

BioAdvance giving firms 2nd shot of money

BY JOHN GEORGE
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BioAdvance is still on the prowl for biotech startups in need of early-stage financial support, but lately its funding activities have focused on providing a second infusion of cash for the companies it helped launch.

Barbara Schilberg, BioAdvance's CEO and managing director, said the state-supported organization is finding its companies need a little more help to get to the point where they can land a major venture capital investment or a partnership with a larger pharmaceutical company.



Schilberg

"When we got started in 2002, we always said we could go up to a million dollars per company," Schilberg said. "Our choice was to limit our original investments to \$500,000. It's always better to hold some money in reserve and see how a company is doing and see if they need it."

During the past two years, BioAdvance has provided \$900,000 in follow-on investments to three of its companies. Last week, it received board approval to provide additional investments in two of its other companies: \$250,000 for Jenrin Discovery and \$150,000 for Marillion Pharmaceuticals.

It has two other follow-on investment deals nearing completion.

The trio that previously received follow-on investments — NuPathe Inc. of Conshohocken, Yaupon Therapeutics Inc. in Radnor, and Protez Pharmaceuticals Inc. of Malvern — have leveraged the BioAdvance funding into \$40 million in venture capital investments.

Yaupon's most advanced product, Clearazide, is in late-stage testing as a potential treatment for T-cell lymphoma, a form of skin cancer. NuPathe's initial products target migraine headaches, schizophrenia and Parkinson's disease. Protez is developing new antibiotics for drug-resistant and life-threatening infections typically gotten in hospital settings.

"What we're finding is most of these companies still need a bridge [after the initial BioAdvance investment], to get to their first venture capital round," Schilberg said. "We're helping them bridge that gap."

Jane H. Hollingsworth, NuPathe CEO, said the support from BioAdvance along with some of its other early investors played a key role in getting the company to the point where it was able to attract \$15

BIOFUNDING				
BioAdvance has made supplemental follow-on investments in five of its portfolio companies during the past two years.				
COMPANY	HEADQUARTERS	INITIAL INVESTMENT	FOLLOW-ON INVESTMENT	SERIES A/B FUNDING
1. NuPathe	Conshohocken	\$500,000 (2005)	\$200,000 (2006)	\$15 million (2006)
2. Protez Pharmaceuticals	Malvern	\$450,000 (2004)	\$200,000 (2005)	\$21 million (2006)
3. Yaupon Therapeutics	Radnor	\$500,000 (2004)	\$500,000 (2006)	\$4 million (2006)
4. Jenrin Discovery	Philadelphia	\$500,000 (2004)	\$250,000 (2007)	N/A
5. Marillion Pharmaceuticals	Malvern	\$500,000 (2004)	\$150,000 (2007)	\$2 million (2006)

Source: BioAdvance

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million in its first major venture capital investment last September.

"Financing often takes a lot longer than you think it will," Hollingsworth said. "To have somebody like BioAdvance support you and show confidence in you [early on] is invaluable."

BioAdvance, which operates the Biotechnology Greenhouse of Southeastern Pennsylvania, was originally established in 2002 — using state tobacco settlement dollars — to help fund early-stage life science companies and researchers. It is one of three biotech greenhouses in the state, along with others in Pittsburgh and Harrisburg. BioAdvance's investments are made initially in the form of a loan that can be converted into an equity stake in a company, provided the company reaches agreed-upon product development goals.



Hollingsworth

BioAdvance was joined in the Jenrin deal by a group of other investors led by Themelios Venture Partners in New York that are investing \$750,000 in the West Philadelphia company.

Jenrin, which is developing new treatments for obesity, diabetes and inflammatory diseases, is led by President and CEO John McElroy. He is former director of Neuroscience Biology for Bristol-Myers Squibb in North Jersey.

McElroy said Jenrin is hoping to raise a total of \$2 million for its research.

"We've identified a new target for obesity and a safer, alternative [target] for diabetes," said McElroy, who declined to provide more information about the experimental treatments for competitive reasons.

Jenrin's proprietary technology developed by McElroy is being used to develop orally effective, small molecule derivatives of currently marketed drugs. The approach significantly reduces the time and investment required to take new drug candidates into preclinical and clinical testing.

BioAdvance was joined in the Marillion deal by APDIC (Andhra Pradesh Industrial Development Corp.), a venture capital firm based in India.

Marillion was initially founded to commercialize proprietary tumor-targeting technology, licensed exclusively from the University of Pennsylvania, to make cancer drugs that are more effective in killing diseased cells and less toxic to healthy tissues than conventional therapies. The company recently obtained the rights to a more advanced experimental cancer therapy initially targeting advanced metastatic breast cancer, but also being studied for prostate and colon cancers.

Schilberg said the additional investment will be used to help support clinical trials for the new product.

BioAdvance continues to evaluate startup companies in need of seed and pre-seed capital. The organization is now evaluating a potential investment in an unidentified local company involved in stem-cell therapy.

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