

MEMORANDUM

DATE: November 14, 2006
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo - Edgewater Automation, LLC
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Edgewater Automation, LLC
481 Renaissance Drive
Saint Joseph, Michigan 49085

HISTORY OF COMPANY:

Edgewater Automation has been in business since 2001 and has grown to over \$9 million in sales.

Edgewater Automation has been a supplier of custom automation equipment for assembly and test of products for the medical, electronic, automotive, stored power and solar industries. This includes the design and build of the equipment as well as complete development of new equipment and processes.

Edgewater received a High-Tech MEGA in 2001 when they initially brought the business to Michigan. The credit was for 5 years and has been fully awarded. They are located in the St. Joseph Renaissance Zone in St. Joseph, Berrien County.

PROJECT DESCRIPTION:

Edgewater Automation is expanding their operations to service the pharmacy market and alternative fuel market. This is expected to augment their current work and allow them to share resources. However it is their hope that this expanded project will be able to stand on its own once started.

Should Edgewater Automation decide to locate in Michigan, it will expand its current facility in St Joseph, Michigan. Initially they will purchase approximately \$150,000 of equipment and expand their building at the cost of \$900,000, which will be leased. As a result of the proposed expansion they estimate the creation of 45 jobs over the next five years, at an average hourly wage of \$26.58.



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Briefing Memo
Edgewater Automation, LLC
November 14, 2006
Page Two

Edgewater Automation qualifies as a high technology company under the MEGA act definition Product Research and Development.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 97 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by \$974,000 (2006 dollars) due to the presence of this facility.

BUSINESS CASE:

Edgewater Automation is considering several options in deciding where to build their operations to service these new markets. Their primary consideration is for a geographically centralized location within the U.S. that provides a qualified and low cost work force. From their choice of other locations within Ohio, Indiana or Illinois, their most likely alternative is South Bend, Indiana. They determined South Bend was well positioned and offered an engineering workforce with median average wages 12% below those found in St. Joseph.

OTHER STATE AND LOCAL ASSISTANCE:

The local economic development organization, Cornerstone Alliance, has committed to providing support to Edgewater Automation's expansion with a \$6,000 annual grant for three years, for a total of \$18,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 5 years, for up to 45 net new employees.