



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 18, 2007
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging *UFA*

Amy Deprez, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Danotek Motion Technologies
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Danotek Motion Technologies
7885 Jackson Road
Ann Arbor, Michigan 48103

HISTORY OF COMPANY:

Danotek Motion Technologies, LLC is a high-technology-based company developing state of the art variable speed technologies for generators and electronically controlled motors with applications in power generation and advanced automotive design. Danotek has 4 patent-pending applications and 5 disclosures with regard to its permanent magnet generator and motor technology. Danotek has successfully applied its technology for wind power generation, cogeneration, automotive fuel cells, electrical vehicle specialty pumps, and the fan market. Danotek's primary focus is the wind energy and advanced automotive markets.

Danotek was established in November 2000 to serve the transportation, energy and medical markets through development and production of innovations in advanced motor, generator, and integrated control technologies.

The company is currently located in Scio Township and employs 8 associates.

PROJECT DESCRIPTION:

Danotek Motion Technologies plans to manufacture a variable speed Permanent Magnet (PM) generator for use with Wind Turbines. To accommodate this expansion, the company has identified and plans to relocate to a facility in Pittsfield Township. Their current leased facility will not accommodate this expansion project and all employees will be transferred to the new location. The proposed project would create a total of 141 jobs over the next five years, paying an average weekly wage of \$949. It would also include a total capital investment of over \$7.8 million during the next five years.

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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 313 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs and adjusted for inflation, would be increased by \$7.3 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

In order to accommodate this project, Danotek Motion Technologies could expand their operations in Michigan, which would require leasehold improvements and the purchase of \$4.7 million in machinery and equipment. Alternatively, the company is considering Indiana and has received an offer including city and state incentives as well as grant money.

Additionally, Danotek finds that the tax burden on Michigan companies is several points higher than in other states and that the economy in Michigan makes it difficult to attract good talent in the engineering and research and development fields.

OTHER STATE AND LOCAL ASSISTANCE:

The Township of Pittsfield supports this expansion and anticipates approval on January 8, 2008 of a 50% abatement for seven years on personal property taxes under PA198 of 1974. This abatement has an estimated value of \$41,600.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is alternative energy technology, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for ten years, for up to 141 net new employees.