



**MICHIGAN BUSINESS DEVELOPMENT PROGRAM
Performance Based Incentive - Term Sheet**

The following is a summary of the highlights of the project and basic terms for which the Company desires incentive support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 7/11/2012 (Replaces Terms Sheet dated June 16, 2012)

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| 1. Company Name: | Cherry Growers, Inc. ("Company" or "Applicant") | |
| 2. Company Address ("Project"): | 6331 South US 31
Grawn, Michigan 49637 | |
| 3. MBDP Incentive Type: | Performance Based Incentive | |
| 4. Maximum Amount of MBDP Incentive: | Up to \$2,500,000 ("MBDP Incentive Award") | |
| 5. Base Employment Level | 137 | The net number of jobs maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's current 196 employees in Michigan prior to the proposed Project less the 59 current employees of the Company proposed to be transferred from the Company to employment within Michigan by Materne North America, Corp. ("59 Employees"). The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company. |
| 6. Total Qualified New Job Creation:
(above Base Employment Level) | 72 | The minimum number of total Qualified <u>New</u> Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to retain the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for consideration by a Michigan resident (whose Michigan income taxes are withheld as required), |

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and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursement of the MBDP Incentive Award, shall be included in the final Agreement.

a. **Start Date for Measurement of Creation of Qualified New Jobs:** April 20, 2012

7. **Company Investment:** Up to \$12,499,760 in land costs, new construction, building renovations, machinery and equipment, computers, pollution control equipment, or any combination thereof, for the Project.

8. **Municipality supporting the Project:** Green Lake Township

a. **Municipality Support.** *One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide a property tax abatement in support of the project. The final terms and conditions demonstrating this support shall be included in the final Agreement.*

9. **Disbursement Milestones:** *The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:*

a. **Disbursement Milestone 1:** Up to \$2,500,000 Upon demonstrated verification that Cherry Growers, Inc. has entered into a supply agreement for infrastructure, services and apples with Materne North America, Corp. for the manufacture of Materne North America, Corp's GoGosqueeZ® product line at the Project, verification that the 59 Employees were transferred from employment by Cherry Growers, Inc. to employment in Michigan by Materne North America, Corp., verification that the Company has requested to enter into a licensing agreement with the MEDC to include the MEDC's Pure Michigan® logo on its Reddi Maid product line produced at the Project site with its machinery, as well as requesting to include the Pure Michigan® logo on its website or on its marketing

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material, and verification of final approval of municipality support by no later than September 30, 2012.

b. Milestone 2:

Upon completion of Disbursement Milestone 1, upon demonstrated creation of 72 Qualified New Jobs above the Base Employment Level, and submission of an updated five year business plan for the Company, including financial projections, diversification Project opportunity evaluations and a long term capital plan by no later than December 31, 2014.

10. Term of Agreement:

Execution of Agreement to December 31, 2016. Provided however, certain terms of the Agreement may be effective through a different end date, including the profit participation terms and conditions (discussed below) which shall be effective through the date the MSF has received repayment of all of the disbursements made to the Company by the MSF (plus any applicable interest, fees and costs if such payments are not timely made).

11. Repayment Provisions:

Repayment provisions are required by law. The Repayment terms and conditions will be defined in the final Agreement, and shall include terms and conditions to repay the MSF. Such repayment terms will include repayment to the MSF up to the full amount of the disbursements made by the MSF to the Company (plus any applicable interest, fees and costs if payments are not timely made), under at least the following parameters:

- a. **Profit Participation.** The final Agreement will include profit participation terms and conditions which will require the Company to make payments to the MSF in an amount equal to at least 5% of the Company's total net income per year, based on an acceptable net income formula. The payments shall be due no later than October 31, 2015 based on net income for the fiscal year ending May 31, 2015, and continue to be due October 31st following the end of each subsequent fiscal year thereafter, until such time as the Company has repaid all of disbursements made by the MSF to the Company (plus any applicable interest, fees and costs if such payments are not timely made).
- b. **Other Repayment Terms.** In addition to the profit participation terms, the final repayment provisions will also require repayment of some, or up to all, of the disbursements made by the MSF (plus any applicable interest, fees and costs if such payments are not timely made), including if the Company moves 25% or more of their employees out of Michigan, if, through December 31, 2016, the Company fails to maintain the Base Employment Level in Michigan, and if the Company fails to create and maintain the Qualified New Jobs incented by this Award.

Provided however, in no event shall the Company be required to repay the MSF more than the full amount of all of the disbursements made to the Company by the MSF (plus any applicable interest, fees and costs if payments are not timely made).

12. Reporting Requirements:

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual

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investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

13. Public Announcements:

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

14. Closing:

The closing of the final Agreement will require a coincidental closing of a final agreement for an MSF incentive award under the MBDP with Materne North America, Corp.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by July 11, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

Cherry Growers, Inc.

By: 

Its: President

Dated: 7/11/2012

Acknowledged as received by:

Michigan Economic Development Corporation

By: 

Its: Regional Project Manager

Dated: 7/11/12