

MEMORANDUM

Date: September 14, 2010

To: Michigan Economic Growth Authority

From: Greg West, Project Specialist
Packaging Team

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

COMPANY NAME

Oxus America, Inc.
191 Erin Castle Drive
Rochester Hills, Michigan 48306

HISTORY OF COMPANY

Oxus America, Inc. is a new company formed in April 2010 by Oxus, Ltd. of Korea, and Gary Abusamra, to acquire the assets of Delphi's Medical business. Oxus America has acquired the design, tooling, fixtures, and inventory of Delphi's former portable oxygen concentrator product line. Oxus will complete the product development, and retool, manufacture, and distribute the product.

The parent company, Oxus, Ltd. of Korea, is a design and manufacturing company that has been in business for over 10 years marketing oxygen generators for medical, residential and industrial use. Oxus Ltd. of Korea's main markets are Korea and the greater Asian Pacific region.

The company currently has 4 employees in Michigan.

PROJECT DESCRIPTION

For the project, Oxus America, Inc. will permanently locate the engineering and manufacturing of its medical and industrial oxygen generators to a new leased facility in Rochester Hills. In order to fit the company's needs, leasehold improvements will need to be made to the facility, with the company also making additional investments in necessary special tooling. In addition to the production of its own technology, the company also has the distribution rights for all of North and South America and Europe for other existing Oxus, Ltd. of Korea products. These distribution rights could potentially lead to additional growth, not included in the scope of this project, when the company begins to market other medical products, and allows for the potential to diversify into other applications, like aquaculture and concentrators for industrial processes.

The company plans to invest approximately \$2.15 million and create 38 jobs over the next five years, with 10 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$868. 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 98 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$2,815,930 (current dollars) due to the presence of this facility.

BUSINESS CASE

Oxus America, Inc. is also considering locating this project at its parent company's under capacity facility in Korea. Oxus Ltd. of Korea has excess floor space at its current facility and has the capacity to add this product line with minimal investment needed. In addition, the cost of labor for an hourly worker is \$12.73 less in Korea, with the average salary of an engineer being \$44,600 a year less.

OTHER STATE AND LOCAL ASSISTANCE

The City of Rochester Hills is supportive of the project and will reimburse the company the cost of the MEGA application fee.

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 38 net new employees in excess of the company's established base of 4, subject to the follow:

- The company must create and maintain a minimum of 38 employees by the end of the fifth year. Failure to do so will result in the forfeiture of years six and seven.