

Venture capitalists avoiding AIDS research

By Mary A.C. Fallon

SAN JOSE, Calif. - Venture capitalists thrive on risk, but they have their limit. And for now, AIDS research is passed that limit.

Fewer than 20 of the 640 venture firms in the United States have been willing to bet on which start-up company will discover a cure, treatment or way to diagnose AIDS.

“Even the researchers can’t figure out which is the right way (to attack AIDS). How can you expect venture guys do? It’s asking too much,” said Jonathan Goldstein a molecular biologist hired by the venture firm TA Associates of Boston to analyze business plans of budding biotechnology firms.

“As a biologist, I haven’t seen one (approach) that I can say absolutely won’t work. They all make sense. Maybe one will work, maybe none.”

Unlike their forays into personal computers or microchips, venture capitalist face uncharted territory with Acquired Immune Deficiency Syndrome research.

“When we invested in microcomputers, we were investing in the miniaturization of something done before,” said Ginger More, a partner in the Westport, Connecticut office of Oak Investment Partners. “Scientific discovery was not required in many electronics companies like it is with AIDS.”

Oak Investment has financed other biotechnology ventures, but “AIDS is not an area we’re seeking.” More said. “We would take a risk, but so far the (AIDS) deals we’ve seen are somewhat longshots.”

Even those companies with strong research programs face mind-boggling competition.

Around the world, the best and brightest in medicine and molecular biology are tackling the disease - including more than 250 public and private companies. Thousands of human lives and future billion-dollar markets are at stake.

Despite all that, a few venture capitalists are making substantial investments in AIDS research.

Last June, eager investors offered Genelabs Inc. \$12 million, more than twice what the Redwood City, California biotechnology company had asked for. Frank Kung, chairman and chief executive, turned away a few potential investors and \$9.1 million of the second-round financing.

"When the AIDS cash register opened up we were more prepared than a lot of the others in the field," asserts Kung, a molecular biologist turned business executive

Executive Vice President Brian Fre, Genelabs' figures that without the AIDS research, venture capitalists would have reduced Genelabs' \$46 million valuation by as much as 30 percent.

Kung said that while venture capitalists were enthusiastic about Jenna labs plan to create an antiviral long — a drug capable of destroying the human immunodeficiency virus (HIV) that triggers AIDS long — a business offering far more than just AIDS research sold investors on the company.

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BUSINESS

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Kung: AIDS Researchers

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