

MEMORANDUM

Date: August 17, 2010

To: Michigan Economic Growth Authority

From: Joshua Hundt, Senior Project Specialist
Packaging Team

Subject: Briefing Memo – Covenant Eyes, Inc.
High Technology MEGA Credit

COMPANY NAME

Covenant Eyes, Inc.
1525 W. King Street
P.O. Box 637
Owosso, Michigan 48867

HISTORY OF COMPANY

Covenant Eyes, Inc. is an Owosso, Michigan-based company that was founded in 2000. Covenant Eyes, Inc. offers a subscription software service that includes Internet accountability software, mobile device accountability software, and filtering software for Windows-based operating systems that blocks mature content, allows the subscriber to set different levels based on age, and can establish how long every filter user is online. The company has 70,000 subscribers in over 150 countries.

The company currently has 45 employees in Michigan.

PROJECT DESCRIPTION

Covenant Eyes, Inc. is planning an expansion of its products and facility in the City of Owosso, Shiawassee County. The project will include the development and maintenance of a filter for Mac computer operating systems, additional mobile device filters and monitors, and a GPS tracking system for all CPU systems.

The company plans to invest approximately \$3.76 million and create 139 jobs over the next five years, with 33 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$779. 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 377 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$4.1 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company also considered opening a facility in Colorado Springs, Colorado or Texas for this expansion opportunity, where they have a growing company base. The company received competing incentive offers from both of these locations.

OTHER STATE AND LOCAL ASSISTANCE

The City of Owosso is supportive of this project and approved a twelve year PA 198 of 1974 property tax abatement valued at \$17,744, and a fifteen year PA 328 of 1998 property tax abatement valued at \$40,748.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Advanced Computing, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for 5 years for up to 139 net new employees in excess of the company's established base of 48.