

MEMORANDUM

Date: March 16, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Ash Stevens, Inc.
High-Technology MEGA Credit

COMPANY NAME

Ash Stevens, Inc.
18655 Krause Street
Riverview, Michigan 48913

HISTORY OF COMPANY

Ash Stevens, Inc. was founded in 1962 to provide contract research services to the Federal Government (Walter Reed Army Hospital, National Institutes of Health and National Cancer Institute). While the company continues to conduct cancer research for the NCI, the majority of ASI's business is devoted to the development and manufacturing for commercial life science companies around the world.

Process development and active pharmaceutical ingredient (API) manufacturing are the company's core business. Ash Stevens offers a comprehensive and flexible package of manufacturing services including process research and development, analytical services, regulatory services, and high-potency manufacturing.

Ash Stevens, Inc. currently has 65 employees in Michigan.

PROJECT DESCRIPTION

For the project, Ash Stevens will be expanding and renovating their current facility in Riverview. The expansion will allow Ash Stevens to address new market segments that they currently are not able to due to size constraints of their current space. The machinery to be installed by ASI will support more efficient and larger batch size production of chemical compounds that are the active ingredients in medicines sold by its customers.

Ash Stevens will invest approximately \$14.9 million and create 60 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,324. 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 202 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$4,512,981 (current dollars) due to the presence of this facility.

BUSINESS CASE

Ash Stevens is also considering Devens, Massachusetts as a potential location for this project. Locating the project at a facility in Devens would result in a savings for the company due to lower wages and the lower personal property tax rate in Massachusetts. The company indicated that they also would be in a better position to create synergies with both clients and suppliers and that it would be easier to attract and keep senior level management and research staff if the project were located in Devens. The MEGA tax credit would help offset this competitive disadvantage and help to make it possible for the company to remain in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Riverview is supportive of this project and anticipates the approval of local tax abatements. The estimated value of these abatements is not known at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Life Sciences technology, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

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 60 net new employees in excess of the company's established base of 65.