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Venture Capital Firms Make Quick Use Of CoGenesys

By BRIAN GORMLEY

Three venture capital firms scored one of the swiftest biotech successes in recent memory when they agreed to sell 18-month-old CoGenesys Inc. to Teva Pharmaceutical Industries Ltd. (TEVA) for \$400 million cash.

The deal, the latest in a string of acquisitions of venture-backed drug companies, should provide strong returns for New Enterprise Associates, OrbiMed Advisors and Red Abbey Venture Partners, which provided \$55 million in Series A financing to CoGenesys when it spun out from Human Genome Sciences Inc. (HGSI) in June 2006. The merger is expected to close in the first half of this year.

Other significant acquisitions of venture-backed drug makers recently include GlaxoSmithKline PLC's (GSK) \$1.65 billion cash purchase of Reliant Pharmaceuticals Inc., in December, and Bristol-Myers Squibb Co.'s (BMY) \$430 million takeout of Adnexus Therapeutics in October. The moves come as drug manufacturers attempt to quickly replenish their pipelines through acquisitions and licensing deals.

"The appetite by pharma to acquire pipeline is better than I've ever seen it,"

said Stuart Collinson, a member of Forward Ventures, which last year saw portfolio company NovaCardia Inc. be acquired by Merck & Co. Inc. (MRK) for \$350 million.

(This story originally appeared in VentureWire, a daily email newsletter published by Dow Jones & Co. that covers news about venture-capital and start-up companies.)

The sale of a drug maker in less than two years after it was first funded by venture firms is unusual in the venture capital industry. It now takes a median of nearly seven years for a venture-backed health care company to go public or be acquired, according to VentureSource, a research unit of Dow Jones & Co., a unit of News Corp. (NWS) and publisher of this newswire.

Teva is buying a company with proven ability to rapidly move products into the clinic. Since the spinout, the Rockville, Md., concern has advanced a treatment for heart failure, Cardeva, into Phase I/IIa studies, and a cancer treatment, Neugranin, into Phase I/II. Products for Crohn's disease and multiple sclerosis are in early development.

CoGenesys, which creates long-acting drugs by fusing proteins to albumin, which has a long circulating half life,

makes Cardeva by genetically fusing human serum albumin to B-type natriuretic peptide. In heart-failure patients the drug has potential to improve the excretion of salt and to improve the output of urine from kidneys, among other benefits.

Similarly, Neugranin is a long-acting form of granulocyte-colony stimulating factor that is derived from direct fusion of the gene for that protein to the gene for human serum albumin.

While the pipeline was part of the attraction for Teva, the company, known mostly for genetic pharmaceuticals, seemed just as interested in CoGenesys' technology platform, which could be used to develop generic versions of biotechnology drugs. The company, however, did not disclose which drugs it would attempt to copy using CoGenesys' platform.

When Teva will be able to introduce biogenerics in the U.S. is unclear. While the 1984 Hatch-Waxman Act created a regulatory pathway for the development of genetic small-molecule drugs, there is no equivalent route for approval of biogenerics in the U.S. In an email, however, a Teva spokeswoman said the company is confident that such a pathway would be created in the U.S. within the next few years.