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Kalamazoo Start-Up Receives \$1.6 Million to Fund Research

KALAMAZOO, MI: Kalamazoo-based AureoGen Biosciences, Inc., a Pharmacia spin-out that marked its one-year anniversary just two months ago, has received two significant grants, an Advanced Technology Program (ATP) grant from the National Institute of Standards and Technology (NIST) and a Small Business Innovative Research (SBIR) grant from the National Institutes of Health (NIH).

The \$1.5 million ATP award supports AureoGen's research and development of methods and tools to enable simple, efficient genetic engineering of organisms that will generate cyclic peptides for use as antifungal, antibacterial and anticancer drugs.

The second, \$160,000 award from the Small Business Innovation Research program is a Phase I grant that, upon completion of the research obligations outlined in AureoGen's proposal, enables the company to apply for Phase II funding worth anywhere from \$.5 – \$1.5 million in additional funding.

“Typically, pharmaceutical drugs are developed through synthetic chemistry methods,” Ake Elhammer, CEO of AureoGen said. “Genetically engineered solutions like those being pursued at AureoGen, have the potential to dramatically change the way drugs are produced and reduce development costs to a fraction of traditional methods.”

“Both of these awards speak to the significant caliber of science and of scientific talent that's housed at the Southwest Michigan Innovation Center,” said Barry Broome, Southwest Michigan First CEO. “It is recognition like this that will not only help to fund novel

technologies like that being developed at AureoGen, but it further solidifies Kalamazoo's international reputation for cutting edge scientific discovery.”

The technology platform AureoGen is pursuing has broad applications and can be applied to a number of cyclic peptide producing organisms, thereby providing the pharmaceutical industry with a new, faster and more cost effective solution for developing drugs, Elhammer said. In addition to generating novel drugs, AureoGen's engineering platform has potential uses for production of vaccines, base chemical reagents, toxins and cosmetics.

“The market for drugs targeted by AureoGen's engineering platform currently exceeds \$40 billion and is growing rapidly,” Elhammer said. “And the potential for new, genetically engineered drugs is limitless.”

One of the aspects considered for the award of an ATP grant is the potential impact to the US economy. NIST's mission is to develop and promote measurement, standards, and technology to enhance productivity, facilitate trade and improve the quality of life. The ATP accelerates the development of innovative technologies for broad national benefit by co-funding R&D partnerships with the private sector. AureoGen was among 870 proposals submitted to the ATP and among a mere four percent to receive funding. AureoGen's actual grant amount was \$1,450,508.

“AureoGen Biosciences is a small company with limited resources,” Elhammer said.

“Without the funding from the NIST, we could not pursue this project. The granted money enables us to focus on the science.” He added that the funding should also reduce the research process by as much as six to eight years, thereby allowing the company to introduce life saving drugs to the market faster.

If AureoGen is successful, its scientists could partner with a large pharmaceutical company to market their technology. Or, they could sell the technology to a large pharmaceutical company. This scenario is similar to the case of Esperion Therapeutics. The Esperion scientific team left Warner Lambert to develop novel technologies to treat cardiovascular

disease. That technology was subsequently acquired by Pfizer, Inc. in the most successful biotech transaction in the history of the industry.

Elhammer and Slightom founded AureoGen last year following Pfizer's acquisition of Pharmacia Corp. and subsequent announcement to move R&D operations from the Kalamazoo area. Elhammer and Slightom responded to the Southwest Michigan First "Stick Around" campaign, aimed at keeping scientific talent in the community.

Elhammer has a PhD in biochemistry and a background in glycobiology, protein expression, assay development and enzymology. He has 19 years experience in the biotechnology and pharmaceutical industry in several therapeutic areas, the last four years in antifungal drug discovery. His resume lists 19 patents and 54 peer-reviewed journal articles and book chapters.

Slightom has a PhD in biochemistry and a strong background in molecular biology and genomics. He has 22 years of industrial experience in several therapeutic areas, and a very strong academic background. He served as co-director of the DNA Sequencing Core with Dr. Francis Collins at The University of Michigan, HIH Human Genome Center and he was co-recipient of the 2002 Alexander von Humboldt Award. Slightom's resume lists 16 patents and 174 peer-reviewed journal articles and book chapters.

AureoGen's board of scientific advisors are: Dr. Donald C. Anderson, M.D., Global Head of Pharmacogenomics at Aventis Pharmaceuticals, Inc., Bridgewater, NJ; Dr. William A. Fonzi, PHD, Associate Professor at the Department of Microbiology and Immunology, Georgetown University, Washington DC. and Dr. John Geiser, Assistant Professor at the Department of Biological Sciences, Western Michigan University, Kalamazoo, MI.

The Advanced Technology Program of the National Institute of Standards and Technology bridges the gap between the research lab and marketplace, stimulating prosperity through innovation. ATP accelerates the development of innovative technologies that promise significant commercial payoffs and widespread benefits for the nation. The ATP provides a

mechanism for industry to extend its technological reach and push the envelope of what can be attempted. ATP awards are made on the basis of rigorous peer-review competition, considering the scientific and technical merit of each proposal and its potential benefits to the US economy. For more information, visit www.atp.nist.gov.

The Southwest Michigan Innovation Center is a 58,000-square-foot incubator/accelerator designed to provide wet-lab space, access to venture funding and business services to emerging companies in biosciences and high technology. Construction for the new facility, located at the Western Michigan University Business Technology Research Park in Kalamazoo, a state-designated SmartZone, was completed in Spring '03. For more information, visit www.kazoosmic.com.

Southwest Michigan First is an economic development organization providing business development, retention and attraction programs throughout Kalamazoo County. A privately funded, 501 (c) (3) non-profit corporation, SMF was formed by leaders in business and higher education to promote economic development. SMF provides entrepreneurs and established companies with a wide range of corporate business development services and support.