

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Morley Companies, Inc.
Standard MEGA Credit

COMPANY NAME

Morley Companies, Inc.
One Morley Plaza
Saginaw, MI 48603

HISTORY OF COMPANY

Morley Companies, Inc. was established in 1863, and earned acclaim as the second largest hardware company in the country prior to 1900 and as one of the world's largest distributors of many products in the 1950s-'60s. For the last 40+ years, Morley has been providing the following types of service to its diverse group of Fortune 500 clients: Group Travel; Business Theater; Interactive; Research; Exhibits, Displays & Experiences; and Performance Improvement. In addition, in-house teams of information technology, creative and administrative experts work at the core of each program Morley operates.

To support its business model, Morley delivers customer care while implementing sophisticated process management techniques. The company offers a unique set of services, each of which is designed to work as a singular solution or as part of an integrated approach to solve complex business challenges.

Currently, Morley has 692 full-time employees in Michigan.

PROJECT DESCRIPTION

Morley is in the process of attracting new business opportunities to Saginaw County for its iSKY TRG market research product and Western IRB program. The iSKY TRG product collects customer opinions regarding their sales experience with automotive dealers, while the Western IRB program will field technical customer service questions for their client. Future plans under the Western IRB program could include outbound calling and market research, similar to the iSKY TRG product. New employees will field and make calls related to these opportunities.

Morley will invest approximately \$3 million and create 700 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$424; however, a large number of the new employees may need to utilize qualified health care benefits estimated at \$97 per week in order to reach 150% of the federal minimum wage. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. 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 960 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$19.9 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Morley is attempting to attract a new client, which could locate these activities in Michigan. This work is currently being conducted offshore (e.g. Philippines, Buenos Aries, etc.) and in other states (Texas and Oregon). In addition, Michigan is competing with Connecticut and Florida for this project. The company has indicated that the tax and wage structure in other locations is more favorable for this type of business. Approval of a MEGA Tax Credit would reduce the marginal tax rate on new employees and make Michigan a more attractive location for this project.

OTHER STATE AND LOCAL ASSISTANCE

If Morley wins the new business as outlined above it will need to expand its facilities either at the existing site in Saginaw Township or at another location in Saginaw County. Once Morley has selected an expansion option, it will seek a property tax abatement under P.A. 328.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years for up to 700 net new employees in excess of the company's established base of 642. Local support must be secured prior to activation of the credit.

- The "look-back" period will be established as September 15, 2009 or 90 days prior to the execution of the Credit Agreement, whichever is shorter.