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Merger deal lets Athersys go public

Biopharmaceutical operation raises \$65 million

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Cleveland biopharmaceutical company Athersys Inc. has gone public in a reverse merger, raising \$65 million in a related private placement of stock.

In a reverse merger, shareholders of a privately held company sell their shares to a public "shell" company, which has no operations, in exchange for shares in the public company. That lets the private company go public without filing a prospectus and offering shares in an initial public offering.

Athersys, which has developed technology to discover drugs, as well as a line of therapeutic stem cells, merged with a subsidiary of BTHC VI Inc., a former health care company in Argyle, Texas, that no longer has operations.

Athersys is the surviving company and now is a subsidiary of BTHC, which plans to change its name to Athersys Inc.

The officers and directors of Athersys have replaced the officers and directors of BTHC. No change is expected for Athersys employees or the company's headquarters in Cleveland, the company said in a written statement. It's the second "going public" transaction for a Cleveland bioscience company in the past year. In July 2006, Cleveland BioLabs Inc., which is largely moving to Buffalo this summer, completed a small initial public offering. As part of its reverse merger, BTHC/Athersys sold 13 million shares of stock at \$5 a share to institutional and other accredited investors.

Radius Ventures LLC in New York City led the financing, with participation by OrbiMed Advisors LLC and Accipiter Capital Management LLC, both in New York City.

Also participating in the financing was RA Capital Management LLC in Boston.

Hambrecht & Quist Capital Management LLC and MPM BioEquities in Boston, and Pappas Ventures in Durham, N.C., also invested in Athersys through the private placement.

"These are world-class biotechnology investors who are coming in to own the company," said Baiju Shah, president of BioEnterprise, the health care company developer in Northeast Ohio.

Athersys has raised tens of millions of dollars from private investors since 1996 and has received millions more in state loans and grants. But merging with a publicly traded company that has no operations "gives Athersys a lot more flexibility in raising money to grow in the future," Shah said.

Existing Athersys shareholders received a total of 3.2 million shares of BTHC during the reverse merger,

according to a Securities and Exchange Commission filing.

Those shares could conceivably be quoted on Nasdaq's Over the Counter Bulletin Board under the ticker symbol BVIC, though the shares showed no evidence of trading on Monday.

The shares issued during the private placement were not registered, so they cannot initially trade on public markets.

Athersys tried to go public through an initial public offering of stock in late 2000. Within a few months, however, the company withdrew the bid because of poor stock market conditions.

In his 2002 State of the State speech, then-Gov. Bob Taft called Athersys a shining example of the kind of company that could help Ohio build a high-tech economy.

The following year, saying it needed to raise \$100 million for expansion, Athersys considered moving some or all of its operations to high-tech corridors in Minnesota or North Carolina. A plan to build a \$50 million headquarters in Chagrin Highlands was put on hold. Then, after a lucrative drug-development deal fell through, Athersys cut its staff by one-third, to about 65.

Jordan Davis, managing partner of Radius; Mike Sheffery, general partner of OrbiMed; and Dr. Floyd Loop, former surgeon and chief executive at the Cleveland Clinic and now a venture partner at Radius, have joined the BTHC/Athersys board.

BTHC/Athersys expects to use the proceeds of its private placement to continue to develop its products, to pay for pre-clinical development activities and to repay debt, and for working capital and general corporate purposes.

ATHX-105 is the company's lead candidate under a program to develop compounds to treat obesity. Its non-embryonic stem cell product, MultiStem, is used to treat patients who have cardiovascular disorders or have had bone marrow transplants.

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