

MEMORANDUM

Date: July 20, 2010

To: Michigan Economic Growth Authority

From: Joshua Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo – Royal Oak Medical Devices, LLC
High-Technology MEGA Credit

COMPANY NAME

Royal Oak Medical Devices, LLC
39533 Woodward Ave., Suite 175
Bloomfield Hills, Michigan 48304

HISTORY OF COMPANY

Royal Oak Medical Devices, LLC (Royal Oak Medical Devices) is a wholly owned subsidiary of Royal Oak industries. Royal Oak Industries is a leading supplier of precision machined components and sub-assemblies to the heavy truck, marine, agricultural, off-road heavy equipment, power generation, defense, and automotive aftermarket industries.

Royal Oak Industries and its subsidiaries have operations in six locations throughout the State of Michigan.

Royal Oak Industries currently has 201 employees in Michigan.

PROJECT DESCRIPTION

The proposed project for Royal Oak Medical Devices will be investment in new programs to design, manufacture, and distribute private label medical devices. This project will continue the diversification of Royal Oak Industries by entering the medical device market. Royal Oak Medical Device's products will include complete surgical kits containing implants, stabilization systems, instruments, and cases. The proposed project location will be at the company's existing facility in the Village of Oxford, Oakland County.

The company plans to invest approximately \$2.6 million and create up to 26 jobs over the next five years, with 6 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,177. 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 68 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$1.18 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Royal Oak Medical Devices also considered locations in the southeastern and west coast regions of the United States. The majority of the company's customers are located in these two regions. The company will pay significantly higher logistics and transportation costs for a Michigan location of this project compared to these alternative sites.

OTHER STATE AND LOCAL ASSISTANCE

The Village of Oxford is supportive of this project and plans to consider property tax abatement through P.A. 198 of 1974 for up to 12 years. The estimated value of this abatement is up to \$169,610.

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 5 years for up to 26 net new employees in excess of the company's established base of 201.