

BIO WORLD[®] TODAY

FRIDAY
MAY 13, 2005

THE DAILY BIOTECHNOLOGY NEWSPAPER

VOLUME 16, No. 92
PAGE 1 OF 6

Cephalon's Parkinson's Study Stopped; No Benefit Showed

By Aaron Lorenzo
Washington Editor

Cephalon Inc. called a halt to a late-stage study of a partnered Parkinson's disease drug, CEP-1347, as interim results revealed a lack of clinical benefit.

But the Frazer, Pa.-based company noted that the decision would not halt its collaboration with H. Lundbeck A/S, an alliance focused on developing drugs for neurodegenerative disorders. Nevertheless, the Phase II/III study stoppage was a letdown.

"We were disappointed, clearly," Robert Grupp, Cephalon's vice president of corporate affairs, told *BioWorld Today*. "But in this business, I suppose, results like this should not be a surprise when you're working with a new molecule and new endpoints."

An independent data monitoring committee recom-
See Cephalon, Page 3

CuraGen Partner Signs CRADA; Subsidiary 454 Enters \$62M Deal

By Karen Pihl-Carey
Staff Writer

CuraGen Corp.'s stock rose Thursday following news of a Cooperative Research and Development Agreement for its Phase II multiple myeloma compound PXDI01, as well as a \$62 million marketing deal for a subsidiary's genome sequencing systems.

The shares (NASDAQ:CRGN) rose 32 cents to close at \$3.85.

CuraGen's majority-owned subsidiary, 454 Life Sciences, entered an exclusive five-year worldwide agreement with Basel, Switzerland-based F. Hoffmann-La Roche Ltd. for the promotion, sale and distribution of nanotechnology-based genome sequencing systems, including kits and reagents.

"The backing of a company like Roche with their distri-
See CuraGen, Page 4

The Fight For Investor Interest

Tranzyme's Story: Early Stage Firm Brings In \$32M Financing

By Brady Huggett
Managing Editor

Editor's Note: This is part one of a two-part series on venture capital funding for early stage biotech firms. Part two will run in Monday's issue.

For all the talk of the fund-raising difficulties faced by early stage biotech companies, it's not an impossible task, as witnessed by four firms releasing news Thursday and today, showing they raised nearly \$115 million between them, and none are yet in Phase II.

Thursday saw dermatology-focused Anacor Pharmaceuticals Inc. announcing a \$25 million Series C round and Spherics Inc. closing a \$26.4 million Series C financing. Ambit Biosciences Corp., also Thursday, said it added another \$10 million to its Series C, bringing the total to \$31 million, the first
See Financing, Page 5

Spherics Gets \$26M To Push Bioadhesive Drug Delivery

By Jennifer Boggs
Staff Writer

Spherics Inc. raised \$26.4 million in its third financing round to advance into the clinic a pipeline developed using its oral drug delivery platform.

The Series C investment was led by Advent International, of Boston, and is expected to move products aimed at central nervous system diseases, gastrointestinal disorders and targeted and selected oncology indications through clinical development. It also will help establish the manufacturing capabilities necessary for commercialization.

"I'm very gratified to raise [this money] in such a difficult market," said Ze'ev Shaked, president and CEO of Lincoln, R.I.-based Spherics, which began operations in 2000 following a \$4 million Series A round. To date, the com-
See Spherics, Page 6

INSIDE:

OTHER NEWS TO NOTE (SANTARUS FILES \$75M SHELF)2-6

THOMSON

Financing

Continued from Page 1

tranche having closed in August. And Tranzyme Pharma announced today that it raised \$32 million in Series A shares, although it is the company's third official round.

While it's not easy, it can be done. Here's how Tranzyme did it.

The firm, based in Research Triangle Park, N.C., back in 2003 knew it did not have a story investors would quickly get behind – while it had a functional biology program, it lacked compounds – so late that year it announced it would merge with Neokimia Inc., of Sherbrooke, Quebec. To that point, Tranzyme had focused on diseases of the neurosensory system, including the eye, ear and brain. Neokimia had a novel chemistry platform for the synthesis and optimization of small cyclic compounds, but also had several lead compounds directed toward gastrointestinal disorders and metabolic diseases.

Reborn through the merger, Tranzyme suddenly had candidates in late-stage lead optimization, and its execs could talk of clinical trials by 2005. The new, combined company raised \$6 million in convertible promissory notes and set about adding value.

"That merger was important," Tranzyme's CEO and president, Vipin Garg, told *BioWorld Today*. When the capabilities of both companies – one U.S., one Canadian – were combined "under one umbrella," he said, doors began to open.

"That gave us excellent technology from Canada and also access to investors in Canada that can only invest in Canadian companies," he said, adding that "after the merger, we put all our resources in one program – our goal was to generate a lot of data very quickly."

That program included its lead compound, TZP-101, which targets the ghrelin receptor and is expected to enter Phase I in post-operative ileus by the end of this year. There are others pursuing ghrelin, of course – just last month Elixir Pharmaceuticals Inc. announced a deal with Bristol-Myers Squibb Co., of New York, for a lead compound now called EX-1314 and five related compounds. Still preclinical, EX-1314 is expected to be in humans by at least the end of the year and is seen as a possible therapy for small-for-gestational-age children and for degenerative changes in elderly people, as well as other diseases.

But Tranzyme is headed in another direction.

"We are going after ghrelin in the [gastrointestinal] tract, and we're the only one going after it there, exploiting its role in GI motility," Garg said. "Ghrelin was discovered in metabolic diseases. Everyone who is pursuing it" is doing so for its effects on growth hormone. Tranzyme wants to bring it to patients for GI disorders.

That field is ripe for a new drug, he said. What's available is "basically CNS drugs that failed." He said that when he's in the biotech elevator, conducting business in 30 seconds, he tells people his firm "has a substitute for cisapride" – the Johnson & Johnson drug, brand-named Propulsid, used for GI indications that was removed from the market in 2000 due to side effects.

There is interest from big pharma, he said, for GI disorder drugs – or for the companies behind them. And when the markets are as seemingly unreceptive to biotech firms as they are right now, a possible acquisition is crucial for investors who want their exit one way or the other.

"We have not lost sight of that," Garg said.

Becoming 'The Next Best Thing'

When Tranzyme set about the task of raising funds, it knew it was not what most VCs wanted: a company with clinical data.

"But there aren't a lot of those around," Garg said. "So, the next best thing to be is as close to the clinic with good data."

All the work and resources sunk into the lead program had paid off by then, and Garg had the strong preclinical data Tranzyme needed. He began telling his tale, looking to raise about \$15 million, because he thought a larger round wouldn't happen.

It's nice to be wrong.

"In the end, we had about \$42 million on the table," he said, and they actually turned some of it away for valuation reasons. Part of the \$32 million it did close is the \$6 million in notes raised at the time of the merger, now converted into the Class A shares.

"What's happening – and you see it all over the place – if the story is good, once they get their teeth into the story, they are willing to fund [rounds] more than what you are looking for," he said.

Overall, the company has raised \$47 million to date. Tranzyme's latest backers are spread around, and reflect its U.S./Canadian background. The financing was led by H.I.G. Ventures, of Miami; Thomas, Mc Nerney & Partners, of Stamford, Conn.; and Quaker BioVentures, of Philadelphia. Also participating were Business Development Bank of Canada, Desjardins Venture Capital and Solidarity Fund, all of Montreal, as well as Pacific Rim Ventures, of Tokyo.

"That merger we did in 2003, this cross-border synergy we created really paid dividends in terms of our ability to do this financing," Garg said.

Monday's issue will explore Ambit Biosciences, and how it pulled in \$31 million in Series C funds. ■

OTHER NEWS TO NOTE

• **Santarus Inc.**, of San Diego, filed a shelf registration statement that will permit the company to offer and sell up to \$75 million in debt or equity securities. The company plans to use the proceeds to support sales and marketing activities for Zegerid powder for oral suspension and capsules and chewable tablets to treat heartburn and other symptoms of gastrointestinal diseases and disorders. It also will fund research and development activities and other working capital and general corporate purposes.