

Asterand, Backed By State, WSU, Building World Bank For Human Tissue Samples By Mike Brennan, Mitechnews.Com

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DETROIT

Randal Charlton, founder of human tissue-bank company Asterand, wants Detroit to become known as the World Bank for biological materials. If he succeeds, Charlton argues, Michigan will not only attract biotech companies from outside the state, but also help launch new home grown ones as well. Asterand sells biotech researchers human tissues, biofluids, DNA, RNA, and tissue-based research services. The company also is the major tenant at Wayne State University's TechTown, a state supported accelerator complex in downtown Detroit, which also includes NextEnergy, focused on developing alternative energy technology that could renew the state's floundering auto industry.

"We're providing a core service in the world of academic and commercial research needs," Charlton said. "With the mapping of the human genome, everyone needs different kinds of tissue to develop the therapies that will cure the four thousand genetic diseases that afflict mankind."

Asterand is not trying to develop this market by itself. The company is leading efforts to create a tissue bank consortium with Van Andel Research Institute in Grand Rapids, Wayne State's Medical School and the new National Institute of Health tissue bank, which shares a TechTown building with Asterand.

"Together, we'll establish Michigan as a center for excellence for tissue banking," he said.

Such heady credentials could attract biotech companies to Michigan, as well as spin out promising technology from the state's major university and medical centers into the next generation of Michigan life sciences companies, Charlton said. These companies would firm up the foundation of the burgeoning Michigan Life Sciences Corridor, which now stretches from Detroit, to Lansing, to Grand Rapids, and to Kalamazoo.

Clearly Asterand is going after the sweet spot in the pharmaceutical and life sciences industry. Last December, the Economist, a major international business magazine, described bio banks like Asterand as "the new central banks of medicine." The magazine pointed out that no major drug can be developed without good tissue-based research.

What does this mean for Asterand's future?

"A few years from now, I like to be able to claim that we were the world's leading source for tissue and research services," Charlton said. "I would like to see us providing services to all the major pharmaceutical companies around the world. I'd like to say to you that more than three quarters of the Top 40 drug companies in the world were using our services. I'd like to say we've built a solid financial base to build the company for the long term."

For the past year, Asterand has been expanding its global reach and solidifying its financial foundation, highlighted by the reverse takeover of Pharmagene, a human tissue-based drug discovery company located in the United Kingdom. Pharmagene was renamed Asterand plc, publicly traded on the London Stock Exchange.

The merger brought with it a tissue supply network of more than 70 sites in the United States, the United Kingdom, Western and Eastern Europe as well as a biorepository of approximately 300,000 samples;

A broad commercial offering, which includes the supply of tissue samples, tissue derivatives and experimental research services ;

A client base of more than 70 pharmaceutical and biotech companies, serviced by an international sales and marketing organization ;

A service business focused on revenue generation;

The first six months for the merged companies has gone well, Charlton said.

”The two companies combined are showing impressive year-on-year growth,” Charlton said. “We’re not forecasting a profit at the moment. And there is a reason for that. When the two companies merged, there were high costs. We’re reinvesting in our future. But it is our intention to move this company towards sustained profitability as soon as we reasonably can.”

Last June, Asterand also signed an exclusive Japan marketing agreement with Mutsui, Japan’s second largest trading company. The deal will guarantee Asterand several million dollars worth of business over the next few years, keeping vital cash flowing for a Detroit company adding one new employee each month.

Asterand financial backers are very pleased with its progress. Mina Patel Sooch, whose company, Apjohn Ventures, a Kalamazoo Venture Capital company specializing in life sciences investments, calls Asterand the premier tissue company in the world.

“Detroit gives Asterand a low-cost advantage to be sure,” Sooch said. “But Asterand is truly an exciting company. In October 2003 we co-invested in Asterand with Arboretum Ventures (of Ann Arbor). At the heart of it all, Asterand embraces venture capitalists as partners in their company. We spend more time helping them for free than any other portfolio company. We haven’t been happier about any investment.”

MichBio Executive Director Michael Witt described Asterand’s achievements as the Michigan way to do business – solid product, solidly funded by a combination of private equity finance, and state-backed grants, and tied tightly with a major state university, what Charlton describes as the secret to Asterand’s success.

“Our collaboration with WSU was critical to achieving our goals,” Charlton said. “We’re a poster child for why life sciences and technology companies should come to Michigan. We got the support of WSU that gave us lab space at the Karmanos Cancer Institute. Wayne State built us a \$12 million headquarters at the Tech One building. That has been enormous help in allowing us to use venture funds as efficiently as possible.”

Asterand began its business life in 2000 with a \$500,000 private equity investment, which the company quickly parlayed into a \$2.3 million grant from the former Michigan Life Sciences fund, all of which has helped fund the company’s global reach.

It’s that growing reach that now has Asterand collecting biological samples from hospitals in Europe, Africa, the Middle East, and the Americas. With this huge inventory, Asterand is launching three new business initiatives :

A bank focused on providing samples for studies that leads to cures for all the major cancers, as well as cardio vascular and Alzheimer's Disease. The effort also would include establishing a bank for rarer diseases.

A second bank for tissues tied to children’s diseases, such as cystic fibrosis and hemophilia.

A third bank would come from a major initiative with three Michigan hospitals to examine samples that have been collected many years ago and are no longer needed for patient care. Asterand would sort through them and use new techniques to extract genetic information.

Yet even faster growth could be generated if the industry went to standards, Charlton said, standards that

also would help stimulate the Michigan economy and make Asterand the World Bank for biological materials.

“Everything won’t come together until we create a set of standards,” Charlton said. “We hope to establish the standards for tissue banks, which will create a lot of high paying jobs in Detroit and Michigan.”

This story was written by Mitechnews.Com Editor Mike Brennan. To read more Michigan life science stories, click on Mitechnews.com

About Asterand

Asterand plc, formed by the merger of Pharmagene plc and Asterand, Inc. is a leading supplier of high quality human tissue and tissue-based services. Our comprehensive approach to human tissue and research services offers drug discovery companies the unique opportunity to have one company meet all of their human biomaterial needs along the continuum of drug discovery. Our mission is to accelerate target discovery and validation, leading to new and improved therapeutics. www.asterand.com