

BioAdvance NEWS

Advancing the Business of Life Sciences

ACQUISITIONS OF FIVE BIOADVANCE COMPANIES HELP ADVANCE NOVEL THERAPEUTIC CANDIDATES

Startups and established life sciences firms join for collective growth

With 334 mergers and acquisitions in the pharmaceutical sector in the first half of 2007 worth \$60bn (*PriceWaterhouseCoopers*), the shared goal to improve human health provides a favorable growth path for both emerging and established life sciences companies.

In the comparatively resource-rich world of established companies,

a startup's product candidate can be advanced more quickly — potentially speeding novel drugs and diagnostics to patients in need. And when established life sciences companies acquire the discoveries of innovative new firms, they stand to build an even stronger pipeline.

Such mutually beneficial scenarios have driven the merger and acquisition activity

surrounding five BioAdvance-funded startup companies. In fact, four of these companies received no additional venture funding prior to being acquired.

The companies highlighted in this edition of *BioAdvance News* include: SansRosa, developing dermatology (erythema) therapeutics, and which was acquired by CollaGenex of Newtown PA in 2005;

Alteris, focused on an anti-cancer vaccine, and which was acquired by Celldex in 2005; and Acuity Pharmaceuticals, developing first-in-class ocular therapeutics, which took part in a three-company merger this year. A brief account of these companies, their product candidates and paths to acquisition follow.

SansRosa's Dermatology Candidate Presents Growth Opportunity for PA-Based CollaGenex

In early 2005, just 10 months prior to being acquired, SansRosa was using its newly received BioAdvance funding to develop its lead product candidate, (then) SR-101, by defining clinical study parameters for proof-of-concept in humans. The company's core technology platform was based on a new use of therapeutic agents administered topically to treat the redness (erythema) associated with rosacea and produce a therapeutic effect while minimizing systemic exposure.

The target product repurposed a molecular entity previously approved by the FDA for an unrelated disease. In the third quarter of that year, the company began testing the marketed strength compound with a rosacea opinion leader,

and initial results were favorable.

Late that same year, CollaGenex acquired 51% of the shares of SansRosa, and the remaining shares are being incrementally purchased based on the completion of milestones according to a CollaGenex news release. In addition to earn-out payments linked to future product sales, a payment of \$4 – \$6 million is based on a patented product being produced and approved for sale.

Since the acquisition, CollaGenex has made significant progress in advancing this product candidate (now designated Col-118). Col-118 is a topical formulation targeted for erythema (the redness associated with rosacea and acne).

Rosacea alone is estimated to affect more than 13 million US adults presents itself as redness and inflammatory lesions — primarily on the face. Rosacea can progress to itching, pain and thickening of the skin.

The lead clinical investigator in CollaGenex' Phase 2, 110 patient, six-center clinical trial recently noted that at peak efficacy, 38% of patients (with moderate to severe rosacea) were either clear of or near clear of erythema. Phase 3 testing is scheduled to begin in the first quarter of 2008. In a recently issued CollaGenex news release, the company stated that if their clinical development program is successful and Col-118 is ultimately approved by FDA, it would be the first compound specifically approved for the treatment of erythema.

And how were the companies introduced? It turns out that the press release which announced SansRosa's BioAdvance funding and plans for product advancement attracted the attention of CollaGenex (based in Newtown, PA). The two companies met, discussed mutually beneficial opportunities, and agreed to the acquisition. With a potential unmet market need currently estimated by CollaGenex at \$300 million, "If the product comes to market, it will be a transformative, company defining event for CollaGenex," said Hal Broderson, managing director with Rock Hill Ventures, and one of the founders of SansRosa.

For additional information visit www.collagenex.com.



MACULAR DEGENERATION SUFFERERS AND CANCER PATIENTS STAND TO BENEFIT FROM NOVEL THERAPEUTICS BEING ADVANCED BY ACQUIRING COMPANIES

Funding and growing early-stage life sciences firms in the Philadelphia region

Milestones:

\$11.5 million in seed investments made to 21 startup companies and 9 additional academic and commercial projects

Over \$200 million in additional capital raised

Recent Financings:

\$14.5 million -
Yaupon Therapeutics

Recent Exits:

Lumen Vu – acquired by
SonoSite, Inc.

Companies in or entering Phase III or Pivotal Trials:

Acuity
Yaupon Therapeutics

Companies in or entering Phase 2:

Alteris
Avid
Eagle Vision
NuPathe
Protez
SansRosa
Yaupon Therapeutics

Companies in or entering Phase I:

Avid
Melior
Yaupon

Investments in:

Addiction
Alzheimer's disease
Cancer
Cardiology
GI diseases
Migraine
Metabolic diseases
Pain
Respiratory disorders

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Just 36 months ago, Acuity Pharmaceuticals had completed its \$16 million Series B round of financing and was focused on advancing its lead product candidate, bevasiranib, an RNA interference-based molecule targeting vascular endothelial growth factor (VEGF) based on technology out of University of Pennsylvania.

VEGF is believed to be largely responsible for the growth of the abnormal blood vessels that result in the vision loss of wet age-related macular degeneration (wet AMD). By June 2006 the target therapeutic had successfully completed its Phase 2 study — the first-ever Phase 2 efficacy trial for a small interfering RNA (siRNA) therapy.

A few months later, Acuity's chairman and CEO, Dale Pfof was introduced to renowned entrepreneur Dr. Philip Frost, former chief executive and chairman of IVAX Corporation. Frost was building a new ophthalmology-focused firm and the two discussed potential cooperative opportunities. In March of this year, those discussions led to a three-company merger, which included Acuity's bevasiranib as a key clinical element in the new company's product pipeline.

The newly formed entity, OPKO Health, Inc., is focused on the ophthalmology market (products for the diagnosis and treatment of diseases

of the eye), and is now traded on the American Stock Exchange (AMEX: OPK). It is currently enrolling a multi-national 300+ patient, Phase 3 trial. According to an OPKO news release, this first-ever Phase 3 trial of an agent based on RNAi technology is an important milestone in this new field. The trial will include more than 330 wet AMD patients and will assess whether bevasiranib administered every 8 or 12 weeks is safe and has equivalent efficacy in preventing vision loss as FDA approved Lucentis® administered every 4 weeks.

For Acuity's shareholders, the transaction provided a potentially significant return on their investment and further upside based on the results from the Phase 3 clinical trials and the developments in the enlarged product portfolio.

Another of the BioAdvance portfolio companies, Alteris Therapeutics, had a different path to acquisition. Without any venture funding, Alteris was in the pre-clinical stages of advancing a novel anti-cancer vaccine. The vaccine targets the tumor-specific molecule EGFRvIII, a functional variant of the epidermal growth factor receptor (EGFR), which is a protein that has been well validated as a target for cancer therapy. EGFRvIII was discovered in a collaborative effort between Dr. Bert Vogelstein and Dr. Albert Wong at Duke University.

Unlike EGFR, EGFRvIII is not present in normal tissues, suggesting this target will enable the development of a tumor-specific therapy for cancer patients.

In early 2005 Celldex, a Phillipsburg, NJ-based biotech company which is focused on targeted immunotherapeutics purchased the vaccine assets from Alteris and that program (CDX-110) is now the lead clinical development program at Celldex. In its Phase 1 and 2 studies for Glioblastoma multiforme (GBM) the most common and aggressive type of primary brain tumor, accounting for 52% of all primary brain tumor cases.

According to a Celldex news release, CDX-110 has demonstrated a significant increase in the time to disease progression (>113%) in the vaccinated cohort, and also survival rates (>53%) — both relative to appropriately matched historical controls. Celldex is testing CDX-110 in the following studies: a Phase 2/3 clinical trial in newly diagnosed GBM with EGFRvIII; a Phase 2 in newly diagnosed GBM with EGFRvIII Expression; and a Phase 1 study in ovarian and prostate cancers. The company also has a randomized, multi-center Phase 2 trial in ovarian cancer planned for this year.

For additional information visit www.opko.com and www.celldextherapeutics.com.