

[Advanced Search](#) [All Recent News](#) [Email a Friend](#) [Print-Friendly](#)[West Elevation](#)

OPTIONS

[✉ Email a Friend](#)[🖨 Printer Friendly Version](#)[📄 Latest News Releases](#)[🔗 Permalink](#)SOURCE: **Unilife Medical Solutions**

Dec 16, 2009 09:39 ET

Unilife Commences Development of New Global Headquarters and Commercial Production Facility in Pennsylvania

World Class Custom-Designed Facility to Have First-Stage Manufacturing Capacity of up to 360 Million Syringes Annually; First Stage Scheduled for Completion in Late 2010

LEWISBERRY, PA--(Marketwire - December 16, 2009) - Unilife Medical Solutions Limited (Unilife or the Company) (ASX: [UNI](#)) (PINKSHEETS: [UNIFE](#)) today announced the signing of agreements for the construction of its new global headquarters and commercial production facility in York, Pennsylvania. The world-class medical device production facility (New Facility) will be situated at 250 Cross Farm Lane in York and the 165,000 square foot development is projected to be ready for operations by late 2010.

As previously announced, the Company has been exploring a number of potential opportunities with respect to the development of a new global headquarters and manufacturing facility for the Unilife Group in Pennsylvania in order to accommodate the Company's projected pharmaceutical demand for its Unifill™ range of ready-to-fill (prefilled) retractable syringes. The Company has now decided, after carefully considering the advantages and disadvantages (including from a financial and operational perspective) of leasing and retrofitting an existing logistics warehouse facility or developing its own custom built facility, to proceed with the development of its own custom-built facility.

The New Facility will be developed on a 38 acre parcel of industrial land with an expected total project cost of US\$26 million, which will be funded by a combination of debt and cash reserves. The land was purchased by Unilife Cross Farm, LLC (Unilife CF), a subsidiary of Unilife Corporation, for US\$1,990,725.

Stage one of the New Facility is designed to accommodate Unifill™ automated assembly lines with a combined annual capacity of 360 million units per year, as well as the Unitract™ 1mL automated assembly line and other contract manufacturing systems currently situated at Unilife's Lewisberry facility. It will also include a 54,000 square foot office section that will function as Unilife's global headquarters and support administrative, marketing, new product development, quality laboratories and other operational functions of the Company.

The New Facility has been designed to allow for an additional 100,000 square feet of contiguous production space to be readily constructed at a later date by the Unilife Group. Upon this additional expansion occurring, it will provide the Unilife Group with the necessary space to produce up to one billion syringes per annum via installation of additional Unifill™ assembly lines. Although this additional expansion of the New Facility forms part of the current planning approvals that have been received by the Unilife Group, it is not part of the current development activity and it is not covered or included in the current contracts that have been entered into in respect of the New Facility.

While the potential development of a new manufacturing facility was referred to in the Information Memorandum dated 27 November 2009 (sent to shareholders and optionholders in relation to the proposed transaction to redomicile the Unilife Group in the US), as a result of the commitment now being made by the Company to proceed with the development of the New Facility and to enter into construction and related contracts, a Supplementary Information Memorandum explaining the development of the New Facility will shortly be despatched to shareholders and optionholders of the Company in accordance with relevant legal requirements.

Design and Functionality of New Facility

The New Facility has been custom-designed to meet Unilife's requirements by L2 Architecture (L2), a Philadelphia-based architectural and engineering design firm that specializes in the pharmaceutical and medical device sector and which has some of the leading global companies in that sector as its clients. The design created by L2 incorporates the latest innovations in personnel and material flow dynamics to maximize the industrial productivity of the site while adhering to the highest standards in good manufacturing practices.

Development of New Facility and Development Costs

Unilife CF has appointed Keystone Redevelopment Group LLC (Keystone) to manage the development of the New Facility, and HSC Builders and Constructors Managers (HSC) to undertake the construction of the New Facility. Keystone is a Pennsylvania based real estate company specialising in large scale redevelopment and complex economic development projects. Clients of Keystone have included a number of Fortune 500 companies. HSC is a Pennsylvania-based company that specialises in building custom-designed facilities for biotech, academic, healthcare, pharmaceutical and technology companies. Its clients include some of the largest pharmaceutical and healthcare companies in the world.

Under the Development Agreement entered into between Unilife CF and Keystone for the development of the New Facility, Keystone will, in return for a US\$754,000 development fee to be paid over four tranches spanning the course of the project, work with Unilife to obtain favourable public and private financing, and assist in securing all necessary approvals, licenses, permits and certificates from government authorities.

Under the construction contract with HSC, Unilife CF is required to pay for the cost of construction (as defined in the construction contract) (Cost of Work), together with HSC's fee, subject to a Guaranteed Maximum Price (GMP) as described below.

HSC's fee for constructing the New Facility will be an amount equal to 1.25% of the Cost of Work (HSC Fee). The GMP has been established at US\$21,700,000 (comprising HSC's fee and the Cost of Work). Except for certain items beyond the control of Unilife CF or HSC, or items changed at the option of Unilife CF, any construction costs which exceed the Cost of Work will be the responsibility and liability of HSC. Unilife CF has also agreed to pay HSC a performance bonus of 15% of the HSC Fee if it achieves completion of the utility rooms for equipment installation at the New Facility by 15 April 2010 and another 15% of the HSC Fee as a bonus if it achieves Phase 2 (see below) of the construction by 10 December 2010.

L2's fee for the agreed architectural services it will be providing to the Company in respect of the project will be US\$1.56 million.

Key Development Timelines

To support the scheduled completion of the Unifill™ syringe industrialisation program in late 2010, Unilife has fast-tracked the development of the New Facility with the aim of having it ready in time to receive the first Unifill™ assembly line currently being developed by Mikron. Initial site work for the New Facility has been commenced with the footings and concrete being poured this month.

The projected timetable for the construction of the New Facility to be undertaken by HSC is as follows:

-- By the end of October 2010	Completion of clean rooms for equipment installation (Phase 1)
-- By the end of October 2010	Temporary occupancy permit for manufacturing/warehouse
-- By the end of December 2010	Unrestricted occupancy permit for manufacturing/warehouse (Phase 2)
-- By the end of December 2010	Unrestricted occupancy permit for office.

Unilife is currently projecting that it will progressively transfer and ultimately consolidate all of its US-based staff and production systems from its current Lewisberry facilities into the New Facility in early 2011. The New Facility is located approximately 9 kilometres from the Lewisberry facilities.

Financing of the New Facility

Unilife intends to fund up to US\$9 million of the development costs of the New Facility out of existing cash reserves and will seek external financing for up to a further US\$17 million from a commercial bank or other lending institution in the US as well as from the Commonwealth of Pennsylvania and other US federal and state bodies.

As at the date of this announcement, the Company is in discussions with a number of banks, government agencies and other interested parties in the US with respect to the required financing for the New Facility. The Company has received term sheets from two US banks and the current indications are that the Company will receive financing terms that it considers appropriate and favourable within the timeframe required. The Company will select the party or parties to provide the financing after a careful review of the proposed financing terms and other factors such as the relevant party's financial strength.

Compared to original quotations to lease and internally retrofit a suitable logistics site, Unilife estimates that it will save approximately US\$2 to \$3 million in upfront development costs to develop its custom-built New Facility. In addition, Unilife estimates that loan repayments for the New Facility will be approximately US\$400,000 per year less than equivalent annual lease commitments.

Statement from Unilife CEO Alan Shortall

"Unilife is committed to becoming a global leader in the fast-growing pharmaceutical market for prefilled syringes. Given the competitive advantages of our Unifill™ ready-to-fill syringes, the current status of our industrialisation program and the strong relationships we are building with pharmaceutical customers, it is essential that we have the operational capability to support significant levels of market demand. Given the level of this pharmaceutical interest and our desire to stay ahead of schedule in the industrialisation of the Unifill™ syringe, we are now fast-tracking the development of a new facility.

"Our new global headquarters and production facility that is now being developed in York, Pennsylvania will give us the required flexibility to rapidly expand our business as we move towards a NASDAQ listing, commercial production and the signing of supply agreements with current and future pharmaceutical customers.

"This world-class facility now under construction has been custom-designed to meet the highest standards of the international pharmaceutical industry. The operational efficiencies and material flow dynamics that have been incorporated into the design of this facility will facilitate the production of our products to the highest quality standards. This will enhance our industry credentials and our position to become a reliable and trusted supply partner to global pharmaceutical leaders.

"The development of our own custom-built facility makes sound, financial, operational and logistical sense for Unilife. By comparison, a leased warehouse site would have required a significant investment to internally retrofit the building to meet our specific operational requirements, and would have been substantially more expensive for annual lease payments. We are pleased with the strong interest this project has received from private financing groups as well as Federal, Commonwealth and local government agencies within the US. As a result, we are confident that this US\$26 million project will be financed in a way that best meets the short and long-term interests of shareholders. This is another indication of Unilife taking advantage of its strong market position, preparing for its rapid business expansion, and building long-term shareholder value."

Statement from Unilife Senior Vice-President of Operations Bernhard Opitz

"Upon completion of stage one of the new facility, it will have the capacity to support the production of 360 million units of our proprietary syringes per annum. When we decide to proceed with the 100,000 square foot extension to the facility, we will then have the ability to increase our production capacity to up to one billion syringes per year.

"Unilife has aligned itself with respected US leaders in the design and development of world-class pharmaceutical and medical device facilities. These development partners for our new facility are committed to its rapid construction so that the site is ready to accept the scheduled delivery of the first commercial assembly line for

our Unifill™ syringes during the third quarter of 2010."

Statement from Keystone Manager Robert Ventresca

"As a result of the current economic slowdown, the US construction industry has been hit especially hard. This dynamic in the construction market puts Unilife in a very strong position to build its new facility at this time. Recent trends indicate construction costs are as much as 25% to 30% below equivalent price levels from two years ago.

"With a corresponding slowdown in the financial markets, lending institutions, while remaining very cautious, also still need to originate new loans and are doing so very selectively. Unilife is in a strong position to take advantage of the current environment and secure a competitive financing package for the construction of its new facility with high quality developers that will leverage an optimal blending of private bank financing with Federal, State and local financial incentives."

Correction of Information Memorandum despatch date

It was stated in the announcement made by the Company on 10 December 2009 that the Information Memorandum in respect of the proposed transaction to redomicile the Unilife Group in the US had been despatched to shareholders and optionholders of the Company on that date. However, the Company would like to confirm that despatch of the Information Memorandum to shareholders and optionholders actually occurred on 11 December 2009, rather than 10 December 2009 as stated in the initial announcement.

About Unilife

Unilife Medical Solutions Ltd is an ISO 13485 certified company that designs, develops and supplies innovative safety medical devices. Listed on the Australian Securities Exchange (ASX: [UNI](#)) since 2002, Unilife has FDA-registered manufacturing facilities in the US State of Pennsylvania and a proprietary portfolio of clinical and prefilled safety syringes designed for use within healthcare and pharmaceutical markets.

Shareholder / Analyst Enquiries:

Australia

Jeff Carter

Phone: + 61 2 8346 6500

United States

Stuart Fine

Phone: + 1 908 469 1788

[Click here to see all recent news from this company](#)

Privacy Statement | Sitemap | © 2009 Marketwire, Incorporated. All rights reserved.
Your newswire of choice for expert news release distribution.
1-800-774-9473 (US) | 1-888-299-0338 (Canada) | +44-20-7562-6550 (UK)