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**THE IN VIVO BLOG**

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BIOPHARMACEUTICAL INDUSTRY INTELLIGENCE AND ANALYSIS

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## Financings of the Fortnight Stops Complaining and Learns to Live The Man

Back when FOTF was young, idealistic, and unshaven, the worst thing imaginable was going off to work for The Man, man. I mean, *come on*, man: What a drag. Wearing suits. Driving in traffic. Kissing middle-management butt. We wanted to be free to work on our start-ups, away from the corporate agenda and soul-sucking office parks. No bureaucracy, no joint steering committees, no bean counters in Basel or New York or New Brunswick telling us what to do!

Funny how a recession can realign one's ideology. The Man, it turns out, is a fairly hip guy, kind of like Don Draper when he sneaks off to [party with his boho Village girlfriend](#). "Corporate venture" once felt like an ingredient in a Groucho Marx one-liner, but now, everybody knows the secret knock to the underground jazz club.



We've been noting the rising influence of corporate venture funds starting in May 2009 and continuing this summer, when [we calculated](#) that Series A and B rounds with corporate funds in the syndicate were richer than those without. We even [asked a year ago](#) whether corporate venture would remain a mainstay if the economy improved.

Well, the economy has improved. In fact, it's grown for five straight quarters, though [most Americans apparently refuse to believe it](#). We don't know for sure the answer to our question from last year, but this fortnight's activity sure makes us think corporate venture is here to stay. (Then again, who ever figured Don and Betty Draper would divorce? Such a perfect couple!)

Of the nine biopharma-related venture rounds disclosed in the past two weeks, five have included one or more strategic investors. The most obvious strategic link goes to Aires' Pharmaceuticals Inc., whose \$20 million B round was led by MPM Capital's Novartis-backed strategic fund. (Strategic indeed: Novartis also nabbed other perks, as our [Duchess of Deals](#)

[spelled out last week.](#))

We also saw strategics out front leading rounds: Lilly Ventures led the way on Cerulean Pharma Inc.'s [\\$24 million C round](#), and Johnson & Johnson Development Corp. headed up the \$22 million C round for consumer genetics maker 23andMe Inc. (OK, not quite biopharma. So sue us.)

Throw in the corporate participation in rounds from [Syntaxin Ltd.](#) and Sutro Biopharma, detailed below, and we count \$131 million, including promised future tranches, in those five rounds alone. The four non-CVC rounds -- announced by RedHill BioPharma Ltd., Ceregene Inc., Delenex Therapeutics AG, and Verastem Inc. (which we also profile below) -- add up to \$49 million.

Comparing those two numbers and drawing any conclusions would be an egregiously unscientific exercise, but you can be sure that even if private biotech firms rev it up and follow General Motors onto the public turnpike, strategic venture funding isn't ready to return to the backseat. After all, The Man drives with the top down, shades on, and the radio tuned to....



**Verastem Inc.:** The [\\$16 million Series A financing](#) of Boston's Verastem, a cancer stem cell company, is one of the few this fortnight not to include a strategic investor in its syndicate, but we were tempted to count it as such. That's because one of its investors and its chairman, Christoph Westphal, is president of GlaxoSmithKline's corporate venture group SR One. SR One wasn't part of Verastem's Series A, but Westphal's newly minted Longwood Founders Fund, which has raised at least \$50 million thus far and is still in fund-raising mode, played a leading role. (Westphal cofounded LFF with longtime sidekick Michelle Dipp and Boston biotech veteran Richard earlier this year.) Indeed, Westphal's ability [to simultaneously wear two VC hats](#) has caused consternation despite his insistence that Longwood and SR One have different strategic priorities. (He and Dipp were also, uh, triple-dipping, selling resveratrol supplements online through a nonprofit, but after Xconomy wrote about it, [GSK forced them to stop.](#)) Since his days at Polaris, [Westphal's investment philosophy](#) has centered around great scientists and high-concept, potentially transformative technology. (Momenta Pharmaceuticals and Alnylam Pharmaceuticals are two others). Verastem doesn't stray far from this recipe. The company is tackling one of the hottest areas in oncology: the eradication of [cancer stem cells](#). Unlike most malignant cells, cancer stem cells are able to self renew and differentiate into multiple cell types, giving them a leading role in the recurrence of certain kinds of tumors. Verastem is apparently developing proprietary technology to identify drugs that specifically target these rare bad actors, building on research published in two Cell papers in 2008 and 2009. The brain trust working on the technology includes luminaries such as MIT's Robert Weinberg and Eric Lander, who are also co-founders. In addition to Longwood, Bessemer Venture Partners, Cardinal Partners, and MPM Capital also participated in the financing round. -- *Ellen Foster Licking*

**Sutro Biopharma Inc.:** Protein platform firm Sutro said Nov. 17 it had raised a \$20 million tranche of a \$36.5 million Series C round, cash that will help it scale its protein synthesis platform to meet Good Manufacturing Practice standards. That's not just a side note; it's key to Sutro's business plan. The South San Francisco, Calif. startup is working on a cell-free protein synthesis system that can be scaled for commercial use. It's looking to open its platform to partners that want to make all manner of proteins faster and cheaper, and it says it wants to make its own biobetters and novel therapeutics. That's the pitch, at least, and it's worth noting that two corporate investors, Lilly Ventures and Amgen Ventures, two firms with an obvious strategic interest in Sutro's work, jumped into the C round. Sutro president and COO Daniel Gold [told START-UP](#) last year that founder Jim Swartz, a Stanford University professor and Genentech alumnus, figured out how to prepare an E. coli extract that contains transcription and translation machinery sufficient to produce protein from nearly any DNA message. Skyline Ventures led the round, with participation from existing investors SV Life Sciences and Alta Partners. If it nabs the second tranche of its C round Sutro will have raised nearly \$60 million since its founding in 2003. -- *Alex Lash*

**Cadence Pharmaceuticals Inc.:** One week after U.S. approval for *Ofirmev*, its intravenous formulation of acetaminophen to treat pain and fever in hospital settings, Cadence tapped the public markets for \$86.2 million in a follow-on public offering. The transaction is Cadence's second FOPO of 2010, following a February offering of \$86.6 million; the company also obtained a \$30 million secured loan facility in July, which included a \$10 million tranche that kicked in upon *Ofirmev*'s approval. The new offering refills Cadence's coffers, which showed \$60.9 million in cash and short-term investments at the end of September, in advance of *Ofirmev*'s U.S. launch during the first quarter of 2011. The IV drug has been used in Europe to treat post-operative pain since 2002. Cadence has another reason to shore up its balance sheet: It has an option to acquire electronic fentanyl patch developer Incline Therapeutics Inc., a startup whose management team includes former Cadence executives, for up to \$135 million by June 2011. It can also obtain a second option to buy the company for up to \$285 million by the end of 2013. Cadence considered buying the patch outright from Johnson & Johnson but instead helped engineer a complicated venture-backed spin-out of the technology to create Incline ([described in detail here](#)), which could be a nominee for our humble blog's upcoming Deals of the Year competition. Ladies and gents, start your NPV calculations.-- *Paul Bonanos*

**Mylan Laboratories:** One of the world's biggest generic drug makers, Mylan tapped the debt markets for \$800 million for cash to prepay previous loans. [It said Nov. 9](#) it had priced the 6% notes, which come due in 2018, at an issue price of 98.45%. Mylan president Heather Bresch told "The Pink Sheet" that the firm, which grabbed a 71% stake in Indian active pharmaceutical ingredients maker Matrix Laboratories Ltd. in 2007, would continue to be "opportunistic around the maturity schedule" of the firm's long-term debt, which hit \$5.2 billion at the end of the third quarter. The refinance comes as Mylan is touting its version of a user fee structure even as FDA holds talks about the merits of a generic industry user fee (GDUFA). At first Mylan [zagged while the rest of the industry zigged](#). It originally proposed fees on inspections, plants, and approved medicines, but not on applications, but it fell closer into line with its brethren in October by changing its proposal to include median review times and an upfront application fee. -- *A.L.*

*Image and late '70s nostalgia courtesy of flickr user [Vibracobra23](#).*