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Rich Resources Promote Biotech Boom in Memphis

by Beth Hoople

Nation-wide, major metropolitan cities are fighting fierce battles against unemployment, urban decay, shrinking tax revenues and outsourcing. In an effort to cultivate viable long-term economic development, 47 other states have committed to strategic investment development of biotech industries through creation of research parks, incubators and wet labs. Arkansas and Pennsylvania are investing \$100 million. Elsewhere, Michigan has committed to \$50 million annually for the next 20 years. Is Memphis positioned to meet this kind of competition?



Transnetyx laboratory facility.

The most compelling positive response might be summed up in two words: venture capital. In 2001, a local company called MB Venture Partners was created to raise investment capital for biotech industrial development. According to Gary Stevenson at MB Venture Partners, \$22.5 million was raised for their first fund in 2002.

"When you think back," Stevenson said, "economically, that year was a trough in public equity funding. So we were able to raise capital in a very challenging time.

"I feel that it's because we have a very robust sector of medical device industries and excellent research facilities such as UT and St. Jude. Those resources provide a significant set of skills and knowledge."

Stevenson explained that six investments have already been made from this first fund, three of them in Tennessee; one is GTX here in Memphis.

"To me," he said, "this is the most recent and shining example of taking technology out of a university setting and making it successful commercially. We benefit from these successes because venture capitalists prefer to invest close to home. In early stages of a business, it's important to be very hands-on. Over 150 business plans were considered, and we're still developing other biomedical interests."

Additionally, he pointed out that the governor has included \$10 million in funding in the state toward revitalizing the planned Biotech Research Park.

"To be successful in commercial biotech industry, you need three things. Good management, high quality office and lab space, and capital," he said.

Those three factors came together splendidly this year on February 3 when GTX announced a public offering of its shares which will be traded on the NASDAQ. This home-grown biopharmaceutical company specializes in development and commercialization of therapeutics primarily related to treating serious health conditions in men.

Another local biomedical coup came recently in the form of a \$14 million biodefense research grant awarded to the University of Tennessee Health Science Center (UTHSC). This grant will foster tremendous economic growth in construction of a Regional Biocontainment Laboratory for biodefense and microbiological research related to serious emerging infections. The biocontainment lab will consist of a suite of highly secure biosafety labs and training, security and support space, and will provide valuable assistance in the event of a national bioterrorism attack.

Laboratory work is also the primary focus of a three-year-old company in Cordova. Transnetyx has developed a

high-throughput genetic screening facility designed to offer research facilities overnight, cost-effective testing. According to Robert Bean at Transnetyx, doctors and researchers prefer not to spend valuable time running lab tests. To meet the needs of what he calls "an overwhelming market," the company has fully automated, IT-driven Class 1000 clean room laboratory facilities, and is three-fourths of the way through Beta trials. Based on a 100 percent accuracy rate on over 500 tests, they expect a commercial launch sometime in June.

"Of course, some genotyping and tissue culture customers will come from local sources, but our client base is nationwide," explained Bean. "Because of FedEx and our reputation as a distribution center, we can promise immediate, overnight response. As the lab animal research screening customer base expands, we'll be expanding into plant genetics and further into the medical market."

The company currently employs seven people — professionals tapped from local sources — and anticipates adding personnel when they launch their services commercially. One barrier, Robert Bean pointed out, is that the biomedical field is inundated with "new, new, new," equipment and methodologies. Their challenge is to prove how time- and cost-effective their services can be, especially for those with a "we've-always-done-our-lab-work-this-way" mindset.

An important point was also made by Dr. Steve Bares, director of the Memphis Biotech Foundation, about this industry and its potential growth.

"What distinguishes the bioscience industry is that it starts with research ... (and) development of unique intellectual property ... and ends up as a federally-approved drug, device, procedure or product." These products, he explains, go beyond a growth hormone that reduces healing time or a new device for measuring protein levels in the blood. Such research and development may yield a product that makes a faster-growing seed which provides superior yields, a newly-discovered enzyme that converts rice to ethanol, or cleaner, more efficient products for the manufacturing sector.