

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Stacy Bowerman, Project Specialist
Packaging Team

Subject: Briefing Memo – Cequent Performance Products, Inc.
High Technology (High-Wage) MEGA Credit

COMPANY NAME

Cequent Performance Products, Inc.
47774 Anchor Court West
Plymouth, Michigan 48170

HISTORY OF COMPANY

Cequent Performance Products, Inc. (“Cequent”) is a wholly owned subsidiary of TriMas Corporation. Cequent, established in 1990, is headquartered in Plymouth, Michigan. The company designs, manufactures and markets a broad range of aftermarket accessories for the transportation industry. Products include towing and hitch systems, trailer components and accessories, as well as electrical, brake, cargo carrying, and rack systems. Cequent’s products are used on all types of vehicles including light trucks, sport utility vehicles, recreational vehicles, passenger cars and trailers. The company has three business units: (i) Cequent Towing Products; (ii) Cequent Consumer Products; and (iii) Cequent Australia.

In addition to the Plymouth operations, Cequent has operations in Tekonsha, Michigan. The company currently has 170 total employees in Michigan.

PROJECT DESCRIPTION

Cequent will be expanding its research and development and sales operations that are currently located at its headquarters in Plymouth, Michigan. The company’s current location does not have adequate space to support this growth. Since the lease will be expiring at its current facility, Cequent has been exploring alternative locations for its existing operations and as well as its expected growth.

Cequent has identified an existing facility in Plymouth Charter Township, Wayne County for this project. The company plans to relocate its headquarters and research and development center to this new location, as well as create 60 jobs as a result of the expansion. The newly created positions will pay an average weekly wage of \$1,050. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. In addition, Cequent proposes to invest approximately \$3.4 million as part of this project.

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 115 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$2.2 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Cequent is also considering northern Indiana for this relocation and expansion, which would bring them closer to its largest North American production operation. In addition to proximity to its production operations, Cequent indicated that Indiana offers tax incentives for job creation to offset relocation costs, as well as lower lease rates, relocation costs, and property tax abatements, which would allow the company to relocate and operate at an overall lower cost.

The MEGA tax credit, along with local tax abatements and other tax relief, will help reduce operating costs making it more competitive for the company to stay and grow in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

Plymouth Charter Township is supportive of this project and anticipates approval of a 12 year personal property tax abatement under PA 198. The estimated value of the abatement is \$168,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is High-Wage, 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 100 percent high-technology employment tax credit for six years for up to 60 net new employees in excess of the company's established base of 170.