



## MEMORANDUM

**TO:** Delegates of the Michigan Strategic Fund ("MSF") Board for the Michigan Business Development Program

**FROM:** Marcia Gebarowski, Development Finance Manager

**DATE:** August 15, 2012

**SUBJECT:** Approval of Michigan Business Development Request for \$300,000 Performance-based Grant to:

ETS Development Group, LLC ("Applicant" or "Company")  
8801 Horizon Boulevard NE, Suite 150  
Albuquerque, NM 87113  
www.sleuthsystems.com

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### MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### SOURCE OF INFORMATION

It is the role of the Project Management staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

### HISTORY OF THE APPLICANT

ETS Development Group, LLC dba Sleuth Systems is a provider of public safety software, including record management, computer aided dispatch and mobile data field reporting. Sleuth Systems is currently located in New Mexico and has moved from product development and market introduction to a growth phase. The company plans on consolidating its operations with its parent company, Citadel Contact Systems, as well as its sister company, Back Office Support Systems at 19992 Kelly Road in the City of Harper Woods. It is anticipated that interaction and collaboration between the companies will lead to growth in sales for all three entities.

The Applicant has not received any incentives from the MSF previously.

Michigan Economic Development Corporation

00 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

### **PROJECT DESCRIPTION**

The Applicant plans to relocate from New Mexico and expand its operations in Michigan. The applicant will make investments and create jobs related to computer software design and support.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
- b) The project will be located in City of Harper Woods. The City of Harper Woods has offered a “staff, financial, or economic commitment to the project” in the form of either property tax abatement under P.A. 198 of 1974 or participate in the Wayne County TURBO Program for the owner of the building, Back Office Support Systems. ETS Development Group, LCC will lease the building space from Back Office Support Systems and the tax abatement or TURBO Program will lead to a lower lease rate than would occur in their absence.
- c) The Applicant has demonstrated a need for the funding based on a high demand of IT workers in Michigan which demands a higher pay requirement of new employees in Michigan versus New Mexico where the company is currently located or other sites in West Virginia, Oregon and Ohio where sister companies are currently located as well.
- d) The Applicant plans to create 57 Qualified New Jobs above a statewide base employment level of 0.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: this attraction company demonstrated strong out of state competition for the project; the company indicated that job creation is expected to begin in the fall of 2012 and the project results in a positive ROI for Michigan.

### **INCENTIVE OPPORTUNITY**

This project involves the creation of 57 Qualified New Jobs and a capital investment of up to \$ 25,000 in the City of Harper Woods. Additional investment related to project includes approximately \$800,000 in upgrades and renovations to be made on behalf of the company by the parent, Citadel Systems, and sister company, Back Office Support Systems. The requested incentive amount from the MSF is \$300,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

### **RECOMMENDATIONS**

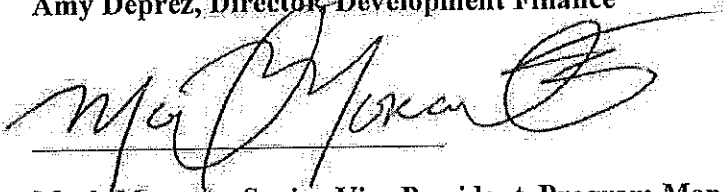
MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

**APPROVAL AUTHORITY – MBDP SUPPORT MEMO**  
**Michigan Economic Development Corporation**



**Amy Deprez, Director, Development Finance**

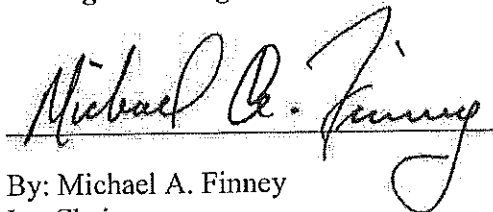


**Mark Morante, Senior Vice President, Program Management**

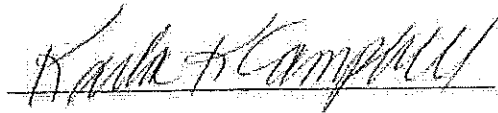
The Recommendation is approved subject to Available Funding and Completion of Due Diligence, and execution of all MBDP transaction documents, all in accordance with the MBDP and its guidelines:

Note: To utilize the delegation authority granted by the MSF Board, the approval of the Chairperson, and either the MSF Fund Manager of the MSF State Treasurer Director, are required for this commitment under the MBDP:

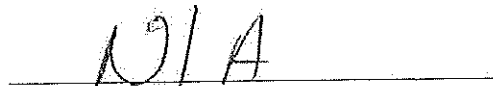
**Michigan Strategic Fund**



By: Michael A. Finney  
Its: Chairman



By: Karla Campbell  
Its: Fund Manager



By: Andy Dillon, State Treasurer  
Its: Director



### MICHIGAN BUSINESS DEVELOPMENT PROGRAM Performance Based Grant - Term Sheet

The following is a summary of the highlights of the project and basic terms for which the Company desires grant support from the Michigan Strategic Fund ("MSF") under the Michigan Business Development Program ("MBDP"). While the MBDP is operated and funded through the MSF, recommendation for approval of a MBDP Incentive award is presented by the Michigan Economic Development Corporation ("MEDC") to the MSF.

Date: 8/1/2012

1. **Company Name:** ETS Development Group, LLC d/b/a Sleuth Software  
("Company" or "Applicant")
2. **Company Address:** 8801 Horizon Boulevard NE  
Albuquerque, NM 87113
3. **Project Address ("Project"):** 19992 Kelly Road  
*If different than above* Harper Woods, Michigan 48225
4. **MBDP Incentive Type:** Performance Based Grant
5. **Maximum Amount of MBDP Incentive:** Up to \$300,000 ("MBDP Incentive Award")
6. **Base Employment Level** 0 The number of jobs currently maintained in Michigan by the Company based on data submitted by the Company to the MEDC reflecting the Company's **Statewide** employment level in Michigan prior to the proposed project. The Base Employment Level, including identification of the Company data used to establish this level, shall be included in the final MBDP Incentive Award agreement ("Agreement") between the MSF and the Company.
7. **Total Qualified New Job Creation:** 57 The minimum number of total Qualified New Jobs the Company shall be required to create in Michigan (above the Base Employment Level), in addition to satisfying other milestones if applicable, to be minimally eligible to receive the full amount of the MBDP Incentive Award. Each Qualified New Job must be performed for  
*(above Base Employment Level)*

consideration by a Michigan resident (whose Michigan income taxes are withheld as required), and each Qualified New Job must be in excess of the Base Employment Level. The final terms and conditions of the requirements for the minimum number of Qualified New Jobs that must be created, including provisions addressing disbursements of portions of the MBDP Incentive Award, shall be included in the final Agreement.

- a. **Start Date for Measurement of Creation of Qualified New Jobs:** Date of Approval of MSF Award
- 8. **Company Investment:** The Company will invest up to \$25,000 in computers to support the project.
- 9. **Municipality supporting the Project:** City of Harper Woods
  - a. **Municipality Support.** One of the conditions of execution of the final Agreement is the requirement that the municipality shall have committed to provide: property tax abatement under P.A. 198 of 1974 or participate in the Wayne County TURBO Program for Back Office Support Systems. ETS Development Group, LLC will lease the building space from Back Office Support Systems (affiliated company) and the tax abatement or TURBO Program will lead to a lower lease rate than would occur in their absence. The final terms and conditions demonstrating this support shall be included in the final Agreement.
- 10. **Disbursement Milestones:** The final terms and conditions of each of the disbursements of any portion of the MBDP Incentive Award shall be included in the final Agreement, including that before any disbursement is made to the Company, the Company must have maintained: (i) the Base Employment Level (exclusive of the number of Qualified New Jobs then created) and (ii) any Qualified New Jobs created for which disbursements by the MSF have been made, and must otherwise be in compliance with all terms and conditions of the final Agreement, and further shall include:
  - a. **Disbursement Milestone 1:** Up to \$100,000 Upon demonstrated creation of 12 Qualified New Jobs above the Base Employment Level for ETS Development Group, LLC and 102 jobs that must be maintained in Michigan by Citadel Systems, Inc. and Back Office Support Systems and verification of final approval of municipality support by no later than December 31, 2012.
  - b. **Disbursement Milestone 2:** Up to \$100,000 Upon completion of Disbursement Milestone 1, and upon demonstrated creation of 20 (32 cumulative) additional Qualified New Jobs above the Base Employment Level and 102 jobs that must be maintained in Michigan by Citadel

Systems, Inc. and Back Office Support Systems, by no later than December 31, 2013.

- c. **Disbursement Milestone 3:** Up to \$100,000 Upon completion of Disbursement Milestone 1 and Disbursement Milestone 2, and upon demonstrated creation of 25 (57 cumulative) additional Qualified New Jobs above the Base Employment Level and 102 jobs that must be maintained in Michigan by Citadel Systems, Inc. and Back Office Support Systems, by no later than December 31, 2014.

**11. Term of Agreement:** Execution of Agreement to December 31, 2016

**12. Repayment Provisions:**

Repayment provisions are required by law. The Repayment terms and conditions will be effective through the Term of the Agreement and shall be defined in the final Agreement. The final repayment provisions may require repayment of some or all of the disbursements made by the MSF, including if the Company moves 25% or more of their employees out of Michigan, if the Company fails to maintain the Base Employment Level in Michigan, if the Company fails to maintain the Qualified New Jobs incented by this Award.

**13. Reporting Requirements:**

Periodic reporting will be required with this program. The detailed information needed from the Company will be included in the final Agreement, but will include Project reporting for such things as: amount of proposed incentive, amount of actual incentive received by Company; amount of proposed and actual investment made by Company for Project; the committed number of new jobs and the actual number of new jobs created as a result of the Project; the educational attainment of the employees hired; the number of new patents, copyrights, or trademarks applied for and issued to the Company; the number of licensing agreements by the Company and the number of such licensing agreements entered into by the Company with Michigan based firms; and any products commercialized by the Company.

**14. Public Announcements:**

The Company shall not make, or cause, any announcement of the proposed MBDP Incentive Award parameters outlined in this letter before the date of approval by the MSF of the MBDP Incentive Award, unless prior authorized and coordinated with the MEDC.

Any final MBDP Incentive Award is contingent upon several factors, including: (i) submission by the Company of a completed application and all other documentation required under the MBDP (ii) satisfactory municipality support (iii) available MSF funding (iv) completion of financial review, business integrity review, required background checks, and other business and legal review and due diligence as required, and the results of which must be satisfactory to the MEDC, the MSF, and as applicable, the Chief Compliance Officer, (v) approval of an award by the MSF, and (vi) execution of a final Agreement containing the established milestones, repayment terms, reporting requirements, and all other detailed terms and conditions, required by the MSF.

If the Company is interested in the MEDC pursuing a recommendation to the MSF for a possible MBDP Incentive Award for the Company along the above parameters, please sign and date this Term Sheet. If the MEDC does not receive the signed Term Sheet from the Company by August 3, 2012, the MEDC may not be able to proceed with any recommendation to the MSF.

ETS Development Group, LLC d/b/a Sleuth Software

By: 

Its: US

Dated: 8.2.12

Acknowledged as received by:

Michigan Economic Development Corporation

By: 

Its: EM

Dated: 8/2/12