

Features

Pennsylvania Has Enormous Untapped Potential for Investment, Says Venture Capitalist Kush Parmar

ELISE VIDER | THURSDAY, FEBRUARY 21, 2013

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With an alphabet soup of credentials— AB, PhD, MD – in fields ranging from medieval studies to experimental pathology, Kush Parmar brings a renaissance view to his work as a principal at [5AM Ventures](#), an early stage, life science-focused venture capital firm based in California and Massachusetts.

5AM recently made its first investment in Pennsylvania, leading and building a syndicate that led to \$23 million in Series A financing for [Novira Therapeutics](#), a Radnor-based, antiviral drug discovery company.

As a fellow for the [Kauffman Foundation](#), Parmar is also studying how regions across the country are attracting venture investment. And what he found in Pennsylvania during an extensive period of time working with Novira leadership was not only surprising, but also indicative of the commonwealth's potential for increased investment.

Keystone Edge (KE): Tell us about 5AM Ventures and your role there. How does your medical training and background inform 5AM's investments?

Kush Parmar (KP): Many in our industry are moving to later stages, and biotech business models are rapidly evolving, but 5AM remains committed to our thesis of early stage driving great returns.

As an “MD” at 5AM, my own emphasis ends up being on the clinical aspects of an opportunity or portfolio company. Thinking very critically about this, even in opportunities that are a few years from even entering the clinic, is paramount for success.

I try to push our portfolio companies and us hard to think very, very critically about the clinical value being brought to the healthcare system. As time goes on and the cost of healthcare continues to stretch economies globally, I think these are the most important questions that should dictate everything else, and especially for therapeutics. Great science is only part of the equation.

KE: How did the Novira deal come about?

KP: The first introduction to Novira came through an interaction with Barbara Schilberg of [BioAdvance](#), at a regional VC conference sponsored by a large pharmaceutical company. At first, the chemistry was simply too early to tell whether they could get really far, given they were going after an unusual drug

target. The seed funding from BioAdvance over that early period, along with an angel round, was absolutely critical to get Novira's early science far enough for us to step in seriously and begin to build the story, the strategy, and attract a syndicate of investors.

KE: So what attracted 5AM to Novira?

KP: I can list three reasons: the science, the leadership, and the major medical needs being addressed. Only with that combination could 5AM lead and build a syndicate that led to the \$23M Series. And we are in the process of bringing in an additional major investor to the syndicate.

Novira is addressing serious viral diseases like HBV, which has an enormous worldwide burden, and which many others had given up on because the science to help improve the abysmal cure rates wasn't straightforward.

We spent over a year and a half with the passionate and talented entrepreneurs behind Novira—Osvaldo Flores and George Hartman. Despite this being their first startup, both brought years of very valuable "big pharma" experience, mostly within Pennsylvania. They have been a true pleasure to work with, focused on both the day-to-day battle of a startup, and also on the bigger vision of building something meaningful.

KE: Prior to this deal, what was your impression of the venture capital climate in Pennsylvania? Has it changed? How?

KP: Before investing in Novira, my assumption of the Pennsylvania ecosystem was that there had to be quite a bit of activity—all the fundamental ingredients seemed to be there, and I was surprised we had not done anything there. Since our involvement with Novira, I came away realizing how untapped the ecosystem really is—meaning I see enormous potential. As the company is actively recruiting talent and building its team, Novira has not had to look very far at all to find exceptional people. The depth of talent in the region is real.

KE: Tell us about your study of how regions are attracting venture investment. How does Pennsylvania compare and what can we do better?

KP: This study is still in the works so I don't have concrete conclusions to share just yet. But at a very high level, Pennsylvania seems to be one of the top "ripe" regions to generate high-quality life science entrepreneurship that attracts top-tier private (venture) capital.

Two specific surprises emerge from my study relating to Pennsylvania thus far. The first is that Pennsylvania has most of the ingredients (industry talent, academic science, clinical knowledge, etc.) that are the envy of most other regions, but despite this it attracts relatively little private capital and has not created a self-sustaining ecosystem just yet.

The other finding is that there are a few simple instruments that have been powerful elsewhere and that Pennsylvania has yet to implement. One involves a focus on the entrepreneurs, like an innovative (entrepreneur-in-residence) program that has emerged in Texas. Another is the successful structure of a fund of funds that avoids hard mandates, is returns-oriented, and is managed independently—an effective way to engage the very best early stage VCs, which is probably a small group.

Pennsylvania has enormous untapped potential for the life science sector. Ultimately all high-tech sectors are driven by entrepreneurs—a focus on helping the best life science entrepreneurs succeed in PA will result in all other pieces falling into place, including attracting private capital like VCs.

ELISE VIDER *Is Innovation & Jobs News editor for Keystone Edge. Send feedback [here](#).*

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