



201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
317 335 5883
317 241 3683

CUSTOMER ASSISTANCE
317 373 9808

www.michigan.org

MEMORANDUM

DATE: January 11, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – STATPROBE, Inc.

COMPANY NAME AND ADDRESS:

STATPROBE, Inc.
3885 Research Park Drive
Ann Arbor, Michigan 48103

HISTORY OF COMPANY:

STATPROBE, Inc. was founded in 1988 and is a full-service contract research organization (CRO) specializing in clinical management and monitoring, data management, programming, statistics and medical writing. STATPROBE also offers custom staffing solutions and custom software development for clinical trials management and has experience with clinical trials ranging in size from 5 patients to 1 million patients. STATPROBE is one of the industry's largest privately held CROs with over 330 staff members at seven locations nationwide, including Ann Arbor, Lexington, San Diego, Seattle, Columbus, Philadelphia, and Cary, North Carolina. Currently, STATPROBE has 183 employees in Michigan, including 60 staff working on-site with Pfizer in Ann Arbor.

PROJECT DESCRIPTION:

STATPROBE is planning for its next phase of growth and needs to move its headquarters and expanding operations staff into a new location. As part of this initiative, the company plans to lease 35,000 square feet in a built-to-suit building within the State Street Business Park in Pittsfield Township (Ann Arbor). The company anticipates investing \$6.6 million in the project, including \$5.6 million in capitalized lease costs and \$900,000 in new machinery, equipment and computers.

STATPROBE would hire an additional 48 people within a five-year period, including 14 new employees in the first year of operation. The new positions would have an average weekly wage of \$1,100, with a full benefit package. STATPROBE would begin construction immediately and expects work to be completed by June 2001, with start-up of the facility planned for July 2001.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 72 jobs in the state by the year 2005. Total state government revenues through the year 2005, net of MEGA costs and adjusted for inflation, would be increased by \$1,082,000 (2000 dollars) due to the presence of this facility.

BUSINESS CASE:

STATPROBE has experience rapid growth since the company was founded 12 years ago in Ann Arbor. In 1997, the company opened its first regional office in San Diego and it has since expanded to 5 additional offices around the country.

As STATPROBE plans for its continued growth, either within existing offices or by opening new offices, they want to better serve their customers by focusing on two strategic advantages, location and lower services costs. Therefore, STATPROBE must locate near large biotech pharmaceutical/industry clusters and operate at lower costs in order to provide competitively priced services to their clients. In addition, the company needs the availability of the appropriate labor pool as well as the ease and cost of transportation to prospective and existing customers. With this in mind, the key decision for the company is not whether to continue operations in Ann Arbor, but how aggressively these operations will grow.

STATPROBE has been very successful in growing its business with its primary location in Ann Arbor over the past 12 years. The company is also very encouraged by Michigan's commitment to the development and growth of the life science industry within Michigan. The addition of any tax

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incentives will help to offset the costs of doing business in Michigan and have a significant impact of the decision-making process of future growth.

OTHER STATE AND LOCAL ASSISTANCE:

The company is working with Pittsfield Township, the Washtenaw County Road Commission and the Washtenaw Development Council to secure road and infrastructure improvements. These improvements include engineering work and the installation of a traffic light and turn lanes at the State/Morgan Intersection. The estimated value of these road improvements will be \$275,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for two years and 50 percent for three years for 48 net new jobs and a business activity credit of 50 percent for five years.