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March 12, 2010

Support Network Seeks to Grow Biotech Companies

By JON VAN

Dr. Boris Pasche had worked for years with a battery-operated device to treat insomnia, but as he followed his research, he discovered that electromagnetic radiation from the apparatus might slow or stop tumor growth in some cancer patients, and he thought he could perhaps build a business around the idea.

Like most other academic researchers, Dr. Pasche knows little about starting a business or courting investors, but he is getting help for the Chicago-based biotechnology company he founded, TheraBionic.

The small-business development office at Northwestern University, where Dr. Pasche was affiliated, referred him to the Illinois biotechnology trade organization, iBIO, which linked him to local biotechnology volunteers offering guidance. They advised him on possible investors and coached him on making his pitch.

"I submitted a grant proposal to the National Institutes of Health, as this is a novel, potentially transformational, technology," Dr. Pasche said. "This is my baby. I'd really like to see it succeed."

TheraBionic is the sort of risky but high-potential company that might be a candidate for money under a federal program to promote commercial medical breakthroughs.

Universities and laboratories in the Chicago area have long been a source of innovations in the life sciences, but for decades inventors and entrepreneurs have often lacked the money and business savvy to bring their ideas to market. The story of TheraBionic and dozens of similar start-ups over the past few years indicates the serious effort to raise Chicago's standing as a commercial biotech center.

The main obstacle that start-ups face is the absence of a critical mass of daring investors like

those who fuel biotechnology development on the coasts, said Michael Rosen, senior vice president for Forest City Enterprises and the Illinois Science + Technology Park in Skokie.

“The problem is very few early-stage capital investment funds,” Mr. Rosen said.

What the area does have are drug and medical products companies like Abbott Laboratories and Baxter International and the North American headquarters of such major players as Takeda and Astellas, Japan’s top two pharmaceutical companies. In recent years, executives at those companies have begun helping fledgling entrepreneurs with the managerial, legal and other business expertise they need to commercialize their research.

The turnaround started at a trade show of BIO, the world’s largest biotechnology organization. Chicago hosted the international BIO show in 2006, the first time the event was held outside the biotech centers on the East and West Coasts. The event attracted 20,000 participants, a record, and the process of organizing it helped bring together the area’s often diffuse biotechnology community.

It began to focus on supporting struggling newcomers and raising their profile nationally.

“We learned a lot of people who attended the convention didn’t know much about Chicago at all,” said Dr. Norbert Riedl, Baxter’s chief scientific officer and corporate vice president. “They didn’t know Baxter was here, Abbott, Takeda, Astellas — and world-class universities were here. It was clear we had to do more to promote those aspects of Chicago.”

Among the accomplishments after the trade show was a statewide program called Propel, modeled after an effort that helped turn San Diego into a biotechnology powerhouse.

“Propel is to train and educate entrepreneurs, to take innovation out of academic centers and place it into tech parks and allow it to flourish,” Dr. Riedel said.

Therapeutic Proteins Inc., a Deerfield company that is opening a manufacturing plant on Chicago’s South Side this spring, is one of the small local companies benefiting from Propel’s efforts. It plans to add 30 employees to the 6 it has now when operations begin at the new plant, said Thomas L. Flynn III, its chief executive. The company will make proteins used in generic biologic therapies that regulate blood sugar, produce blood cells and stimulate the immune system.

Propel helped Mr. Flynn by identifying contractors who could build specialized manufacturing facilities, locating a site within a technology park and steering him toward loan and grant programs that would enable his company to hire new employees. The company settled at the tech park at the Illinois Institute of Technology, where it constructed a 12,000-square-foot

production plant.

While iBio, Propel and other efforts have built a sense of momentum among business people and others in the state, the timing has proven to be a challenge. Total venture investment in biotechnology in the state had reached \$100 million a year in 2006 and 2007, according to the Illinois Venture Capital Association, but the amount fell over the last two years to around \$40 million, as the recession and tight credit markets caused a pullback on all venture investment.

Biotechnology's share of total venture investment hit a low of 8 percent in 2008, but climbed to 21 percent last year, close to the level in 2006, the year the trade show was in Chicago.

"This suggests the resilience of biotech in Illinois," said Maura O'Hara, executive director of the Illinois Venture Capital Association. "Bouncing back to get about one-fifth of the state's venture investment is an accomplishment."

Another iBIO gathering is scheduled for McCormick Place in May, and Mr. Flynn hopes to use it to show off his company's capabilities to buyers from around the world. The show promotes such deal-making by, among other things, arranging computerized match-ups between vendors and potential customers.

In the past few years, Propel has helped about 50 companies file for patents on their technology and secure increased financing, said David Miller, executive director of iBIO. Several have advanced enough to expand their work force, he said

Still, Mr. Miller said, Illinois has not seen its biotech start-up companies prosper as much as those based in Wisconsin, Ohio and Michigan. iBIO plans to change Propel's legal status to that of a philanthropic entity that can receive federal grants and foundation money, something a trade organization like iBIO cannot do.

Mr. Miller's organization is also seeking state legislation to provide tax breaks to those who invest in early-stage start-up companies. Twenty-five other states have such tax breaks, he said, and most have seen a marked increase in new technology companies.

Getting Illinois lawmakers to pass a tax break at a time when the state is desperate for more revenue may be difficult, though Mr. Miller said that iBIO's proposed legislation passed the Senate last year with no opposition and that this year a quarter of the membership of the House had agreed to sponsor the measure.

Providing tax breaks to early-stage investors "would be a good step in the right direction," said Thomas Churchwell, managing partner of Chicago-based Midwest Venture Partners. Early-stage investors, or "angels," help start-up companies stay in business through a period known

as “the valley of death” when development costs are high and clinical trials must be conducted. Venture capitalists typically come in when the product is nearly ready for market.

“You start with angel funding and some combination of venture capital and corporate strategic relationships,” Mr. Churchwell said. “It takes so much money to get a company off the ground, it’s unlikely that angels alone will get you there.”

Hosting the iBIO show in 2006 was significant in lifting confidence among Midwestern biotech players, Mr. Churchwell said, and the May gathering will represent a kind of progress report for the community.

“As time goes on, folks are going to prove this is going to work,” he said. “You have to convince yourself it can happen, and it does.”