

# VENTURE CAPITAL & Health Care

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Serving Health Care Investors, Executives and Entrepreneurs

## Genomics INVESTING

### Start-ups Vying To Show the Value Of Their 'Systems'

Genomics investors traditionally have backed companies that study genes and proteins in isolation.

But "systems biology" companies, which study the networks by which these components function, are gaining increasing venture interest. Companies such as **Entelos Inc.**, Menlo Park, **SurroMed Inc.**, Mountain View, Calif., and **Physiome Sciences Inc.**, Princeton, N.J., have raised \$45 million or more. Newly formed ventures include **Beyond Genomics Inc.**, Waltham, Mass., **Gene Network Sciences Inc.**, Ithaca, N.Y., **Kenna Technologies Inc.**, Paoli, Pa., and **Genomatica Inc.**, San Diego.

By analyzing how genes, proteins and other molecules interact, these companies aim to drive down the cost of drug development by helping pharmaceutical companies identify better targets at which to aim new drugs, and by assisting them in determining which drug candidates have a

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## Asian Investors Taking a Liking To U.S. Life Sciences Ventures

*As With IT-Related Efforts, Quest for Industry Knowledge Is Key*

Asian entities are showing up frequently these days both as backers of U.S. venture firms that invest in life sciences companies and as investors in such companies themselves.

Among the beneficiaries of this trend is the San Diego firm now known as **Hamilton Apex Management Partners**. Last year, as Hamilton Technology Partners, the firm tapped European and U.S. investors for \$18 million for its debut fund. Then Korea-based **Apex Technology Investment Co. Ltd.** introduced Hamilton Technology to a group of Asian corporations and institutional investors. These investors, which include an owner of a chain of drugstores, are backing the fund as a means of gaining indirect stakes in young medical technology companies.

Hamilton Technology took in an additional \$30 million and took on Apex as a partner. The only condition was that two-thirds of its capital must go to life sciences companies, compared to the one third that Hamilton originally had planned. (Thanks to its participation in the Small Business Investment Company program, Hamilton Apex will have a total of roughly \$145 million to invest.)

Along with young venture firms, young companies like **Altus Biologics Inc.**, Cambridge, Mass., also have benefited from East Asian capital.

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### Asian Investors Look to the West

#### BioVeda Capital Pte. Ltd., Singapore

2001-2002 investments: Renovis Inc., Agilix Corp., NewBiotics Inc.

#### Blue Dot Capital Pte Ltd., Singapore

2001-2002 investments: Sagres Discovery, Nereus Pharmaceuticals Inc.

#### China Development Industrial Bank, Taiwan

2001-2002 investments: Altus Biologics, Myogen Inc., Medinor Inc., GeneFormatics Inc., Sagres Discovery, PTC Therapeutics Inc., Nereus Pharmaceuticals Inc., Optimer Pharmaceuticals Inc., Generic Corp., Quorex Pharmaceuticals Inc., ICAgen Inc., Acorda Therapeutics Inc., Zyomyz Inc.

#### Singapore Economic Dev. Board, Singapore

2001-2002 investments: GenoSpectra Inc., Novirio Pharmaceuticals Ltd.

#### Vertex Management, Singapore

2001-2002 investments: Renovis Inc., TolerRx Inc.

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# New Role for Frantz Medical Development *PROFILE*

*Company Built Reputation Building Concepts Into Product; Now It Also Seeks Venture Stakes*

For 25 years, **Frantz Medical Development Ltd.** has picked up the ball from those who lacked the desire or skills to take a medical device from conception to commercial launch.

The New York company built a business around acquiring or licensing nascent technologies from universities or directly from inventors. Frantz Medical would lead the project through clinical trials and FDA approval, and then partner with major distributors like Abbott Laboratories to sell the product. The technology's originator would settle for royalties.

But not everyone wants to settle for royalties. "We were passing on a lot of opportunities where there was someone involved who wanted complete control," said Mark Frantz, who serves the company he founded as CEO and president. Rather than continue to miss those opportunities, Frantz Medical has taken on a new role as investor, and is putting together a fund it hopes will total \$25 million.

The company, with the help of some individuals, already has put aside \$5 million to enable **Frantz Medical Ventures** to begin investing. The most recent of the three investments it has made so far went to **CryoCor Inc.**, the San Diego developer of a cryogenic-based device to treat atrial fibrillation and other irregular heartbeats. (See story on page 19.)

## Profits Come First

Though Frantz Medical Ventures is essentially a corporate venturing arm, unlike a typical venture unit it is more interested in realizing profits than in building strategic relationships. Nor will it seek to acquire the companies it backs, Mr. Frantz said.

Mr. Frantz, who represents his company as a general partner of the fund, recruited two professionals from the Cleveland Clinic to help him: Fred Cornhill, the former chairman of the clinic's biomedical department, serves Frantz Medical Ventures as a general partner; Lorelei Davis, formerly the biotechnology manager at the clinic's technology transfer office, joined Frantz Medical Ventures as a principal.

Although Frantz Medical Development's specialty is medical devices, the venture arm also will look to back biotechnology companies, particularly those developing diagnostics or other device-like tools. It already has invested in **Atairgin Technologies Inc.**, an Irvine, Calif., biotechnology start-up developing a test for ovarian cancer.

The firm also might consider investing in companies creating software or other information technology to aid the diagnosis and treatment of patients or the development of new drugs. "It's easier to say what we won't invest in," Mr. Frantz says. "We won't invest in physician office scheduling programs" or other practice management tools.

The venture arm is unlikely to make first-round biotech investments, Mr. Frantz said, because of the length of time such companies typically need to mature. "We would like to be fully invested in a three-year period, and not be hanging out there for the next 15 years," he said.

(The test for ovarian cancer being developed by Atairgin Technologies may be available later this year; Frantz Medical's investment came in the company's second round.)

For device companies, Mr. Frantz said, "We will go very early stage because of the support mechanisms and the background of Frantz Medical." That background includes the development of pumps used in treating patients as well as tools such as those used in laparoscopic surgery.

Peter C. Wulff, the chief financial officer of CryoCor, says Frantz Medical invested in the company after performing due diligence for another firm, which ended up not taking part in the round. Mr. Frantz, according to Mr. Wulff, "brings a lot strategically to our table in terms of building or managing our company."

Frantz Medical Ventures also holds a stake in **Bacchus Vascular Inc.**, a Santa Clara, Calif., company developing devices to clear arterial blockages.

## AT A GLANCE

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