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CoDa Therapeutics Closes B Round with \$40 Million from Rusnano/ Domain-Led Syndicate

By Wendy Diller / [Email the Author](#) / ["The Pink Sheet" DAILY Jul. 24, 2012](#)

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Executive Summary

Wound healing company CoDa Therapeutics is the first Domain portfolio company to benefit from the venture capital firm's new, \$760 million partnership with Russian sovereign fund Rusnano

San Diego, CA-based wound healing company [CoDa Therapeutics Inc.](#) has become the first **Domain Associates LLC** portfolio company to benefit from the venture capital firm's new partnership with Russian sovereign fund Rusnano. It is also the first biotech to agree to license, as part of the financing, Russia/CIS rights to its technology to a new Domain/Rusnano-backed Russian pharmaceutical company.

On July 24, the venture capital firm announced that it, along with current CoDa investors **GBS Ventures** and **BioPacific Ventures**, and new investor **Rusnano** would commit nearly \$40 million to CoDa, closing a Series B financing that began last year ("[Rusnano Teams With Domain Associates To Co-Fund Life Sciences Companies And Establish Pharma JV In Russia](#)" - [PharmAsia News, Mar. 7, 2012](#)). The new deal is the first investment from a \$660 million Domain/Rusnano strategic partnership, announced in March, which invests in Domain portfolio companies. The partners will also separately spend up to \$190 million to capitalize a new pharmaceutical company in Russia that will develop and sell products in Russia and CIS countries.

The venture capital syndicate and Rusnano are each contributing equal amounts to CoDa, with Domain's and Rusnano's portions coming from the

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funds committed to the strategic partnership. In exchange, Rusnano is taking an undisclosed equity stake in the company and a seat on its board of directors. As a condition of the financing and simultaneously with it, CoDa also licensed exclusive rights to its lead product and related technologies in Russia and the CIS to **NovaMedica**, the Russian company created by Domain and Rusnano, in exchange for undisclosed royalties on sales.

Domain is one of several U.S. life sciences venture capital firms that are working with Rusnano, a five-year-old, \$10 billion sovereign fund. Rusnano aims to invest in - and acquire Russian rights to - innovative nanotechnologies that can provide both a traditional financial return and help Russia build a foundation for an innovative life sciences industry ("[Rusnano's Grand Ambitions In Biotech](#)" - *START-UP*, February 2012).

Western VCs, for their part, have been under tremendous pressure to raise funds from a shrinking pool of limited partners. As portfolio companies, likewise, scrounge for money, offers from sovereign funds like Rusnano are welcome, despite the complications and time required to make such deals work.

CoDa was first among Domain's more than 20 portfolio companies with drugs in late-stage development to be selected by Rusnano's investment team for a commitment because it needed a financing, said Domain partner Brian Dovey, who is leading the VC's activities in Russia. Rusnano isn't obligated to invest in CoDa per the partnership agreement.

CoDa was "pleased" because, of the Domain portfolio companies that Rusnano looked at, it selected CoDa first," said CoDa's co-founder, president and CEO Bradford Duft. Rusnano took a 'significant' although not a majority stake in the biotech, which has, to date, raised \$63 million, including the Series B, since its founding in 2005.

New Firm NovaMedica To Develop, Commercialize CoDa Drugs In Russia

While Rusnano's mandate is to invest in nanotech companies of all sizes, CoDa clearly does not have nanotech programs. Nevertheless, in biotech, the sovereign fund has flexibility to invest outside of nano because of the Russian government's priorities to jumpstart an innovative domestic pharmaceutical industry, Dovey said.

CoDa's platform technology is based on gap junction modulation for the treatment of chronic wounds and inflammation. Its lead compound, Nexagon, is an oligonucleotide that down-regulates connexin43, one of the most ubiquitous gap junction proteins in the body and a modulator of inflammatory responses in tissue repair. Because connexin43 is massively up-regulated in chronic wounds, CoDa hopes that Nexagon, applied as a topical gel, will reduce inflammation, swelling and wound spread. The compound is in a Phase IIb study of 300 patients for treatment of venous leg ulcers and beginning a 160-patient Phase II study in the treatment of diabetic foot ulcers, said Duft. The latest financing will take the firm through Phase II trials, with Phase III likely to start in 2013.

The timetable established in the agreement between CoDa and NovaMedica for getting Nexagon through the Russian regulatory process and onto the market, along with other milestones, was not disclosed. Duft said he does not expect the Rusnano investment to hinder CoDa's ongoing efforts to find one or more partners for the rest of the world.

NovaMedica has an ambitious mandate. Although Domain has no had previous experience in Russia, "We're going to try to be big," Dovey said, adding that NovaMedica will develop drugs and medical devices for the Russian market, relying on in-licensing for access to innovative technologies. In pharma, it will have a specialty focus, avoiding offerings prescribed primarily by general practitioners. In most cases, Russians have the same medical needs as the rest of the world, although there's some variation: because their aggregate life spans are shorter than in the West, they have less need of Alzheimer's disease drugs, and because they tend to smoke and drink their incidence of cardiovascular disease, is higher than in the West, Dovey said.

Unlike [Selecta Biosciences Inc.](#) and [Bind Biosciences Inc.](#), two other U.S.-based biotechs that struck high-profile financing deals with Rusnano, however, neither Coda nor NovaMedica has plans to do early-stage scientific work in Russia. The Russian biological sciences environment is currently too under developed, Dovey said (["To Russia, With Love: Selecta, BIND To Create Subsidiaries In Financing Deals With Rusnano" - "The Pink Sheet" DAILY, Oct. 27, 2011](#)). NovaMedica will be responsible for registration trials geared toward the Russian government requirements for approvals, although it will be able to benefit from data derived from biotechs' ongoing clinical trials programs elsewhere. At the same time, it will be responsible for the cost of development programs and commercialization in the selected territories.

Well-connected Moscovite businessman and entrepreneur Leonid Melamed is CEO and director general of NovaMedica, and a top government official, Anatoly Chubais, is chairman of NovaMedica's board, as well as Rusnano's. Melamed is a successful entrepreneur who founded wireless and insurance companies in Russia before he became involved in NovaMedia. While his business experience is outside of pharma, he is also an M.D., which provides some exposure to health care. In addition, the partners recently hired a COO with a strong pharmaceutical background, Fabrice Egros, who previously held several top positions at [UCB Pharma SA](#), and are now searching for other senior executives--with "all the usual things in pharma," Dovey added.

Explaining Rusnano's proposition to CEOs, syndicate partners and other limited partners has taken a tremendous amount of time, Dovey said. Building the relationship with Rusnano is worth the effort, though, because it's potentially so lucrative. Also helping balance the opportunity cost, both Domain and Rusnano have set up their own companies to manage operations--**Domain Russia Investments** and **RusnanoMedInvest**, respectively.

RusnanoUSA, the Silicon Valley based arm of Rusnano initially charged with building relationships with U.S. Biotechs and investors, is only tangentially involved with the Domain relationship.

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