



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: April 19, 1995
TO: Michigan Economic Growth Authority
FROM: Doug Rothwell
SUBJECT: Briefing Memo - Walden Book Company, Incorporated

COMPANY NAME:

Walden Book Company, Incorporated
201 High Ridge Road
Stamford, Connecticut 06945

HISTORY OF COMPANY:

Borders Group, through its primary subsidiaries Borders, Inc. and the Walden Book Company is the second largest operator of book superstores and the largest operator of mall-based bookstores in the United States based on sales and number of stores. As of February 19, 1995, Borders Group operated 54 books and music superstores and 22 large format book superstores under the Borders name and 1,071 mall-based and other bookstores primarily under the Walden Book Company name, five music superstores under the Planet Music name and five smaller compact disc stores.

Presently, the company has consolidated net sales of approximately \$1.5 billion in 1994 and expects this number to double in the next 4 years. Additionally, as part of the company's overall restructuring plan, they will undertake an Initial Public Offering (IPO) in early 1995. Under this restructuring plan K-Mart Corporation will own approximately 48 percent of Borders Group stock.

Briefing Memo - Walden Book.

April 19, 1995

Page 2

PROJECT DESCRIPTION:

Borders Group subsidiary Walden Book Company is considering moving its corporate headquarters from Stamford, Connecticut to either Nashville, Tennessee or Ann Arbor, Michigan. The company is interested in acquiring the Northern Telecom building in Ann Arbor, Michigan should a decision be made in favor of Michigan. The Walden Book relocation will involve the initial staffing of 550 positions, as well as requiring a \$10.8 million investment. The average weekly wage at this facility is approximately \$816. Total payroll at full production is estimated to be \$16 million annually.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, By 2010, we estimate that this facility will generate a total of 975 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would be increased by \$42,311,000 (1995 dollars) due to the presence of the Walden Book Company facility.

This project would create \$35 million in personal income by 1996 for Michigan residents. It would also contribute more than \$2 million to local governments and schools through property tax payments over 5 years.

COST ANALYSIS:

As part of the company's site decision process they have undertaken a comprehensive cost analysis between Nashville, Tennessee and Ann Arbor, Michigan. Based on figures obtained from the company, the annual liability for Walden Book Company to establish their headquarters in Ann Arbor, Michigan ranged from \$3 to \$6 million annually. The cost differential is primarily attributable to labor cost between Tennessee and Michigan. Additionally, Nashville, Tennessee has offered the company incentives, which include labor training, tax abatements and low interest financing.

Based on data which the Michigan Jobs Commission has obtained, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA was offered to off-set the variance in cost and incentives.

Briefing Memo - Walden Book.

April 19, 1995

Page 3

LOCAL FINANCIAL ASSISTANCE:

As a result of the need to transport employees between the company's various facilities in Ann Arbor, the Ann Arbor Transit Authority (AATA) has agreed to provide and finance a new shuttle bus service. AATA will provide funding in the amount of \$75,000 annually for three years.

RECOMMENDATION:

The Michigan Jobs Commission proposes the following 15 year MEGA offer:

- A: 80% rebate on the employment credit for the first five (5) years:
- B: 25% rebate on the employment credit for the second five (5) years:
- C: 80% rebate on the employment credit for the last five (5) years.