

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Dynamic Captioning LLC
High-Technology MEGA Credit

COMPANY NAME

Dynamic Captioning LLC
5740 Foremost Drive SE
Grand Rapids, Michigan 49546

HISTORY OF COMPANY

Formed in May 2010 to acquire the assets of Network Captioning, Inc., Dynamic Captioning LLC provides broadcast quality captioning, encoding and sub-titling services to media companies within the film and television industries. Dynamic's primary services are real-time captioning, off-line captioning and multi-lingual sub-titling. An example of the companies Dynamic provides services for include: USA Networks; Sci-Fi Network; Sundance Channel; AMC Television; WE TV; Bravo; NBC; NBC Universal; CNBC; and WOOD-TV.

The company currently has no employees in Michigan.

PROJECT DESCRIPTION

For the project, Dynamic Captioning will permanently locate the servicing of its captioning and sub-titling contracts, currently being outsourced, at a new leased facility in Grand Rapids. From this location, the company will provide offline captioning services for full-length motion pictures and music videos, and voice translation services for television commercials and industrial training videos. The company will be purchasing captioning equipment and making both general and industry specific infrastructure improvements to the building.

The company plans to invest approximately \$554,000 and create 40 jobs over the next five years, with 21 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$617. 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 56 jobs

in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$453,371 (current dollars) due to the presence of this facility.

BUSINESS CASE

Dynamic Captioning LLC is also considering locating this project at a leased facility in New York City. The State of New York recently revised its film and television production incentives to include up to a 30% film production credit for qualified production costs incurred within the state, with New York City offering an additional 5% production credit. This places the Grand Rapids location at a disadvantage, as over 50% of the firms the company works with are located within New York City and potentially eligible for the production credit. While the cost of labor and the lease rate would be higher in New York City, the company estimates that the New York incentives would still provide a \$181,000 overall cost advantage. The MEGA tax credit would help to offset that advantage and allow the company to locate in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Grand Rapids anticipates the approval of a 5 year PA 328 local tax abatement in support of this project. The estimated value of the abatement is \$18,518.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Film and Video, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

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 40 net new employees in excess of the company's established base of 0, subject to the follow:

- The company must create and maintain a minimum of 26 new employees by the end of the second year. Failure to do so will result in the remaining years being forfeited.