

County biopharmaceutical firm to be bought

Protez Pharmaceuticals acquired by Novartis AG

By BRIAN MCCULLOUGH
Staff Writer

CHARLESTOWN — Protez Pharmaceuticals, a small biopharmaceutical company, announced Wednesday that it is being bought by Swiss drug-maker Novartis AG for up to \$400 million in cash.

Novartis will pay Protez \$100 million at closing and up to \$300 million if certain clinical milestones, regulatory approvals and commercial targets are met.

Protez is currently in the second phase of clinical trial for a broad-spectrum antibiotic to treat multi-drug-resistant bacteria strains.

Protez said it will become a stand-alone subsidiary of Novartis, maintaining its operations in the county. The deal is subject to customary closing conditions, which Protez president and CEO Christopher M. Cashman expects to be completed in a month or so.

"We're ecstatic," Cashman said. "For us, it's a three-run homer. First, we're being bought by a company with an excellent reputation. Second, they really value our products and people. And third, they've placed a great value on our company."

Privately held Protez was started in December 2003 by Klaus M. Esser, Luigi Xerri, Cashman and BTG plc. It employs 25 people at its Spring Mill Drive location.

Early in its development, Protez received funding from BioAdvance, established from Pennsylvania's share of the tobacco settlement, to promote the growth of life science businesses in Southeastern Pennsylvania.

Bioadvance provided seed-stage funding to Protez in 2004, and then

made a follow-on investment in the company in 2005, with the total investment amounting to \$650,000.

It is the sixth successful exit through acquisition for BioAdvance, said Ellen Semple, director of marketing and communications for the organization.

"It's a great win for Protez," Semple said. "The timing is perfect for something like this for them."

Antibiotic resistance is one of the world's most pressing public health problems, Novartis said in announcing the acquisition.

According to the Centers for Disease Control and Prevention, or CDC, 2 million people in the United States develop hospital-acquired infections each year, and approximately 90,000 die as a result. In Europe, an estimated 3 million hospital-acquired infections occur each year, resulting in some 50,000 deaths.

The number of bacteria resistant to antibiotics has increased significantly in the last decade, including the potentially fatal type of staph infection that has been branded as a major public health threat in many countries.

The sale provides Novartis with Protez's research expertise and product pipeline, including the North American and European rights to Protez's lead product candidate. Called PZ4601, it is an injectable antibiotic in the class of agents known as carbapenems.

In 2005, Protez entered an exclusive licensing agreement with its originator, Dainippon Sumitomo Pharma Co., to develop and commercialize PZ4601 in North America and Europe.

Since that time, Protez and DSP advanced the antibiotic to Phase II human clinical trials.