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MEMORANDUM

DATE: October 16, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance

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Toni Brownfield, Project Manager
Development Finance

SUBJECT: Briefing Memo – Camshaft Machine Company, LLC
Rural Credit

COMPANY NAME AND ADDRESS:

Camshaft Machine Company, LLC
717 Woodworth Road
Jackson, Michigan 49202

HISTORY OF COMPANY:

Camshaft Machine Company is a manufacturer of camshafts, primarily in the automotive markets. The majority of the company's customers are in the camshaft aftermarket or in automotive prototype, racing, and service and parts organizations. Originally founded in Jackson in 1942, the company was family owned and privately held until it was sold to Crane Technologies in 1994. Crane sold the company to Federal-Mogul in 1999. Current ownership bought the company from Federal-Mogul in 2002. Since this purchase, employment has almost doubled and annual revenues have tripled. Camshaft Machine Company currently employs 88 associates in Michigan.

PROJECT DESCRIPTION:

Camshaft Machine Company is considering relocating its Blackman Township (Jackson County) facility to Coldwater (Branch County) Michigan or Logansport, Indiana. The Blackman Township facility will be phased down over time and eventually closed. When the company relocates, all employees in good standing will be offered the opportunity to transfer to Coldwater.

The company is currently housed in an old energy-inefficient building that has had numerous additions over the years that are lean manufacturing prohibitive. With a newer building that is both energy and production

efficient, the company plans to significantly increase its sales in its primary automotive markets as well as expand into marine and stationary engine applications.

The company is considering a two phased project. The first phase includes a 3-year lease of an 80,000 square foot building located in the City of Coldwater and an initial investment of \$1.4 million, including lease payments. The second phase of the project is the construction of a new 140,000 square building, in Coldwater, for occupancy in 2011. The investment required for the second phase of the project is \$9.5 million. Over the next five years, the company anticipates adding 180 new jobs with an average weekly wage of \$687.

BENEFITS 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 create a total of 427 jobs in the state by the year 2014. It is also estimated that the project would increase total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, by \$6.8 million (2007 dollars) due to the expansion of this operation.

BUT FOR:

Camshaft Machine Company, LLC is considering relocating its entire Blackman Township operation to Logansport, Indiana. When comparing the Michigan and Indiana locations, the company estimates that wage rates in Indiana are significantly lower. In addition, the State of Indiana has offered up to \$7 million in incentives.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Coldwater has proposed a 50% abatement of the company's new personal property taxes under PA 198 for twelve years. The property tax abatement application is scheduled to be placed on the agenda for a public hearing on October 22, and presented to city council at its November 14 meeting. The estimated value of this abatement is \$272,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 180 net new employees, should at least 50 new jobs be created.