

**COUNCIL ACTION FORM**

**SUBJECT: REQUEST FROM NEWLINK GENETICS CORPORATION FOR  
\$200,000 FORGIVABLE LOAN AND TAX ABATEMENT**

**BACKGROUND:**

In September 2005, City Council approved a \$200,000 forgivable loan to NewLink Genetics Corporation. At the time, NewLink was in the research phase of developing pharmaceutical products with a primary focus on cancer. The assistance was primarily to enable a move to a larger space to accommodate increased production for large scale product testing.

The company has not drawn down the funding or entered into an agreement since the additional space was not needed until they reached the stage of clinical trials requiring additional production. The company is now at the point where additional space is needed and has asked to make some modifications to their original proposal. The primary differences between the original terms and the proposed changes are (1) that NewLink will move into an existing building at the ISU Research Park rather than a newly constructed building; and (2) the lease will be for a term of five years with an option to extend, rather than a lease term of ten years.

With these changes, NewLink would not receive the tax abatement benefit offered for construction of a new building. Other than these changes, the terms are essentially the same. However, since four years have passed since Council's resolution and there are some requested changes, staff is resubmitting the proposal for Council review. A summary of the original general terms and the new proposal are provided below.

Terms authorized by City Council, September 2005

- NewLink commits to a 10-year lease for a newly constructed building at the ISU Research Park with a minimum size of 20,000 square feet.
- Create/retain 150 new jobs averaging \$40,000/year over five years.
- AEDC to provide \$200,000 forgivable loan.
- City to provide \$200,000 forgivable loan with funding at the following milestones:
  - \$100,000 at start of construction of new building with lease commitment from NewLink.
  - \$50,000 when the new building is occupied by NewLink.

- \$50,000 when NewLink reaches a total of 70 qualified jobs in Ames.
- The City would also provide tax abatement under the urban revitalization program.

#### Proposed Modified Terms

- NewLink commits to a 5-year lease with an option for extension to 10 years for an existing building at the ISU Research Park with a minimum size of 20,000 square feet.
- Create/retain 150 new jobs averaging \$40,000/year over five years.
- City to provide \$200,000 forgivable loan with funding at the following milestones:
  - \$100,000 upon finalization of a building lease agreement between NewLink and the ISU Research Park
  - \$50,000 when the leased building is occupied by NewLink.
  - \$50,000 when NewLink reaches a total of 70 qualified jobs in Ames.

AEDC will also provide a \$200,000 forgivable loan and will match the funding provided by the City. Terms of the loan will include substantial penalties should NewLink move operations out of Ames during the term of the loan. The terms related to the forgivable nature of the loan depend on NewLink reaching employment commitments. Penalties (or reduction in the amount of loan forgiven) would be on a pro rata basis based on job attainment.

The Board of Directors of the Ames Economic Development Commission has approved a \$200,000 forgivable loan contingent on a match amount from the City of Ames.

Additional background information on the company and status of product development are included as an attachment along with a copy of the September 27, 2005, Council Action Form.

#### **ALTERNATIVES:**

1. Approve a motion in support of a \$200,000 forgivable loan to NewLink Genetics Corporation in accordance with the milestones stated above and direct City staff to draft a forgivable loan agreement for City Council approval.
2. Approve a motion in support of a forgivable loan in an amount less than \$200,000 to NewLink Genetics Corporation in accordance with the milestones stated above and

direct the City staff to draft a forgivable loan agreement for City Council approval on behalf of NewLink should they decide to expand in Ames.

3. Deny the request to provide any changes to the incentive package for NewLink. The corporation will then be required to meet the terms of the September 27, 2005, Council resolution to be eligible for City assistance.

**MANAGER'S RECOMMENDED ACTION:**

The effort to retain this growing pharmaceutical company in Ames with its relatively high paying jobs is consistent with the economic development plan of the City Council.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, approving a motion supporting a \$200,000 forgivable loan to NewLink Genetics Corporation in accordance with the milestones stated above and directing the City staff to draft a forgivable loan agreement for City Council approval.

# NewLink Genetics

Targeting Immune Escape

## Company Overview

NewLink is an emerging biopharmaceutical company focused on discovery and development of novel, immunotherapeutic agents. Our mission is to achieve breakthrough improvements in the survival and quality-of-life of cancer patients.

We are currently advancing four product candidates in human clinical trials. Our HyperAcute® immunotherapies for treatment of pancreatic cancer and non-small cell lung cancer are moving forward in Phase 2 efficacy studies, while the HyperAcute product for melanoma is showing early promise in a small, investigator-sponsored Phase 2 study. We are also developing a first-in-class, small-molecule inhibitor of the IDO\* pathway, which is presently undergoing Phase 1 testing for safety.

NewLink's scientific team combines extensive backgrounds in cancer biology, immunology, infectious disease, and molecular genetics, including a decade of professional collaboration among its senior leadership in work conducted at the National Cancer Institute and the National Human Genome Research Institute prior to the company's founding in 1999. Based in Ames, Iowa, NewLink has approximately 60 employees, with over 20 holding MD, PhD, or both degrees.

\* *indoleamine 2,3 dioxygenase*

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# NewLink Genetics

Targeting Immune Escape

## Pipeline Overview

Product	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
HyperAcute®-Pancreas					
HyperAcute®-Lung					
HyperAcute®-Melanoma					
HyperAcute®-Prostate					
HyperAcute®-Breast					
D-1MT					
2nd Gen. IDO Inhibitors					
Other HyperAcute® Products					

### HyperAcute® allogeneic (off-the-shelf) cancer cell-based immunotherapies:

NewLink has produced and tested the safety profiles of five different HyperAcute cancer immunotherapies designed to treat non-small cell lung cancer, pancreatic cancer, melanoma, prostate cancer, and breast cancer. At present our resources are mainly focused on advancing HyperAcute-Pancreas and HyperAcute-Lung immunotherapies through Phase 2 trials. We plan to initiate a pivotal trial of HyperAcute-Pancreas immunotherapy in early 2010. In line behind our two leading HyperAcute product candidates, HyperAcute-Melanoma immunotherapy has shown early promise in a small, physician-initiated Phase 2 study, and HyperAcute-Prostate immunotherapy yielded encouraging results in a completed Phase 1 study.

Beyond the current pipeline, NewLink's HyperAcute platform will readily support efficient design and development of additional products tailored for treatment of other cancer types.

### Small molecule inhibitors of cancer immune escape pathways:

NewLink's formulation of D-1 methyl tryptophan (D-1MT) — an inhibitor of the indoleamine 2,3 dioxygenase (IDO) pathway — is being tested in two Phase 1 studies designed to assess its safety in humans. Our scientists are also engaged in research aimed at identification of next generation development candidates targeting the IDO pathway.

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ITEM # ~~33~~ <sup>OLD</sup> <sup>CAF</sup>  
DATE: September 27, 2005

**COUNCIL ACTION FORM**

**Subject:**                   **REQUEST FROM NEWLINK GENETICS CORPORATION FOR A \$200,000 FORGIVABLE LOAN AND TAX ABATEMENT**

**Background:**

NewLink Genetics Corporation is a biopharmaceutical company developing novel drugs and functional genomics solutions with a primary focus on cancer. The company was founded by Dr. Charles Link in 1999 and established its operations in laboratory space at the ISU Research Park. The company is currently conducting Phase I/II clinical trials with its proprietary HyperAcute™ vaccine technology. The Food and Drug Administration has accepted NewLink's Investigational New Drug applications for the HyperAcute™ vaccine technology allowing it to proceed with clinical trials treating patients with advanced lung cancer, breast cancer, prostate cancer, pancreatic cancer, and malignant melanoma. The company's lung, breast, and prostate vaccine trials are currently enrolling patients at various trial centers around the nation. In addition, the company has recently acquired patents and licenses for other cancer therapeutics to broaden its intellectual property platform.

The Iowa Department of Economic Development awarded the company a \$6 million grant from the Iowa Values Fund to assist the company in growing its operations in Iowa. The company has already achieved several research and scientific milestones. The company currently has 36 employees that are highly paid technology positions.

Over the last year, the company has been evaluating several site options in Central Iowa for the construction of its initial building to house its research, manufacturing and headquarters. The company is currently soliciting proposals to lease 20,000 to 30,000 square feet of office and research space. The City Manager and AEDC Executive Director have been meeting with company officials over the last year to negotiate a financial package that would secure a commitment from the company to remain and grow their business in Ames. The results of these negotiations are as follows:

In return for commitments to enter into a ten year lease agreement for a newly constructed building at the ISU Research Park and to create/retain 150 jobs, averaging \$40,000, within Ames during the next five years, the following financial package would be provided.

- The Ames Economic Commission will provide \$200,000 to NewLink upon finalization of the forgivable loan document.

-The City of Ames will provide \$100,000 in forgivable loan funding when construction begins on the new building to be leased by NewLink in the Research Park

-The City of Ames will provide \$50,000 in forgivable loan funding when the new building at the Research Park is occupied by NewLink .

-The City of Ames will provide \$50,000 forgivable loan funding when reaches a total of 70 jobs in Ames.

-In addition to the \$200,000 forgivable loan should the three milestones listed above are reached, the City will provide tax abatement in accordance with one of three schedules offered under the urban revitalization program. Based on the construction of a new \$4,000,000 building, the amount of tax abatement incentive offered to NewLink under this provision could amount to \$278,190 (for 5 year schedule), \$370,920 (for a 3 year schedule) or \$544,016 (for a 10 year schedule). This item will require follow up action to create urban revitalization plan and approval by the Council.

-A penalty provision will be included in the agreement with NewLink to protect the City in the event the number of jobs are not created as promised or the company relocates outside of Ames.

-The agreement with NewLink will secure the promise of jobs with a lien of a piece of equipment or other assets of the company. Unfortunately, as is typically the case, the City most likely will not be able to obtain a first position on the security.

The Board of Directors of the Ames Economic Development Commission has approved a \$200,000 forgivable loan contingent on a match amount from the City of Ames.

#### **Alternatives:**

- 1) **Approve a motion supporting a \$200,000 forgivable loan** to NewLink Genetic Company in accordance with the milestones stated above and direct the City staff to draft a forgivable loan agreement for City Council approval. In addition, this alternative will instruct staff to initiate the process to provide the urban revitalization tax abatement for the owners of the building that will house NewLink once the building is being built and a lease has been signed. This action will also authorize the Mayor to sign a High Quality Jobs Program application on behalf of NewLink should they decide to expand in Ames. This new incentive program provides State tax credits and sales tax refunds on construction materials for companies that create high quality jobs in Iowa, and does not require any financial obligation on the part of the City.

- 2) **Approve a motion in support of a forgivable loan in amount less than \$200,000** to NewLink Genetic Company in accordance with the milestones stated above and direct the City staff to draft a forgivable loan agreement for City Council approval. In addition, this alternative will instruct staff to initiate the process to provide the urban revitalization tax abatement to the owners of the building that will house NewLink once the building is being built and a lease has been signed. The action will also authorize the Mayor to sign a High Quality Jobs Program application on behalf of NewLink should they decide to expand in Ames.
- 3) Approve a motion in support of a forgivable loan in some amount, but deny the request for urban revitalization tax abatement. The action will also authorize the Mayor to sign a High Quality Jobs Program application on behalf of NewLink should they decide to expand in Ames.
- 4) Deny the request to provide any incentive package to NewLink, but agree to authorize the Mayor to sign a High Quality Jobs Program application on behalf of the company should they decide to expand in Ames.

**City Manager's Recommended Action:**

If a satisfactory incentive package can be worked out, it appears that NewLink intends to buy up to 20 acres of land at the ISU Research Park to develop a campus for its operations. Over the next five years, the company plans to facilitate the construction of two facilities for its expanding manufacturing, office, and R & D operations and for its affiliated companies. The company plans to influence the construction in 2006 of a 20,000 to 30,000 sq. ft. building. The anticipated completion date is at the end of 2006. In 2010, the company expects to lease a second building. The timing of the second building may be accelerated based on the success of its clinical trials and the need to ramp up pharmaceutical production.

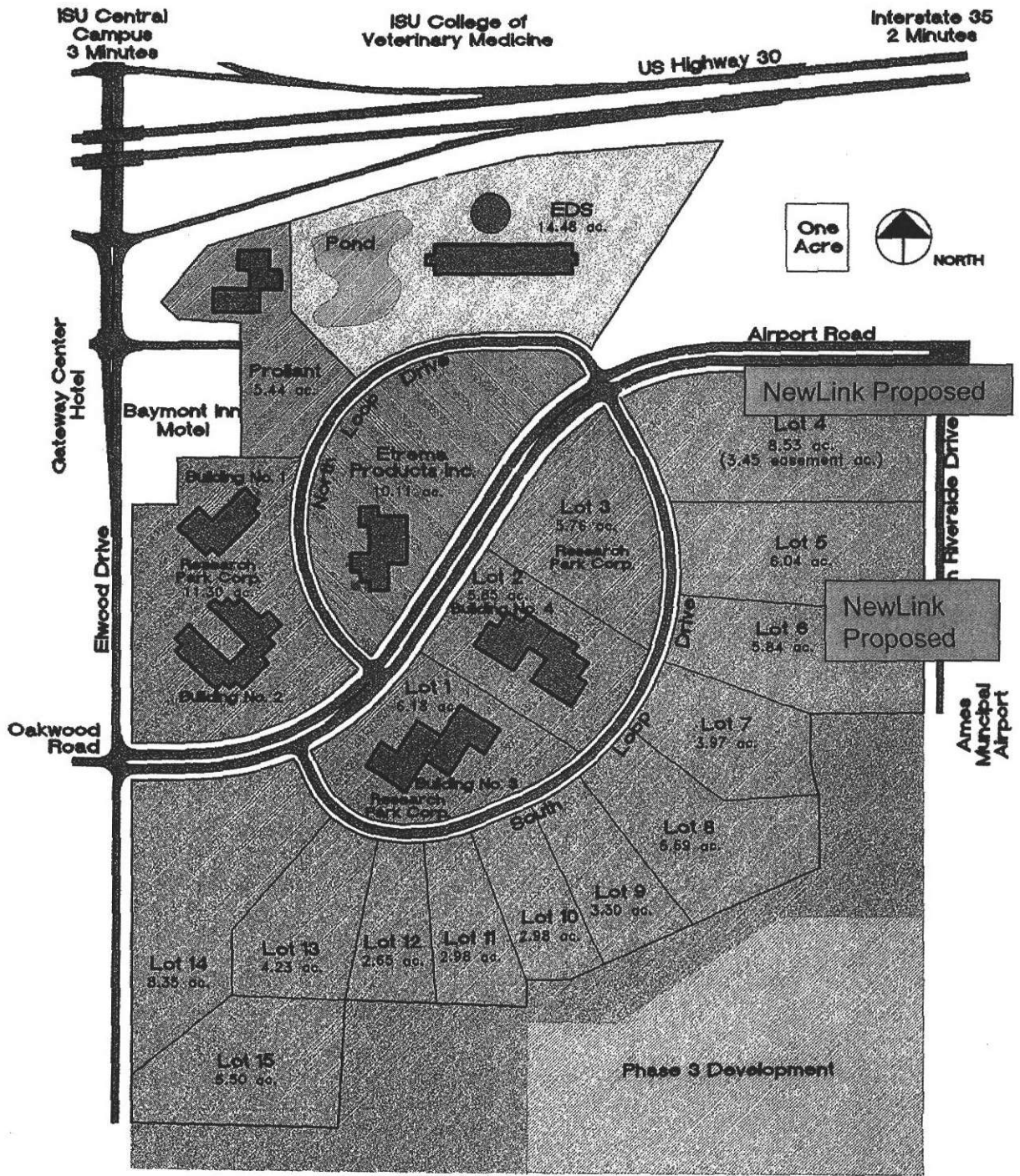
**The successful retention of NewLink Genetics in Ames is consistent with the City Council's vision for our city of become a leader in the bio-economy. The proposed project scored a 30 on our evaluation matrix and thereby is eligible for our best incentive terms. The City Council should understand, however, that the financial package being offered (\$200,000 in cash and \$370,920 in tax abatement-assuming a 3 year schedule) represents one of the largest packages ever offered a company. In addition, while the quality of the individuals leading the company is excellent and the success to date of employees of NewLink is quite impressive, one can not forget that the development of pharmaceuticals is a very risking business. There are numerous hurdles to overcome before the company will have a drug certified for the market.**

**The City Council must decide if the potential benefits outweigh the risks involved in investing in this type of company. Given the City Council's goal of becoming a leader in the bio-economy, it would seem appropriate to take advantage of this**



**unique opportunity to grow a pharmaceutical company in Ames. Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1.** This option will direct the City staff to: 1) draft a forgivable loan agreement for City Council approval, 2) initiate the process to provide the urban revitalization tax abatement for the owners of the building that will house NewLink, and 3) authorize the Mayor to sign a High Quality Jobs Program application on behalf of NewLink should they decide to expand in Ames.

It should be noted that in previous cases regarding tax abatement requests from companies such as Ball Plastic and Barilla who scored high on our evaluation matrix were accommodated by the City under the State's New Jobs and Income Program. Tax abatement under this program has recently been eliminated by the State. Consequently, if you approve of the tax abatement concept, staff will pursue the urban revitalization tax abatement program that is available for economic projects such as this request.



Iowa State University Research Park  
Ames, Iowa