

INDUSTRY OUTLOOK

AT A CROSSROADS NO MORE; INDIANA MAKING MOVES

Within the span of five years, things can definitely change. U.S. presidents can come and go. Cars can totally change their look. And yes, the Indianapolis Colts can indeed turn the tables on the New England Patriots.

The state's life sciences industry is no exception. What was once skepticism (among the masses) about the sector's potential growth has turned to optimism.

BioCrossroads was formed to orchestrate increased collaboration among Indiana's players and to serve as a catalyst for deal-making. The organization raised \$73 million in venture capital funding – formally known as the Indiana Future Fund – to get the ball rolling in developing new life sciences companies.

Today, Hoosiers should like what they see, says BioCrossroads CEO David Johnson. "Indiana is one of the top four states in the nation in life sciences. In terms of regions, Central Indiana is number nine overall in the whole country in life sciences employment. It's also number two in biopharma employment for the whole U.S. Those are some really compelling statistics.

"And why do those matter? They matter to all of us to understand that we have something important here to build on and they matter a lot to the outside marketplace as people are looking for new opportunities to invest, new companies that could be formed."

Setting the stage

According to Johnson, there were two significant early milestones that have really served to propel Indiana's efforts to the next level: putting together the aforementioned capital strategy, plus the creation of the health information exchange linking hospitals.

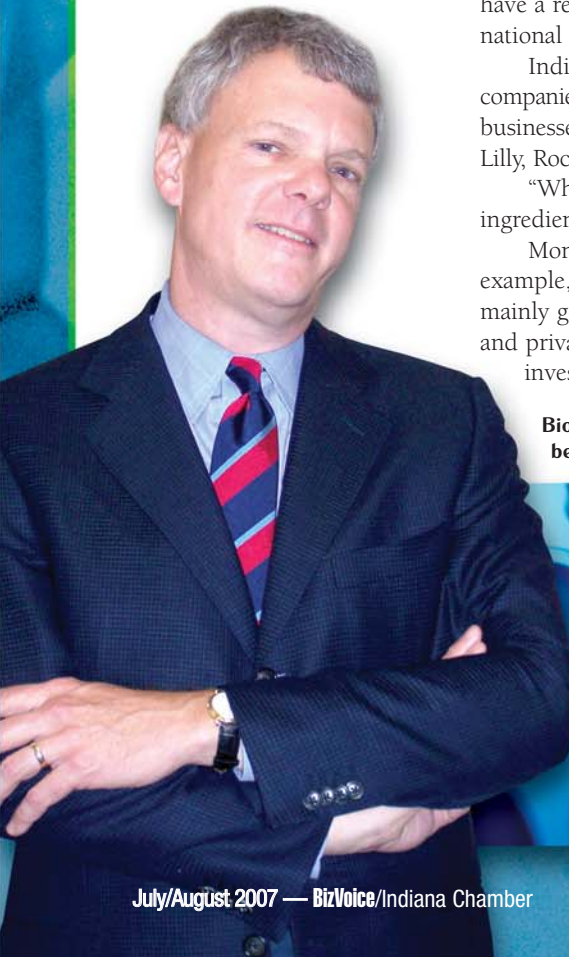
"That communication network is a huge deal. It will help link hospitals – not only throughout the state, but all over the country, with each other, as well as link physicians with patients. We have a real shot in Indiana with the resources we have in health care information of being a national leader in that whole communications area," he suggests.

Indiana's other strong suits come as no surprise: the recognizable and respected big-time companies in pharmaceutical and biotechnology, as well as medical device manufacturing. "We have businesses that other parts of the country would kill to have," Johnson declares. "Companies like Lilly, Roche, Dow AgroSciences, Boston Scientific, Cook and the orthopedic companies in Warsaw.

"What we need is more of everything that we do," he continues. "I think we have the right ingredients; we just need more of them."

Money is also a high priority since nothing involving scientific discovery comes cheap. For example, Johnson says it costs about \$1 billion to develop a new drug. "An amount like that is mainly going to come from us making this market sufficiently attractive so that venture firms and private equity firms all over the U.S. will come to Indiana because it's an attractive place to invest," he explains. "So, we need to show them that we've got good things to invest in and

BioCrossroads CEO David Johnson believes Indiana has the right mix of life sciences activity to become a recognized national leader.



that we've got enough capital here that can work with them that it's worth their time to come."

Talent search

Another ongoing challenge is talent, one that Indiana shares with virtually every region of the country.

"If you're forming a new company and looking for a CEO to take a cardiac device business forward, you really need to find someone who has done that before or who knows how to do that, how to work with all of the investors. We don't have a huge abundance of those people," Johnson

notes. "Some of those people are here but in other industries right now, and might be coaxed out, or we may be able to recruit alumni back here."

Bringing Indiana's own back into the fold is high on the list for all concerned. At the May BIO International Convention, the world's largest trade event for biotechnology companies and interested parties, Gov. Daniels, the Indiana Economic Development Corporation, the state's research universities and BioCrossroads came together for the Indiana Comeback Luncheon, targeted at life sciences professionals with Hoosier ties who currently reside outside the state.

"The premise was we're coming back as an economy and you need to come back to the state for life sciences job opportunities," Johnson offers. "Maybe they liked living here, but weren't sure that they could find what they wanted to do job-wise. This let them know that there are things here for them."

Making progress

Just how far has Indiana come in its efforts. This year, a state law was enacted to provide a 10-year income tax exemption for patent-derived income. Indiana is among the first states to come up with this concept. "That tells you that Indiana has an environment that is friendly, it incentivizes innovation and creativity, and it allows companies to keep some of the benefits of what they worked so hard to do. That was huge," Johnson surmises.

Another exciting event came last year when Lilly outsourced a very promising migraine medicine through the Indiana Venture Fund at BioCrossroads. It marked the first time that the outlicensing of molecules and compounds stayed in state.

"We recruited a CEO from Boston, who worked at Lilly at one point, to come back here to build this company. They are deep in clinical trials and doing very, very well. So they could end up having a successful drug (Colucid) in a couple of years," Johnson shares.

"If we can do all of that, then that really begins to demonstrate that we have what it takes: to get great ideas out of universities and industry, find the money for it here, find the talent for it here, grow the right kind of business here and make it very successful for the next generation of opportunities. Will we have 30 of those? No. They are all expensive – this one was \$16 million – and they take a long time to do, but if we have two or three of those, people will begin to understand what's possible."

As for the next five years, Johnson wants to see Indiana as a recognized leader in both the discovery and development of promising biotechnology products. "Then, we not only have great laboratories that make discoveries that are life-saving and therapeutic, but also that we have people here who can do the manufacture, do the development, do all of the work required to bring a product to market," he states.

"How far will we be along that road by 2010? We hope very far. Incidentally, we don't think that an organization like BioCrossroads ought to have to exist forever. This should become self-sustaining enough that the opportunities find themselves."



Indiana Life Sciences Facts

- Indiana ranks fourth nationally in number and concentration of life sciences-related jobs
- The Indianapolis metro area ranks as the ninth largest in the country – ahead of Washington D.C., Houston, Seattle and Atlanta
- The Indiana life sciences industry accounts for more than \$21 billion in wages and \$8 billion in state and federal taxes paid annually
- About 18 % – or \$69 billion – of Indiana's annual economic output is tied to the life sciences
- More than 578,000 Indiana jobs – one in nine of all jobs in the state – are directly or indirectly tied to the life sciences and health care industry
- Indiana's pharmaceutical industry ranks fifth in the nation in terms of sales, shipments, receipts and revenues
- Indiana-based orthopedic companies top \$4 billion in sales annually
- Indiana is home to the Regenstrief Institute, the world's largest database of electronic medical records

Source: Indiana Economic Development Corporation

INFORMATION LINK

Resource: David Johnson, BioCrossroads, at (317) 238-2450 or www.biocrossroads.com