



MEMORANDUM

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DATE: June 17, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging *WH*

Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – Rayconnect, Inc.
Retention Credit

COMPANY NAME:

Rayconnect, Inc.
3011 Research Drive
Rochester Hills, Michigan 48309

HISTORY OF COMPANY:

Rayconnect, Inc., a wholly owned subsidiary of A. Raymond, Inc. was created in 2005 and is located in Rochester Hills. The company designs, develops, manufactures and sells fluid handling products for the automotive, commercial and construction equipment markets. Since developing this market in Michigan in 2001, the sales have increased from \$500,000 to over \$20 million in 2007.

A. Raymond, Inc. was incorporated in the State of Michigan in 1986. In 1999 A. Raymond, Inc. entered into a 10-year lease at their current facility and began local production of specialized assembled products.

PROJECT DESCRIPTION:

The project involves the construction of a new plastics injection molding and assembly facility in Rochester Hills, Oakland County, Michigan, to accommodate the rapid growth of Rayconnect, Inc. Approximately 18% of the facility will serve as a corporate headquarters. Rayconnect, Inc.'s need for the new facility has been driven by the continued growth of its traditional product range along with its expansion into new markets and products.

The proposed project includes capital investment of approximately \$19,600,000 over six years and would retain a total of 148 jobs over the next five years, paying an estimated average weekly wage of \$786. The company will also offer health care benefits and pay a portion of the benefit costs.

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BENEFITS 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 create a total of 360 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$9.1 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The other location under consideration for this project is South Carolina. The cost of utilities and labor are substantial cost differentials that the company must address. MEGA assistance, training grants, as well as the local property tax abatement and other incentives, will significantly help to reduce above the line operating costs.

Undertaking the project in Rochester Hills will result in greater potential for investment in Michigan and future expansion of A. Raymond, Inc. is expected to occur at this location.

STATE AND OTHER LOCAL ASSISTANCE:

The State of Michigan is prepared to approve an abatement of the 6-mill state education tax for new real property investment the company makes.

The City Rochester Hills supports the Rayconnect, Inc. project and anticipates the approval of a property tax abatement for 12 years under PA198 of 1974. Approval of the tax abatement is expected to take place within 60 days.

The MEDC has also approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant of \$500 per job for 148 retained jobs and up to \$1,000 per job for 46 new jobs created at the new facility. This training grant could be worth up to \$120,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for 148 retained employees, subject to the following:

- The company must complete an initial capital investment of \$12,300,000 to activate a 100 percent retention credit for 123 retained jobs.
- Subsequent eligible investments of \$100,000 will allow the company to gain an additional 100 percent retention credit for an additional retained job, up to a maximum of 148 retained jobs.
- The total investment must exceed \$14,800,000 to qualify the company for a 100 percent retention credit for all 148 retained jobs.