

## **BioHealth Capital Fund Created to Help Emerging Companies Close Early Stage Capital Gap**

[BioHealth Innovation \(BHI\)](#) was created in 2012 by Rich Bendis and key industry leaders to accelerate the commercialization of high potential scientist entrepreneurs and companies within the BioHealth Capital Region (BHCR), which consists of Maryland, Virginia and Washington, D.C.

Prior to BHI's launch, the region's development efforts were heavily focused on academic and government research assets. BHI's mission is to give the life science industry a greater voice within the region and to be more market and entrepreneur-driven. During the last 8.5 years, BHI has grown substantially and spearheaded the effort to create a strong regional brand that is now known as the BHCR.

Now, BHI is taking the next step in its evolution by creating its [BioHealth Capital Fund](#) to support emerging companies with early stage funding.

BHI has grown steadily over time to include 110 clients, 52 of which are active and 30 of which are equity companies within BHI's portfolio. Raising a fund to expand BHI's ability to support innovation within the region was a natural extension of the organization's already robust platform.

[Rich Bendis](#), BHI's Founder and current President and CEO, stated, "We structured our board to be industry-led. And we've been working with early stage companies for years and we have had several 100 client interactions...We're a 501 (C) 3, non-profit that is focused on growing the BioHealth Capital Region, but we also have a for-profit subsidiary, BioHealth Innovation Management, which enabled us to do government contracting...and take sweat equity or founder equity in some of the companies that we worked with or co-founded. We didn't have a fund or vehicle to invest in companies when we first started BHI."

"We work with entrepreneurs and companies on a national and international basis. As we've managed our portfolio of companies we've been very successful in getting some liquidations and exits," stated Bendis.

BHI portfolio company [Benevir](#) was acquired by Janssen Biotech Inc., a Johnson & Johnson company, for up to \$1.04B in 2018. And two other BHI portfolio companies, [Mock V Solutions](#) and [Protenus](#), also had successful exits. These successful exits have set the stage for Bendis and BHI to launch its new fund.

"Our board, which consists of BioHealth industry leaders and venture capitalists, said that based on the success BHI has had and the reputation your team has built, only one thing is missing from BHI's arsenal: A fund...The equity that we had in these companies was diluted significantly by angel and venture capital investments because we didn't have a fund to co-invest in to

protect our ownership interest. Based on that as well as the successful exits and the board recommendations, now is the time to form the fund,” added Bendis.

With the creation of the **BioHealth Capital Fund**, Bendis recruited a Co-manager and another investment expert to help run it.

Enter [Andrea Alms](#), a deeply experienced investment capital expert and portfolio manager, who came on board as the fund’s Co-manager in the summer of 2019. Alms has a long track record of success “combining science, law and finance,” as she put it. Alms received her degree in economics from Wellesley College and then started her career working in the biotech labs at Harvard University. From there, Alms was recruited to the University of Virginia’s (UVA) Pharmacology School of Medicine, where she further refined her life science skills, which proved useful as she was then hired to build the then-new [UVA’s Tech Transfer Office](#).

“At UVA, I was able to help license tech and help build companies. One of the companies I helped create on behalf of UVA was called Pinnacle, which exited, and from there we started to see more and more faculty members that wanted to follow on this success,” stated Alms.

“In the early 1990s there were no accelerators and incubators as we know them now, so, with the support of the tech transfer office I helped create and launch a for-profit subsidiary called Spinner Technologies. Spinner created about a dozen or so companies out of UVA. We had some sweat equity and built some wet lab space, but we kept running out of money, so we started a fund called the Jefferson Corner Group,” Alms added. “Timing is everything. We collected our fund money right before the 2008 crash and ultimately invested in about eight companies.”

Alms then built a successful firm called [BrookDell Partners Management](#), which manages GP and LPs with special opportunity situations, including firms like [Yet2Ventures](#) and [Chartline Capital Partners](#), where Alms helped build four funds. She also helped grow Elplasia of KURARAY, a publicly-traded ([TYO:3405](#)) business focused on 3D cell culture tools used in organ manufacturing. .

“I was looking for the next fund to grow and develop. I was approached by investors and funds that had asked me for help, but when I connected with BHI through an angel capital association contact, I embraced the vision and the amazing work that Rich and the BioHealth Innovation team have done. I really believe in the mission of making the BioHealth Capital Region #3 by 2023,” stated Alms.

The BioHealth Capital Fund is seeking to close a funding gap for emerging BioHealth companies in the \$500K to \$5M range. While there are some funding opportunities within the region, including non-dilutive Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) funding, as well as angel investors and various funding programs

at [TEDCO](#) and other regional organizations, Bendis still sees a significant need for funding in this pre-seed, seed and Series-A niche.

“In all of the evaluations I’ve done, even before BHI was formed, there has always been an innovation capital gap in the region. There are not a lot of venture capitalists headquartered here that are willing to invest in early stage companies. Some of the angel investors in the Baltimore and DC areas have been in a ‘harvesting mode’ and have been less active,” stated Bendis.

“This gap has not gotten any smaller over the last eight to ten years and a lot of companies have had to go outside the region to get Series A funding. What’s starting to change in the last few years is that based on the quality of some excellent companies that have brought investor attention to our region, they are starting to get financed at a higher level similar to what we see in Boston and San Francisco. We are getting more attention for our assets but that gap still exists in that \$500K to \$5M range. We think the BioHealth Capital Fund can be a critical player and be a lead investor or co-investor to attract other investors to the BioHealth Capital Region,” added Bendis.

Alms added, “I see this gap as well. We are raising a \$50M BioHealth Capital Fund that will be closed in two rounds of \$25M each and that will include investing \$1M to \$5M including ‘dry powder’ for follow-on investing in about 12-18 assets.”

The “BioHealth’ name and brand is indicative of the expansive nature of the region’s BioHealth sectors as well as the types of companies the BioHealth Capital Fund will look to invest in. The fund will eventually include a broad base of portfolio companies in therapeutics, biotech, medical devices, biomarkers, BioHealth tools, cybersecurity for medical records and artificial intelligence. BHI’s first three exits included a therapeutics company (Benevir), a cybersecurity medical records company (Protenus) and a tools company for viral clearance kits and manufacturing (Mock V). The fund will mirror this approach and the diversity of BHI’s existing 110 portfolio companies.

“Ultimately we are looking for commercially relevant companies that are beyond the proof-of-concept stage, that have a defined market and a proprietary advantage. These companies also have to be scalable to grow into an IPO or to become a target for acquisition,” stated Bendis.

Other factors for investment, according to Bendis, include validated science and technology, a clear path for the product or services to get paid for, a regulatory pathway to get through clinical trials and significant intellectual property protection. Finally, the fund will look at the quality of the management team as well when evaluating companies in which to invest.

Alms stated that the fund's initial closing will include companies that can show an uptick in 18-24 months that might have a Phase I or II clinical trial or are ready to go to market while the second closing will include companies that might be a 3-7 year hold.

The BioHealth Capital Fund's lead anchor investor is a life science investment powerhouse [Alexandria Real Estate Equities](#). Alexandria Real Estate, led by its founder Joel Marcus, has 30 million square feet of wet lab space nationally and over 3 million square feet of wet lab space in Montgomery County. They have also been the most prolific life science investor across the last three years, according to the number of deals, not dollars invested. [Wilson Sonsini Goodrich and Rosati](#), a leading full service, national venture capital law firm, is also a major fund investor. This gives the BioHealth Capital Fund highly recognizable anchor partners.

"We know Alexandria and Wilson Sonsini really well, and they are great anchor investors that are well respected and well-known," shared Bendis. "These relationships have helped us navigate the pandemic as the number of investor meetings hasn't slowed down. It's been a bit more of a challenge getting someone to write a \$5M check without face-to-face meetings. COVID-19 has slowed down the process some so we have to be a bit more persistent and patient. We have an unbelievable product to sell; we'll just have a little later close than we anticipated."

The fund currently has some existing investment candidates for its first close. Once the \$50M fund closes, a second fund size to consider would be a \$120M round and then a \$250M round.

"The pandemic could result in better pricing and better deals for us. Market disturbances like right now create the greatest market opportunity. We know this space well enough to monetize and maximize those returns on these opportunities," added Alms.

Fund momentum and investment interest and activity is steadily building within the BioHealth Capital Region, thanks in part to BHI's annual [BioHealth Capital Region Forum](#), which had some 1,200 registrants in 2019, the sixth year of the event. For the last three years with globally recognized partners JP Morgan and Wilson Sonsini, BHI has also held its [BioHealth Capital Region Investment Forum](#), which is an event that connects investors with promising companies looking for capital in the region. Local company [AsclepiX Therapeutics](#) and BHI portfolio company [Mirecule](#) both secured funding as a result of connections forged at the BioHealth Capital Region Investment Forum in October 2019.

This year the [BioHealth Capital Region Forum](#) and the [BioHealth Capital Region Investment Forum](#) will be virtual events this year, held on October 19th and October 20/21, 2020, respectively.

BHI's launch of its BioHealth Capital Fund is yet another sign of a growing, thriving investment ecosystem that is accelerating innovation within the BioHealth Capital Region and propelling the region towards its goal of being "Top 3 by 2023."

