

# MEMORANDUM

**Date:** September 14, 2010  
**To:** Michigan Economic Growth Authority  
**From:** Robert Wilson, Project Specialist  
Packaging Team  
**Subject:** Briefing Memo – Silk Route Global, Inc.  
High Technology MEGA Credit

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## COMPANY NAME

Silk Route Global, Inc.  
1441 East Maple Road Suite 312  
Troy, Michigan 48083

## HISTORY OF COMPANY

Silk Route Global, Inc. is a supply chain software development and subscription service company that was formed in 2008 by former IT executives of Handleman Company. The initial eight employees have grown to 15 full time and contract employees with sales of \$8,000,000 annually. The company provides a product that takes a multitude of suppliers, manufacturers, and/or retailers and provides instant feedback on materials or products needed for stocking. The programming, customized to the specific client's needs, provides usage figures and forecasts of future demand on a "real-time" platform at many levels in the supply chain. Currently their client base includes Sony Corporation, Tesco, Oakwood Distribution (UK), and Entertainment Publications. The company also has a facility in London, England that employs 20 people.

The company currently has 13 employees in Michigan.

## PROJECT DESCRIPTION

Silk Route Global has recently sold their subscription services to Sony Corporation and other large companies and is currently in discussions with other large corporations in regards to new contracts. Each new large client requires extensive personalization of the software. This influx in business requires more people and equipment to provide the necessary services and support to their customers. The company's current location in Troy does not have the space needed for the growth anticipated. The company has located a potential new site at 950 Stephenson Highway, in Troy that can handle the current capacity and the anticipated growth the company.

The company plans to invest approximately \$1,950,000 and create 103 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 \$886. 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 190 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$1,889,963 (current dollars) due to the presence of this facility.

#### **BUSINESS CASE**

Silk Route Global evaluated the proposed investment relative to a site in Jacksonville, Florida, where they identified a cost gap related to their lease expense. If the company located in Jacksonville, one of their major clients would provide space for them, thus eliminating the need for lease costs. The MEGA tax credit will help in part to offset the disadvantages associated with a Troy, Michigan location.

#### **OTHER STATE AND LOCAL ASSISTANCE**

The City of Troy is supportive of this project and plans to consider a 50% personal property tax abatement for up to 5 years on their new personal property investment. The value of this abatement is estimated to be approximately \$23,000.

#### **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 103 net new employees in excess of the company's established base of 13.