

Venture investing in region's biotechs jumps 16 percent

Nationally, industry raised about \$888M from VC firms in 2Q

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Investors are opening their wallets once again to biotech companies, after shying away from the risky ventures amid a recession.

Private biotech companies drew \$888 million during the second quarter, a 54 percent increase over last year, according to a report from PricewaterhouseCoopers and the National Venture Capital Association. Medical device firms attracted \$628 million in investment from April to June, a 38 percent increase compared with the same period in 2008.

In Maryland, Washington, D.C., and Virginia, venture capital firms invested \$14 million in biotech companies, a 16 percent increase compared with last year.

The uptick is a sharp turnaround compared with the first quarter, when investment in biotech firms fell 46 percent to \$577 million and investments in medical device companies fell 27 percent to \$412 million. That was the lowest funding level in 12 years.

"The money is starting to loosen up," said Richard Zakour, executive director of industry advocacy group MdBio. "We're being a little optimistic."

Among the local companies to attract venture funding are:

- Arginetix Inc., which is developing



Kären Olson's BioMarker Strategies recently raised \$1.7 million.

treatments for hypertension and other conditions, raised nearly \$11 million this month. The Lutherville company's investors include Philadelphia's Quaker BioVentures and MedImmune Ventures, a subsidiary of the AstraZeneca Group.

- Glen Burnie company Sleep Solutions Inc., which raised \$20 million that it will use to develop treatments for sleeping disorders.

- Baltimore's BioMarker Strategies, led by CEO Kären Olson, recently raised \$1.7 million to create a prototype of a diagnostic device to test drugs for breast, lung and pancreatic cancer.

- Gliknik, also of Baltimore, which raised \$1.1 million that it will use to develop new drugs to treat autoimmune diseases and cancer.

Biotech companies are among the

riskiest investments as it can take a decade or more to clear a drug or diagnostic test through clinical trials and obtain federal approval.

But funding startup biotech firms is crucial for the region as economic development officials are counting on biotech parks near Johns Hopkins Hospital and at the University of Maryland, Baltimore to drive growth in the city's east and west sides.

The stock market's uptick this year is leading to more investor confidence overall, which in turn is fueling optimism in the biotech sector, industry executives say. The Dow Jones Industrial Average rose from 6,723 in early March to around 9,829 Sept. 22.

Stocks of publicly traded life sciences and pharmaceutical companies rose

7 percent this year, according to data tracked by E*Trade Financial Corp.

The federal stimulus, which put \$10.4 billion in the coffers of the National Institutes of Health, has also inspired more investor confidence in biotech firms, said Henry Bernstein, senior vice president at real estate firm Scheer Partners Inc. The Rockville firm specializes in leasing life sciences companies. The NIH allots 2 percent of its grants to small businesses.

"There's a little bit of light in the market," said Walter Drimer, chairman of LeukoDx LP, a Towson company that is developing a portable medical device that can detect infections. The company has raised \$800,000 over the last nine months from angel investors and grants from the government of Israel, where LeukoDx has an office.

Getting the money wasn't easy. It took a nearly a year to raise it, whereas a few years ago, it would have taken a few months, Drimer said.

Still, Drimer said he considers LeukoDx among the fortunate firms. About one-third of U.S. biotech companies have enough cash to operate less than six months, according to the Biotechnology Industry Organization.

But the money for some biotech companies will not be enough to get its products approved by the FDA.

"Claiming victory is premature," said Bill Gust, managing general partner with Baltimore's Anthem Capital Management LLC. A biotech company might get \$1 million, for instance, but is not getting the \$2 million it would need to complete its next clinical trial.

"It only gets you halfway through. It's like swimming halfway across the English Channel."

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