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# Standing on Fertile Ground

In April 2005, two panels of experts participated in a free flowing discussion of the state of bioscience in Colorado. One group included executives from established Colorado companies. The other panel included bioscience entrepreneurs involved with young companies.

By Jon Pushkin

## MATURE COMPANIES

**1. Greg Baldwin** is CEO and Chairman of Baxa, a medical device company founded in 1975 with a twenty-year history in Colorado. Baxa develops innovative methods of medication delivery, including the accurate and safe dosing of oral liquid drugs.

**2. Michael J. Gerber, M.D.** is the Senior Vice President for clinical development and regulatory affairs with Myogen, a publicly traded biopharmaceutical company discovering new treatments for cardiovascular disorders. Based in Westminster, Myogen spun out of research developed at the University of Colorado.

**3. Mike Hart** is President of Allos Therapeutics, a Westminster based oncology development company founded in 1994. The publicly traded Allos develops and commercializes drugs for improving cancer treatments, including breast, lung, brain and other cancers.

**4. Jim Linfield** is Managing Partner of the Colorado office of Cooley Godward, one of the most integrated and comprehensive life sciences legal practices in the country. The firm represents over 500 life sciences companies, both public and private, in the U.S. and internationally.

**5. Sean Moriarty** is the Vice President of business development and counsel for QLT USA, Inc., the Fort Collins based subsidiary of QLT Inc. QLT is a global biopharmaceutical company specializing in developing treatments for cancer, eye diseases and dermatological and urological conditions. QLT USA was created when QLT acquired Atrix Laboratories, Inc. in late 2004.

**Q:** Why did your company choose Colorado? What are some of the challenges and advantages facing Colorado bioscience companies?

**Sean:** Colorado is a fertile ground to grow a new business. Even though half of all University of Colorado law students are from out of state, 80 percent of them stay and practice in Colorado after graduation. **Once people are drawn here they tend to stay.**

**Mike H:** Allos Therapeutics originated in Richmond, Virginia. We came to Denver because our first CEO was a Denver native and the company relocated here. We've been here ever since.

**Greg:** Baxa moved to Colorado in 1982 with about 12 employees. The founders really wanted to live in Colorado because of the lifestyle. We now have 285 people in Colorado and over 300 employees worldwide. As a medical device company, our profile is higher in Colorado than it might be elsewhere. It's a great place to work, with a highly educated workforce.

**Mike G:** Myogen's founder, Mike Bristow, was the chief of cardiology at the University of Colorado. The rest of the management team all had Colorado connections as well. We were committed to building biotech in Colorado.

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# Expert Roundtables Focus on Industry Growth



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By Dan Christopherson

**Q:** How does Colorado compare to other major bioscience clusters?

**Terry:** Colorado is particularly well positioned to take advantage of convergence. Convergence spells the future of Colorado because the state brings together so many technologies here.

**Harry:** One of the really nice things about Colorado is there is such a nice mix. You can have two great companies from different areas working together to spin off innovation in a totally different area. The other thing that makes us unique is that Colorado is big enough to have everything you need, but small enough to know where to look for help.

**Randy:** Fitzsimons (see page 26) gives us a tremendous amount of infrastructure investment to promote entrepreneurial growth. For a small startup, finding 2,000 square feet of lab space is hard to come by. So we set Proteome up at Fitzsimons. It really speaks to the level of investment that's going on there.

**David:** Entrepreneurship is a lonely pursuit. But the nice thing in Colorado is you don't have to feel like you are odd or different. There are a lot of people like you and the entrepreneurial community is very supportive. If you are in Colorado and doing something entrepreneurial, you're in the right place.

*continued, page 14*

## YOUNG COMPANIES

**1. David Allen** is the Assistant Vice President for technology transfer for the University of Colorado System. CU's technology transfer office plays a vital role in the growth of young bioscience companies.

**2. Terry Knapp, M.D.**, is the President and CEO of Orthonetx Incorporated. Located in Superior, southeast of Boulder, the company develops medical devices for distraction osteogenesis (mechanically induced growth of new bone and adjacent soft tissues) to treat human bone-related tissue deficiencies and deformities.

**3. Harry Ross, M.D.**, is the Managing Partner of Aweida Capital Management, located in Superior. Aweida operates a \$100 million fund, providing seed or early stage financing ranging from \$500 thousand to \$10 million.

**4. Randy Swenson** heads Proteome Resources, LLC as its Chairman and CEO. The company, established in 2004, manufactures and provides biochemistry tools and services for drug discovery and basic research.

**5. Ginny Orndorff** is President and CEO of Evolutionary Genomics. The Aurora company has developed a patented gene discovery platform that sifts through large amounts of genomic data to identify only those genes that have a high likelihood of commercial value for downstream validation.

## MATURE COMPANIES *continued*

**Getting good talent isn't about the money, it's about the science.** Am I going to have an opportunity to work on something that makes a difference? If we can provide good opportunities to work on something exciting and bring it to fruition, that's the first step in attracting the talent to Colorado.

**Q:** Successful businesses need access to top quality professional and technical support. How would you rate the quality and availability of these services in Colorado?

**Greg:** The service side in Denver is outstanding, from IT to legal to accounting. There's a tremendous environment to do business. We also have some outstanding medical device companies here who laid the groundwork for Baxa's success, like Cobe, Valleylabs and Gambro.

**Sean:** Service providers here have an entrepreneurial, Western spirit that comes through in many ways. For the vast majority of our needs we can easily get competitive bids.

**Q:** Some people feel Colorado needs more senior level executive talent. Do you agree?

**Greg:** Our head of sales and marketing lives here during the week and flies home on the weekends. To grow you have to be flexible. By and large we have all the senior level talent we need here but sometimes you have to improvise.

**Mike H:** I agree with Greg. The preference is always for people to live here, but if it's a person you want badly enough you try and accommodate them.

**Mike G:** The bottom line is the team. It's always better if the team is all in one place but the key for Colorado biotech executives is to be flexible.

**Jim:** The further you go through the development cycle the shallower the talent pool. That's because there are relatively few companies in Colorado with experience taking drugs to market. As more Colorado companies gain that experience there will be a deeper talent pool. It's a problem that solves itself over time.

**Q:** A lot of people worry about the impact of the State's economy on the growth of Colorado's bioscience cluster. How would you describe the business and economic climate in Colorado today, and how do you feel about the future?

**Sean:** People need the products we make regardless of the economy. The economy may affect individual employees and their personal optimism, but Colorado is a great place to be. There is a lot of political pressure on the pharmaceutical industry right now but I remain optimistic about the future.

**Mike H:** Colorado should not undersell our location in the middle of the country and the benefits of a premier facility like Denver International Airport. Having easy access to anywhere in the U.S. is a real asset, particularly to smaller companies.

**Greg:** The economic downturn actually gave us a bigger pool to recruit from. Rising energy prices are a concern but I'm generally encouraged about the economy.

**Jim:** A great unwritten story is the success Colorado companies like Myogen, Allos, Pharmion and Replidyne have had in licensing compounds from big pharma. It has a lot to do with our very robust phase III pipeline. We've never had so many drugs in late stage development.

**Q:** We don't have much state funding to promote bioscience. If Colorado could do one thing to promote the industry, what would it be?

**Jim:** We need complete unequivocal support for the State's institutions of higher education. We have some of the best people working at our universities and colleges. We won't be able to continue to attract and retain them unless we provide state support for higher education.

**Mike G:** Every successful biocluster is characterized by strong universities with great professors spinning out their ideas through tech transfer and funded by venture capital. We need a seamless tech transfer system so universities can create ideas and commercialize those opportunities. It is just critical.



**Q:** What do you think Colorado's bioscience industry will look like in ten years?

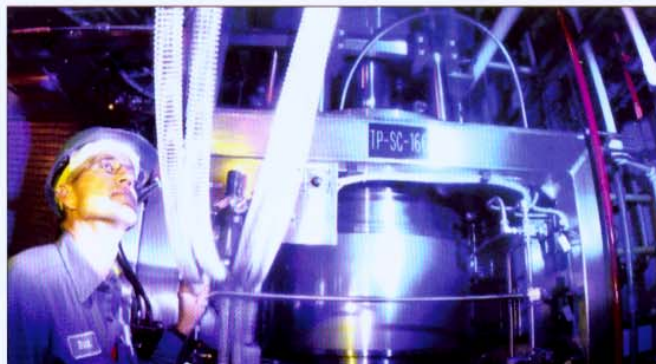
**Mike H:** I'm very optimistic. Good things are happening and success breeds success. CU can be the discovery engine that drives it all.

**Greg:** My hope is that more companies will establish themselves as Colorado companies and commit to staying here long term.

**Sean:** We will double the number of companies at all levels and establish a better tech transfer system to help us reach critical mass.

**Jim:** Colorado will see a significant increase in the number of products that come to market from university research. This will have an enormous impact on health care in the areas of cardiology, cancer care, eye health and arthritis.

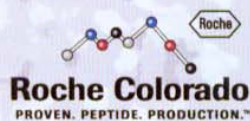
**Mike G:** We have all the pieces in place for a successful biotech environment. The future is bright. Success is just around the corner. ♦



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#### YOUNG COMPANIES *continued*

**Q:** New companies constantly need early stage funding. How would you describe the investment environment in Colorado?

**Harry:** For a state the size of Colorado, the investment environment is pretty good here. Nationally, we often rank in the top five in terms of capital investment. When you consider we are in the same company as California, New York and Massachusetts, that's really good – especially when you crunch that down to a per capita basis. **Everybody always wants more money, but compared to 45 other states I think we are in great shape.**

**Ginny:** As an early stage company, we never have enough capital. Colorado really reflects what's going on in the whole country. The trend is not to invest venture capital in very early stage companies.

**Harry:** Try raising money in places like Montana or Utah or the Dakotas or Kansas. There is never enough money, but it's better here than just about anywhere else.

**Randy:** Colorado needs more funding for early stage companies without a product in the pipeline yet. Thanks to the Colorado BioScience Association (CBSA), it now looks like we are going to get some state-funded investment money specifically focused on early stage bioscience companies. That will be a big boost.

**David:** Technology transfer comes down to resources. It's a Darwinian business world out there. Viable ideas become concepts that become companies. Unfortunately, there is more capacity for productive use of capital than is available today.

What we are seeing across the country is that there are very few cases where private source capital does indeed step up sufficiently. So, if we are going to create a vibrant economy, and bioscience is part of it, then that becomes a role for government.

**Terry:** Colorado has a couple of heroic venture capital funds but none totally dedicated to life sciences investments. **It's a chicken and egg question. I guarantee you if we had more funds here dedicated to life sciences, more life sciences companies would emerge.**

**Harry:** There is nothing unique about the lack of early stage money here at all. People's risk tolerance has changed. They put money into companies that already have revenue, FDA approval, or are in discussion for acquisition. Since 2000, there are roughly half as many venture capital groups in existence as there were before. It leaves a big hole as far as what can be funded.

**Terry:** There is a movement afoot to fill the gap – the organized angels – not just the “mom and pop's who write a check angels”, but the West Coast Angels, the CTEK Angels –



all of these groups who are now banding together with a degree of organization we have never seen before.

**Q:** Another thing young bioscience companies need is ready access to high quality talent and resources. Are we doing a good job of making these resources available to new companies in Colorado?

**Ginny:** We are doing a good job here. When we needed to fill some temporary positions we got people with 20 years of experience in microbiology. There is fantastic talent here, and not just at the executive level. There are also good patent firms here. And CBSA is creating ties to national resources.

**Terry:** Colorado's strengths in recruiting are obvious. People move here without a job simply for the quality of life. Boulder County has more software engineers per capita than anywhere else in the nation. We have a smorgasbord of very good resources to draw from.

**Harry:** We have no problem recruiting people from California to Colorado for many reasons, including the cost of living, traffic, and the economy.

**Randy:** It's a buyer's market. Large corporations want to maintain facilities here simply because the cost of living is relatively low and the talent and education level is quite high. The cost of doing business is pretty good here.

**Q:** Where do you see your company or organization two years from now and what is the most important thing you need to get there?

**Randy:** Our plan is to be a \$400,000 per year company in two years as a reagent supplier. We need a little bit of capital and a little bit of time. We have most of the resources we need except a little extra funding.

**Ginny:** We will be cash flow positive, finally. We just did our first strategic alliance last fall and we plan to do several more over the next several years. And we plan to have millions of dollars in revenues.

**Terry:** Orthonetx just acquired an IT company, 20 percent of a multidisciplinary engineering and manufacturing company, and is merging with a profitable California public company that is moving its headquarters to Colorado. In two years we will be a force to be reckoned with.

**Harry:** We should be doing exactly what we are doing now.

**David:** We plan on having 15-17 fulltime employees and

royalties north of \$20 million. We plan to be financially self-sufficient because we struck the kind of deals that matured to the level that allows that to happen. In a couple of categories, we will be in the top ten universities in the number of startups we do – nine to 12 per year. We want people to think of the University of Colorado just after MIT and Stanford when they think of technology transfer.

**Q:** What advice do you have for bioscience entrepreneurs considering Colorado?

**Ginny:** If you have solid technology and a market for it, you will find a way.

**Randy:** Understand your capital resources and where they are going to come from.

**Terry:** Think of the four P's: production, product, people and policy. Go for world class in each category.

**Harry:** The biggest problem is not the lack of talent, it is lack of experience. Learn from others' mistakes; don't make your own. ♦

## University of Colorado Technology Transfer

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