

MEMORANDUM

Date: March 16, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Materialise USA, LLC
High-Technology MEGA Credit

COMPANY NAME

Materialise USA, LLC
3009 Miller Road
Ann Arbor, Michigan 48103
www.materialise.com

HISTORY OF COMPANY

Materialise USA, LLC (“Materialise”) is a subsidiary of Materialise NV, a Belgian-based spinoff of the University of Leuven (Belgium) that specializes in rapid prototyping and computer tomography (CT), used to produce three-dimensional medical images and software. Materialise’s existing Michigan location provides sales, support and training for the North American medical and technical software division.

Materialise currently has 18 full-time employees in Michigan.

PROJECT DESCRIPTION

Materialise’s current operations in the United States focus on the market development of software applications used in surgery and other medical applications. Materialise’s new business development in the United States will expand on those opportunities and begin production of surgical guides and models. Materialise’s software and models allow surgeons to plan their procedure using the patient’s true anatomy, and then transfer that plan into the actual surgery with custom guides.

Materialise plans to invest approximately \$12.5 million and create up to 80 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs is expected to be \$848. 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 226 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$3.9 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Materialise has an existing network of customers, partners, and vendors in Warsaw, Indiana, which is the home of several medical device companies. Locating in Warsaw would allow Materialise to increase synergies with their customers and locate closer to existing talent. Materialise indicated that labor costs and capital investment would be lower outside of Michigan for this project.

OTHER STATE AND LOCAL ASSISTANCE

Plymouth Township is supportive of this project and is considering a property tax abatement for this project. The value, terms and expected approval date of the abatement is not known at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Medical Device Technology, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for 7 years for up to 80 net new employees in excess of the company's established base of 18. Should the company fail to create and maintain at least 35 Qualified New Jobs by the end of the fifth credit year, the remaining credit years will be forfeited.