



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 24, 2008
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Manager
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Portfolio Management & Packaging

SUBJECT: Briefing Memo – CAU Acquisition Company, LLC
(d/b/a Cartridges Are Us)
Standard MEGA Credit

COMPANY NAME:

CAU Acquisition Company, LLC (d/b/a Cartridges Are Us)
100 Raycraft Drive
Ithaca, MI 48847

HISTORY OF COMPANY:

CAU Acquisition Company, LLC (d/b/a Cartridges Are Us) (CAU), an independent subsidiary of Clover Technologies Group, is a world-leading, remanufacturing company that specializes in the production, sale, and distribution of inkjet cartridges. CAU originated in 1997 at the home of President and Vice President, Steve and Angie Iocco. In 2003, CAU moved to their current location in Ithaca, Michigan. CAU is one of the largest inkjet remanufacturing companies in the world remanufacturing approximately 200,000 inkjets per month. In 2007, Clover Technologies Group, (CTG) with headquarters in Ottawa, Illinois, acquired CAU forming a strategic alliance. Synergistically, the two companies combined both toner and inkjet recycling and remanufacturing and together have combined annual sales of over \$250 million.

The company currently has 79 full time employees in Michigan.

PROJECT DESCRIPTION:

CAU will be purchasing a new facility adjacent to their existing facility in Ithaca to accommodate additional work and machinery and equipment from a plant they are closing in Mexicali, Mexico.

Total capital investment associated with this project will be approximately \$1.6 million, of which \$700,000 will be for the lease and leasehold improvements and approximately \$900,000 for machinery and equipment. The expansion will create approximately 186 new jobs, paying an average weekly wage of \$512. The company will also offer health care benefits and pay a portion of the benefit costs.

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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 557 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$9.4 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

CAU's parent company, CTG, currently owns space to accommodate this expansion in Ottawa, Illinois (outside Chicago). The facility is already designed for inkjet reproduction and distribution. Locating the inkjet production in Ottawa would allow for much easier customer visitation. The company's main distribution center is right next to this facility, which will save time and money by using this more centrally located distribution center. Several CTG/CAU top inkjet engineers live in the Ottawa area already. Additionally, there would be an eventual desire to place all inkjet production under one roof and the current 79 jobs in Ithaca would most likely be moved to Ottawa and the Michigan facility vacated.

OTHER STATE AND LOCAL ASSISTANCE:

The project is currently in a Renaissance Zone which will phase out in 2011. The City of Ithaca will provide a 12 year P.A. 198 tax abatement on real and personal property that will overlap with the Renaissance Zone. Gratiot County currently owns the building CAU will purchase and will also work to provide funds for environmental assessments to be conducted on the site prior to the purchase.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 90 percent seven year standard employment tax credit for up to 186 net new employees.