

## ► Matters of money

*In a down market, biotech can bank with the nonprofits.*

As bear markets pull down, venture capitalists (VCs) balk, and angels fly away, a funding gap has formed in drug discovery between basic research and preclinical studies. On the edge of perilous finance, venture philanthropy has arrived to build a bridge.

"The main difference between venture philanthropy and VC investing is that our goal is to advance our charitable mission—not to create a profit," says Howard Fillit, executive director of the Institute for the Study of Aging (ISOA, New York, [www.aging-institute.org](http://www.aging-institute.org)), one of at least 20 nonprofits active in funding early-stage drug development. Established in 1998, the ISOA has provided more than \$17 million to 89 programs in 8 countries.

The money is out there, but nonprofits are making deals, not donations. Investments can be in the form of recoverable grants, repaid at some multiple of the grant amount; convertible loans, repaid in equity or cash upon reaching a given milestone; or simply a straight loan at a below-market rate. "The challenge for foundations like ours," says Fillit, "is how to balance the risk of funding innovative science with the business risk."

What kind of partner is the ISOA looking for? It depends. Although it often funds lead discovery optimization at cash-poor

start-ups, the ISOA has also partnered with well-funded larger companies that have lost the motivation to pursue an existing technology. To get the ball rolling again, Fillit is eager to "give the company a few hundred thousand to get that compound off the shelf and back on the bench."

Incentive rescue is one tactic, but Bob Belle, president and CEO of the Cystic Fibrosis Foundation (CFF, Bethesda, MD, [www.cff.org](http://www.cff.org))

prefers to go after "low-hanging fruit". These are drugs that already exist but have not been investigated in the context of cystic fibrosis. To harvest that fruit, the CFF created the Therapeutics Development Network. "We're dealing with a rare disease, affecting roughly

30,000 individuals nationwide," says Belle, so the gain for industry is not obvious. "How do you convince someone to work on a problem with so few patients?" The network not only invests money but can function as a contract research organization for the fledgling company that lacks the expertise, providing swift access to accredited CF centers and to the patients themselves. Through its aggressive efforts, the CFF has created partnerships with Chiron, Proteome, Copernicus, SciClone, and Inspire. Belle is convinced: "A lot of drugs

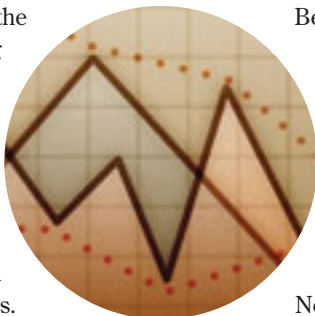
would not be here without nonprofit funding."

Nonprofits serve a niche group of patients, while for-profit investors serve their own financial interests. The ISOA focuses on Alzheimer's disease—a potentially huge market—but the research is still at an early stage, and investor risk is high. The CFF represents a community so small that even orphan drug status will not provide the high-dollar returns desired by the VC. The willingness of nonprofits to take the investment risk is driven by far different expectations. Kim Hunter-Schaedle, associate director of industry relations for the Juvenile Diabetes Research Foundation International (JDRF, New York, [www.jdrf.org](http://www.jdrf.org)), puts it this way: "We have nothing to gain from this but a cure."

The JDRF serves a niche too, but it also happens to be the world's leading nonprofit, nongovernmental funding source for science, having committed more than \$600 million to research since its inception. As head of the recently established Industry Grants Program, Hunter-Schaedle likes to stress the scope of the opportunity. Consider the disease, she says. "If you're interested in genetics, if you're interested in vaccines, if you're interested in immune modulation, if you're interested in heart, nerves, eyes—there's something here for you."

Indeed, there may be something for everyone. The financial markets are off, but the timing is right. The foundations are ready to deal.

—Neil Canavan is a pharmaceutical consultant and a freelance writer in New York City.



### Industry items

**LION Bioscience** ([www.lionbioscience.com](http://www.lionbioscience.com)) announced the release of SRS version 7.1, which includes an improved user interface that opens access to biological data to nonexperts....

**Agilent Technologies** ([www.agilent.com](http://www.agilent.com)) introduced the Agilent 1100 Series Nanoflow LC System for mass spectrometry-based proteomics applications.... **IBM** ([www.ibm.com/lifesciences](http://www.ibm.com/lifesciences)) and **IDBS** ([www.id-bs.com](http://www.id-bs.com)) announced a global strategic alliance to create a new informatics platform for drug discovery....

**NetRegulus** ([www.netregulus.com](http://www.netregulus.com)) announced the release of NetRegulus v6, the next generation of software for the management of FDA-regulated data for the life sciences industry.... Brian A. Lajoie has joined the biotechnology company **Genitrix** ([www.genitrix.com](http://www.genitrix.com)) as chief financial officer.... A new analysis by Frost & Sullivan (<http://pharma.frost.com>) on the European therapeutic monoclonal antibodies market reported that high prices will restrain uptake of this technology pending a detailed cost-benefit analysis.