

MEMORANDUM

DATE: September 23, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director
Portfolio Management & Packaging

Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – A2 Media Corporation
d/b/a ICON Creative Technologies Group
High-Technology MEGA Credit

COMPANY NAME:

A2 Media Corporation d/b/a ICON Creative Technologies Group
312 South State Street
Ann Arbor, Michigan 48104

HISTORY OF COMPANY:

ICON Creative Technologies Group, based in Ann Arbor, Washtenaw County, is an interactive agency developing enterprise level software that lets marketing and communications professionals manage their digital marketcomm activities. ICON was established in 1994 and has served over 60 companies in the auto, biotech and financial services sectors.

Today, ICON has a commercially viable product that targets the ad hoc functions and processes carried out by corporate entities, and brings them together under the "COMMA" platform. With Comma, one administrator can manage the content on corporate, media and intranet sites for employees, micro-sites, blogs and email distributions by "syndicating" content from the main platform. This means less resources are needed to carry out publishing tasks and more resources can be directed towards content development, strategic implementation and development of new marketcomm tactics.

ICON Creative Technologies Group currently has 15 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project includes the expansion of operations at ICON's current site in Ann Arbor and eventually relocating to a larger facility in Ann Arbor. As ICON introduces Comma to the market, teams of developers and IT professionals will be required to support the install, integration, training, hosting and support of the platform. The necessary growth can be accommodated either by the proposed internal expansion or by contracting with external resources outside of Michigan. Bringing these new jobs in-house instead of outsourcing would require ICON to relocate to a new facility in the Ann Arbor Township area.

Total investment over five years will be approximately \$2.7 million. This project will create 63 new jobs with an average weekly wage of \$1,195. The company will also offer health care benefits and pay a portion of the benefit costs.

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 128 jobs in the state by the year 2018. We also estimate that the project would create total state government revenues through the year 2018, net of MEGA cost and adjusted for inflation, of \$3 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The competitive disadvantage of locating this expansion in Michigan is centered around the cost disparity between the higher wages encountered when bringing labor in-house, at ICON's facility in Ann Arbor, in contrast to the lower wages that can be paid on a per contract basis to outsourced labor located outside of Michigan, often to contractors overseas. Because the technical work involved is not site specific, ICON can outsource much of its technical operations, while keeping only a small management team to run in-house operations. For example, the average hourly wage for a new employee for this project is \$29.87. Current contract rates for similar resources overseas are between \$12 and \$18 per hour in India and \$22 per hour in Ireland. Outsourcing also would save money on benefits not paid and would not require the leasing of a larger facility or incurring the costs associated with updating and furnishing that space.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Ann Arbor will be providing local assistance by paying the MEGA application fee for this project.

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 \$1,000 per job for up to 35 new and existing jobs. This training grant could be worth up to \$35,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

ICON Creative Technologies Group is a qualified high-technology business, whose primary business activity is Advanced Computing, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 63 net new employees subject to the following:

- The company must create a minimum of 63 jobs, over the employment base of 15, by the end of the seventh year of operations. Failure to create the 63 jobs by the end of year seven will void the remaining three years of the tax credit.