



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: February 3, 2009
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Packaging Team Manager *AD*
Portfolio Management & Packaging
Greg West, Project Specialist
Portfolio Management & Packaging
SUBJECT: Briefing Memo – Stardock Systems, Inc.
High-Technology MEGA Credit

COMPANY NAME:

Stardock Systems, Inc.
15090 Beck Road, Ste. 300
Plymouth, MI 48170

HISTORY OF COMPANY:

Stardock Systems, Inc. is a software developer and publisher that has traditionally focused on the PC consumer market. Its product line includes PC desktop experience software, PC games and PC utilities. Founded in 1991 and incorporated in 1993, Stardock has entered into strategic agreements with computer industry leaders such as Dell and Microsoft and distributes its PC games through both traditional channels (e.g., Wal-Mart and Target) and on-line direct distribution channels. Its PC games include Sins of a Solar Empire and Galactic Civilizations Dread Lords II.

Stardock Systems, Inc. currently has 44 employees in Michigan.

PROJECT DESCRIPTION:

Stardock will be expanding at their current location in Plymouth Township, Wayne County, to allow for the development and implementation of a new PC game in 2009 for distribution through the company's distribution channels. This project will result in the creation of 53 new jobs with an average weekly wage of \$1,084. Total investment over five years will be approximately \$900,000. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS 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 154 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$5.3 million (current dollars) due to the presence of this expansion.

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BUSINESS CASE:

There are several relevant competitive disadvantages to locating this expansion in Michigan as opposed to locations in other states where many leading digital media companies are located, including Seattle, Los Angeles, San Francisco, and New York. The company faces increased recruiting fees of approximately \$96,000 annually to locate talented personnel, payment of relocation fees of up to \$2,500 per employee to cover costs to relocate from other states and an estimated \$110,000 of annual cost to travel to Seattle and other locations where major customers such as Microsoft are located. In addition, it is more difficult to keep talented personnel who may use the company as a "training ground" to gain experience then move to more traditional locations. To keep these key employees the company provides perks to make working at Stardock more attractive.

OTHER STATE AND LOCAL ASSISTANCE:

The Charter Township of Plymouth anticipates the approval of an Industrial Development District and subsequent real and property tax abatements in support of the project.

The Michigan Film Office also anticipates the approval of Infrastructure Development Film and Digital Media Incentives.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

Stardock Systems, Inc. is a qualified high-technology business, whose primary business activity is Digital Media, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 53 net new employees over an established employment base of 44.