

Drug Developer's Potential Pulls In Turnaround Specialist

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In more than 30 years of turning around troubled firms and managing acquisitions for a drug company, Doug Lane had rarely seen anything as loopy as Genesis Bioventures Inc.

A moribund drug developer, Genesis held rights to an unusual breast cancer test and treatment. It also owned a significant minority interest in a company with a potentially cheap and easy bovine test for mad cow disease.

But previous management had botched development of both potentially lucrative products. In addition, the majority owner of the mad cow test was under investigation by the Securities and Exchange Commission for stock fraud.

Genesis' small cadre of dedicated shareholders, many of whom had lost family to breast cancer, hadn't lost faith, though. They convinced the Malibu resident two years ago to see if he could salvage not only their investment but the promising cancer therapy.

Today, under the name of Abviva Inc. and a new corporate home in Los Angeles, both Lane and the company's financial backers say they're starting to breathe a lot easier.

Lane and his new executive team restructured the company, moved its headquarters from British Columbia and brought in two private equity groups. The idea is to get required regulatory approvals for both product lines back on track.

"This was a company that really had to have a restart," said the 57-year-old Lane, who admits he has become more emotionally invested in this turnaround than his previous projects. "I was really struck by how advanced the science was."

In the late 1990s, supporters thought the breast cancer technology could become the closest thing to an early detection blood test for breast cancer risk – as well as a life-extending treatment. Researchers at the Michigan Cancer Foundation had discovered a protein secreted in breast tissues called mammastatin that appeared abundant in healthy women but absent in most women with breast cancer. Even more exciting, mammastatin also appeared to inhibit growth of cancer cells.

One of the researchers obtained rights to the technology, formed Biotherapies Inc. and with the aid of a Vancouver-based incubator called BioLabs conducted limited testing in 2000 on women with late-stage cancer. But the U.S. Food and Drug Administration halted the tests when contaminants were detected in the protein due to quality control problems.

Management at Biotherapies and BioLabs, which changed its name to Genesis Bioventures, appeared more focused on affixing blame than fixing the problem, Lane said, and all work stopped on the project. The 36 women in the trials, nearly all of whom had lived longer than expected after starting mammastatin injections, eventually died.

"It all kind of fell into a deep, dark, sad hole," recalled Sandy Eiler, an Ann Arbor, Mich., cancer survivor who never injected the protein but served on the board of a cancer foundation that helped Biotherapies obtain necessary equipment. "I really believe what Doug's doing is putting it on the right track. I've said goodbye to too many young women."

Maddening delays

Before getting involved, Lane spent eight years working in diagnostic and genomic technology business development for SmithKline Beecham Pharmaceuticals. He left in 1995 to help jumpstart or turn around several small life-science firms, and eventually founded Experigen Management Co. to provide professional and executive management services to the same market segment.

He moved to Malibu and became acquainted with financier Michael Milken, a prostate cancer survivor and founder of the Association for the Cure of Cancer of the Prostate. "I really began thinking of cancer patients as more than statistics," he said.

The experience working with Milken's group also made him more open when contacted by a recruiter representing Genesis Bioventures' shareholders, even though he was appalled by the state of the company.

Now, by the end of the year, the company hopes to have the approvals in place make the mammastatin tests available for research prior to obtaining FDA approval. That would be a prelude to restarting clinical trials for mammastatin as a cancer therapy in the next year or two.

“If you just look at the breast cancer test alone, it’s very compelling because this is a very early detection method with a cost low enough that all women could use it – a potentially very large market,” said Barrett Evans, a principal at Long Beach-based eFund Capital Management LLC, which is Abviva’s second largest investor at around \$500,000.

While getting the mammastatin program back on track hasn’t been a picnic, Lane said sorting through the mad cow portion of Abviva’s business has been even stickier. In 2005, the company began acquiring what became a 38 percent equity interest in Prion Developmental Laboratories Inc., which was developing inexpensive rapid tests to detect mad cow and related diseases in feed lot animals.

Unfortunately, Prion’s majority owner, Chicago-based Efoora Inc., had been misrepresenting to its investors that the test kits were much further along in commercialization than was true. The SEC cracked down on Efoora, with two officers later pleading guilty to stock fraud charges.

When Lane joined Genesis Bioventures’ in April 2006, his plan was to salvage the company’s more than \$2.4 million investment in Prion by obtaining full rights to the diagnostic technology. That effort was stymied when the SEC put a freeze on Efoora’s assets just two days after Genesis had signed a letter of intent to acquire Prion.

It wasn’t until last November that the SEC-appointed receiver for Efoora’s assets was given the go-ahead to make a deal with Abviva. Lane was in Chicago last week performing due diligence before finalizing the acquisition.

If all goes smoothly, development of the mad cow test kits could be completed by the end of the third quarter, but whether the company will develop the bovine tests into a cash cow is uncertain. Still, if the company decides not to hang on to the bovine tests, the product would still be worth more than before, and could be licensed or sold to raise money for the breast cancer development program.

“We think there will be a lot of interest, because it likely will only add 1 cent per pound to the cost of U.S. beef, and convince all the countries that have blocked importing our beef to let it back in again,” said Victor Voebel, a retired Houston medical device company executive and large Abviva shareholder and board member.

Abviva’s stock is currently priced at 4 cents on the Over-the-Counter Bulletin Board. Lane hopes that will change once the company starts generating revenue from the test kits for mad cow disease.

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