



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

300 WASHINGTON SQ.  
ANN ARBOR, MI 48103

CONTACT CENTER  
7373.9808

WWW.MICHIGAN.ORG

**DATE:** March 13, 2007  
**TO:** Michigan Economic Growth Authority  
**FROM:** Jim Donaldson, Vice President  
Business Development  
**SUBJECT:** Briefing Memo – Lycera Corporation  
High-Technology MEGA Credit

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**COMPANY NAME AND ADDRESS:**

Lycera Corporation  
1663 Snowberry Ridge Road  
Ann Arbor, Michigan 48105

**HISTORY OF COMPANY:**

Lycera is a recently formed, start-up pharmaceutical company which is developing breakthrough small molecule drugs for the treatment of diseases characterized by abnormal cell growth, activity and survival. These diseases include psoriasis, graft versus host disease (GVHD), rheumatoid arthritis, lupus and cancer. The Company is based upon the work of Gary Glick, PhD. Dr. Glick is the Werner E. Bachmann Professor of Chemistry and Professor of Biological Chemistry at the University of Michigan.

**PROJECT DESCRIPTION:**

The company is seeking approximately \$36.0 million to fund its first three years of operations, as well as to provide it with the opportunity to in-license additional technology. The company is also considering locations in the Greater Philadelphia area, New Jersey, Florida, Northern California, and Seattle.

If the company locates in Michigan, they are considering establishing their operations in SPARK's wet lab incubator in the City of Ann Arbor. During its first year, the company expects to spend approximately \$676,000 on real and personal property, and will create twelve new jobs. When fully staffed, the company hopes to create 28 new jobs with an anticipated average weekly wage of \$2,315.

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**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 34 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by \$456,000 (2007 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Michigan does not have a program to offer up-front cash support that some states are offering to Lycera, either through government-funded or privately funded programs. Further, Michigan lacks venture capital firms that are large enough to provide the amount of private equity financing that companies like Lycera require. While Michigan is making strides in venture capital, it still lags severely in life science funding, both within its borders and in its ability to attract venture-backed companies and their funders.

**OTHER STATE AND LOCAL ASSISTANCE:**

Ann Arbor SPARK has proposed a subsidized lease at their wet lab incubator which will save the company up to \$127,000 over three years or \$444,000 over five years. They are also offering approximately \$150,000 of used lab equipment through their Michigan Innovation Equipment Depot program.

**QUALIFYING HIGH TECHNOLOGY ACTIVITY:**

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

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 5 years, for up to 28 net new employees.