



MEMORANDUM

DATE: January 23, 2013

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$2,000,000 Performance-based Grant to:

Rigaku Innovative Technologies, Inc. ("Applicant" or "Company")
1900 Taylor Road
Auburn Hills, Michigan 48326
www.rigaku.com

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Development Finance staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

HISTORY OF THE APPLICANT

Rigaku Innovative Technologies, Inc. ("RIT"), a subsidiary of Rigaku Corporation, is a high-tech manufacturer of optical products. Founded in 2000, the company operates a 50,000 square foot manufacturing facility in Auburn Hills. RIT's traditional business is in optical products that are critical in global high-tech manufacturing. Tens of thousands of RIT's multilayer optics are used in X-ray spectrometers and diffractometers. RIT also develops pharmaceutical products to enable better understanding of protein and virus structures, leading to new medicines for treating diabetes, cancer and AIDS. In materials, RIT offers products used in automobiles, computers, construction, farming, and many other areas.

PROJECT DESCRIPTION

The Applicant plans to expand into new markets including the semiconductor industry and grow its R&D and production operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

Michigan Economic Development Corporation

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Auburn Hills. The City of Auburn Hills has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 for 8 years. The estimated value of this abatement is \$621,000.
- c) The Applicant has demonstrated a need for the funding based on competing economic packages and larger semiconductor industry presence in the State of California where the Company has a facility with capacity for new growth.
- d) The Applicant plans to create 25 Qualified New Jobs above a statewide base employment level of 53.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in a diversification of a Michigan company with potential to attract its supply chain to Michigan and is expected to involve significant investment and highly paid new jobs. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 25 Qualified New Jobs, and up to 27 total new jobs, and a capital investment of up to \$55,700,000 in the City of Auburn Hills. The requested incentive amount from the MSF is \$2,000,000 in the form of a performance-based grant of which \$1,000,000 will be repaid back to the MSF beginning in 2018. Please see below for more information on the recommended action.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.