

# The Daily Deal

## Theranox pipes in \$14M

By Paul Bonanos, April 12, 2006

Newly created biotechnology company Theranox Inc. of Philadelphia has launched with \$14 million in first-round venture funding, intended to support exploration of drug candidates using gaseous nitric oxide.

Lead investors Quaker BioVentures of Philadelphia and NewSpring Capital of King of Prussia, Pa., supplied the majority of the funding. Additional stakes went to Viasys Healthcare Inc. of Conshohocken, Pa., and Virtucon Inc., a holding company associated with Theranox partner Pulmonox Medical Inc. of Tofield, Alberta.

The deal, which represents Theranox's first institutional funding, effectively launched the company with a patent portfolio acquired from publicly traded Viasys. Chief executive Frank J. McCaney was a former Viasys employee who left to create Theranox last July and raised the funding by Thanksgiving.

"I talked to three investors, and they all wanted to invest," said McCaney of the dealmaking process. He said the agreement values Theranox at about \$17 million to \$18 million.

"We structured the deal so that most of the company belongs to the investors," he said. Quaker BioVentures is the largest shareholder, although NewSpring was listed as a co-leader of the round.

Gaseous nitric oxide, an unstable free radical compound, is prized for its anti-infective and anti-inflammatory properties and is already used in a variety of drug treatments. While Viasys has previously explored an inhaled version of nitric oxide, Theranox was established to commercialize topical applications of the gaseous form.

When applied to chronic skin wounds, gaseous nitric oxide is delivered through a small frame-like bandage device. McCaney said a typical application involves overnight delivery for about eight hours, repeated nightly for two weeks.

Gaseous nitric oxide is already delivered to patients via a vacuum system and also can be found in topical creams. McCaney also said its pharmaceutical form is used in Viagra and several cardiac drugs. An inhaled form is used to treat lung disorders in preterm babies as well.

Theranox, however, is the first to pursue gaseous nitric oxide for the specific indications of venous stasis ulcers, diabetic ulcers, pressure sores and other chronic wounds, according to McCaney.

The company will rely on existing data from Pulmonox for the first two phases of clinical trials, and it will use much of the new money to fund third-phase trials. Pulmonox will assist in developing the physical delivery system, while Theranox will arrange further trials. The company will also move into new headquarters in or around Bristol, Pa.

Theranox has no revenues at present. McCaney said the company could receive outside money if it sublicenses its technology to other drugmakers.

The new funding is enough to carry Theranox to a revenue-producing stage, although McCaney said it could pursue other applications that would justify a second or even a third round.

The drug could be approved for domestic use by spring 2009 if all goes smoothly, and it may receive approval in other countries sooner than that.

Pulmonox and Viasys previously filed an antitrust claim against INO Therapeutics Inc. of Clinton, N.J., and AGA AB of Sweden regarding inhaled nitric oxide. The longstanding claim was settled out of court in May 2004.

Theranox retained Mike Harrington of Philadelphia's Fox Rothschild LLP as it completed the funding and did not use financial advisers.