

October 18, 2011

Designing an Effective Business Incentive Strategy for Michigan

Technical Proposal

*A Proposal Submitted to:
Michigan Economic Development Corporation*

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October 17, 2011

Mr. David Morris
Manager, Strategic Research
Michigan Economic Development Corporation
Lansing, Michigan 48913

RE: Designing an Effective Business Incentive Strategy for Michigan

Dear Mr. Morris:

I am pleased that you have invited Anderson Economic Group LLC to propose a comprehensive analysis of the business incentive strategy for the State of Michigan. As you are aware, our firm has extensive experience in this area. We have been involved in a number of important efforts to improve the State's economy over the past decade, including several involving business taxes, business costs, and business tax incentives. We believe using the experience gained in these past projects will help the MEDC outline an effective incentive strategy that will garner wide support within the legislature and business community.

Our approach is designed to result in one or more incentive strategies that have the following attributes:

- They take into account the industries in which Michigan has a comparative advantage, a historic concentration, or particular expertise;
- They fit with the tax and cost climate of our state, as it has changed with the adoption of a new business tax taking effect in 2012, significant changes in wage rates in key industries, and reductions in costs of land;
- They do not rely on faulty assumptions such as "all incentive dollars are the same" or "all incentive programs work equally well," and recognize that the proper implementation of an incentive program can be as meaningful as the gross dollars associated with it.

Thus, the results you will receive from our team will be much more than "just a number." We will present a set of strategies, each of which will include a rationale for success, a description of how the strategy works with existing Michigan industries, and a range of incentive budgets that we believe would allow the strategy to be successful.

You will note that our team includes individuals that have worked on several past Anderson Economic Group projects that demonstrate tremendous background in this area. These include the repeal of the SBT in 2006; the development of a the "turnaround plan" for Business Leaders for

Michigan in 2009 and 2010; the compilation of the "Citizens CAFR" released by Governor Snyder in January of this year; several annual reports for Automation Alley identifying income and employment in high-tech industries; the compilation of the annual *50 State Business Tax Study*, a signature Anderson Economic Group publication that contains the best data in the country on actual taxes paid to state and local governments by businesses; and the two business tax incentive studies we completed in 2010 that comprehensively analyzed eight key programs for effectiveness, as well as noting how the implementation of some of those programs has changed over time.

We anticipate that, assuming we can begin the project by the first of November, we will be able to provide preliminary results to you before the end of the calendar year, including an in-person meeting convened specifically to discuss possible incentive strategies and related incentive budgets. Final results, which will require extensive multi-state comparisons, will be available early next year.

As always, we expect to stand behind our work. Should you also request the presentation of results to the public or to legislative committees, one of our report authors will be ready to demonstrate the factual and logical basis for any recommendations we provide to you. In order to provide such a credible result, our work plan includes a well-documented and thorough analysis, including the identification of important assumptions and observations about the Michigan economy. Because sustaining an economic development strategy is more important than simply having one, this focus on developing a credible, explainable strategy will be crucial to the project's success.

I hope you will find the attached proposal informative. Our entire project team looks forward to discussing it further with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick L. Anderson", followed by a horizontal line.

Patrick L. Anderson
Principal & CEO

CC: Caroline Sallee, Director of Public Policy
Attachments: Proposal to MEDC

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1.0 Business Organization and History

1.1 Contact Information

Anderson Economic Group was organized as a limited liability company, headquartered in the State of Michigan, in 1996. Our headquarters is located at the following address:

Anderson Economic Group, LLC
1555 Watertower Place, Suite 100
East Lansing, MI 48823
Phone: (517) 333-6984
Fax: (517) 333-7058

Some work for this project will also be performed at our Chicago office:

444 North Michigan Ave, Suite 2600
Chicago, IL 60611
Phone: (312) 670-6810
Fax: (312) 670-4391

1.2 About Anderson Economic Group

At Anderson Economic Group, we specialize in providing research and consulting in economics, finance, public policy, and market assessments. Our approach to work in these fields is based on our core principles of professionalism, integrity, and expertise.

Since our founding in 1996, our work has helped clients including private firms, publicly traded companies, state & local governments, and non-profit organizations. Our experience includes research in markets throughout the continental United States, Alaska, Canada, Mexico, and the Caribbean.

We insist on a high level of integrity in our analyses, together with technical expertise in the field. For these reasons, work by Anderson Economic Group is commonly used in legislative hearings, legal proceedings, and executive strategy discussions.

Anderson Economic Group's project team possesses the qualifications, skills, and experience necessary to successfully complete an assessment of the funding requirements for economic incentives in Michigan.

1.3 Overview of Qualifications

A brief overview of our qualifications include:

- Extensive experience in conducting studies evaluating tax policy and the Michigan business climate.
- Extensive experience in conducting studies of economic and fiscal impacts of public policy in Michigan and elsewhere.

- An understanding of Michigan's state and local governments and how public policy affects businesses in the region.
- A well developed, credible, and conservative methodology that has been revised by our experts to reflect the specific challenges presented by this engagement.
- Rigorous quantitative analyses of the economic data that go beyond the qualitative evaluations of consumer research.
- Principal and senior-level consultant involvement at every step of the project, guaranteeing a high-quality work product and outcome.
- National experience conducting studies in markets throughout the United States, as well as in Canada, Mexico, and Barbados. Please see "Anderson Economic Group Coast-to-Coast Expertise" on page 22.

1.4 Past Clients

Governments

- City of Cincinnati, Ohio
- City of Detroit, Michigan
- City of Norfolk, Virginia
- City of Sandusky, Ohio
- Collier County, Florida
- Oakland County, Michigan
- Wayne County, Michigan
- Province of Ontario, Canada
- Schoolcraft County, Michigan
- State of Michigan
- State of North Carolina
- State of Ohio
- State of Wisconsin

Nonprofit and Trade Organizations

- Automation Alley
- Business Leaders for Michigan
- Grand Rapids Area Chamber of Commerce
- Greater Naples Chamber of Commerce
- Michigan Association of Community Mental Health Boards
- Michigan Chamber of Commerce
- Michigan Education Association
- Michigan Retailers Association
- National Education Association
- Service Employees International Union
- Ferris State University
- Michigan State University
- University of Chicago
- University of Michigan
- Wayne State University
- University Research Corridor
- Project Management Institute
- Van Andel Institute
- West Virginia High Technology Foundation Consortium

Businesses

- AT&T and SBC Ameritech
- Beck's North America
- DaimlerChrysler
- Delphi
- Diageo-Guinness
- Encore Wire Corporation
- Ford Motor Company
- General Motors Corporation
- Heineken USA
- Honda North America
- InBev USA
- Johnson Controls
- Labatt USA
- Nestle Waters North America
- Palace Sports & Entertainment
- PG&E Generating
- Soave Enterprises
- Taubman Centers, Inc.
- The Detroit Lions
- The Gambrinus Company
- Visteon
- Auto dealers representing Toyota, Chevrolet, Cadillac, Chrysler, Honda, Ford, GMC, Mercedes-Benz, BMW and Lincoln-Mercury brands
- Motorcycle dealers representing Harley-Davidson and Suzuki brands
- Wholesalers representing Labatt, Beck's, Anheuser-Busch, Miller, Molson, Heineken, Mondavi, and other brands.

2.0 Statement of the Problem

We understand that the Michigan Economic Development Corporation (MEDC) is seeking an assessment of the types and level of investment in business incentive programs to make Michigan a competitive state. To achieve this objective, a consultant should review and critique the approach for determining investment levels described in the RFP provided by MEDC. In addition, the study should include a comparison of Michigan's approach to that of competitive states and an evaluation of the potential effects that an expanded investment in business incentives might have for the Michigan economy.

Designing an effective tax incentive strategy requires more than "picking a number" for the overall size of the incentive program. It includes understanding the comparative advantage of industries in the state, the various costs faced by businesses in the state and their impact on location decisions, and the effectiveness of a broad range of existing business incentive programs, as implemented in Michigan and elsewhere. Only once we have a good grasp of these factors can we develop a good incentive strategy, including the appropriate scale and types of incentives.

To fulfill these aims, AEG will present a set of potential strategies for economic incentives that would make Michigan a more competitive state, and approximate the appropriate funding levels and corresponding impact of these strategies. Note that "funding levels," in the case of incentives for business, include both direct appropriations by the state and foregone revenue due to tax breaks and credits.

In order to complete an assessment of this size and scope, a firm must have a background in evaluation of business incentives, taxation, and economic impacts. At Anderson Economic Group (AEG), we offer a team of professional consultants with backgrounds in economic and community development, market research and analysis, fiscal and economic impact studies, and public policy. Anderson Economic Group has extensive experience in evaluating Michigan's business environment, in general, and Michigan's business tax incentives, in particular.

In this proposal we set out a proposed plan of work, background of the key consultants and economists for this project, timeline, references, and related experience. In a separate document, the "Price Proposal," we present a budget for the project.

3.0 Narrative

We propose a three-phase effort, in which we present the MEDC with three separate deliverables, one from each phase. These reports will be the basis for a comprehensive strategy of tax incentives in the state of Michigan, in order to foster job creation and make Michigan a more economically competitive state. In this section, we briefly outline these phases. See the next section, “Technical Work Plans” on page 6, for more details on the analysis behind each phase and the proposed timeline. Our project will consist of the following:

3.1 Phase I: Review and Critique of Methods Described in the MEDC RFP

In this phase, we will review MEDC’s method for determining the optimal investment in incentives in the state, as presented in the provided RFP. In doing so, we will consider the motivation for incentives and their potential for fostering job creation and increasing the state’s competitiveness. This review will motivate the remaining phases for this project, by laying out the rationale for funding of incentives and outlining the important role that incentives might play in making Michigan’s economy more competitive in the future. After completion of this phase of the project, we expect to meet with MEDC representatives in order to propose one or more alternative methods for assessing the effectiveness of the state’s business incentive plan.

3.2 Phase II: Incentive Strategies for a Competitive Michigan and Preliminary Funding Recommendation

In the second phase of the project, we will identify several possible strategies for investing in incentives for Michigan business. For more details on three possible strategies, see “Phase II Analysis and Review” on page 7. We will provide a preliminary lower-bound estimate of funding required to carry out each strategy effectively. Also, when appropriate, we will provide the potential economic and fiscal impacts of newly-created jobs in Michigan under different strategies. More specific estimates, tailored to the implementation of particular incentives and targeted industries, will be evaluated in Phase III, described below.

We plan to complete Phases I and II of the project within the timeline required. These preliminary results will provide the MEDC with an array of strategies for implementing further incentives, as well as an approximate level of funding for each strategy. In order to provide a complete analysis of a funding and investment strategy for the MEDC, however, we would strongly recommend undertaking a third phase of the project:

3.3 Optional Phase III: Detailed Analysis of Incentive Funding, Program Design, and Impacts

The previous phases provide an overview of incentive strategies, and an approximate determination of funding levels and impacts. The third phase will provide greater detail regarding the structure of other state incentives and specific cost advantages or disadvantages faced by companies based in Michigan. The report produced in Phase III will

include two additional sets of analyses. The first additional analysis will consist of an assessment of cost advantages and disadvantages in various industries in the state, by benchmarking these costs against competitive states. This cost benchmarking will allow us to better understand where Michigan stands competitively and how any competitive disadvantages might be addressed.

The second analysis will include an assessment of particular types of incentives in competitive states and how these incentives might be able to address cost disadvantages. We will also recommend specific target industries and/or types of firms for these incentives, determined by the state's incentive strategy and the cost structures of various industries. Finally, in this phase, we will revise and improve the preliminary estimates of funding levels proposed in Phase II, outlining particular incentives and the impact that funding might have in terms of new jobs, income, and tax revenue.

4.0 Technical Work Plans

We propose three phases for our plan of work, resulting in three separate deliverables. The first two phases fulfill the bulk of the requirements contained in the RFP provided by the Michigan Economic Development Corporation, and will be completed within the allotted timeframe. The third phase, which will be an optional supplement to the initial two phases, will require an additional allotment of time and budget, and will follow up on some of the strategies outlined in the initial two phases. Please see below for further details.

4.1 Kick-off Meeting

We will kick-off the project with a meeting between key members of our project team and representatives from the Michigan Economic Development Corporation (MEDC). This meeting will provide a venue for finalizing the study strategy, scope, and timeline. At that time, we will also provide a tentative list of data that will require the MEDC's assistance.

4.2 Phase I: Review and Critique of MEDC Methods

4.2.1 *Phase I Deliverable: Memo*

In the first phase of this project, we will produce a brief memo that reviews and critiques the MEDC's methods for determining the optimal level of investment in business incentives in Michigan, as described in the RFP. We will evaluate whether the steps outlined in the RFP for determining the optimal level of business incentives for Michigan are appropriate for a strategy to boost Michigan's competitiveness.

The memo produced in this phase will include a review of the motivation behind the use of economic incentives, the trade-offs that a state faces in providing incentives, and a discussion of the mechanism behind economic competitiveness and job creation at the state level. We expect this memo to be completed within two weeks of starting the project.

4.2.2 *Meeting to Review Methods*

Once the Phase I report has been completed, we will present it to the relevant parties at the MEDC and reconvene in order to receive feedback on our critique. We expect to meet with project managers at MEDC to discuss how recommendations that arise from our critique should affect our approach going forward.

4.3 Phase II: Incentive Strategies for a Competitive Michigan and Preliminary Funding Recommendation

The second phase of this project will include a comparison of the size of Michigan's incentive programs to those of competitive states, a presentation of several strategies for provision of incentives in Michigan, and an evaluation of the approximate economic and fiscal impacts of administering those strategies.

4.3.1 Phase II Data Collection

In order to estimate the funding and impact of various incentive strategies, we will need to obtain the following information.

- **Data on business incentives for Michigan and competitive states.** We would ask that the MEDC provide us with the latest, comprehensive data on incentives provided in Michigan through the MEDC and the outcome of those incentives (for example, type and number of jobs created due to the incentive). In addition, we would acquire data from other states on the overall magnitude of their respective economic development incentives. The depth of data that is publicly available, and the extent to which states would comply with requests for further information, may vary by state. This availability could affect which states we choose to include for this comparison.
- **Information on the structure of Michigan's economy and comparison states' economies, including jobs, payroll, output, productivity, economic multipliers, exports, and other features, by industry, over time.** This data is required to assess the industries that we may want to target with incentives, and also to assess the projected impact of such incentives. AEG can obtain much of this information from data sources such as the Bureau of Labor Statistics and Bureau of Economic Analysis for headline numbers such as employment, payroll, and output by industry. We also have access to aggregate information particular to industrial clusters through the Harvard Business School's Institute for Strategic Competitiveness and, in Michigan, through regular industrial updates that we perform, with Automation Alley, for example.¹
- **Tax burden on businesses in Michigan and peer states.** AEG regularly publishes a ranking of states, in order of the tax burden on local businesses.² This ranking is comprehensive, including the costs of multiple taxes and estimating their incidence on business. We will use the results from this study, and our related expertise, to determine the advantage or disadvantage the state has in attracting businesses in various industries and the appropriate incentive structure that might best augment Michigan's competitive position.

4.3.2 Phase II Analysis and Review

Our goal in phase II of this project will be to identify incentive strategies that will foster job creation and improve Michigan's competitive position. The proposed strategies could include the following:

- **Building on existing strengths.** This strategy would focus on industries where Michigan has a comparative advantage and is facing competition from other states. Our analysis will be supported by recent AEG work assessing the performance of industrial sectors that have a large concentration in the Michigan economy.
- **Creating opportunities in new, burgeoning industries.** This strategy would focus on industries where Michigan does not currently have a comparative advantage but seeks ways to use targeted investments to establish and/or build the industry's presence in Michigan over time. Our analysis would be supported by recent AEG work assessing

1. The most recent Automation Alley report: Scott D. Watkins, Cameron van Wyngarden, and Lauren Hathway. "Automation Alley's Technology Industry Report: Driving Southeast Michigan Forward." Anderson Economic Group, LLC. November 12, 2008.

2. The most recent state tax burden ranking: Caroline M. Sallee and Patrick L. Anderson. "2008 State Business Tax Burden Rankings: 3rd Annual State Rankings." Anderson Economic Group, LLC. March 2009.

which industrial sectors have a relatively small but growing presence in the state, and promising prospects for growth.

- **Ensuring adequate ‘firepower’ in the incentive arms race.** This strategy would focus on Michigan’s level of investment in business incentives relative to other competitive states. The goal would be to ensure that Michigan does not lose businesses to other states solely because of their relative cost advantage due to incentives. AEG would quantify the level of investment of Michigan’s key competitors and benchmark Michigan’s level of investment to that of other states. In doing so, we expect to be able to show an approximate level of funding for incentives that would make Michigan competitive with these states.

Where possible, AEG will approximate the following in relation to each strategy: the level of appropriate state funding, the economic impact of new jobs generated, and the fiscal impact of new jobs generated. If there is not a clear way to estimate the appropriate level of state funding, AEG will provide an estimate for the “lower bound” of funding that would be expected to properly incentivize businesses. This will require an assessment of the magnitude of relevant costs involved in business location decisions. Where possible, AEG will assess how implementation of these strategies might affect Michigan’s relative position among competitive states in terms of key economic indicators, such as employment and output.

In each case, we will need to consider incentive strategies and their impacts in light of the fact that there have been recent changes to the corporate tax code in Michigan. Specifically, we expect that the new tax structure will already incentivize a certain amount of job creation in the state and alter the cost structure facing industries. We will account for these changes and ensure that we only consider the impact of *new* jobs to the state due to incentives, not counting jobs that we might otherwise expect to be created even in the absence of an incentive.

4.3.3 *Phase II Report*

After completing our analysis for Phase II, we will provide you with a report, which will include an executive summary of approximately 5 pages in length that will summarize the purpose of the report, the methodology used, and major findings and recommendations. The body of the report will detail our analysis and will include summary data tables and relevant figures. The report will also contain recommendations regarding potential strategies for business incentives in Michigan and, where possible, a predicted economic and fiscal impact due to new jobs generated by these strategies.

Anderson Economic Group studies are of the highest professional caliber. We pride ourselves in providing reports that, with great lucidity, make complex issues understandable. Up to five copies of this final, professional-quality report will be delivered, complete with high-quality color charts, maps, and graphs. An electronic version (.pdf) can also be completed, to be made available over the Internet on public or secured sites.

4.3.4 *Presentation of Phase II Findings*

At the conclusion of the second phase of our study, our team will be available for one meeting or presentation to discuss the findings of our work with the Michigan Economic Development Corporation and other persons of MEDC's choosing.

4.3.5 *Optional Services: Legislative Presentations or Updated Analysis*

Should the MEDC wish to commission us to perform any of the following tasks during the six months following the completion of the project, AEG LLC would agree to complete the work using our professional rate schedule plus direct material costs, and provide an estimate in advance. (See "Estimated Project Cost" on page 1 of the attached "Price Proposal" for our professional rate schedule.)

- Updating the tax and cost analyses to account for new data, or changed laws, for Michigan and one or more of the comparison states.
- Presenting to a legislative committee, a general business audience, or the news media on the topic of the research commissioned by the MEDC, the data compiled for that purpose, or the recommendations on strategy or incentive budgets.

4.4 Optional Phase III: Detailed Analysis of Incentive Funding, Program Design, and Impacts

Phases I and II will provide a sound foundation for moving forward on a comprehensive investment strategy, providing incentives that foster job creation in Michigan. However, we will not yet have provided the details that prescribe which incentives might deliver the competitiveness MEDC seeks under each strategy. Also, we do not expect to be able to pinpoint a specific funding level without knowing the specific strategy, incentives, and targeted industries that the MEDC chooses to pursue.

We strongly recommend that the MEDC extend this research to a third, more detailed phase. Performance of Phase III will require additional time and budget. See the attached "Price Proposal" for details on the cost of the plan.

4.4.1 *Phase III Data Collection*

In order to assess Michigan's competitive position in various industries and tailor incentives appropriately, we will need to obtain the following information.

- **Detailed information on business incentives for Michigan and competitive states.** We would ask that the MEDC provide us with the latest, comprehensive data on incentives provided in Michigan and the outcome of those incentives (for example, type and number of jobs created due to the incentive). In addition, we would acquire information from other states on the specific types and magnitude of incentives offered. The depth of information that is publicly available, and the extent to which states would comply with requests for further information, may vary by state. This availability could affect which states we choose to include in our assessment.
- **Relative costs for businesses in Michigan compared to peer states.** The most mobile businesses consider a broad array of costs in determining their location. A recent study by AEG sought to enumerate many of these costs for Michigan, as well as some peer states. These costs include taxation, the labor environment, infrastructure, and utilities,

to name a few. Though we have already gathered much of this information for recent projects, a comprehensive assessment including a broader range of states would require further data collection. This assessment of costs for businesses will be more comprehensive and accurate than publicly available summary data or self-reported data from businesses. The states that we include in this analysis, as requested in the RFP, will be:

- Alabama
- Georgia
- Illinois
- Indiana
- Kansas
- Louisiana
- Minnesota
- Missouri
- North Carolina
- Ohio
- South Carolina
- Texas
- Virginia
- Wisconsin

4.4.2 *Phase III Analysis and Review*

The analysis in Phase III will include two specific research efforts necessary to properly design and more precisely quantify the amount of funding needed for successful pursuit of the proposed strategies. These include:

- A detailed cost benchmarking analysis for Michigan industries, across various sectors. This will allow us to determine the areas where Michigan has a particular cost advantage or disadvantage and inform how to strengthen or mitigate Michigan's relative position.
- Analyze the structure and magnitude of incentives provided by comparison states, recognizing that incentive strategies for states consist of more than "just a number." This will allow us to see how Michigan might make itself more competitive in specific industries and how the state might address particular cost disadvantages. In addition, particularly effective or innovative approaches may come to light through this more detailed research.

Once Michigan's competitiveness in particular industries is better understood, we can assess the specific types of incentives and appropriate funding levels that MEDC might pursue, depending on the investment strategy. When we define which incentives to pursue and the appropriate level of investment in those incentives, we can then provide a more accurate estimate of new jobs created, the wages generated by those new jobs, indirect effects due to economic activity from new businesses and jobs in the state, and new tax revenue generated for state and local coffers. The report for Phase III will include this information for each particular incentive and level of funding.

4.4.3 Phase III Report

After completing our analysis for Phase III, we will provide you with a report, which will include an executive summary of approximately 5 pages in length that will summarize the purpose of the report, the methodology used, and major findings and recommendations. The body of the report will detail our analysis and will include summary data tables and relevant figures. The report will also contain recommendations regarding potential strategies for business incentives in Michigan and, where possible, a predicted economic and fiscal impact due to new jobs generated by these strategies.

Up to five copies of this final, professional-quality report will be delivered, complete with high-quality color charts, maps, and graphs. An electronic version (.pdf) can also be completed, to be made available over the Internet on public or secured sites.

4.4.4 Presentations of Phase III Findings

At the conclusion of the second phase of our study, our team will be available for one meeting or presentation to discuss the findings of our work with the Michigan Economic Development Corporation and other persons of MEDC's choosing.

4.4.5 Optional Services: Legislative Presentations or Updated Analysis

Should the MEDC wish to commission us to perform any of the following tasks during the six months following the completion of the project, AEG LLC would agree to complete the work using our professional rate schedule plus direct material costs, and provide an estimate in advance. (See "Estimated Project Cost" on page 1 of the attached "Price Proposal" for our professional rate schedule.)

- Updating the tax and cost analyses to account for new data, or changed laws, for Michigan and one or more of the comparison states.
- Presenting to a legislative committee, a general business audience, or the news media on the topic of the research commissioned by the MEDC, the data compiled for that purpose, or the recommendations on strategy or incentive budgets.

4.5 Project Timeline

We estimate that Phases I and II of this project will take two months to complete. We expect to complete the Phase I report within two weeks of beginning the project. After meeting about the Phase I report, we expect to perform data collection and research for Phase II in the remaining weeks of November. In the month of December, we will perform our analysis for Phase II and write the report. A report encompassing our Phase II analysis will be provided to MEDC by December 31, 2011. The table below shows the approximate timeframe needed to complete Phases I and II of the project.

<i>Work Plan Item</i>	<i>Approximate Date</i>
Execution of Agreement	Last week of October, 2011

Initial Meeting	November 1, 2011
Phase I: Memo Delivered	November 15, 2011
Phase I: Followup Meeting	November 18, 2011
Phase II: Data Acquisition	November 15-30, 2011
Phase II: Analysis of Incentive Strategies	December 1-23, 2011
Phase II: Report delivered	December 31, 2011

If MEDC chooses to embark on a third phase, we anticipate a timeline of an additional two months. The report from Phase III will be provided to the client at the end of February, 2012. The table below shows the approximate timeframe needed to complete the Phase III data collection and analysis and produce the Phase III report.

<i>Work Plan Item</i>	<i>Approximate Date</i>
Phase III: Data Collection on State Incentives and Industry Cost Structure	January, 2012
Phase III: Cost Benchmarking Analysis	First week of February, 2012
Phase III: State Incentives Analysis	First and second week of February, 2012
Phase III: Report delivered	February 29, 2012

5.0 Prior Experience

Anderson Economic Group has extensive experience in analyzing tax incentives, assessing economic and fiscal impacts, and evaluating the business environment, particularly for the state of Michigan. Below are some particularly relevant studies that AEG has performed. (In some cases, contact information and contract amount are suppressed due to confidentiality concerns. Please contact AEG directly for further information on contacts or contract amounts.)

5.1 Analysis of Michigan's Business Tax Incentives Michigan Education Association and National Education Association

The Michigan Education Association and National Education Association are among the most important state and national organizations advocating for teachers. In 2009 they retained Anderson Economic Group to analyze the array of business tax incentives offered by the State of Michigan to attract and retain firms to the state and to influence their spending and investment decisions.

AEG produced two reports summarizing this analysis. The first, released in May 2009, identified the purpose of Michigan's various incentives, identified 36 separate tax incentives offered by the state, discussed the amount of oversight and accountability associated with each one, and gave an initial assessment of the effectiveness of several important examples. The second report, released in March 2010, followed up with a detailed assessment, including economic modeling, of the effectiveness of eight of the most important tax incentives. We found that while some incentives were effective in creating employment in the state, others such as the film industry subsidies were not effective compared to alternative uses of the same amount of money.

Each report was released at an event jointly organized by the MEA and AEG that stimulated discussion among business leaders, human services organizations, and public policy research organizations. AEG helped select business leaders to invite to the event, and sent letters to the leaders of each personally inviting them.

In May of 2011 the State of Michigan passed a business tax reform law that eliminated virtually all business tax incentives in favor of a simpler business tax levied on fewer businesses.

Start and End Dates:	November 2008 - May 2010
Project Manager:	Patrick Anderson
Geographic Location(s):	Michigan

5.2 State Tax Analysis and Consensus Building Business Leaders for Michigan

Business Leaders for Michigan (BLM) is an organization dedicated to making Michigan a "Top Ten" state for job and economic growth. BLM is composed of the chairpersons, chief executives or most senior executives of the state's largest job providers and universities.

BLM retained Anderson Economic Group over a two year period to 1) identify components of a competitive state business tax system, 2) develop a business tax proposal that would be revenue-neutral and provide an incentive for businesses to locate in Michigan, 3)

model the revenue impact of the proposal on the state's budget, and 4) assist in a series of meetings with business and policy leaders to build consensus around the proposal and inform the debate.

AEG worked with Business Leaders for Michigan to develop a proposal that would reduce the taxes businesses pay by 50%. The proposal lowered the Michigan Business Tax's (MBT) gross receipts tax rate and eliminated the MBT surcharge. It then replaced lost tax revenue from businesses by extending the sales and use tax to retail services.

AEG modeled the impact of this proposal, as well as many variations, and presented this analysis to BLM's board members on several occasions. BLM's board approved the proposal and BLM staff, along with assistance from AEG, began a series of meetings with the governor, legislative leaders, and business leaders across the state. AEG also assisted in the development of a survey of public opinion on the proposal.

Governor Jennifer Granholm supported aspects of the proposal and included major components of the BLM tax plan in her FY 2010 budget. Ultimately, the proposal was never enacted and Michigan Business Tax's was repealed in 2011 and replaced with a corporate income tax.

Start and End Dates:	Nov 2008 - Jan 2011
Project Manager:	Caroline Sallee
Geographic Location(s):	Michigan

5.3 Business Tax Analysis Michigan Manufacturers Association

The Michigan Manufacturers Association (MMA) is the state's leading advocate of promoting and maintaining a business climate favorable to the manufacturing industry. The MMA has over 3,000 members, representing more than 90% of Michigan's industrial workforce.

In 2005, the Governor of Michigan proposed a complete revision to the state's Single Business Tax, which is the nation's only value-added tax, and places a heavy burden on employers doing business in the state.

The MMA retained Anderson Economic Group to 1) analyze the structure of the SBT under existing law, 2) compare the tax base (which consists largely of compensation, business income, additions, and subtractions) in the State of Michigan with the tax preferences allowed by current law, 3) reconstruct the elements of the business tax base, and construct a model that would allow the SBT to be compared with other proposed tax plans, and 4) using these data and the tax model, compare the tax burdens under the current-law SBT, and the proposed law, for the 16 major industries in Michigan, and for representative small and large firms within each industry.

The tax model was constructed over a three month period to incorporate the multitude of provisions in the law, varying filing methods, missing and unfilled data, and other intricacies of the law. We also held several review sessions with tax experts, industry representatives, and treasury personal to reach consensus on the data and assumptions used from across the state to gather consensus. When complete, the model produced 16 separate industry-level revenue figures with a 1% level of precision, and provided a dynamic environment for projecting revenues and impacts on different industry under proposed changes in the law.

Our findings were compiled in a 60 page report, which included a methodological overview, detailed explanations of assumptions and data used, data appendices with previously unpublished data, and side-by-side comparisons for representative firms in each industry group illustrating the change in tax burden produced by the proposed legislation. Patrick Anderson also presented our findings to several lawmakers and business leaders, and testified before members of the Michigan House and Senate Joint Tax Policy Committee.

As of October 2005 lawmakers are still considering the proposed changes.

Start and End Dates: March - May 2005
Project Manager: Patrick Anderson
Geographic Location(s): Michigan

5.4 Business Climate Benchmarking Study Michigan Economic Development Corporation

The Michigan Economic Development Corporation (MEDC) is the State of Michigan's economic development and promotion agency, responsible for business attraction and retention efforts for the State, as well as tourism and travel industry promotion.

Anderson Economic Group was retained by the MEDC to benchmark the business climate of key Michigan cities against the best competing cities in the American Midwest, South, East, and Canada. We created a profile service and manufacturing firm, each incorporating facility, equipment, and labor factors appropriate to these specific types of businesses. The firm also used its sophisticated models of state, local, and national taxes to produce accurate assessments of the property, franchise, income, value-added, sales, use, and other taxes affecting businesses in different locations. Using our geographic information system facility and a database of these cities, we compiled these data in a manner allowing comparisons of the effect of different wages, utility costs, taxes, fees, and other costs faced by businesses across multiple cities, states, and countries.

The resulting report was published by the MEDC and used to guide policy development for the State.

Contract Amount: \$44,000
Start and End Dates: May - November 1999
Project Manager: Patrick Anderson
Geographic Location(s): Michigan

5.5 Benchmarking for Success Michigan House of Representatives

In 2006, Michigan's economy was performing poorly, with one of the highest unemployment rates, a high rate of outmigration, and slow growth in personal and household incomes. This stagnancy in the state was occurring while the national economy was growing rapidly, with low inflation, low interest rates, and unemployment dipping under 5%. The Michigan House of Representatives hired Anderson Economic Group to produce three separate reports establishing benchmarks for three areas critical to our state's economy: business taxation, education, and infrastructure. The purpose of these reports was to identify how Michigan's performance compared to other states and what steps the state needed to take in order to become a top ten most competitive state.

To complete this analysis, we gathered information on measures that are generally used to compare states' performance in each area. We used this information to identify or create performance measures. After identifying the metrics, we used the appropriate data to measure Michigan's performance relative to benchmarks set by top performing states.

Our analysis concluded that Michigan is not among the top ten performing states for business taxes or education. Michigan's business taxes are above average with certain key businesses taxes (such as those levied on business income and property) well above the national state average. In education, Michigan is one of the top ten states in funding per pupil, but the state's students score in the lower half of the states on the National Assessment of Education Progress in math, reading, and writing tests.

In contrast to our findings about Michigan's business taxes and educational system, the state's infrastructure compares favorably to other states' infrastructure. Utility prices are competitive and the state is doing well in telecommunications access and usage, and has abundant "green" infrastructure. The only exception is the state's roads, which are in poor condition.

We presented our findings in three detailed reports to the Speaker of the House and at one press conference. The AEG benchmarking reports have been cited and used by professionals in the public and private sector.

Contract Amount:	~\$100K
Start and End Dates:	January - December 2006
Project Manager:	Caroline Sallee
Geographic Location(s):	Michigan

5.6 Economic Impact Study of University University Research Corridor

The University Research Corridor (URC) is an alliance of Michigan's three largest academic institutions: Michigan State University, the University of Michigan, and Wayne State University. In 2007 the URC universities asked Anderson Economic Group to undertake the first comprehensive study that benchmarks the economic impact of the URC's activities on Michigan's economy. As in previous years, the 2010 report was preceded by an analysis of a sector important to Michigan's economy. The 2010 sector study covered the URC's research and industry collaboration in advanced manufacturing. This report was released in June at the Detroit Regional Chamber's Mackinac Policy Conference.

The second report was released in October and estimated the URC's economic impact on the state and compared the URC's performance to other university clusters in the nation. AEG selected six of the best-known groups of universities in California (North and South), Illinois, Massachusetts, North Carolina, and Pennsylvania. All of these clusters have three universities from the same state and are well known for their research and development activities.

AEG found that the URC universities:

- Spent \$7.5 billion on operations in FY 2009, or 2% of all economic activity in the state, as measured by Michigan's gross state product.
- Employed 50,176 full-time-equivalent staff and faculty.
- Spent over \$1.6 billion on R&D, bringing \$917 million in federal research dollars to the state.

- Had a net economic impact of \$14.8 billion.
- Had 572,123 known alums of a URC university living in Michigan in 2008. These alums earned an estimated \$26 billion in salary and wages in 2009, or 15.3% of all wage and salary income in Michigan.

Start and End Dates: Jan - Oct 2010
Project Manager: Caroline Sallee
Geographic Location(s): Michigan

5.7 Technology Industry Benchmarking Automation Alley

AEG was retained to conduct an assessment of the technology industry in Automation Alley and to compare the region with other leading centers of technology across the United States. Automation Alley is a technology-industry trade organization and corridor covering the southeast Michigan counties of Genesee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, and Wayne.

We began by collecting industry and occupation data for Automation Alley and other leading metropolitan areas, including Chicago, Seattle, San Jose, Pittsburgh, Austin, Dallas, Atlanta, Indianapolis, Minneapolis, and Boston. We analyzed and compared the data for Automation Alley with the other areas to provide a complete picture of how the region compares in total, by industry employment establishment counts, and occupational employment. We did so using both relative and absolute measures, with location quotients calculated to assess the share of total employment that technology accounts for in each region.

Upon completing the analysis, we assembled the material into a final report. This report included four main sections: an overview of the region, an industry section describing the number of jobs and establishments in Automation Alley and each benchmark region, a similar section with a focus on occupational employment data and trends for each region, and a final section discussing Automation Alley's overall position in the technology industry.

Start and End Dates: November 2010-March 2011
Project Manager: Scott Watkins
Geographic Location(s): Southeast Michigan

5.8 Repeal SBT Campaign Committee State of Michigan

In 2006, Anderson Economic Group was retained by L. Brooks Patterson and the campaign committee titled "Repeal SBT," to analyze and draft an initiated law that would repeal the Single Business Tax. Our analysis considered ballot language, description, proposal, and the effective date of repeal as well as transition issues related to the actual payment of taxes by businesses. Patrick Anderson drafted the repeal law, and the initiative was signed by 500,000 supporters. Decision makers used our work to repeal the SBT in 2007 and the new law was enacted the first of 2008.

6.0 Project Staffing

Anderson Economic Group, L.L.C. specializes in providing consulting services in economics, finance, public policy, and market assessments. Anderson Economic Group has assembled a highly qualified team to provide an assessment of potential funding levels and impacts of tax incentives to the Michigan Economic Development Corporation.

We approximate that Phases I and II of this project would require approximately 380 hours of professional work. If MEDC chooses to pursue Phase III, this would require an additional estimated 320 hours of work. The key members of our team are the project manager, Caroline Sallee, as well as Patrick Anderson, the firm principal and CEO of AEG, and Alex Rosaen. Each of these key members has been with AEG for at five years or more. Consultants who will work on this proposed engagement include:

6.1 Firm Principal

Patrick L. Anderson

Mr. Anderson founded Anderson Economic Group in 1996, and serves as a Principal and Chief Executive Officer in the company.

Mr. Anderson has taken a leading role in several major public policy initiatives in his home state; he was the author of the 1992 Term Limit Amendment to the Michigan Constitution, and also the author of the 2006 initiated law that repealed the state's 4-decade-old Single Business Tax. Before founding Anderson Economic Group, Mr. Anderson was the deputy budget director for the State of Michigan under Governor John Engler, and Chief of Staff for the Michigan Department of State.

Mr. Anderson has written over 100 published works, including the book *Business Economics and Finance* and the chapter on business valuation in the book *Litigation Economics*. He is also the executive editor of three editions of the *State Economic Handbook*. His 2004 article "Pocketbook Issues and the Presidency" and his 2009 paper "The Value of Private Businesses in the United States" have each been awarded for outstanding writing from the National Association of Business Economics. Anderson's views on the economy are often cited by national news media including *The Wall Street Journal*, *New York Times*, *National Public Radio*, and *Fox Business News*.

Anderson is a graduate of the University of Michigan, where he earned a Master of Public Policy degree and a Bachelor of Arts degree in political science. He is a member of the National Association for Business Economics and the National Association of Forensic Economists. The Michigan Chamber of Commerce awarded Mr. Anderson its 2006 *Leadership Michigan Distinguished Alumni* award for his civic and professional accomplishments.

Mr. Anderson works out of the East Lansing office.

6.2 Consulting Team

Caroline Sallee

Ms. Sallee is a Senior Consultant and Director of the Public Policy and Economic Analysis practice area.

Ms. Sallee's recent work includes preparing the report *Dollars and Sense*, a 2011 citizen's guide to Michigan's financial health released by Governor Rick Snyder. Ms. Sallee also completes an annual economic impact assessment for Michigan's University Research Corridor (Michigan State University, University of Michigan, and Wayne State University), and has done work for a number of other universities including the University of Chicago. She is also the lead author of the firm's annual 50-state business tax burden study.

Prior to joining Anderson Economic Group, Ms. Sallee worked for the U.S. Government Accountability Office (GAO) as a member of the Education, Workforce and Income Security team. She has also worked as a market analyst for Hábitus, a market research firm in Quito, Ecuador and as a legislative assistant for two U.S. Representatives.

Ms. Sallee holds a Master of Public Policy degree from the Gerald R. Ford School of Public Policy at the University of Michigan and a Bachelor of Arts degree in economics and history from Augustana College.

Ms. Sallee works out of our Chicago office.

Alexander L. Rosaen

Mr. Rosaen is a Consultant at Anderson Economic Group, working in the Public Policy, Fiscal, and Economic Analysis practice areas. Mr. Rosaen's background is in applied economics and public finance.

Mr. Rosaen's recent work includes several economic and fiscal impact analyses, including of proposed real estate developments, power plants, and infrastructure projects; analysis of tax incentives; an analysis of the impact of federal tax incentives on the freight rail industry; and an analysis of the economic contribution that research universities make in the State of Michigan.

Prior to joining Anderson Economic Group, Mr. Rosaen worked for the Office of Retirement Services (part of the Michigan Department of Management and Budget) for the Benefit Plan Design group. He has also worked as a mechanical engineer for Williams International in Walled Lake, Michigan.

Mr. Rosaen holds a Masters in Public Policy from the Gerald R. Ford School of Public Policy at the University of Michigan. He also has a Masters of Science and a Bachelors of Science in mechanical engineering from the University of Michigan.

Mr. Rosaen works out of our East Lansing office.

Jason Horwitz

Mr. Horwitz is a Senior Analyst at Anderson Economic Group, working in the Public Policy, Fiscal, and Economic Analysis practice area. Mr. Horwitz' work includes research and analyses for a range of AEG clients representing both the public and private sectors.

Recent projects he has worked on include a cost-benefit analysis of funding and eligibility changes to Medicaid, an economic impact analysis of member businesses for a leading trade organization, and analyses of the fiscal condition and tax policies of Michigan's state and local governments.

Prior to joining AEG, Mr. Horwitz was the Coordinator of Distribution for the Community Center of St. Bernard near New Orleans, where he oversaw the distribution of donated food, clothes, and household supplies to low-income residents of St. Bernard Parish and New Orleans' Lower Ninth Ward.

Mr. Horwitz holds a Master of Public Policy from the Harris School of Public Policy at the University of Chicago and a Bachelor of Arts in Physics and Philosophy from Swarthmore College.

Mr. Horwitz works out of our Chicago office.

Colby W. Spencer

Colby W. Spencer is a Senior Analyst at Anderson Economic Group, working in the Public Policy, Fiscal, and Economic Analysis; and Market and Industry practice areas. Ms. Spencer's background is in econometrics, public policy, local government, urban and social policy, and education.

Prior to coming to Anderson Economic Group Ms. Spencer worked with the Michigan Municipal League on the 21st Century Communities project providing consulting services to local governments in Michigan concerning local economic development initiatives. Ms. Spencer held a fellowship at Columbia University as a teaching assistant for Quantitative Analysis and Operations Management. She has also taught in the District of Columbia Public Schools.

Ms. Spencer holds a Bachelor of Science in Education from New York University and a Master of Public Administration from the School of International and Public Affairs at Columbia University.

Ms. Spencer works out of our East Lansing office.

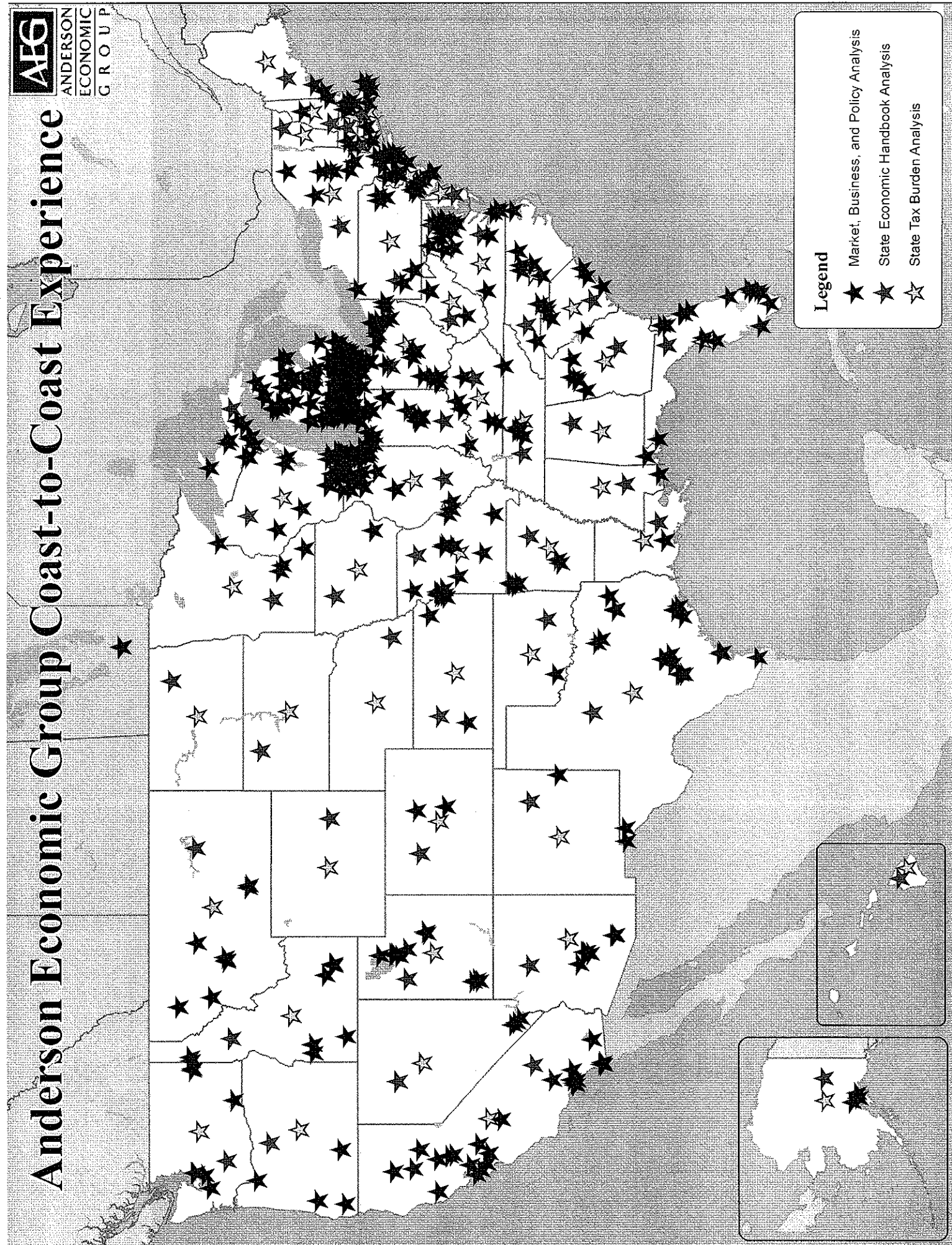
7.0 Subcontractors

All work on this project will be carried out by employees of Anderson Economic Group. Anderson Economic Group will not engage any subcontractors in carrying out this project.

8.0 Bidder's Authorized Expediter

The authorized expediter for this project will be Caroline Sallee. She can be contacted at our Chicago office, (312) 670-6810.

Anderson Economic Group Coast-to-Coast Experience



Legend

- ★ Market, Business, and Policy Analysis
- ★ State Economic Handbook Analysis
- ★ State Tax Burden Analysis

October 18, 2011

Designing an Effective Business Incentive Strategy for Michigan Price Proposal

*A Proposal Submitted to:
Michigan Economic Development Corporation*

Prepared by:

Caroline Sallee
Director of Public Policy and Economic Analysis

Patrick L. Anderson
Principal and CEO

Alex Rosaen
Consultant

Jason Horwitz
Senior Analyst



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East Lansing | Chicago

1.0 Cost Estimate

1.1 Estimated Project Cost

For work done on this project we will charge for professional fees plus direct material costs. Services covered by our hourly professional fees include: consulting work, postage for standard letters, routine telephone charges, computer charges for standard office services, and other nominal costs for the provision of the services specified in this letter.

Our current professional rate schedule is as follows:

Position	2011 Standard Hourly Rate
Patrick Anderson, Principal & CEO	\$385
Caroline Sallee and Other Senior Consultants	\$230
Consultants	\$190
Senior Analysts	\$165
Analysts	\$150
Research Associates	\$100
Administrative Staff	\$90

1.1.1 Material Costs

Direct material costs include travel and mileage expenses; copying costs for significant quantities; printing costs, including full-color and large exhibits; and special data or document charges. We bill these without a markup and provide a summary of these charges on our invoices.

1.1.2 Project Estimates, Phases I and II

For Phases I and II of this project, we will charge approximately \$70,000 in professional fees for approximately 380 hours of work. In addition, we will charge an estimated \$1,500 for direct material costs without markup. These costs are summarized below.

Professional Time, Phase I	\$11,000
Professional Time, Phase II:	
Data Collection	\$10,000
Analysis	\$26,000
Write and Review Report	<u>\$23,000</u>
Total Professional Time, Phase II	\$59,000
Direct Material Costs	<u>\$1,500</u>
<i>Total Cost</i>	<u><u>\$71,500</u></u>

1.1.3 Project Estimates, Optional Phase III

We highly recommend that MEDC embark on a third phase of the project that would result in a report with a much more detailed assessment of incentives and more precise estimates of funding levels and impacts. For this third phase, we will charge approximately \$60,000 in professional fees for approximately 320 hours of work. In addition, we will charge an

estimated \$1,000 for direct material costs without markup. These costs are summarized below.

Professional Time, Phase III:	
Data Collection	\$25,000
Analysis	\$12,000
Write and Review Report	<u>\$23,000</u>
Total Professional Time, Phase III	\$60,000
Direct Material Costs	<u>\$1,000</u>
Total Cost	<u>\$61,000</u>

1.2 Additional Work: Legislative Presentations or Updated Analysis

Should the MEDC wish to commission us to perform any of the following tasks during the six months following the completion of the project, AEG LLC would agree to complete the work using our professional rate schedule plus direct material costs, and provide an estimate in advance. (See "Estimated Project Cost" on page 1 for our professional rate schedule.)

- Updating the tax and cost analyses to account for new data, or changed laws, for Michigan and one or more of the comparison states.
- Presenting to a legislative committee, a general business audience, or the news media on the topic of the research commissioned by the MEDC, the data compiled for that purpose, or the recommendations on strategy or incentive budgets.

1.3 Efficiency of Service

Anderson Economic Group takes the following steps to provide clients with top-notch services at reasonable prices:

- We staff projects efficiently, using project managers and senior consultants with extensive experience when necessary, and assigning junior consultants and analysts to tasks appropriate to their experience level.
- Make efficient use of time, bringing experienced consultants to the team who are familiar with the tasks at hand and are able to maximize results from the time spent.
- Use technology that saves costs or enhances services, including the exchange and presentation of material via the Internet; the creation and distribution of electronic documents and interactive web-based graphics; and the effective use of GIS, simulation modeling, and other advanced analytical techniques where appropriate.
- Apply reasonable professional rate schedules, including many overhead and other expenses in our hourly rates.
- Ensure attention to detail and project organization by following a quality assurance program based on the elements of ISO 9000.

1.4 Quality Assurance Policy

Anderson Economic Group follows a written quality assurance program, based on the elements of ISO 9000. Among the quality assurance steps we insist upon are the use of a sound, written methodology; documentation of important sources; identification of impor-

tant assumptions; file organization and retention schedules; proper summarization of technical work; and high quality standards for written reports and graphics.

1.5 No Guarantee of Business Outcome; Limit of Liability

We base our recommendations and analyses on available data and professional judgement. Of course, because economic, market, and industrial conditions change; data can prove incomplete or misleading; and government policies are outside our control; we cannot guarantee the future outcome of any business venture, government policy, or legal or regulatory proceeding. Because of this, we do not provide any warranty for our work beyond the Quality Assurance policy stated above. Furthermore, this contract limits our liability under all circumstances to the total dollar amount of professional fees in this engagement.

1.6 Clarifications to the Draft MEDC Contract Language Attached to RFP

Should the MEDC wish to negotiate a final contract with AEG LLC to complete this work, we will seek the following clarifications in certain sections of the draft contract language attached to the RFP:

- “V. B (3). Contractor acknowledges that the following specific work product will become the property of the MEDC, which will have first publication rights, the rights to make summaries and excerpt sections with proper attribution, and other copyrights not explicitly reserved to the authors;”
AEG, on behalf of the report authors, retains the right to make any “derivative works” that are attributed to the authors but include materially changed data, writing, or recommendations. Both MEDC and AEG acknowledge that the reports, memorandum, and data do not constitute a “work for hire” and contain the opinions of the report authors; and that some of the data relied upon in these documents is, or will become, part of the public domain, and is not subject to copyright nor confidential.
- “V. Q. Indemnification and Contractor Liability Insurance”
This indemnification shall extend only to liability or damages resulting from negligence or breach of contract on the part of contractor. AEG is not responsible for the adoption of any future statute or appropriation by the Michigan legislature, for administrative decisions of the MEDC or any other agency of the state government, for investment or employment decisions by private companies, nor for future economic conditions.

ATTACHMENT B

**INDEPENDENT PRICE DETERMINATION AND
PRICES HELD FIRM CERTIFICATION**

INDEPENDENT PRICE DETERMINATION

By submission of a proposal, the Bidder certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

1. The prices in the proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition as to any matter relating to such prices with any other Bidder or with any competitor; and
2. Unless otherwise required by law, the prices which have been quoted in the proposal have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to award directly or indirectly to any other Bidder or to any competitor; and
3. No attempt has been made or will be made by the Bidder to induce any other person or firm to submit or not submit a proposal for the purpose of restricting competition.

Each person signing the proposal certifies that she/he:

- A) Is the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal and has not participated (and will not participate) in any action contrary to 1, 2, and 3 above; or
- B) Is not the person in the Bidder's organization responsible within that organization for the decision as to the prices being offered in the proposal but has been authorized, in writing, to act as agent for the persons responsible for such decision in certifying that such persons have not participated (and will not participate) in any action contrary to 1, 2, and 3 above.

A proposal will not be considered for award if this Attachment B has been altered so as to delete or modify 1 or 3, above. If 2, above, has been modified or deleted, the proposal will not be considered for award unless the Bidder provides, with this Attachment B, a signed statement which sets forth, in detail, the circumstances of the disclosure and the MEDC determines that such disclosure was not made for the purpose of restricting competition.

PRICES HELD FIRM

LENGTH OF TIME PRICES ARE TO BE HELD FIRM: All rates quoted in bidder's response to this RFP will be firm for the duration of the Contract. No price changes will be permitted.

Signed Casaline Sallee

Date 10/18/2011

