



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: April 18, 2006
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Second Chance Armor, Inc.
Rural MEGA Credit

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COMPANY NAME AND ADDRESS:

Second Chance Armor, Inc.
7915 Cameron Street
Central Lake, Michigan 49622

HISTORY OF COMPANY:

Second Chance Armor, Inc., is a wholly owned subsidiary of Armor Holdings, Inc., (NYSE: AH) a diversified manufacturer of branded products for the military, law enforcement, and personnel safety markets. In July of 2005, Armor Holdings, Inc., purchased certain assets of Second Chance Body Armor, Inc., (SCBA) a Michigan-based manufacturer of body armor (bullet-resistant vests). SCBA had been in business for approximately 30 years when it filed for bankruptcy in October of 2004 as a result of several product liability actions. At that time SCBA was the leading producer of concealable body armor for police and military with annual domestic sales in the \$30 to \$50 million dollar range.

PROJECT DESCRIPTION:

This project is aimed at re-establishing and expanding the manufacturing of concealable body armor, primarily for law enforcement. This Michigan-based operation will be adding a new brand of armor for the law enforcement community. The proposed location of the expanded manufacturing operation will be in Central Lake Township Michigan, which is located within Antrim County.

The manufacture of a new armor product will require the expansion of an existing facility that has produced concealable body armor for many years. The location in Central Lake Township had been effectively shut down due to the previous company's legal and bankruptcy issues. Second Chance Armor, Inc., (Armor Holdings, Inc.) currently employs 29 and would like to rehire many of the skilled workers that were laid off during that bankruptcy.

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To accomplish this expansion of the Michigan-based operation, the company expects to invest \$1,075,000 in expansion of the existing facilities and purchase of equipment over a 5 year period.

The total number of jobs to be added will be in the range of 60 to 100 over the next 3 years. The average wage will be \$9.95 per hour.

BENEFIT TO STATE:

According to the economic analysis done by the MEDC, we estimate that this facility will create a total of 160 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$3,130,000 (2006 dollars) due to the location of this facility.

BUT FOR:

The other location being considered for expansion to meet the needs of this project is the Second Chance operation in Geneva, AL, where the company already has a concealable armor manufacturing facility with a similarly skilled workforce and capacity to absorb this production. When comparing the Michigan and Alabama locations, the company estimates that labor costs in Geneva are significantly lower than Central Lake. When this project is fully staffed, labor costs in Michigan are expected to be \$904,000 higher over the first five years than if the expansion were to take place in Alabama.

OTHER STATE AND LOCAL ASSISTANCE:

The Township of Central Lake has proposed 50 percent abatement of the company's new real and personal property taxes for twelve years. The estimated value of the local property tax abatement is \$70,000. The abatement is expected to be finalized on April 19, 2006.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 9 years, for up to 100 net new employees.