

EP.54 - Bill Hearl FINAL

Narrator: You're listening to *BioTalk* with Rich Bendis, the only podcast focused on the BioHealth Capital Region. Each episode, we'll talk to leaders in the industry to break down the biggest topics happening today in BioHealth.

Rich Bendis: Hi there, everybody in the social world. We're going to do *BioTalk* remotely, and this is something that we've been doing occasionally during the pandemic. We think it's extremely important for people in the *BioTalk* audience and the BioHealth Capital Region to be able to stay connected to those entrepreneurs' successful businesses. And you know what? We need some good news to talk about, based on all of this news we watch on television. And we have a very persistent, serial entrepreneur who we had on *BioTalk* a year and a half ago. He happens to also be a board member for BHI—BioHealth Innovation—so we have a good strong relationship with Bill.

0:01:00 But we think he's got some very exciting news to talk about on this podcast and really should lighten up the day for a lot of the listeners when we post this podcast. So I'm talking to Bill Hearl, who is the CEO and founder of Immunomic Therapeutics, right here in Montgomery County in the BioHealth Capital Region. Bill, welcome again to *BioTalk*.

Bill Hearl: Thank you, Rich. It's good to be here. It's great to be able to talk with everybody about the events that are going on within Immunomic Therapeutics and then generally within our biotech community, as we kind of all are kind of pulling together to try and help solve this COVID-19 situation.

Rich Bendis: You're right, Bill. Within our community, people don't understand it—we have about 32 companies that are involved in either helping with testing, vaccines, or therapeutics related to COVID-19. We also have Dr. Fauci, who is on the news everywhere, who has become really the spokesman. And really it's shedding a lot of light on the BioHealth Capital Region.

0:02:02 You know, the FDA going through an expedited regulatory process on some of the things going through there. HHS and NIAD and BARDA with what they're doing. And we have some very strong companies with Emergent, Novavax, Altimmune in our back yard. GSK, AstraZeneca. And then we have emerging companies like Immunomic that really sometimes

sit in the background, but it's time to bring them out of the closet right now. So Bill, let's give everybody an update on sort of the progress of the company, maybe around your UNITE platform, which we talked about, which was one of your anchor platforms for the company. And how has that progressed over the last 18 months? We'll get into some of the financing activity after that, but sort of give us an update on what you've been doing for the last year and a half with Immunomic Therapeutics.

Bill Hearl: Thanks, Rich. Well, historically and just for people who aren't very familiar with Immunomic Therapeutics, the company was founded back in 2006 around some technology from Johns Hopkins, from the laboratory of the late Tom August.

0:03:07 Tom was a brilliant scientist and one of the leaders at Johns Hopkins for a very long period of time, and we were very fortunate to be able to work with Tom and develop his platform commercially. So the company evolved over a period of time and worked initially around applying Tom's technology to allergy indications. And so in 2015, we were able to license all of that off to Astellas Pharma for a very large deal that was worth well over \$300 million in cash. And so after that deal was consummated, we shifted into immuno-oncology. So for the last five years, we've focused on developing products using the platform for immuno-oncology. And essentially what UNITE is all about is kind of a different way of activating the immune system, so that what we do is deliver a nucleic acid such that it preferentially displays through the MCH II pathway and helper T cells.

0:04:14 And so a lot of the effector cells that we think about in terms of what we're looking for in an immune response is around cytotoxic T cells and the CD8 cells, but the helper T cells are really the enablers of the immune system. And so we have focused our efforts on amplifying the immune response through helper T cells. And what we've done with the UNITE platform in general is pull in additional technologies that are very useful in amplifying that response. So part of the UNITE platform is the ability to manufacture it, part of it is how we deliver it, and part of it is how we apply certain adjuvants to amplify the immune response.

0:05:02 So collectively we created this UNITE platform as a way of effectively mounting an immune response. And our lead product is for glioblastoma multiforme, which is also known as GBM, a very aggressive form of brain cancer. And so really going back around 2015 or 2016, we started

working with Dr. John Sampson at Duke, and then with Dr. Duane Mitchell at the University of Florida on a program applying the UNITE platform to targeting CMV proteins that are found in brain tumors. And so that is now really the primary focus of the company, and we are well into our phase 2 study with that product to bring a very exciting solution to brain cancer, which I think should have some interim results that we can report on by the end of this year.

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The study is nearly fully enrolled, and the study started in late 2016, and we've been enrolling about 40, 50 patients a year. So it's well along, on its way.

Rich Bendis:

That's a great update. But everybody knows that once you get into the clinical phase, it's not cheap, and it does take a lot of funding to continue to progress, especially when you're at phase 2. So let's talk a little bit about the financing strategy of the company, because you've always had a great deal of success in raising capital for the ventures you've been associated with, but probably now it has been a little more challenging based on the environment we're in. And I get a lot of questions from people about what's the investment climate like during the COVID-19 pandemic, and it's nice to have a success story to talk about, Bill. So let's talk a little bit about the financing strategy you've had with Immunomic to support your UNITE platform and able to progress the science through the clinical phase.

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Bill Hearl:

It has been an interesting story, that's for sure. We have been working on financing Immunomic Therapeutics—since kind of late in 2018, we really started to look at it and say, “Well, we certainly are going to need additional financing.” And we are operating, on the moment, that in total, to commercialize the glioblastoma program, we probably need about \$120 million. So our strategy was to get an initial financing done, if necessary do a mezzanine financing, and then move to an IPO sometime early in 2021 to complete the funding that's required to bring the GBM product into the hands of cancer patients. So what we did was we actually started out with a fairly traditional approach of approaching the venture community through working with a boutique investment bank.

0:08:04 And we looked rather aggressively. And one of the key things that I think that BHI has served the community very well, particularly in Maryland, is trying to help us find ways to raise money and giving us access to financing. And in that way, in particular we worked with J.P. Morgan for a period of time. And they've been big supporters of BHI over the last couple years, and so we appreciate the work that we've done with both BHI and J.P. Morgan over that period of time. But the unfortunate reality is that particularly when you start having something that's in the clinic, is that you end up being engaged in a little bit of a waiting game, or a little bit of a game of cat and mouse, as to when people think you're going to have useful information relative to when they're willing to write you a check. And so it's a delicate dance that we have to do in order to give them enough information to make a decision about the company, but at the same time not make it so that they are kind of holding back waiting for data that they believe is coming.

0:09:12 And so it's a big of a challenge for us. And in a lot of ways, Immunomic Therapeutics was a company that was a little difficult for the venture community to get their arms around. Because here's a company that was profitable, had a significant return event for its investors, and has this major partnership with a future royalty stream. And on the other hand, we had a group of new products that are developed for a whole new field in immuno-oncology. So part of the company looks like a well-established mature company in the allergy space, but on the other hand, we look very much a little bit like an early stage, early clinical company in the immuno-oncology space. So that hybrid actually proved to be kind of a challenging story to communicate to the investors.

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Rich Bendis: So I guess the key on that, Bill, is that the Boston Consulting Group would say you had a cash cow, which was your royalties stream, and then they also refer to things as either a problem child or a star, which have significant opportunities but requires a lot of human resources and financial resources to advance them.

Bill Hearl: That's correct. And so certainly with glioblastoma, that is a product area that is viewed very cautiously by the investment community. There have been many flameouts in GBM over the years—particularly in phase 2 and phase 3, a number of products that have seemed promising and have just

not been able to get over the finish line. So it seems like it has been my fate in my career to always pick things that have been really difficult to [laugh] communicate to investors, but somehow or other, we've been able to get it—

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Rich Bendis: Why did you pick GBM as the target?

Bill Hearl: The reason we went down that pathway was while we were still working in the allergy space, John Sampson came to our offices here in Rockville and presented us the phase 1 data on the ATTAC study, which is coupling our UNITE platform to a glioblastoma protein called pp65. And in that study—it was a small study, so it was only 20 patients in total—you had a significant survival benefit for the patients in that study, and that was that the overall survival median for that group was over 40 months. And the historical standard is 14 to 16 months. So you're looking at a small group of patients that had very important clinical benefit. And so the phase 2 program, as it went forward, represented an opportunity to verify what was previously observed, and to me, it was the immunology program using our platform that was the furthest along.

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So I used that opportunity to collaborate with Dr. Sampson and Dr. Mitchell and support the phase 2 study of ATTAC, which is ATTAC-II, which is now still active and still recruiting patients at Duke and the University of Florida. And so it was being a little bit opportunistic with our platform to get into the glioblastoma business.

Rich Bendis: I was just going to say—that's a combination of a little bit of utilizing science to help make the decision, but as a true entrepreneur, ultimately the gut is what really drives that.

Bill Hearl: I guess that's very true. I have been fortunate that my instincts have been fairly favorable on a number of choices that we've made in directing our business over the years. So been a little bit lucky, and a little bit good.

Rich Bendis: So that combination doesn't hurt. So the key is that once you understood the path you were going and the amount of capital you were going to need, you had to identify strategic partners and investors that you could approach that would be side-by-side with you in going forward.

0:13:10 So talk a little bit about the process you used in identifying potential investors that you thought would be good partners for you.

Bill Hearl: In that case, what we were doing was we had put together what we thought was a pretty strong slide deck, and did the traditional road show. And we got traction with a couple of groups that were open to glioblastoma investment, but we just couldn't get those across the finish line. And so eventually we got to pretty much the end of the third quarter, last year, in 2019, and just did not have a firm proposal on the table from any of the domestic venture funds. So we decided to cast a little bit wider net. And I had been communicating with some international groups. Sia Anagnostou, who is our head of corporate development had been cultivating opportunities in China.

0:14:07 And I had started cultivating some opportunities in South Korea. And we let those two things run in parallel through the fourth quarter of 2019. And the key thing that really helped get us across the finish line is that I insisted that whichever group we were going to work with to get to the full investment amount of \$40 million or more was going to need to make a \$10 million deposit upfront. And so we had two or three groups from China and Korea that were interested, and I set that \$10 million bar as the one that had to be met before we could go forward. And actually, that turned out to be really key, because we were able to close on the \$10 million with HLB at the end of January. And as everybody knows, as the world dealt with the pandemic, we continued to be able to develop our relationship with HLB and had that commitment in hand, and I think that really ensured that we went forward.

0:15:12 So I think that was a good decision that we made to push for that deposit upfront.

Rich Bendis: Congrats. Good strategy. And of course, that was a non-refundable deposit, correct?

Bill Hearl: That is correct.

Rich Bendis: That's very important. So when you mention HLB, a lot of people probably have seen the press release that just came out last week, that on April 23rd, Immunomic Therapeutics closes on \$61.3 million in financing. And then if you really look at it realistically, there was \$10 million prior to that which you had received from the same investor. So

within a short period of time, you've raised \$71.3 million. So congratulations, Bill. That is quite an accomplishment in this time, especially.

Bill Hearl: Just to clarify, that 61 included the ten.

Rich Bendis: Oh, I'm sorry. I was giving you extra credit there. [laugh]

Bill Hearl: [laugh]

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Rich Bendis: OK. We'll make it 61.3, which is still a great accomplishment. But you mentioned HLB and you were dealing with China and South Korea. HLB is a South Korean firm.

Bill Hearl: That is correct.

Rich Bendis: Would you like to give the listeners a little background on HLB to the extent that you are permitted to?

Bill Hearl: HLB is a fairly significant conglomerate based in Seoul. They have a market cap right now of about \$4 billion. So they are a public company traded on the KOSDAQ, which is Korea's equivalent of Nasdaq. And they are led by a really outstanding businessman. Chairman Jin is really a fantastic leader for that company, and a real visionary. So actually, HLB's roots go back to shipbuilding, of all things. And in fact, HLB, their shipbuilding subsidiary, is one of the world's largest suppliers of lifeboats to things like freighters and so on, and cruise ships, and what have you.

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But a few years ago, they made a commitment to get into the pharmaceutical industry and now have four companies as part of this growing pharma business. Most recently, they acquired a company that's based in San Francisco and in Salt Lake City called Elevar. Elevar is a small-molecule cancer drug that they are in the process of commercializing. It's generating revenue and has been active in the clinic. So they're going to continue to expand that market area. They also have something that's for hepatic disease, and in bringing in Immunomic Therapeutics continues to expand their presence in the immunology and bio world. I think it's part of a larger strategy that Mr. Jin has for creating a really vibrant pharmaceutical business and recognizing that there's great opportunities there.

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Rich Bendis: I was going to ask one question about—since they're in South Korea, and you're in Rockville, Maryland, how many trips did you have to make to South Korea or Seoul, and how many trips did they make over to Rockville during this process?

Bill Hearl: They came to Rockville three times, and I went to Seoul twice.

Rich Bendis: OK. And then you actually closed the transaction virtually, I would assume?

Bill Hearl: That's correct. We had actually planned for a very nice celebration, and unfortunately that was an impossibility at this point in time. I'm sure that once things settle down here, we'll be able to—they'll come—they have really enjoyed their trips to Maryland. And as far as going to Seoul is concerned, Seoul is a wonderful city, aside from the 14 hours on the plane.

Rich Bendis: [laugh] Right.

Bill Hearl: Pretty amazing place.

Rich Bendis: Well, congrats again. And I guess the key on this whole process is persistence, and you started raising about 18 months ago your relationship with HLB. Sounds like initiated about six months ago.

0:19:01 Is that about right? Fourth quarter of last year?

Bill Hearl: Yes, that's right. My first encounter with HLB was really in—I guess it was probably late October I made a trip to Seoul and got acquainted with HLB at that point in time. And then they came to Maryland before Thanksgiving, and then again in December, and then made a third trip in January.

Rich Bendis: Well, that's pretty fantastic, in less than six months. To close \$61.3 million with someone you had never met before, had no relationships, is somewhat remarkable, especially having to deal with oceans in between.

Bill Hearl: There may be some interest in hearing, actually, the whole story about this, because it's one of those things where you say, well, instinct and luck came into play. I had received an email kind of unsolicited from an

individual in Seoul who was looking for opportunities to present American companies into the Korean market.

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And so we exchanged some thoughts, and actually his initial plan, I think, was more a traditional VC type of investment, and we didn't really move into the idea of a pharmaceutical collaboration and relationship between two companies until much later. And so it was an opportunity—I think even if you go back to like when I raised money early on for Immunomic Therapeutics—as you know, I worked closely with Bernie Rudnick, and we wanted angel investment in our early years—you really have to build relationships. So even in going into the Korean market and looking at the Chinese markets, you need to have an advocate for you that is able to effectively communicate your story to these third parties. And so I think we were fortunate that we found somebody that was able to effectively state what we were looking for and also communicate back to us what HLB was looking for.

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We established a good working relationship. And so first you have to establish that trust before you can really get into money. And we had some mutual goals as to what we thought was the right path for Immunomic Therapeutics, and ideally—I think we both want to see the company go public, and there's great value in that. So that's kind of the mutual vision for our financial endpoint. And I think that ideally we will get to the point where we establish a brain center in Seoul so we have an Asian base of operations for our product, as well as probably have one on the West Coast in the U.S. Maybe something here locally at Johns Hopkins or a similar location for us to do something on the East Coast in the United States. That's kind of my vision for how we're going to build out treating these brain cancer patients.

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Rich Bendis:

That was one of the next areas I was going to go. We're talking to Bill Hearl, who is the CEO and founder of Immunomic Therapeutics. Just closed a major investment with a South Korean conglomerate for \$61.3 million. And the next thing I was going to ask, Bill, is talk about a little bit about the use of proceeds and how far you think that the 61.3 will take you. Because you've also mentioned a potential IPO in 2021. So talk a little bit about how you plan to use this new money.

Bill Hearl: The nice thing, too, is that we still had some residual funds from the original Astellas investment. So we had retained about \$35 million when we closed on the Astellas transaction. And so we had a milestone payment that we received last year, and we also did a license with a Japanese company for animal health that brought in \$7 million last year. So we've continued to get additional licensing revenue that has replenished our treasury.

0:23:00 And actually out of the COVID legislation, we get back some tax credits. So actually we'll have close to a \$75 million war chest to deploy on the glioblastoma program. So our approach is the two projects that we have for glioblastoma—one is cell-based; one is cell-free—those products are in the clinic, and we are targeting the clinic, start clinic early next year. And those aren't inexpensive programs. The cell therapy program is probably going to consume somewhere in the ten to \$20 million per year range, all in for the company, over the next couple years. And the cell-free is a little less expensive, but that clinical study is still going to cost several million dollars. So those are our lead programs, but of course we're also working on—we have some other really good candidates for immunotherapies for HPV, Hepatitis B, and Epstein-Barr, and we have a collaboration for Merkel cell with Hutch out in Washington. So those are other areas of products that we think are really promising.

0:24:13 And of course we developed and launched our own initiative for the COVID-19 area. One of the things that really is at the root of our technology is it's ideally suited for generating an immune response against viral targets. So it's kind of like—in its roots, Tom August had worked on HIV. He had worked on—developed vaccines for West Nile Virus, for SARS, and particularly he had spent a lot of time working on Dengue fever and influenza. So there's a basis for infectious disease. We had previously not really engaged in that because we didn't hire the scientific staff with scientific expertise in infectious disease, but the current situation has changed our thinking some, and there is certainly quite a bit of interest from HLB to pursue the COVID-19 area.

0:25:08 So we have worked with EpiVax and PharmaJet to put together a proposal around a COVID-19 design that's going into animal work right now. So we think that we have an innovative design that can be both protective and therapeutic. So hopefully that goes forward.

Rich Bendis: We're seeing a lot of companies that I wouldn't call it full pivots, but they're being opportunistic because they have good science, good teams, and have technology that might be applicable to the COVID-19 area. So I would not think anything less than you doing something like that, Bill, because you've been opportunistic and successful as an entrepreneur to look and identify new opportunities. So good luck in that new area. Let's talk about your facility and people that you have there in Rockville. With this new funding and with your plans for the next year to two, is your space adequate, and your personnel adequate, or do you need to beef up a little bit?

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Bill Hearl: Actually, we are in a facility on Broschart Road, which is kind of adjacent to the Shady Grove Johns Hopkins campus, and the National Cancer Institute campus is right across the street. And so it's an Alexandria Properties facility. And right now, we just worked a process to kind of trade space and acquire the entire second floor. So what we did was we started working with CytImmune, and CytImmune kind of relocated to our first floor. And as you know, I work with companies that have been looking for opportunities to kind of get restarted or start fresh. That has been part of my little mission of trying to give back to the biotech community in Maryland.

Rich Bendis: Sort of the Bill Hearl Accelerator.

Health Yes, that's right. [laugh] So David Oarr, who was the CEO of CytImmune, we worked together and put them into some of our space on the first floor.

0:27:04 And so now, we have a really nice space here, kind of control the full second floor at the Broschart Road space. And so we have our R&D team on this floor now. We've been able to move people upstairs. We have a process development laboratory. And of course all our administrative activities are up here as well. And so we still have some extra space downstairs, and so actually we were looking at potentially using—there's about 2,000 square feet of space that includes half lab, half office. So I may look into bringing another group in and sharing some of that space downstairs with another group. As you know, we provide a certain amount of financial support for making those things happen. We've done

that for CytImmune, and we're pleased to be working with David. He's an awesome guy, and I think that CytImmune has a technology that has potential, and I hope he's successful with it.

Rich Bendis: It has been around a long time, so maybe it's their time, Bill. And being affiliated with you a little bit, some of your luck might run off on them, maybe.

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Bill Hearl: [laugh] I hope so.

Rich Bendis: [laugh] But anyway, once you identify the profile for what you're looking for that 2,000 square feet, let us know, and we'll see if we can help you find the appropriate candidate for that space.

Bill Hearl: OK. Absolutely.

Rich Bendis: And I'm sure that Larry Diamond with Alexandria is very happy with your progress in your financing, because you'll be one of his new stars again, right?

Bill Hearl: [laugh] That's for sure. He is a happy man.

Rich Bendis: [laugh] Very good. Let's just talk a little bit about the future now. I understand what your corporate goals are, based on what you've outlined. How about personal goals? Anything you want to personally achieve over the next five years?

Bill Hearl: I'd like a single-digit handicap!

Rich Bendis: [laugh] Do the South Koreans like to golf as well?

Bill Hearl: They do, they do. Absolutely.

Rich Bendis: So, good. So you can reduce your handicap in both Korea and in Montgomery County or wherever in the region, here. So good luck on the handicap!

Bill Hearl: [laugh]

Rich Bendis: And also, as you got a new investor engaged in our region, did they have any reaction to the BioHealth Capital Region and what you've built here, and the assets around here?

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Bill Hearl: I think they are impressed, and my expectation is that they're going to be interested in continuing to grow. And so hopefully Immunomic Therapeutics can serve as a conduit to HLB to help build the family of companies that are affiliated with them that actually is complementary and builds a strong broad-based biotech and biopharma business. So we haven't really worked through how we're going to make that happen, but I think there's considerable interest in building on the pharma family of HLB companies.

Rich Bendis: Great. Well, I have one idea. As you know, we're in the process of trying to raise \$50 million for our BioHealth Capital Fund, and we have been talking to a number of international investors. So offline, love to follow up with you, because I'd love to tap into the South Korean market.

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Bill Hearl: One of the things that's interesting about that is that my friend and advocate over there said to me, he says, well, in South Korea, they have a lot of money, but they don't always have all the technology they need. The interest in coming to the U.S. market is fueled by the fact that they see the opportunity of the technology and maybe they can't find quite those technologies in Korea that they would like, so they are willing to come to the United States and consider opportunities here. Which is really great. I have worked with Koreans actually my whole career. Actually going all way back to graduate school, my laboratory had a fair number of Korean students. And so I have some familiarity with the Korean culture, and I think that was helpful. And also I was elected to the Board of Directors for HLB. So I've started studying Korean.

Rich Bendis: [laugh] Congratulations!

Rich Bendis: We'll make certain that you can send a copy of this over to them to let them know how you're promoting them here in the United States.

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Bill Hearl: I'm sure they'll be pleased.

- Rich Bendis:** And then when the chairman or whenever their leader comes over, we'll do a dual *BioTalk*. We'll do a Korean-American *BioTalk* with you and their leader.
- Bill Hearl:** Oh, I'm sure they would love that.
- Rich Bendis:** That would be great.
- Bill Hearl:** One of our key advocates, and I guess our champion inside HLB, is a gentleman named Kevin Jee, and Kevin is very fluent in English, and he's a very humorous fellow. So I enjoy conversing with him. I think he'd make a great interview. [laugh]
- Rich Bendis:** Great, super. Well, we'd look forward to that. Anything else you would like to tell our *BioTalk* audience about where you're at today, Bill?
- Bill Hearl:** Yeah, I think that one of the things that we all need to keep in mind is that deals can be made even when circumstances aren't perfect. And so really through my career, I've always been through—seems like I've always needed money at the worst possible time. The first company I started in 2000. My second company, we started it in 2009 and we had that catastrophe and were able to survive that. So I've been through a number of financial and political upheavals over the period of time.
- 0:32:05 And through all that, if you make smart choices and you kind of live a little frugally when you have to, you can endure tough times. Not only endure, but thrive. And that would be my words of wisdom.
- Rich Bendis:** Well, great. We appreciate that. And hopefully some of the entrepreneurs that will be listening will take those words of wisdom to heart and put into practice some of the things that you've done over your successful career. So Bill, it's always great talking to you, and it's always good to see a smile on your face. And since this is a podcast, they can't see that, but we'll try to get a picture of you smiling when we post this, Bill.
- Bill Hearl:** [laugh] Very good.
- Rich Bendis:** Congratulations on your success with your recent close. We'll continue to follow you. And thank you for your commitment to the BioHealth Capital Region, again. We've been talking with Bill Hearl, CEO and founder of

Immunomic Therapeutics, one of the stars for the BioHealth Capital Region. Bill, thank you very much for being on *BioTalk*.

Bill Hearl: Thanks, Rich, for having me.

0:33:00 As always, I'm a big fan of BHI and all the hard work that you've put in personally and on behalf of BHI to advance our efforts as the BioHealth Capital Region. You've done a great job, and thanks for all you do.

Rich Bendis: Thank you. We appreciate your support, Bill. We'll close out this segment of *BioTalk*. Tune in—we're going to be doing several more remotes during this pandemic, and try to get some people, other people, who have experience in the investment community and what they're experiencing during this time. So thank you very much, and we'll talk to you soon.

Narrator: Thanks for listening to *BioTalk* with Rich Bendis.

End of recording