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Domino Effect: How one big success spurs many others

March 2, 2007

By Rebecca Kaufman, Counsel, King & Spalding LLP, and Chair, Southeast BIO

In 2005, the \$540 million purchase of Emory University's royalty interest in emtricitabine (Emtriva) was big news. The largest ever deal of its kind for a U.S. university, it brought significant recognition and resources to Emory's research programs.

Two years later, the impact of the Emory deal continues to be felt now on the emergence of a new generation of life sciences companies in the Southeast. Between them, and in significant part the result of the Emtriva monetization, the three emtricitabine co-inventors have founded (or provided crucial support) for five of the most promising early stage life sciences companies in the Southeast, including Metastatix, Inc., RFS Pharma, LLC, Curry Pharmaceuticals, Inc., NeurOp Inc. and FOB Synthesis, Inc.

Dr. Dennis Liotta, an Emory faculty member for 30 years, is no stranger to the commercial world. In 1996, Dr. Liotta was an important early contributor to Triangle Pharmaceuticals in North Carolina, which went public one year after its founding in 1995 and was purchased in 2001 by Gilead Sciences for \$482 million. Dr. Liotta was also a co-founder of Pharmasset Inc., a pharmaceutical company among the most successful privately held companies founded in the Southeast. In January 2007, Pharmasset filed for an IPO.

In the years since the Emory deal, Dr. Liotta has been involved in founding and supporting new companies in the region through his own venture capital fund, Centrosome Ventures. Centrosome now counts Metastatix, Inc., Curry Pharmaceuticals, Inc. and NeurOp, Inc. among its growing portfolio.

The interface of science and business

Metastatix, a pre-clinical drug company focused on novel therapeutics for cancer and HIV, attracted considerable attention in 2006 by completing an A round with a syndicate including two of the Southeast's largest venture capital funds: HIG Ventures and the Aurora Funds. They were joined by two of the most prestigious national corporate venture groups, MedImmune Ventures and SROne (GlaxoSmithKline's venture capital arm).

The Metastatix deal also had an international component with the participation of CM Capital, a leading Australian-based venture capital fund. NeurOp, a pre-clinical pharmaceutical company focused on the development of drugs for the treatment of neurological indications associated with ischemia, including Parkinson's disease and neuropathic pain, was recognized by SEBIO in 2005 as the most promising early stage life science company in the region. It continues to make significant headway supported by grant and foundation money.

A third Centrosome investment, Curry Pharmaceuticals, is pursuing an innovative, virtual model for the development of therapeutics that are analogs of the natural product curcumin.

"The chance to couple the insights I've gained from my career in drug discovery with the investment capital available from Centrosome is a unique opportunity to add tremendous value to the formation of new life sciences companies," says Dennis Liotta.

Dr. Raymond Schinazi is also no stranger to the interface of science and business, as the principal founder of Triangle Pharmaceuticals, Pharmasset Inc., and Idenix Pharmaceuticals (NASDAQ: IDIX). Dr. Schinazi has also been at Emory for 30 years where he set up the first academic laboratory in the mid-1980s to discover and evaluate drugs for HIV and hepatitis.

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- Sarasota's Carbiz closes \$2.5 million financing
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An incubator of sorts

He is Professor of Pediatrics at Emory, but in the years since the Emtriva deal, has gone on to found RFS Pharma, a clinical stage biopharmaceutical company focused on the development of new drugs for the treatment of HIV and hepatitis infections as well as emerging viruses. The company is currently conducting a phase 2 clinical trial in Argentina for the use of Amdoxovir for the treatment of HIV and a large phase 2b study is planned for the second quarter, 2007.

Located in suburban Atlanta, the RFS facility has become an Emory incubator of sorts, serving as home to several early stage life sciences companies, including Metastatix, Inc., and Expression Therapeutics, LLC. The founder of the latter company is Emory Pediatrics Professor Dr. Pete Lollar, an expert on blood's factor 8.

"When you mix excellent research facilities with quality entrepreneurial scientists it makes a formidable combination and creates huge efficiencies that reduce uncertainty and risk," comments Dr. Schinazi. "It's not all about money, although money will eventually come when you have good science. It is about medical triumph over killer diseases."

The third Emtriva co-inventor, Dr. Choi, has since left Emory. He worked at Merck and then Pharmasset, but now serves as CEO of FOB Synthesis, Inc., a drug discovery and custom synthesis company located in Kennesaw, Georgia.

Within two short years, the Emory royalty realization has made a significant impact on the emerging life sciences community in the Southeast, thanks largely to the significant contributions, both financial and personal, of three of the original inventors. Perhaps no one is more aware of the importance of their contribution than Emory University itself, as a source of technology for the start-ups involved and if the trend continues, those to follow.

"There has been a huge ripple effect flowing from the achievements of these serial inventors," observes Todd Sherer, Director of Emory's Office of Technology Transfer.

"The revenue and experience that results from this kind of 'mega-success' has catalyzed a culture of entrepreneurship and innovation at Emory."

