By Barbara Quinn

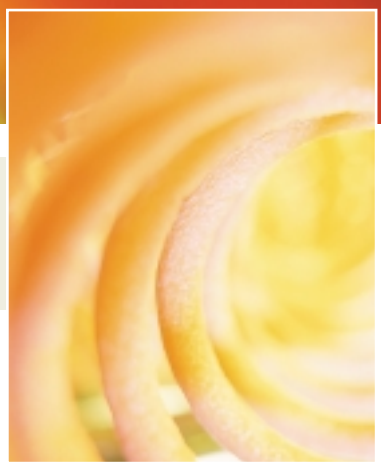
The Heart *of the* World's Pharmaceutical Industry

> PHARMACEUTICAL companies considering a relocation inevitably find NEW JERSEY on their short lists for a simple reason — the industry has made the state its home, with impressive results.

"We were ready to take our company to the next level," says Paul Thomas, president and CEO of LifeCell Corporation, a biotechnology company founded in Texas. LifeCell is a pioneer in the field of regenerative medicine, having developed a technology that has led to human tissue products that retain all the components and structures essential for the regeneration of normal human soft tissue. For LifeCell, the "next level" meant making basic changes to an organization that no longer fit into a startup category. "That meant finding a new facility and the key staff people that would support our company's growth and profitability. That search led us to New Jersey."

Now based in Branchburg, LifeCell has followed a path established by scores of pharmaceutical and biotechnology companies ready to reach the next level. LifeCell began its move to New Jersey in 1999. Thomas explains his company's choice: "We're right in the center of the Baltimore/Boston research corridor, with access to vendors, customers, and research. We were able to hire great people — talented, extremely well educated, and familiar with our industry — and we are confident that we'll continue to find the people we need to accommodate our anticipated growth. The quality of life is good and the state was very supportive, providing us with both financial and training assistance. It was a good decision then. It's still a good decision."

Unlike many of the large pharmaceutical companies that have been part of New Jersey's economic profile for years, LifeCell reflects a trend of new companies moving to New Jersey from locations throughout the United States, Europe, and Asia. Since 1999, companies moving to New Jersey from other states have included Aventis Pharma, ImClone, INO Therapeutics, Memory Pharmaceuticals, Primix Solutions, Quest Diagnostics, and R.P. Scherer. During the same period, companies from Japan (Kissei Pharmaceutical, Maruho, and Uno Pharmaceutical), the United Kingdom (Pharmacia), and the Netherlands (Organon) also have joined New Jersey's well-established pharma/bio sector.



The importance of the state's pharmaceutical sector extends far beyond its borders. Fully 53 percent of the new medicines approved by the U.S. Food and Drug Administration (FDA) in 2001 were developed by New Jersey's pharmaceutical companies. Inside the state's borders, the sector includes 75 percent of the world's leading pharmaceutical companies. New Jersey's pharma sector includes names that have defined the industry throughout the twentieth century — companies like Bristol-Myers Squibb, Johnson & Johnson, Novartis, Pfizer, Wyeth (formerly American Home Products), Novo Nordisk, Merck, and Schering-Plough. Increasingly, it also is home to companies that will help to expand that definition in this century, companies ranging from LifeCell to Pharmacopeia, Celltech Group, and Vyteris.

A POWERFUL DRAW

Each year, the pharmaceutical and related industries contribute some $20 billion to the New Jersey economy. R&D facilities and new laboratories in New Jersey were funded in 2001 to the tune of $2.4 billion, and nearly half the nation's investment in R&D for new medicines — about $15 billion — is committed to New Jersey facilities and researchers. Routinely, New Jersey accounts for about 24 percent of all private R&D dollars spent in the country.

What draws the pharmaceutical industry to New Jersey is a unique combination of human capital, sector-specific infrastructure, and quality of life.

Some 62,000 employees report to work each day at New Jersey's pharmaceutical and medical-technology operations. Per capita, New Jersey has more scientists than any other state and ranks eighth in the United States for educational achievement of individuals 25 years of age and older. Much of that educational attainment can be credited to New Jersey's network of educational institutions, which includes such globally recognized schools as Rutgers and Princeton, as well as schools with lower profiles but equally impressive dossiers. The University of Medicine and Dentistry of New Jersey (UMDNJ), for example, is one of the nation's largest research universities, while the New Jersey Institute of Technology's R&D in the field of nanotechnology is setting new standards for the emerging industry. Overall, 57 univer-

sities, colleges, and technical schools provide the foundation for education and work-force training throughout New Jersey.

To develop and nurture the work force demanded by its pharmaceutical and related companies, New Jersey has launched two initiatives specifically targeting its labor pool. In late 2002, New Jersey Governor James E. McGreevey announced plans to consolidate the state's work-force development programs under a common administrative umbrella, ensuring a renewed priority for the program and facilitating access for companies seeking services.

A second initiative centers on the creation of the Commission on Jobs, Growth & Economic Development. In announcing formation of the commission, Governor McGreevey noted, "The commission will set forth a blueprint to enable New Jersey to not simply compete in the new economy, but to thrive and prosper in the coming decade." Among the endeavors shouldered by the commission will be the development of policies and programs to support research and development; enhancement of government responsive-

INITIATIVES AND PROGRAMS

New Jersey Seed Capital Program

Enables early-stage high-tech companies to obtain loans of up to $500,000 to bring new products and technologies to market.

New Jersey Technology Funding Program

EDA partners with banks to loan from $100,000 to $5 million to more-advanced companies under this program. EDA participation will be at a below-market rate, with the bank lending at its normal rate.

Business Employment Incentive Program

Helps high-tech and biotech companies relocate or expand in New Jersey. Grants are based on state income taxes withheld from new employees. Recipients receive 10 percent to 80 percent of these taxes back in the form of a rebate for a period up to 10 years.

Technology Tax Certificate Transfer Program

Enables certain high-technology companies to raise cash to finance their growth and operations by selling tax losses or research and development tax credits to other businesses. Last year, 166 applications were approved under this program, a 41 percent increase in programmatic activity.

Jumpstart Angel Investor Network

The Network plans to invest in early stage, pre-venture capital New Jersey technology companies in industries that mirror dominant technology sectors in the state. To join, investors must pay a $2,500 member fee and agree to invest $50,000 annually in New Jersey tech companies.

"High Tech" Investments

EDA invested more than $8 million as part of its $10 million commitment to the New Jersey Technology Council's Venture Capital Fund.

Nanotechnology Consortium

The EDA recently approved the investment of $2 million in the New Jersey Nanotechnology Consortium, launched by Lucent Technologies to help high-tech companies develop and expand in New Jersey.

Entrepreneurial Training Institute (ETI)

An innovative eight-week program that assists aspiring entrepreneurs, the Entrepreneurial Training Institute. The highly structured program, offered in the fall and spring of each year, covers such topics as preparing a business plan, understand-

ness to business needs; identification of emerging technologies of strategic importance to New Jersey and the resources to support them; and expansion of the partnership between industry and New Jersey's research universities.

A LIFESTYLE FOR GROWTH

Just as the state's pharmaceutical sector labors to support life through its products and innovations, New Jersey itself supports a quality of life that represents a strong draw for companies who can choose to locate their facilities anywhere. "You don't attract or keep the best in the business by ignoring quality of life," says LifeCell's Thomas. "Our Branchburg facility gives people options they wouldn't have in most other places. They can live in rural Pennsylvania and still be within a convenient commute, or they can live in any number of small towns right around here. Manhattan isn't far away, and the transportation infrastructure is second to none."

New Jersey's quality of life, along with the talent of its work force and the commitment of its

ing the financial aspects of running a small business, and developing marketing strategies.

Business Mentoring

The purpose of the program, which became fully operational in fall 2001, is to offer graduates or loan recipients assistance with bookkeeping, marketing, day-to-day business operations, and loan-package preparation to help them succeed and grow.

TAX CREDITS

Investment Tax Credits

High-technology business investment tax credit: 10 percent of the qualified investment amounts in each of three tax years ($500,000/year cap). Unused credit may be carried forward for 15 years. Available to companies engaged in biotechnology, environmental technology, and medical technology.

Net Operating Losses

Allows new or expanding technology companies to turn their tax losses and credits into cash. Approved business may sell its unused net-operating-loss carryforwards and unused research and development tax credit carryforwards to any corporate taxpayer in the state for at least 75 percent of the value of the tax benefits.

Employment Training Credits

Matching grant dollars can be awarded to employers for classroom-based and on-the-job training. Grant allocations can be applied to the direct cost of training as well as partial reimbursement of wages.

Job Creation Tax Credit

New jobs investment credits are available in targeted areas via the Urban Enterprise Program.

PUBLIC V.C. / EQUITY FUND

New Jersey Technology Council Venture Fund

Focuses on early-stage technology companies. The state contributed $10 million towards this $30 million fund.

Springboard Fund

The N.J. Commission on Science and Technology offers repayable grants of $50,000 to $250,000 for commercialization research.

CAPITAL DISCOUNTS

Utility Discounts

10-15 percent discounts are available in targeted areas.

Equipment & Personal Property

– No net worth tax
– No business personal property tax
– No commercial or occupancy tax

Business Employment Incentive Program

Grants available based on state income tax collected for new employees.

government to the pharmaceutical industry, combine to promote ongoing growth of the industry, from the relocation of small companies like the 125-employee LifeCell to the $250 million expansion of Bristol-Myers Squibb's research and development operations at its 96-acre New Brunswick facility.

Those investments confirm the industry's confidence that it will find what it needs in New Jersey, be it a work force familiar with the demands of regulatory agencies or a resource such as EduNeering, an online learning provider that has partnered with the FDA in the development of a virtual university with courses for both FDA employees and staff members of the regulated community.

New Jersey's critical mass of pharmaceutical companies — complemented by a surrounding infrastructure of supporting firms, public-sector research, and industry-specific educational programs — continues to respond to the interconnected factors that have made the state the number-one location for the global pharma/bio industry. New Jersey made sense as the premier location throughout the last century. With a renewed commitment to enhancing its status even further, New Jersey makes equal sense for this century.