

MEMORANDUM

Date: July 20, 2010
To: Michigan Economic Growth Authority
From: Greg West, Project Specialist
Packaging Team
Subject: Briefing Memo – Quantum Signal, L.L.C.
High Technology MEGA Credit

COMPANY NAME

Quantum Signal, L.L.C.
3741 Plaza Drive
Ann Arbor, Michigan 48108

HISTORY OF COMPANY

Quantum Signal, L.L.C., founded in 1999 as a spin-off of the University of Michigan, is currently an advanced engineering research and development company. The company focuses in an area known as advanced image processing. Quantum Signal develops software modules, subsystems and complete products that use mathematics and statistics to mine useful information from non-ideal datasets. The company is developing image processing technologies for a variety of customers in areas like military robotics, surveillance, forensics, automotive safety and cosmetics.

The company currently has 21 employees in Michigan.

PROJECT DESCRIPTION

For the project, Quantum Signal is considering a large expansion to support growing demand in both the military robotics and simulation/game areas. This expansion will include the purchase and remodeling of a facility in the City of Saline. Some of the renovations necessary include the redevelopment of the building into specialized laboratories, shops and test facilities. Upgrades will also be made to improve the existing infrastructure, including HVAC, insulation, soundproofing and additional security measures.

The company plans to invest approximately \$1.32 million and create 47 jobs over the next five years, with 7 jobs projected in year. The average weekly wage for the newly created jobs is anticipated to be \$962. 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 93 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$975,917 (current dollars) due to the presence of this facility.

BUSINESS CASE

Quantum Signal has indicated that locating their expansion in Michigan presents several disadvantages when compared to locating this project in Arlington, Virginia. If Quantum Signal moved to Arlington, the company would have the ability to accept additional contracts because of the proximity to potential new customers. The company will also have to pay substantially more in travel expenses and in the recruitment and relocation of potential new employees. These differences offset the lower overall wages and building costs in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Saline is supportive of the project and anticipates the approval of PA 198 tax abatement. The estimated value of this abatement is unknown at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Homeland Security and defense 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 75 percent high-technology employment tax credit for 5 years for up to 47 net new employees in excess of the company's established base of 21.