Velocity to Proof of Concept

CMEA Capital Looks to Load 'Em Up, Move 'Em Out

By Brian Orelli
***BioWorld Insight* Contributing Writer**

Velocity Pharmaceutical Development, the latest company in CMEA Capital's portfolio, isn't your typical venture-backed biotech. The CEO is David Collier, a managing director at CMEA, and the company has three chief medical officers.

Velocity plans to scour the globe for drugs from big pharma, biotechs, universities and foundations. "Anybody that has development-stage drugs that wants to partner with us," Collier told *BioWorld Insight*. The company already has evaluated more than 100 drug programs over the past few months and expects to acquire its first drug candidate later this summer.

While there could be a small cash payment to acquire a drug, Collier expects that a majority of the compensation for the owner of the drug will come in the form of equity in a holding company set up to house the drug. Velocity will then contribute cash in exchange for an equity stake in the holding company.

Velocity plans to acquire drugs that are in early clinical trials or late preclinical stage products that can be brought into the clinic within a year. The goal of the virtual company is to use CROs to bring the drugs to a "meaningful and robust proof of concept" stage in three to four years or less at a cost of $15 million or less, Collier said.

At that point, Velocity will sell the drugs to a pharma or big biotech that wants to develop them further. The management team has been spending a lot of time understanding what pharmas want in a proof-of-concept study so they have the right data to convince companies to make an acquisition.

"The ideal transaction would be to sell it outright without any conditions," Collier said, but he's also realistic that risk-adverse pharma may want to stick with their buy-now-pay-later mantra. By keeping costs down and hopefully having a high rate of development success, Collier believes that Velocity could be a viable business model with upfront payments alone. Future milestone payments would just be a bonus.

Velocity isn't the only company following the bring-'em-in-push-'em-out model. The Calvert Research Institute and Boston Biocom LLC are working at the earliest stage of development, pulling drugs out of academia and walking them through preclinical development. Venture-backed Flexion Therapeutics is using the Chorus model developed by the founders at Eli Lilly and Co. to develop drugs through clinical proof of concept. BioPontis Alliance LLC recently signed a deal with Pfizer Inc. to pull drug candidates out of academia and develop them exclusively for Pfizer. (See *BioWord Insight*, April 12, 2010, and *BioWorld Today*, Feb. 1, 2010.)

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>
> – David Collier, managing director, CMEA Capital

A single management team developing multiple drugs cuts down on overhead and makes better use of management's time. When a company has one drug, "there are times of intense workload, but there are also periods where people are just waiting for the data," Collier said.

But Collier sees the real benefit as getting rid of "perverse incentives" that biotech management teams often have: Their jobs are preserved by running additional experiments on drugs that may not be worthy of future study. Management often does things "in the interest of keeping the company going rather than in the interest of the drug," Collier said.

With management's success determined by the profitability of the entire portfolio of companies, there's incentive to kill programs that aren't working, dissolve the company, and bring cash back into Velocity. ■

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Editorial

Lynn Yoffee: **(404) 262-5408**
Trista Morrison: **(858) 901-4785**
Donald R. Johnston: **(404) 262-5439**
Internet: http://www.bioworld.com

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