious Midwestern states where we're currently doing business, we also looked at the southern strategy. We looked at states in the southeast where many of our Japanese competitors are," said Bruce Coventry, president of GEMA. "We even went so far as to look at the Southwest along the Mexican border as a potential. At the end of the day, Michigan just made more sense. It was the right decision for us."

THE MICHIGAN ADVANTAGE

Part of the Michigan advantage was the existing infrastructure of the Dundee

site. "There were many scale-economy type advantages that we were able to achieve by putting the second plant on the same site," said Coventry. Coventry estimates that GEMA can save \$40 million over 10 years by being located adjacent to an existing facility that is close to existing customers, rather than building a new plant in the southern United States. "Out of all of the physical sites that we looked at, the Dundee site was absolutely the best of all the possible alternatives." Coventry was impressed with the Dundee site's logistical advantages, infrastructure access, size and



accessibility to existing operations. "It's just a perfect location and the Village of Dundee has been tremendous to work with," said Coventry. "It's a very small village and the people are really very interested in working with us."

A team-oriented state and local government helped make the decision easier for GEMA. The Michigan Economic Development Corporation offered a Single Business Tax (SBT) credit and an Economic Development Job Training Grant to convince the company to expand in Dundee. The Village of Dundee provided

GEMA with a local tax abatement and federal Community Development Block Grant (CDBG) to help in wastewater facility improvements and pre-employment training assessments. Other assistance included a worker training grant from the Southeast Michigan Community Alliance (SEMCA) MichiganWorks! Office and a Transportation Economic Development grant for roadway improvements.

"The workforce is extremely important for this plant," said Coventry. "This is not your father's factory; this is a very aggressive manufacturing operation." The plant will be targeting some of the highest productivity in the industry, and to do that a highly skilled workforce is required. "We wanted to be near educational institutions," said Coventry. "We're only 19 miles south of Ann Arbor."

Coventry also noted GEMA's proximity to Monroe, home of Monroe County Community College (MCCC). MCCC has been a real asset to the joint venture. MCCC provides some of the training for GEMA and even acts as a mustering point for the training of new employees. While MCCC can train new hires quickly, many of the people who apply for work don't require much in the way of training. GEMA's work relies heavily on computerized numerical control (CNC) machining, so the prevalence of CNC shops in the region means that a large pool of skilled workers were already close at hand.

Dundee was an attractive and competitive site for GEMA. "Global Engine Alliance has chosen Dundee, and Michigan, not once, but twice," said Governor Jennifer M. Granholm. "This project is proof that Michigan remains competitive in the challenging global fight to keep manufacturing investment and jobs."

Michigan has been shaped—figuratively and literally—by the Great Lakes. Carved by glaciers more than 12,000 years ago, its two peninsulas are visible from the moon and instantly recognizable on any globe or atlas.

These two peninsulas are dotted with more than 11,000 inland lakes, laced with 36,000 miles of rivers and streams and defined by a 3,200-mile Great Lakes coastline. Michigan's shoreline is dotted with more than 100 public beaches, some of the highest freshwater sand dunes in the world, stunning multi-colored sandstone cliffs, two National Lakeshores and the only national marine sanctuary in the Great Lakes—the Thunder Bay National Marine Sanctuary in Lake Huron. More than 100 lighthouses, numerous maritime museums, ten shipwreck-diving preserves and historic military fortifications dating from the American Revolution and the Civil War also rim Michigan's Great Lakes shoreline.

The Michigan shore of Lake Michigan has been described as 'an American Riviera'—with mile after mile of blond-sand beaches, more than a score of state parks, a National Lakeshore, charming lakeside villages, lighthouses, artists' colonies,

designer golf courses and world class resorts. And Rand McNally, one of the world's most recognized travel and reference material production companies, bestowed its "2002 Best of the Road™" honor upon the drive from southwest Michigan's Benton Harbor to northern Michigan's Petoskey.

Michigan is defined not only by its vast expanses of water but also by the forests that cover more than 30,000 square miles—more than half the size of the state. Lakes, campgrounds, wildlife refuges and 99 state parks and recreation areas scattered throughout these vast forests create a wide variety of recreational pursuits. Rivers for canoeing, kayaking, fishing and swimming and thousands of miles of hiking, biking, riding, cross-country skiing and snowmobiling trails thread their way among some 100 species of trees.

Michigan's tens of thousands of square miles of Great Lakes and inland waterways teem with more than 140 varieties of fish—ranging from finger-sized smelt to 20- and 30-pound Chinook salmon and lake trout.

BEAUTIFUL ISLANDS & CLIMATE
Hundreds of islands dot Michigan waters.

Isle Royale National Park is a remote wilderness retreat in Lake Superior where wolves and moose roam free. Mackinac Island, located in the Straits of Mackinac, is a lush 19th-century resort fixed firmly in the Victorian era—a car-free island dominated by an 18th-century fort and the more than a century-old Grand Hotel, America's largest summer resort hotel.

A maritime climate has blessed Michigan agriculture with one of the most diverse ranges of crops in the United States and thrice-blessed golfers with more public courses (more than 800) than any other state, with long hours of daylight in summer and a lingering autumn season that can stretch into early December. It is no wonder that Michigan visitors enjoy fruit right off the tree, fine wine from local vintners, golf on designer courses with some of the finest turf grass available and nearly a score of some of the best and largest resorts in the Midwest.

Michigan and its lakes—both Great and small—make up a place that is unlike anyplace else in the world. Visit michigan.org for additional information on Michigan's Great Lakes or to plan a Great Lakes getaway.

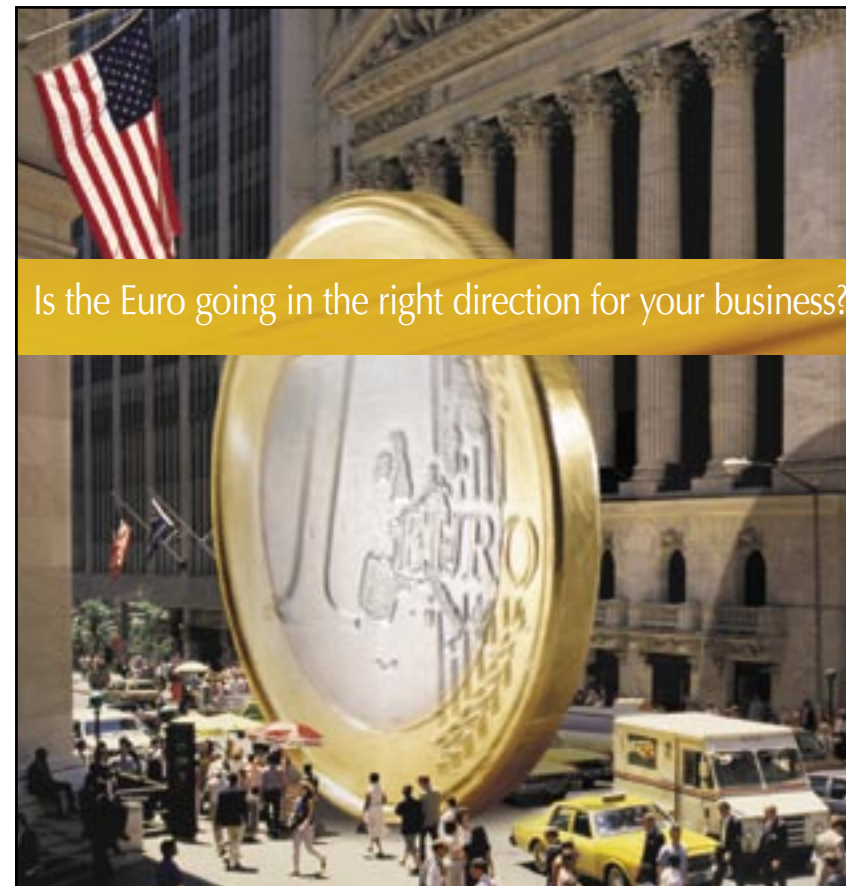
MICHIGAN:

HEART OF THE GREAT LAKES

IN THE NEXT ISSUE: HIGHER EDUCATION— MICHIGAN'S SMARTZONESSM



Michigan SmartZones are centers of innovation and technology. SmartZones are a key component in fostering partnerships and collaborations among universities and technology-based businesses. They provide the necessary resources to grow startup companies. In the next issue of MBR, learn more about the advancements taking place at Michigan's IO SmartZones. MBR will feature updates on Detroit/Woodward Technology Corridor SmartZone, TechOne building, the construction of Automation Alley's new headquarters and much more.



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CALENDAR OF EVENTS

The following list has activities conducted/sponsored by both the Michigan Economic Development Corporation (MEDC) and its 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, email at medcservices@michigan.org or visit the Web site at www.michigan.org.

JUNE

2

ALTERNATIVE ENERGY TECHNOLOGIES SEMINAR Wayne State University, Detroit

This one-day seminar will include presentations on the economics of alternative energy, education from an industry perspective and alternative energy curriculum development. The seminar is sponsored by the Alternative Energy Technology program at Wayne State University, NextEnergy, Lawrence Technological University, Kettering University in Flint and the University of Michigan. For more information visit the Web site at www.eng.wayne.edu/aetconference.

6-9

BIO 2004 CONFERENCE San Francisco, CA

An expectant 20,000 biotechnology and life sciences professionals from all aspects of the industry and from all parts of the globe will participate in the BIO 2004 Annual International Convention. Michigan will be exhibiting there with many of our life science technology cluster representatives, showcasing Michigan's life sciences assets, including the state's high-tech workforce, Technology Tri-Corridor and university and business resources. For more information visit the Web site at www.bio.org.

7-9

AUTOMAN GLOBAL CONFERENCE Ritz-Carlton, Dearborn

Over 200 senior manufacturing executives from companies around the world are expected to attend this event. For more information visit the Web site at www.automanglobal.com.

15

MEGA BOARD MEETING MEDC Offices, Lansing

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

15-16

MICHIGAN GROWTH CAPITAL SYMPOSIUM The University of Michigan, Ann Arbor

Hosted by the University of Michigan Business School and the Center for Venture Capital and Private Equity Finance, the Michigan Growth Capital Symposium (MGCS) is the premier Midwest event where financiers meet the 'best of the Midwest' in new businesses and emerging technologies. For more information contact Lauren Bigelow at info@michiganGCS.com.

17

MICHIGAN STRATEGIC FUND BOARD MEETING Victor Corporate Center, Livonia

A monthly meeting to review and approve applications relative to the Industrial Development Revenue Bond (IDRB) program, Community Block Development Grant (CDBG) program and other relevant issues.

26-26

THE EYE AND THE CHIP 2004: WORLD CONGRESS ON ARTIFICIAL VISION Westin Detroit Metropolitan Airport

The Detroit Institute of Ophthalmology (DIO) will host its third international congress on artificial vision. The goal is to further research for helping the blind to see through the "marriage" of biology and electronic technology. For more information contact Courtney Kezlarian at 313.842.4710 or visit the Web site at www.eyeson.org.

13

MEGA BOARD MEETING MEDC Offices, Lansing

A monthly meeting of the MEGA to consider awarding SBT credits as incentives for job-creating business expansions in Michigan.

15

MICHIGAN STRATEGIC FUND BOARD MEETING Victor Corporate Center, Livonia

A monthly meeting to review and approve applications relative to the IDRB program, CDBG program and other relevant issues.

JULY

17

MEGA BOARD MEETING MEDC Offices, Lansing

A monthly meeting of the MEGA to consider awarding SBT credits as incentives for job-creating business expansions in Michigan.

19

MICHIGAN STRATEGIC FUND BOARD MEETING Victor Corporate Center, Livonia

A monthly meeting to review and approve applications relative to the IDRB program, CDBG program and other relevant issues.

14

MEGA BOARD MEETING MEDC Offices, Lansing

A monthly meeting of the MEGA to consider awarding SBT credits as incentives for job-creating business expansions in Michigan.

16

MICHIGAN STRATEGIC FUND BOARD MEETING Victor Corporate Center, Livonia

A monthly meeting to review and approve applications relative to the IDRB program, CDBG program and other relevant issues.

14-19

RYDER CUP

Oakland Hills Country Club, Bloomfield Hills

Every two years, golf's prestigious Ryder Cup matches take center stage as one of the world's premier sporting events. Over history only 17 courses in the United States have served as the site for the matches. In 2004, Oakland Hills Country Club in Bloomfield Hills will become the 18th.

AUGUST

SEPTEMBER

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