



LY573144

These numbers might not mean much to you today, but they could spark Indiana's life-science economy.

This drug molecule has attracted \$16.5 million. It is the first Eli Lilly has licensed to an Indiana company. A dozen more could follow.

By Norm Heikens

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Some 60 times in the past few years, Indianapolis drug maker Eli Lilly and Co. has looked to companies in biotech havens like San Francisco to develop promising discoveries that don't fit its business strategy.

Indianapolis simply did not have the high-risk venture capital needed to fund the start-up companies that could take these ideas to market.

Until now, that is.

Tuesday, officials are expected to announce Lilly's first-ever licensing agreement with an Indianapolis start-up company. CoLucid Pharmaceuticals will license a molecule discovered by Lilly scientists, and try to develop it into a treatment for migraine headaches.

It already has a healthy \$165 million in venture capital behind it, and its backers say it may take \$100 million to complete the process.

Some suggest the start-up company built around the molecule known as LY573144 may be just the first of many coming to Indiana, eventually creating a new generation of



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high-paying jobs.

A Lilly official says CoLucid Pharmaceuticals might be the first of 10 to 20 spin-offs it undertakes in the Indianapolis area in the next five years.

Why now? After years of struggles, the region finally has enough venture capital and support services to help such companies grow.

"The capital that's being introduced into this company is coming from Central Indiana sources," said Joshua Salisbury, a Lilly vice president overseeing license projects.

"I see a lot more of this."

CoLucid is a dream come true for promoters of an industry broadly termed "life sciences," which covers an array of companies including pharmaceuticals, medical device makers and biotechnology.

The company draws on homegrown technology. It has lured local and national capital. And it's involved in a sector of the economy expected to swell as baby boomers age and need more medical care.

Civic leaders and economic development officials long have thought the presence in Indianapolis of Lilly, Roche Diagnostics,

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Numbers

◆ CoLucid, formed in August, still has no employees.

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Guidant Corp., Dow AgroSciences and the Indiana University School of Medicine ought to fuel a boom in life-science jobs, which tend to pay twice typical wage levels.

In fact, they saw signs of life throughout the state. Bloomington has Indiana University and Cook Group, the big medical device maker. In West Lafayette, Purdue University turns out research that can be converted into companies like Endocyte, which has raised \$56 million in capital and grants to develop technology that steers drugs to cancer cells. And Warsaw is headquarters to three of the world's five largest prosthetic companies: Zimmer, DePuy and Biomet.

In the past three or four years, more than \$100 million of venture capital has been raised to boost Indiana life-science companies, said David Johnson, president of BioCrossroads, an Indianapolis nonprofit that supports life science start-ups.

CoLucid could start an entrepreneurial snowball,

Johnson said.

"This is the kind of deal that a lot of people assume happens somewhere else but in Indiana," he said. "It's a sign of spring."

CoLucid was formed in August and still has no employees. It will spend its first few months at Indiana Venture Center, a Downtown nonprofit that helps new companies onto their feet.

The venture capitalists who formed it are still looking for a chief executive.

It will start with a handful of people, and then grow to about 20 in a couple of years as it continues testing the Lilly molecule. Meanwhile, CoLucid will usher through animal testing a chemical bought from Sention, a Rhode Island drug research firm. It would be used to carry drugs to the brain and boost effectiveness.

CoLucid might be ready for an initial public offering within two years, said Art Pappas, whose North Carolina venture capital firm spotted the Lilly compound and started CoLucid.

"There's no reason at all why this sector in Indiana can't be throwing out one, two, three of these things a year," Pappas said.

"This company, in just getting started, sends the signal that Indiana is a place where entrepreneurs can develop and succeed."

Pappas Ventures was one of six

venture firms to share \$73 million in capital raised for the new Indiana Future Fund in 2003 by Johnson and Charles Schalliol, a former Lilly executive who briefly oversaw BioCrossroads and now is state budget director.

Other investors in CoLucid include Pearl Street Venture Funds, led by former Lilly executive John Barnard; Triathlon Medical Ventures, a Cincinnati fund with offices in Indianapolis; and Domain Associates, which manages \$1.4 billion from its headquarters in New Jersey.

The parties would not divulge how much each contributed.

However, they say they are committed to follow-up funding to help CoLucid grow. That figure could approach a total of \$100 million, Pappas said.

Though Lilly and Sention hold a minority equity stake, they are not investors.

Triathlon partner Carrie Bates said CoLucid probably will use Indiana testing labs for the years of testing that lie ahead.

Cook is launching a lab in Bloomington called Cook Pharmica, noted Bates, who once ran Guidant's venture capital arm.

"We saw this as the natural home for (CoLucid) from day one," Bates said.

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