

## CORPORATE DEVELOPMENT

**CALBIO EXPANDS ACROSS THE ATLANTIC, PACIFIC**

MOUNTAIN VIEW, Calif.—California Biotechnology Inc. (CalBio) is spreading its R&D wings in two directions at once by forming new ventures in Australia and Sweden. "Those two countries seemed to have the best combination of scientific and financial opportunities," explains Australia-born John Shine, CalBio's president and chief scientific officer. Later this year, Shine will move down to his homeland to serve as chairman of the Australian start-up; Myron Wick, CalBio's chief operating officer, is expected to move up to president of the parent firm.

With most biotech concerns concentrating on keeping their expansion steady, this is an unusual arrangement. CalBio, however, which was founded originally around a \$27.5 million R&D limited partnership (RDLP), has never been much for conventional biotech wisdom anyway. Its products are among the most novel in the industry, but CalBio execs worried that the firm's development plate was already full. In taking its R&D show on the road, CalBio has raised the skeptical eyebrows of a

number of biotech analysts—but the company endorses its strategy as a sensible way to operate at breakeven levels while at the same time expanding its research efforts.

CalBio's first move was to form a subsidiary named—appropriately enough—California Biotechnology International, to direct and implement the firm's expansion outside the U.S. Next came the Australian company called Pacific Biotechnology Pty. Ltd. (PacBio, Sydney). Structured as a joint venture with the Garvan Institute of Medical Research, PacBio plans to raise \$30–40 million to focus on human therapeutics, including treatments for osteoporosis, senile dementias, heart disease, and diseases of the aging. Apart from direct governmental support, PacBio hopes to take advantage of Australia's 150-percent tax deduction for investment in R&D.

In a different twist from the Australian venture, CalBio will maintain only a minority interest in the new Swedish offshoot, which is also seeking to raise about \$40 million. "The cost of capital there," reports Wick,

"is far less than we could get in the U.S. today." The as-yet-unnamed Swedish start-up was formed in conjunction with the Huddinge Hospital (Stockholm), an affiliate of the Karolinska Institute. According to Shine, Huddinge has medical and clinical expertise in the areas of infectious disease, bone development, and immunology. CalBio is currently searching for a world-class chief scientific officer for the venture; the eventual president probably will be Swedish.

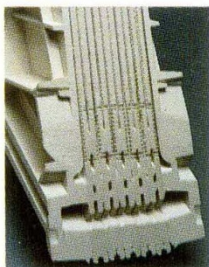
Wick stresses that CalBio maintains the U.S. marketing rights to all products coming out of both the new ventures. At its U.S. headquarters in Mountain View, CA, the firm just spent \$4.5 million on a scale-up and biological testing facility. And it has joined the biotech brigade in rolling up its original RDLP. CalBio now owns 58 percent of the partnership but will eventually be receiving 77 percent of the revenues. Concludes Wick: "We feel that we are positioning ourselves over the next three to five years to become integrated, should we choose to."

—Arthur Klausner

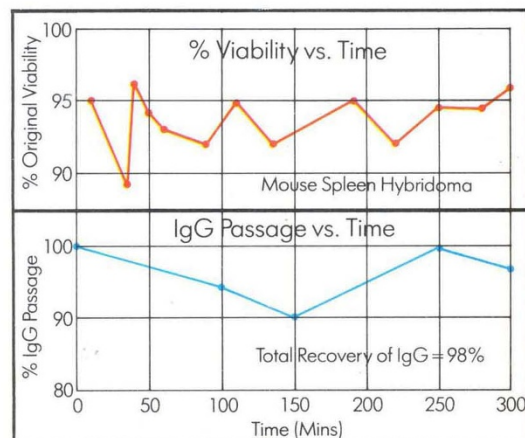
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