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Cleveland Clinic spin-off raises \$1.5 million

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A Cleveland Clinic spin-off that is developing stem cell therapies to repair damaged hearts has landed \$1.5 million from mostly Northeast Ohio investors.

AcelleRX Therapeutics Inc. will get the biggest part of its pre-seed investment - \$700,000 - from Cleveland's North Coast Angel Fund and its members. Another \$500,000 has been committed by JumpStart Inc., the venture development organization in Cleveland.

The balance of the investment will come from Xgen Ltd., a Cleveland investment partnership primarily owned by the family of radio and dot-com mogul Tom Embrescia. The balance also will come from Cincinnati venture capital firm Blue Chip Venture Co. and some individual investors, according to the Cleveland Clinic, which announced the investment.

AcelleRX, known as RegenRX when the Clinic spun it off in 2005, will use the investment to get its leading therapy to its first clinical trial, likely by next fall, said Dr. Marc Penn, company founder and therapy developer. The company will need more money to do the trial, he said.

When asked about his hopes for AcelleRX, Penn answered quickly. "Hopefully, we're going to cure heart disease," said the director of the Clinic's Bakken Heart Brain Institute, as well as medical director for the hospital's coronary intensive care unit.

Penn and his colleagues identified substances that the heart uses to recruit stem cells from within the body to repair damage. The stem cells home in on the heart to rebuild muscle and blood vessels, Penn said.

The researchers are using their lead product - Stomal Derived Factor 1, or SDF-1, for short - to enable stem cells to deliver the homing substances, as well as to develop the homing substances as a stand-alone therapy, Penn said.

Unlike stem cell therapy, which involves the precise and costly process of farming cells, a stand-alone therapy would be "an off-the-shelf vial," Penn said. "It's not living, so it's available at virtually any hospital that does interventional cardiology."

Rahul Aras, president and chief executive of AcelleRX, said his company will use its investment - and some state grant money from the Third Frontier Project - to complete pre-clinical animal studies of its lead product and to figure out how to make enough of it to support trials in humans.

Aras also said he is looking to hire "a person to lead our product development team."

Christopher Coburn, executive director of CCF Innovations, the commercialization unit of the Cleveland Clinic that spun out AcelleRX, said the investment in the company "is a wonderful harbinger for the future."

Investors from the east and west coasts were interested in investing in the stem cell company, Coburn said. "But the better route here was to have local investors. We are all pleased to see that these plans were executed in Cleveland."

For North Coast Angel Fund, which with its members invests in early stage technology companies, AcelleRX "is a strong indicator of the high caliber of biotechnology companies emerging in this region," said Clay Rankin, managing member.

The fund committed \$200,000 of the \$700,000 investment, and 14 of its members committed an additional \$500,000, said Todd Federman, its executive director. Angels are wealthy individual investors.

AcelleRX also is exciting because it is an industry pioneer. "Regenerative medicine represents a new and growing field of medicine," said Lynn Ann Gries, chief investment officer for JumpStart, in a written statement.

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