

Alder nails \$16M fund

Promising antibody technology

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STAFF WRITER

Bothell startup Alder Biopharmaceuticals Inc. has landed \$16 million in new financing to build a novel system for producing disease-killing antibodies.

The new investment, which comes seven months after Alder signed a potentially lucrative partnership deal with drug maker Schering-Plough Corp., reflects growing interest in the company's research, which holds promise to generate antibodies more quickly and cheaply than traditional methods.

Antibodies are naturally occurring proteins that help the body's immune system fight disease. They have long been grown in laboratories for use in drug treatments. Alder says it's found a way to speed up the process of discovering new antibodies and manufacturing them in large numbers.

Today, most lab-produced antibodies are grown in cell cultures derived from animal cells. Alder is growing antibodies in another medium: yeast cells.

Because yeast cells divide more quickly — every 60 to 90 minutes compared with 24 to 36 hours for mammal cells — they hold potential to speed production of antibodies. There is also a cost advantage. Yeast cells require mainly water and salt, two readily available ingredients that are cheaper than the nutrients needed to keep mammal cells alive.

"The discovery technology combined with the yeast allows us to get in the clinic much, much faster than anyone else can," said Alder CEO Randall Schatzman. At the same time, he said, "We'll be able to dramatically reduce the cost of goods."

H.I.G. Ventures, a Miami-based venture capital firm, led the new financing in Alder. Existing investors Sevin Rosen Funds of Dallas, Ventures West Management of Vancouver, British Columbia, and WRF Capital of Seattle also took part in the round. This latest financing brings the company's total venture capital to date to \$27 million.

Alder has identified a lead antibody candidate targeting nonsmall cell lung cancer, and hopes to file an IND, or Investigational New Drug, application with the Food and Drug Administration in the first half of 2007. If approved, the IND would allow Alder to begin testing the antibody on humans in clinical trials.

Alder is also developing antibodies to treat rheumatoid arthritis and lupus. The company said it would use the new financing to build its drug-development pipeline and technology platform.

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CEO, Alder
Biopharmaceuticals Inc.

Alder has been steadily attracting financial backers since its founding in January 2004. The startup scored its first funding in August 2004 in the form of a \$100,000 grant from the United States Army. That was followed by \$500,000 in seed money from WRF Capital, the investment arm of the Washington Research Foundation. WRF later joined Sevin Rosen Funds and Ventures West Management in sinking \$11.1 million into the startup.

Last December, Alder signed a partnership agreement with Schering-Plough. Under terms of the deal, Alder will develop up to 10 antibody products for the Kenilworth, N.J.-based pharmaceutical giant. If successful, those products could yield millions of dollars for Alder in milestone payments, research payments and royalties on any future product sales.

Big pharmaceutical companies looking to replenish their drug pipelines have shown a growing interest in antibody therapies.

Within the past few months, drug giant Merck & Co. Inc. paid \$480 million for a pair of small biotech companies, GlycoFi Inc. and Abmaxis Inc., which specialize in antibody discovery and production. Amgen Inc. acquired an antibody company, Abgenix Inc., for \$2.2 billion in April, and AstraZeneca PLC bought out Cambridge Antibody Technology Group PLC of England for \$1 billion.

Alder was founded by Schatzman and three of his colleagues from British biotech firm Celltech Group PLC. The executives, who were based in Bothell, left Celltech when the company closed its Bothell plant. Celltech was later acquired by Belgium-based pharmaceuticals giant UCB SA.

Schatzman and the Alder team — Chief Business Officer Mark Litton, Chief Scientific Officer John Latham and Chief Medical Officer Jeffrey Smith — originally worked out of a conference room at Seattle Genetics Inc. in Bothell, and leased lab space at another Bothell biotech company, Ceptyr Inc. Last year, however, they moved into their own 17,000-square-foot office and laboratory



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Alder Biopharmaceuticals' technology is faster and cheaper, CEO Randall Schatzman said.

space in Bothell's North Creek area.

Despite moving out of the Seattle Genetics headquarters, Alder maintains close ties with its former landlord. The two companies have their own collaboration agreement, and Alder this March appointed Seattle Genetics CEO Clay Siegall to its board of directors.

With the new financing, Alder's board is expanding further. Aaron Davidson, managing director of new investor H.I.G. Ventures, is joining the company's board, and Alder plans to add an independent board member later this summer or early fall.

"Alder has demonstrated great success in moving rapidly from disease target to therapeutic clinical candidate, thereby proving the potential of their novel technologies," Davidson said in a statement.

As the company moves closer to clinical trials, it has also put together a clinical advisory board of professors from some of the country's top medical schools who have expertise in cancer and autoimmune diseases. They include Vibeke Strand of Stanford University; Lee Simon of Harvard University; Bevra Hahn of the University of California, Los Angeles; Michael Schuster of Cornell University; Jamie Von Roenn of Northwestern University; and Vickie Baracos of the University of Alberta.

Today the Alder staff totals 15, though the company hopes to grow to 26 or 27 employees in the near future.