

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: February 14, 2006
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President Business Development
SUBJECT: Briefing Memo -- BioPort Corporation Retention Credit

COMPANY NAME AND ADDRESS:

BioPort Corporation
3500 North Martin Luther King Jr., Blvd.
Lansing, Michigan 48906

HISTORY OF COMPANY:

BioPort Corporation was founded in 1998 to acquire the assets of the Michigan Biologic Products Institute from the State of Michigan. After the purchase of the facility, BioPort signed a new contract with the Department of Defense to produce the anthrax vaccine. The facility gained FDA approval in late 2001. Currently, the facility employs 322 associates.

PROJECT DESCRIPTION:

BioPort is proposing to construct a new 50,000 square foot manufacturing facility at their current campus in Lansing in order to develop and produce products for their life science initiatives. The new facility will allow BioPort to retain up to 322 employees at the site, although this number may decrease due to production efficiencies that will be gained by the new facility. Average wages for the retained workers will be \$1,058 per week. Without a new facility, all the work done at the Lansing facility would eventually be relocated to Frederick, Maryland.

The project would require an investment of \$72.5 million, including \$25 million for the new building, \$21 million for new machinery and equipment and \$29 million for facility validation costs in order to meet FDA requirements. The company would be required to make at least a \$27.5 million investment by the end of 2006.

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BENEFITS TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will retain a total of 952 jobs in the state by the year 2015. We also estimate that the project would maintain total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$38.2 million (2006 dollars) due to the retention of this facility.

BUT FOR:

BioPort is also considering Frederick, Maryland for the new production facility. A location in Frederick offers BioPort a significant salary and wage savings compared to Michigan due to fewer administrative employees being needed in Frederick for this project. It is estimated that if the project located in Maryland, the company would need approximately 40 to 50 fewer employees. The company is also being recruited by Maryland for this investment. The company is being offered training grants, tax increment financing, a forgivable loan and a financing enhancement which would allow the company to finance project costs at lower interest rates, potentially saving up to \$1 million per year.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$915,000.

The City of Lansing has proposed a 100 percent PA 328 personal property tax abatement for 15 years, and a 50 percent PA 198 real property tax abatement for 12 years. The estimated value of the PA 328 abatement is \$4.7 million, and the estimated value of the PA 198 abatement is \$4.35 million. Final approval of the abatements is expected on March 27, 2006.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent retention employment tax credit for ten years, for up to 322 retained employees.