



MEMORANDUM

Date: March 15, 2011

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – Lakeside Software, Inc.
High Technology MEGA Credit

COMPANY NAME

Lakeside Software, Inc.
40950 Woodward Avenue, Suite 200
Bloomfield Hills, Michigan 48304

HISTORY OF COMPANY

Headquartered in Bloomfield Hills, Lakeside Software has been a leader in management solutions for the Windows marketplace since 1997. Lakeside Software's SysTrack is claimed to be the easiest to use, most complete way to monitor and tune application performance. SysTrack combines comprehensive system monitoring capabilities with sophisticated analysis for applications and users to create a total management solution.

The company currently has 20 employees in Michigan.

PROJECT DESCRIPTION

Lakeside seeks to expand its software development operations at their headquarters in Bloomfield Hills as well as locate operations in downtown Ann Arbor, expanding their footprint in Michigan. The SysTrack portfolio will be expanded with new products to drive expanding new markets and grow technical support which will require the company to hire developers, business development, product managers and technical support people.

The company plans to invest approximately \$6.1 million, of which \$4.3 million is lease costs, and create 198 jobs over the next five years, with 20 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,298. 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 573 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$6,124,756 (current dollars) due to the presence of this facility.

BUSINESS CASE

In order to grow in Michigan, Lakeside will have to compete much harder for the experienced virtualization software engineering, marketing and sales talent against areas like Palo Alto, California. The company was planning to place this expansion in Palo Alto, to be close to Stanford University and Silicon Valley where there is a much larger talent pool to choose from as well as better access to the best business services (i.e.; patent lawyers, banks, IP, etc) that have the experience in the software industry.

OTHER STATE AND LOCAL ASSISTANCE

For this project, Lakeside has received an appropriate mix of local and state support from Oakland County, Ann Arbor SPARK, City of Bloomfield Hills and the State of Michigan. In addition to the High Technology MEGA tax credit being reviewed for approval today, the company has also received a commitment from Oakland County for Michigan New Jobs Training Program (MNJTP) assistance, valued at \$1.9 million. The MNJTP is designed as an economic development incentive that authorizes the community college to issue debt on behalf of the employer that is creating new jobs or expanding operations for the purpose of funding training and development of the new employees. The debt is repaid through the capture of the personal income tax generated by the wages earned by the new employees.

Ann Arbor SPARK has supported this project by paying the \$1,000 MEGA application fee and the Ann Arbor Downtown District Authority (DDA) has committed to providing up to 140 new workers, at the Ann Arbor facility, with a one year bus pass to encourage use of alternative transportation.

The City of Bloomfield Hills has indicated their full support of the company and the project and will recommend support at a future council meeting.

Lastly, Automation Alley has provided the company with a three year membership. This membership will help Lakeside's networking capabilities throughout the region. Ann Arbor SPARK also provided introductions to companies to help leverage their networking and recruiting efforts in Michigan.

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 50% percent high technology employment tax credit for 5 years for up to 198 net new employees in excess of the company's established base of 20.