

Business incubator draws \$400 million in venture capital

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The Pittsburgh Life Sciences Greenhouse said Tuesday it has invested \$13.2 million in 57 early-stage companies as they develop ways to help people with medical problems ranging from eczema to sleep apnea.

Those direct investments by the business development group are in the form of debt that turns to equity in the new company once it starts to generate revenue. The South Oakland-based group, in yesterday's update of its activities, said the money it awarded has helped to attract another \$400 million to the companies.

Harbhajan "Harry" Paul said his Biomed Research & Technologies Inc. — one of nine companies to receive Greenhouse money recently — moved its skin-rejuvenating formula to ongoing clinical trials using the group's \$140,000 investment.

The former University of Pittsburgh Medical School professor said patients with atopic dermatitis, or eczema, are trying the product he started developing in the late 1990s. It's designed to regenerate the lipids that fill gaps between cells in healthy skin and that diminish in quantity as people age or develop diseases such as diabetes.

With positive results from the study, Paul said, he and an executive-in-residence that the Greenhouse provided to advise him will seek Food and Drug Administration approval for the formula. Eventually, it could be an ingredient in prescription-strength and over-the-counter skin creams, he said.

Paul said his focus will be on finding a drug or cosmetics maker to turn the lipid-building technology into a product.

"We are largely a research and development company," he said of Biomed Research, run mainly out of his home in Marshall, "but once we have the results of the clinical studies and the FDA approval it becomes easy for a large pharmaceutical company to take this on."

John W. Manzetti, the Greenhouse's CEO, said the group has made 25 investments since hitting the \$10 million mark last spring.

Given the economic downturn, he said, the Greenhouse plans to reinvest in more ventures for the next couple of years, rather than always turning to new ones. "We have to make sure the companies already in our pipeline survive," he said.

The Pittsburgh Life Sciences Greenhouse is one of three statewide that invest in and advise new life sciences businesses. All were created seven years ago with \$100 million from a tobacco settlement.

Manzetti said the Greenhouse's funding these days comes mainly from the state and foundations, plus returns on its own investments. This year, the group got \$413,000 in federal money, and "we'll try to double that for 2010," he said.

Circadian LLC of Murrysville is using \$150,000 from the Greenhouse to promote and continue developing its SleepWeaver fabric mask that patients with obstructive sleep apnea can use with a treatment device.

President David Groll, who once worked for Respiroics Inc., developed his mask after a stint with another company that built a plastic one. While the plastic mask was successful, Groll wanted to create something better.

"I just started testing some things in my basement and thought of using cloth" to conform more easily and comfortably to a sleeping patient's face, he said.

Groll said he's sold several thousand masks since he started marketing them online more than a year ago. Last summer, his company began to promote the \$170 devices to physicians who treat sleep disorders.

Much of the Greenhouse's investment went toward hiring a "commercial team" of five employees who package and distribute the masks, he said.