



MEMORANDUM

DATE: February 13, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Osmic, Inc.

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
☎ 517 335 5883
☎ 517 241 3683

CUSTOMER ASSISTANCE
☎ 517 373 9808

www.michigan.org

COMPANY NAME AND ADDRESS:

Osmic, Inc.
1788 Northwood Drive
Troy, Michigan 48084

HISTORY OF COMPANY:

Osmic was incorporated in 1985 as a spin-off from Energy Conversion Devices and was purchased in 1999 by Rigaku USA, a California corporation. Osmic, Inc. is a high tech manufacturer of x-ray optical components for use in x-ray analytical instruments, current and proposed life science applications and proposed semiconductor lithography applications. Osmic is the only worldwide commercial supplier of unique optical products and coatings, which are used to manipulate a certain spectrum of light, most commonly referred to as soft x-rays. Currently, Osmic's customers include Intel, Motorola, Philips, Bruker, and Rigaku, as well as, directly or indirectly, the major pharmaceutical companies worldwide.

PROJECT DESCRIPTION:

Osmic, Inc.'s business expansion plans require the relocation of its existing operations in Troy into a larger facility. Osmic's plans include the investment of \$9.8 million over the next five years, including \$5.3 million in land and building and \$4.5 million in equipment. This will accommodate a growth in employment from the company's current 40 employees to a total of 140 employees within 5 years. Research and development expenditures are anticipated to reach 35 percent of the company's total operating budget with this expansion. Wage rates will be \$927 on a weekly basis. In addition, the company will pay fringe benefits worth approximately 25 percent of wages and employees will

be eligible for annual cost of living adjustments and annual performance bonuses.

Osmic anticipates starting construction on its new facility in Auburn Hills in late February, with construction complete by November of 2001. Move-in of new equipment and existing staff would then take place. The move and start up of operations in the new facility will take place by March 31, 2002.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 198 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjusted for inflation, would be increased by \$11.1 million (2001 dollars) due to the presence of this facility.

BUSINESS CASE:

Although Osmic has been operating in Michigan for a significant amount of time, it is not tied to Michigan in terms of a customer base. The industries that Osmic services, pharmaceutical, analytical instruments and semiconductors, are not headquartered or necessarily clustered in Michigan. The research and development nature of the company's business allows them to be located virtually anywhere. Osmic's new parent company, Rigaku, has available land adjacent to an existing operation in Woodlands, Texas and would very much like to see Osmic locate there. Since one of the major new market area focuses of the company will be in microlithography, a location closer to the semiconductor industry makes sense from a synergistic perspective. Also, wage rates are lower by an average of ten to fifteen percent in Texas. In order to convince the company's parent that it makes sense for Osmic to stay and grow in Michigan, a package of incentives is necessary to balance out some of these logistical and cost differentials.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 100 percent of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$121,388.

The City of Auburn Hills will provide an abatement of 50 percent of the real and personal property taxes for a period of six years. The estimated value of this abatement is \$413,512.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit over a 12-year period, to include 100 percent for three years, 75 percent for three years, 50 percent for three years and 25 percent for three years for 100 net new jobs.