

MEMORANDUM

Date: January 19, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – ilumisys, Inc.
High-Technology MEGA Credit

COMPANY NAME

ilumisys, Inc.
1820 East Big Beaver Road
Troy, Michigan 48083

HISTORY OF COMPANY

Altair Engineering, Inc. is a leading global provider of technology and services that empower client innovation and decision-making. With a track record for innovative product design and development, advanced engineering software and grid computing technologies, Altair has clients representing the automotive, aerospace, government and defense, and consumer products verticals.

Altair is expanding its business model through the spinoff of two companies; ilumisys, Inc., a solid state lighting technology company, and solidThinking, a design software company. ilumisys was formed in 2007 to further the development and implementation of replacing fluorescent light tubes with LED lamps. solidThinking develops and sells innovative software to product designers worldwide.

Altair Engineering currently has 382 employees in Michigan.

PROJECT DESCRIPTION

ilumisys and solidThinking will be new business operations, each a spin-off of Altair. Both companies will remain wholly owned subsidiaries of Altair. ilumisys will expand their research and development of LED lighting technology as well as ramp-up manufacturing operations of their product in the City of Troy. solidThinking will continue research and development of their software product also in the City of Troy.

Total investment at the project will be approximately \$7.4 million resulting in the creation of 213 jobs (177 at ilumisys and 36 at solidThinking) over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,167. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

There are not any other Michigan businesses known in the same industry.

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 556 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$7,861,362 (current dollars) due to the presence of this facility.

BUSINESS CASE

Ontario, Canada has offered ilumisys, Inc. direct funding for R&D activities as well as a broad platform of credits and incentives. Ontario's incentives put Michigan at a 54% operating cost premium relative to Ontario. Additionally, ilumisys is considering manufacturing operations in China with significantly lower labor rates compared to Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy is supportive of this project and anticipates approval of a personal property tax abatement under PA 198 for up to 12 years. The value of this incentive is not known at this time.

The MEDC is providing a cash grant of up to \$2 million for this project. Terms and conditions will be negotiated with the Company and MEDC staff.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Electronic Device Technology, 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 200 percent high-technology employment tax credit for three years and a 100 percent high-technology employment tax credit for four years for up to 213 net new employees in excess of the company's established base of 123.