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Georgia bets on biotech loans

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By Arielle Kass
The Atlanta Journal-Constitution

When Georgia lent a local drug developer \$2.5 million eight years ago, the state didn't know whether the company would succeed. Earlier this month, Alpharetta-based Inhibitex did: It announced it will be sold for \$2.5 billion.

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It's a success story that may or may not be replicated.

One company that got a similar loan from the state failed. Three others are still in existence, but their futures remain to be seen. And it will be years before Georgia learns whether it will ultimately make back all of the \$4.3 million it has invested in helping the biotech businesses buy equipment and construct their labs. Inhibitex has paid back what it owed.

Federal and state governments have long played a role in subsidizing private businesses, financing everything from the Internet to biofuels. Georgia has long sought to build its biotech industry for the high-paying jobs and expertise it brings.

In the region, Georgia is second to North Carolina in attracting biotech firms, said Charles Craig, president of trade association Georgia Bio. But he said Georgia is one of the top 10 states in the nation for biotech growth.

Georgia launched the Life Sciences Facilities Fund in 2004 as a low- or no-interest loan program to boost companies that might otherwise have a hard time proving their viability to lenders.

"It's high risk, high reward," said Brian Williamson, assistant commissioner for Georgia's Community Development

Department. "You will have some that don't perform as expected; you will have some that knock it out of the park."

Inhibitex knocked it out of the park, and was one of the largest-ever development-stage deals for a drug company, an analyst said. The \$2.5 million loan for laboratory equipment, the inaugural one from the state's fund, kept Inhibitex's 33 jobs in Georgia, industry experts and the company said. The company that is working on a hepatitis C drug may or may not stay here after its purchase by pharmaceutical giant Bristol-Myers Squibb.

But industry leaders predict some Inhibitex employees might stay in metro Atlanta even if their jobs don't, perhaps using the money they receive from the sale to seed new ventures and start their own businesses.

Since 2004, the fund has loaned \$4.3 million to five companies. In addition to Inhibitex, they are

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Altea Therapeutics, Athens Research and Technology, CS Family and CardioMEMS. As the loans are repaid, more loans may be given, Williamson said.

The loans help companies such as Inhibitex move into dedicated labs, allowing them to buy equipment they could not otherwise afford, or simply build out offices to suit their needs, said Mike Cassidy, president of the Georgia Research Alliance. They are a small portion of the total cost of a project, but can help win the confidence of other lenders.

"There's no way for them to expand their business without it," Cassidy said. "The real estate community is very, very squeamish with that kind of investment."

One of the life sciences loans, \$2 million given to Atlanta company Altea, is not on track to be paid back on time, Williamson said. Altea, which made patches that distributed drugs through a user's skin, closed in December after failing to sustain the funding it needed to continue operating.

Williamson said the state is working with attorneys to get other companies into Altea's space to use its labs and equipment.

In Inhibitex's case, Cassidy said not having the money likely would have led to the company being poached by another state. Georgia's biotech companies are constantly being wooed by other states, Georgia Bio's Craig said.

Leaving Georgia was never considered by 26-year-old Athens Research and Technology, CEO Lynn Bryant said. But the company that sells purified human proteins to researchers would have gone without important equipment had it not received a \$300,000 loan under parent company ARTBIO. It also might have had trouble getting the other loans it needed to expand at all.

"The minute we moved into our new facility, all these new business opportunities came up," Bryant said. "It made a big difference to us."

Getting the money opened doors. The company was able to expand its sales internationally, and it hired nine new people. Athens Research and Technology now employs 25 people, and plans to hire more locally.

Bryant said the loan was one-sixth of the total money the company needed for its build-out, but having the state's seal of approval made it easier to get bank loans and gave the business more credibility in an industry that is sometimes difficult to explain. In addition to jobs at Athens Research and Technology, the loan meant more work for the company's vendors, she said.

"I've been kind of amazed," Bryant said. "Ever since then, everything has worked fine."

Biotech Loans

The following biotech firms in Georgia received loans from the state's Life Sciences Facilities Fund.

\$2.5 million

Inhibitex (2004)

\$2 million

Altea (2007)

\$2 million

CardioMEMS (2008)

\$250,000

CS Family (2006)

\$300,000

ARTBIO (2010)

Source: Georgia Department of Community Affairs

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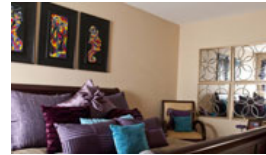
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