



Ariad's PIPE brings \$10M

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Cambridge, Mass.-based **Ariad Pharmaceuticals Inc.**, fresh from a court victory that could bring it a royalty stream from pharmaceutical giant **Eli Lilly and Co.**, has raised \$10 million in a private stock offering.

The money comes from New York investors **Merlin BioMed Group** and **The Riverview Group LLC** arm of **Millennium Partners LP**, and will extend the company's financing well into 2004.

Nasdaq-traded Ariad had \$21.5 million in cash at the end of the first quarter, with an expected burn rate of \$18 million for the year, and chief financial officer Ed Fitzgerald said the new money extends that, even as its use of cash is diminishing.

Michael Vasinkevich, senior managing director at New York's **Rodman & Renshaw**, which has been Ariad's longtime investment banker, put together the deal.

Jeffrey Wiesen of Boston's **Mintz, Levin, Cohn, Ferris, Glovsky and Popeo pc** provided counsel for Ariad.

Fitzgerald said Ariad has used a variety of financing mechanisms over the years, and is continually evaluating different structures.

Neither Millennium nor Merlin were significant shareholders in the company prior to this investment, and Fitzgerald would not say whether the company sought additional investment from its largest shareholder, Boston's **Ironwood Capital Management LLC**, which owns more than 10% of the group.

The new funding comes on top of \$6 million the company raised in a private placement in November 2002, when it sold 2.2 million shares for \$2.75 each to undisclosed investors. Fitzgerald said the company has raised about \$150 million in private and public equity since its inception.

The new investment comes at a price of \$2.50 a share, set according to the average closing price of Ariad's stock during the past 10 trading days.

That price is a boost to the company's recent value, which fell as low as \$1.20 a share in March, but recently shot up to more than \$3.50 a share.

The stock runup began in April but accelerated on the news May 14 that a federal judge in Massachusetts will allow the company to proceed with a lawsuit against Indianapolis-based Lilly, charging patent infringement on technology related to cell signaling.

Ariad and fellow plaintiffs **Massachusetts Institute of Technology**, the **Whitehead Institute for Biomedical Research** and **Harvard College** hope for a 2004 trial. They are seeking an unspecified percentage of worldwide sales of Lilly's Evista osteoporosis drug, which totaled \$821.9 million in 2002, and of its Xigris toxic shock drug, which were \$100.2 million 2002.

Ariad is developing small-molecule drugs that affect protein interactions controlling communications within cells, seeking to block or inhibit disease-related abnormal signaling.

The company is primarily focused on development of cancer drugs, but believes its proprietary technology could lead to licensing agreements with other developers using it for a wide range of treatments, as is the case in its lawsuit against Lilly.

The company allows research institutions to use its technology freely, but will initiate licensing discussions with any party seeking to commercialize applications of its proprietary method of cell-signal manipulation.

The technology was originally developed by a team led by Nobel Prize winner and current president of the **California Institute of Technology**, David Baltimore, who is a founding member of Ariad's board of scientific and medical advisers.