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Emory starting biotech fund

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[Emory University](#) is putting up some cash to help lure more investors to the table to bet on biotechnology.

On Sept. 1, Emory University will launch its "Investor Challenge Fund," which will provide matching funds when qualified investors put money into promising new technologies discovered by Emory scientists. The new fund is part of an ongoing effort at Emory to grow and nurture biotechnologies, such as drugs, medical devices and diagnostic tests that have commercial potential.

"These are the building blocks of companies. They end up being the foundation for companies like [Pharmasset](#) and AtheroGenics," said Frank Stout, Emory's vice president for research, noting two companies with roots at Emory. "Emory has a history on the entrepreneurial side of being able to develop biotechnology and bring it to the public. This just fits into that bigger picture."

For its first year, the fund will be \$500,000, although it could grow if the program is successful, Stout said.

"This is just one more major initiative that we're testing to see if this will help encourage the development of biotech in Georgia," Stout said. "Not everything works, but we're going to try this. It's an experiment."

[AtheroGenics Inc.](#) President and CEO Dr. Russell Medford, a former professor at [Emory University School of Medicine](#), said he is optimistic the new program could help the next generation of biotech startups.

"I share Emory's hope that we can continue to cultivate and replicate some of the success stories that we've seen in Georgia over the past 10 to 15 years," said Medford, a molecular cardiologist who still serves as an adjunct professor at Emory. "I think it's a very positive and proactive step in the right direction to encourage outside investors to provide capital at the early stage in order to get technology out of the university and into the marketplace."

It's also a program that Medford probably would have appreciated when he founded AtheroGenics in 1993. His company raised more than \$40 million in venture capital financing over five years, but he said attracting those investments wasn't easy.

"Capital investment at the early stage is a major challenge for all biotechnology companies, and given that Georgia's industry is weighted toward the early stage, [this new fund] is an important step in growing the industry for Georgia," said Medford, who chairs the Georgia Biomedical Partnership.

The fund will be administered through Emory's technology transfer program, which is designed to help bring the results of biomedical research to the public more quickly by commercializing new technologies. Emory currently has about 30 technologies in its tech transfer program that are candidates to become startup companies. Basic information on the technologies will soon be available on Emory's Web site for prospective investors.

Two of these companies are cueing up as the first possible candidates for the funding. One is a therapeutic company developing a natural compound and similar compounds used to treat cirrhosis and eventually cancer.

The company is in the process of securing A-round funding, and Emory would provide an investment match, said Todd Sherer, Emory's director of technology transfer.

The second is a company focused on repairing nerve injuries in the arms, fingers or other extremities. The researchers are in the process of putting together their first round of venture capital, and Emory could help with matching funds, Sherer said.

Sherer hopes technologies like these will eventually be used in hospitals and homes -- just like other Emory discoveries such as anti-HIV drugs are today.

"Emory has had a lot of success in getting things to the public," Sherer said.

Investors say the program could help bridge the gap between very early or seed funding and venture capital.

"Venture capitalists expect to see a management team in place and a lot of data ... in one clear package, but usually a startup won't have all that stuff and it takes some money to get all those things in place so that the venture capitalists can look at them," said John Richard, a partner in the bioscience seed fund [Georgia Venture Partners LLC](#). "That's where there is really a funding gap."

Biotech boosters say the program cuts to the chase in discussions about how to nurture Georgia's biotech industry.

"While much effort of late has been put into research, studies and analyses, few have offered an effective

means by which to cure our funding deficiencies," said attorney Frank McDaniel, who chairs the board of BioSouth, a regional biotechnology group. "It attacks the very core of the issue, that is, the perceived risk associated with any investment decision. By reducing this risk through matching funds, Emory once again proves to be a magnet -- this time by drawing into our region the outside investor."

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