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MEMORANDUM

Date: September 14, 2010
To: Michigan Economic Growth Authority
From: Joe Quick, Project Specialist
Packaging Team
Subject: Briefing Memo – Jet Engineering, Inc.
Standard MEGA Credit

COMPANY NAME

Jet Engineering, Inc.
5212 Aurelius Road
Lansing, Michigan 48911

HISTORY OF COMPANY

Jet Engineering, Inc. was founded in 1985 as a producer of automotive and aerospace components. The focus of the company shifted in the late 1980s when it began manufacturing implants for the orthopedic industry. Currently the company specializes in forging, machining and finishing capabilities. Since 1985, the company has grown in size from just 10 employees to nearly 400.

In 2003, Jet Engineering, Inc. was acquired by Symmetry Medical, Inc., a leading provider of implants and related instruments and cases to global orthopedic device manufacturers. Since this acquisition, Jet Engineering, Inc. has been trading under the Symmetry Medical name and, while the legal entity remains Jet Engineering, it has assumed the identity of parent company Symmetry Medical for branding purposes.

Symmetry Medical began as a supplier of instruments to orthopedic device manufacturers in 1976. The company was incorporated in 1996 and went public (NYSE) in December of 2004. Since then, Symmetry has expanded its customer base and enhanced its product offerings through several acquisitions. With facilities in the United States, Europe and Asia, Symmetry Medical employs approximately 2,400. Jet Engineering is its only Michigan entity.

The company currently has 390 employees in Michigan.

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PROJECT DESCRIPTION

Jet Engineering, Inc. plans to purchase an existing building that they currently lease and construct an addition to accommodate growth related to this expansion. The company will increase their high precision machining and forging capacity to meet the demands of their orthopedic and aerospace customers. The products produced as part of this expansion will include titanium and cobalt hip and knee implants, fuel nozzles, fittings, and other aerospace engine hardware.

The company plans to invest approximately \$14,825,000 and create 159 jobs over the next five years, with 50 jobs projected in year one, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$690. 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 391 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$6,365,323 (current dollars) due to the presence of this facility.

BUSINESS CASE

Jet Engineering is competing for expansion funds with Symmetry Medical locations in Warsaw, Indiana and Penang, Malaysia. Warsaw, IN is known as the orthopedic capital of the world; major OEMs Zimmer, Biomet and others, are headquartered there. As a result, the pool of talent in the orthopedics industry is stronger in Indiana. The company also cites an attractive incentive package from the Indiana EDC, lower building costs, and cheaper labor and utility costs in Indiana. While Malaysia presents logistics costs not incurred in Michigan or Indiana, labor costs in Malaysia make Symmetry's recently-opened 50,000 square foot manufacturing center in Penang an attractive consideration.

OTHER STATE AND LOCAL ASSISTANCE

The City of Lansing has proposed a PA 198 tax abatement on real and personal property for a period of 16 years (per investment over a five year period), with an estimated value of up to \$1,127,961.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 159 net new employees in excess of the company's established base of 390.