

MEMORANDUM

Date: April 20, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Aeroflex/Inmet, Inc.
High Technology MEGA Credit

COMPANY NAME

Aeroflex/Inmet, Inc.
300 Dino Drive
Ann Arbor, Michigan 48103

HISTORY OF COMPANY

Aeroflex/Inmet, Inc. was founded in Ann Arbor in 1976. The company designs, manufactures and markets a wide range of passive coaxial components used in a variety of wireless communication applications associated with both defense and commercial markets.

Aeroflex Inc. is the ultimate parent corporation of Aeroflex/Inmet. The company is a global provider of high technology solutions to the aerospace, defense, cellular and broadband communications markets. The company's diverse technologies allow it to design, develop, manufacture and market a broad range of test, measurement and microelectronic products which are used worldwide supporting communication systems, networks and automatic test systems.

Aeroflex/Inmet, Inc. currently has 77 employees in Michigan.

PROJECT DESCRIPTION

The proposed project will be an expansion of Aeroflex/Inmet's current operations and would relocate the design and manufacturing of the resistor product line from Whippany, NJ to Aeroflex/Inmet, Inc.'s current facilities in Ann Arbor, as well as in an adjacent space that will be leased for the project. In order to accommodate the relocated work and new machinery and equipment, the company will have to renovate its current space and make extensive leasehold improvements to the new space, including specialized plumbing, electrical, ventilation and HVAC systems.

Aeroflex/Inmet, Inc. plans to invest approximately \$3.01 million and create 47 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$718. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 180 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, would be increased by \$4,643,996 (current dollars) due to the presence of this facility.

BUSINESS CASE

Aeroflex/Inmet, Inc. is also considering locating this project in Londonderry, New Hampshire and also continuing operations at the current Whippany, New Jersey facility. If the project were to locate in New Hampshire, where the company has excess capacity, the company would not incur additional lease and leasehold improvement costs. In addition, the New Hampshire facility would be closer to existing and potential clients and has a workforce that is familiar with the processes and machinery, which would save on training. If the project were to stay at the existing facility in New Jersey, the company would not experience any additional costs associated with renovations, relocating machinery and equipment or personnel. The MEGA tax credit and local tax abatement will help to offset these disadvantages and allow the project to move forward in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The Township of Scio is supportive of this project and anticipates the approval a 12 year PA 198 tax abatement. The estimated value of this incentive is \$42,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Electronic Device Technology, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for 7 years for up to 47 net new employees in excess of the company's established base of 77.