

Company invests \$6 million in New Scale

Austriamicrosystems obtains 25 percent stake in Victor manufacturer of miniature motors

By ANDREA DECKERT

A \$6 million investment in New Scale Technologies Inc. by a private foreign firm provides the Victor firm with the cash to develop a more complete product, particularly in the multibillion-dollar market for mobile camera phones.

New Scale and austriamicrosystems AG completed a Series B preferred equity transaction, officials said. The Austrian firm bought a 25 percent stake in New Scale.

Austriamicrosystems designs and manufactures analog integrated circuits for communications, industry, medical and automotive applications.

David Henderson, New Scale co-CEO and chief technology officer, said the partnership will combine austriamicrosystems' analog integrated circuits with New Scale's piezoelectric squiggle motors to create "disruptively small" motion systems.

By reducing the supporting control electronics, now the size of a credit card, to a single integrated circuit the size of a computer chip, New Scale will be able to create complete motion systems on the same scale as its miniature motors. The smallest motor, which is what the cell phone camera market is interested in, is less than 2 millimeters by 2 millimeters by 6 millimeters. A penny is 1.55 millimeters thick.

Henderson said the Austrian firm contacted him about a partnership last summer.

New Scale had used austriamicrosystems' position-sensing products in its development efforts. The much-larger Austrian firm has nearly 1,100 employees worldwide and is traded on the SWS Swiss Exchange.

"Based on this, we started to build a relationship and realized that they are developing a breakthrough technology with significant market potential and that our IC solutions are ideally suited to enable New Scale to achieve unprecedented small form factors for their micro motor modules," said Moritz Gmeiner, austriamicrosystems director of investor relations.

The partnership with New Scale will allow close collaboration from an engineering aspect, marrying austriamicrosystems' products with New Scale's technology, Gmeiner said.

"New Scale has the clear potential to become a very important customer for austriamicrosystems as their technology spreads into high-volume applications such as mobile handset cameras, electronic locks and others," Gmeiner said.

The investment will be used for product and business development, Henderson said, adding he expects a product to be on the market this summer. In addition to the mobile phone camera market, the firms will pursue opportunities in auto focus and optical zoom modules for actuators for electronic locks, micro-fluidic pumps for medical devices and active control systems for automotive components.

Founded in 2002 by Henderson, New Scale has 34 employees. Henderson expects to add up to 20 more workers by year-end.

New Scale develops piezoelectric squiggle motors, which are the smallest linear motor on the market. They have seven parts and no gears, making them more efficient and precise than conventional electromagnetic motors, Henderson said.

The firm continues to reduce the size of its motors. This week New Scale said it had received its third U.S. patent for its

miniature motors.

New Scale's partnership with austriamicrosystems is not the first for the local company.

Henderson and his team met with those in the mobile phone industry and in July 2006 inked a license agreement with Japan-based Tamron Co. Ltd. The deal authorized Tamron to use New Scale's squiggle motors in its optical imaging assemblies, including digital still cameras, camcorders and mobile phone cameras.

The agreement was a major milestone for New Scale, giving the firm inroads in the high-end imaging products market, New Scale officials said.

New Scale leaders believe its tiny motors give it a strong position in the multibillion-dollar market for mobile camera phones. The total market is expected to grow from 500 million phones sold in 2005 to 900 million a year by 2009, Henderson said.

Squiggle motors are ideal for that market, he said. They run on ultrasonic vibrations, which allows for the extremely compact size and low power consumption necessary for mobile phone cameras.

New Scale's motor should be in mobile phone cameras next fall, which would mean

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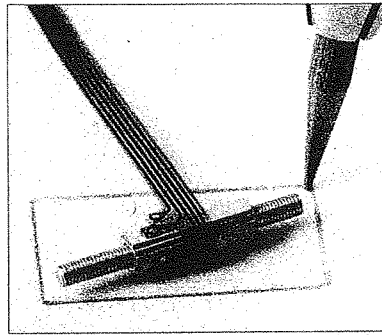


Photo courtesy of New Scale

New Scale's piezoelectric squiggle motors are the smallest linear motors on the market.

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the company needs to produce 1 million units per month, Henderson said. To meet that anticipated need, New Scale is talking to some potential partners in Asia to handle the additional manufacturing capabilities.

Because of the anticipated growth, New Scale moved into bigger digs down the road from its former location last March. The firm spent roughly \$1 million in building upgrades and new equipment, such as robotic assembly machines, for its first automated manufacturing facility on Victor Heights Parkway.

The 15,000-square-foot facility has the capacity to produce 100,000 units per month with three shifts working, Henderson expects to be at that capacity next year.

The remaining 20 percent of New Scale's business is divided among areas such as electronic locks, intelligent fasteners, miniature drug pumps, endoscopes, automotive components and cryogenic instruments. All are areas the firm is looking to grow, Henderson said.

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