



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

ORIGINAL

600 N. WASHINGTON SQ.
ANN ARBOR, MI 48103

CUSTOMER CONTACT CENTER
734 373 9808

WWW.MICHIGAN.ORG

DATE: June 19, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance
Amy Banninga, Project Team Manager
Development Finance

SUBJECT: Briefing Memo – LMS North America
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

LMS North America
5755 New King
Troy, Michigan 48084

HISTORY OF COMPANY:

LMS is a Belgium based engineering innovation partner for companies in the automotive, aerospace and other advanced manufacturing industries. LMS offers a unique combination of virtual simulation software, mobile and lab testing systems and engineering services in the areas of structural analysis, motion, ride and handling, noise and vibration, acoustics and durability. LMS is the recognized leader in virtual prototype simulation for critical performance disciplines such as structural integrity and safety, vehicle dynamics, comfort and sound quality, fatigue and durability. Its integrated solutions enable engineers to accurately simulate and refine mechanical design long before prototype testing.

The North American headquarters for LMS is currently located in Troy, Michigan, with a sister office located in Coralville, Iowa. The company currently has 56 employees in Michigan.

PROJECT DESCRIPTION:

Due to continued year-over-year growth, LMS North America is in a position to expand its current operations, ultimately requiring the company to relocate to a larger facility. A facility has been identified in Troy, Michigan, which would give the company more than 30,000 square feet of office and lab space.

LMS expects to add up to 50 new jobs over the next five years, at an average weekly wage of \$1,558. Capital investment for this project is expected to exceed \$600,000, including leasehold improvements and furniture and fixtures.

EXECUTIVE COMMITTEE
ATTHEW P. CULLEN
Chair
General Motors

PHILIP H. POWER
Vice-Chair
HCN, Inc.

JAMES C. EPOLITO
President & CEO

CHARLES E. BLOUSE JR., CCE
Detroit Regional Chamber

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

DANN CRARY
Saginaw Future Inc.

DR. HAIFA FAKHOURI
Arab American and
Chaldean Council

STEVEN K. HAMP
Ann Arbor

ANDREW H. HARRIS
EDF Ventures

ANDREW HILLEGONDS
DTE Energy Company

GEORGE JACKSON JR.
Detroit Economic Growth
Corporation

MICHAEL J. JANDERNOA
Bridge Street Capital
Partners, LLC.

ROBERT B. JONES
City of Kalamazoo

ROBERT M. KLOHS
The Right Place, Inc.

THOMAS LEWAND
Bodman LLP

DR. IRVIN D. REID
Wayne State University

MICHAEL B. STAEBLER
Pepper Hamilton LLP

ROBERT W. SWANSON
Michigan Department of Labor
& Economic Growth

ENNIS R. TOFFOLO
Oakland County

ETER S. WALTERS
Guardian Industries Corp.

Briefing Memo
LMS North America
June 19, 2007
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 106 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$1.6 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

LMS has an existing 20,000 square foot facility in Coralville, Iowa, as well as enough land to build a brand new facility. The Belgium headquarters sees no real reason to keep the North American headquarters in Michigan. Not only does the Iowa location have room for the expansion, wages are considerably lower in Iowa and the State of Iowa has committed to more than \$1 million to encourage the company to move Michigan operations to Iowa.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Troy has proposed fifty percent property tax abatement on the company's new personal property for 12 years. The estimated value of this abatement is \$10,900.

In addition, the MEDC has offered up to \$25,000 in training assistance through the Economic Development Job Training program; up to \$500 per employee for up to 50 new and existing employees.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing related to the development of a product, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years, for up to 50 net new employees.