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MEMORANDUM

DATE: May 20, 2008  
TO: Michigan Economic Growth Authority  
FROM: Val Hoag, Director  
Portfolio Management & Packaging VJH  
Amy Deprez, Project Manager  
Portfolio Management & Packaging  
SUBJECT: Briefing Memo – EcoMotors International, Inc.  
High-Technology MEGA Credit

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COMPANY NAME AND ADDRESS:

EcoMotors International, Inc.  
2401 West Big Beaver Road, Suite 100  
Troy, Michigan 48084

HISTORY OF COMPANY:

EcoMotors International, Inc. is a new company that is developing innovative next generation diesel engines, with a focus on fuel efficiency, low emissions and cost effective solutions for domestic and developing markets. The family of EcoMotors engines will set a new industry standard for clean efficient, lightweight, and durable propulsion systems for vehicles of all types. The patented opposed-piston-opposed-cylinder (opoc™) engine is a state-of-the-art internal combustion engine that can be made to run on a number of fuels. The novel configuration of this design eliminates the conventional cylinder head and valve train components offering an efficient, compact and simple core engine structure.

EcoMotors was incorporated on January 9, 2008 and has received initial Series A investment funding through Khosla Ventures (Menlo Park, CA). In addition to temporary engineering offices in Troy, EcoMotors also has a 9,000 sq ft facility in Goleta, California.

Currently the company has 7 associates in Troy, Michigan.

PROJECT DESCRIPTION:

EcoMotors proposes to open a technical center in Troy to develop a commercially viable opoc™ diesel engine, which will be capable of achieving 100mpg in a demonstrator vehicle by 2010. The project would create 156 new jobs within five years, paying an average weekly wage of \$1,594, and would include a total capital investment in excess of \$7 million.

**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 XXX jobs in the state by the year 20Xx. Total state government revenues through the year 20XX, net of MEGA costs and adjusted for inflation, would be increased by \$X.X million (2008 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Alternatively, the company is considering this expansion at their existing facility in California. Primary benefits of pursuing the California option include: labor savings based on efficiency savings due to consolidation of all R&D in one location; building cost savings; close proximity of the Goleta R&D facility and R&D team to the established Asian and newly emerging OEM decision makers; greater ability to more easily leverage existing relationships with west coast technology partners; and lower degree of business complexity enabling greater focus on technical issues during the crucial start-up phase. In addition, the California option also has lower M&E, utilities, transportation and property tax costs associated with it.

From a purely economic standpoint, the MEGA Tax Credit will allow EcoMotors to ensure the viability of a Michigan-based technical center. Also in Michigan's favor is the availability of technical expertise with supply base and OEM background in automotive; Michigan's long history as the "Automotive Capital of the World"; and the proximity to the domestic OEM technical centers.

Though Michigan appears to have a richer pool of base engine design and development talent, the electronic systems and engineering expertise is more highly concentrated in California.

Ultimately, the best decision for EcoMotors is to have a presence in both states; a primary technical center in one, and a satellite technical center in the other.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Troy supports this project and anticipates approval of a property tax abatement for up to 12 years under PA198 of 1974. Approval of the tax abatement is expected to take place within the next 60 days.

**QUALIFYING HIGH-TECHNOLOGY ACTIVITY:**

The company is a qualified high-technology business, whose primary business activity is advanced automotive, manufacturing and materials 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 156 net new employees.