

Canton biotech to get state incentives, plans to expand \$18m package kept Organogenesis in Mass., Patrick says

By Stephen Heuser, Globe Staff | June 1, 2007

Organogenesis Inc., a once-troubled Canton biotechnology company that makes living artificial skin, plans to build a new headquarters and factory in Massachusetts and add 300 jobs over the next five years after the state offered it an incentive package worth up to \$18 million, the company said yesterday.

Four years after emerging from bankruptcy, the privately held Organogenesis now has annual sales of about \$50 million and is looking to expand from the wound-healing product into new arenas such as cosmetic skin care.

In an elaborate news conference at Organogenesis headquarters that included state legislators, company investors, and scores of employees, Governor Deval Patrick claimed the company's decision to stay in Massachusetts as the first victory since he disclosed his \$1 billion life-sciences strategy at the BIO International Convention in Boston early last month.

"You better believe I go to work to fight to keep you here in Massachusetts," he told company employees and executives.

Organogenesis had been planning to expand in Rhode Island, said its chief executive, Geoff MacKay, and had also considered Connecticut. But after months of meetings, Massachusetts business-development officials put together a deal to keep the company in the state.

The state will provide \$12.9 million in grants and infrastructure support to Organogenesis, plus as much as \$5 million in low-interest loans. The exact mix of grants and other incentives has yet to be worked out.

Organogenesis hasn't yet decided where to expand but is looking to build a new 250,000-square-foot complex within 15 miles of its Canton headquarters. Eventually all its operations would be moved to the new site.

The company makes a product unusual even for the biotechnology industry: a skin graft made in sheets from live human cells. It manufactures the artificial skin, called Apligraf, by growing cells made from human foreskins and setting them in a scaffolding of cow collagen. Doctors place the grafts on diabetic ulcers and other difficult-to-heal wounds.

In many ways, however, Organogenesis embodies the dramatic ups and downs of the biotech

industry. Founded in the 1980s, the company struggled for more than a decade to develop its artificial skin, a futuristic-sounding idea it hoped would bloom into a market worth hundreds of millions of dollars a year.

The stock soared and fell as Organogenesis became the object of a pitched battle among investors, with short-sellers on Wall Street trying to dampen expectations, and the company's executives trying to keep enthusiasm high.

Apligraf was eventually approved by the Food and Drug Administration in 1998, but artificial skin never developed into a major part of the healthcare industry. In 2002, the company furloughed most of its employees and filed for Chapter 11 bankruptcy protection. It emerged from bankruptcy the following year, owned by a group of private investors. Its original stockholders were largely left with worthless paper.

But the company has become profitable under its new ownership. It received a boost when Medicare decided to double the amount it would pay doctors who used its artificial skin product. Today, Organogenesis claims to be the world's first profitable regenerative-medicine company, although as a privately held firm it does not file financial statements.

After shrinking its operations to focus on selling Apligraf, Organogenesis now has 220 employees.

With biotech companies and other life-science businesses riding a wave of job growth and financial success, Massachusetts is competing with other states to lure and keep companies.

Another life-sciences disclosure is expected soon from Shire PLC , a drug company based in England that has a large research operation and small manufacturing plant in Cambridge. Because of the success of a newly introduced drug for a rare genetic disease, Shire has been in talks with Massachusetts officials about building a large manufacturing and research facility and possibly adding several hundred jobs in the state.

A Shire spokesman said the company has leased 50,000 square feet of office and lab space in Lexington, but hasn't finalized its expansion plans.

Last year, another major drug maker, [Bristol-Myers Squibb Co.](#), said it would build a \$660 million biomanufacturing facility at the former Devens military base. At the time, the Legislature and Governor Mitt Romney's office offered the firm more than \$60 million in bonds and tax credits.

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