

# Orange County Business Journal

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## Slight Biotech Scene Hopes for Boost from State Stem Cell Plans

By Vita Reed - 2/28/2005

Orange County Business Journal Staff

You've got to look under a lot of rocks to find Orange County's biotechnology industry.

But healthcare researchers, startups and investors hope that California's \$3 billion stem cell initiative could be the jolt the county needs to develop its negligible biotech sector.

"If the political community and the industrial community can work together, it can be a stimulus to help the biotech community," said Michael Henson, a longtime OC medical device investor, of the stem cell effort. "But it is going to take a cooperation between the universities and the political environment, because so much of the technologies come out of the universities."

Compared to the crop of medical device makers and traditional drug makers here, biotech has little impact in OC.

In terms of biotech, there's Costa Mesa-based Valeant Pharmaceuticals International, Tustin-based Peregrine Pharmaceuticals Inc. and Irvine-based Spectrum Pharmaceuticals Inc.

But while Valeant carries a market value of \$2 billion, the others are small players compared to rivals in San Diego and the Bay area.

Henson, who's funded some dozen startups as head of MedFocus Fund LLC and Bio-Star Private Equity Fund, both of Irvine, said the creation of the California Institute for Regenerative Medicine is a positive step.

The institute was created late last year after California voters passed Proposition 71. The ballot measure is set to provide \$3 billion for stem cell research at universities and research institutions. It also called for the creation of the institute, which is set to provide grants and loans for stem cell research and facilities.

The institute temporarily is based in Emeryville in the Bay area, with that region and San Diego the likely rivals for a permanent home.

Stem cell research is seen as the basis for cures and treatments for diseases such as diabetes, Parkinson's disease, Alzheimer's disease, schizophrenia and spinal cord injury, which could lead to an economic boost for areas that are able to attract researchers and possibly startup companies.

Unlike the traditional drug industry, which develops products from chemicals, stem cell research is grounded in genetics and proteins.

"The bill and the efforts that are going to be launched by it are likely to stimulate biotechnology throughout the state, especially focused on stem cells," said Oswald Steward, director of the Reeve-Irvine Research Center at the University of California, Irvine.

Steward and Susan Bryant, UCI's dean of biological sciences, are local representatives on the California Institute for Regenerative Medicine's 29-member board.

Establishing a stem cell center at UCI could attract faculty members, boost research and create links with companies, Bryant said.



UCI researcher: University

"I'm virtually certain that every university in the state and certain other private institutions are very busy developing stem cell research facilities of one kind or another," Steward said.

expects to get share of \$3 billion marked for stem cell study

UCI will pitch a plan to develop a stem cell research center, according to Steward.

"I hope that UC Irvine would be competitive in their proposal," he said. "And if we bring a stem cell research facility to the University of California, Irvine, then there's little doubt that it's going to be a major driver for biotechnology development."

UCI will be competing for funds with many groups, including other schools in the University of California system, such as the University of California, San Diego, University of California, Los Angeles, and the University of California, Berkeley.

The stem cell effort could benefit OC, "but not to the same degree as the Bay area and San Diego," said Ralph Sabin, managing director of venture capital investor Pacific Venture Group, which has offices in Irvine and Encino.

"The real key is that this is a good opportunity to integrate UCI into that process," Sabin said.

Stanford, Berkeley and UC San Diego are seen as fostering strong relationships between researchers and biotech startups.

A big benefit of Proposition 71: The California Institute for Regenerative Medicine will provide biotech companies and researchers another source for funding independent of the National Institutes of Health, Steward said.

Steward was appointed to the Institute for Regenerative Medicine's board because of his expertise in spinal cord injuries—one of the disorders that he said could benefit from stem cell efforts.

His appointment came about through work with the Christopher Reeve Paralysis Foundation, which was started by the former "Superman" star, who died in October.

The center was started in 1996 to study injuries and diseases of the spinal cord.

Center researchers are using human stem cells to develop treatments for people with spinal cord injury and central nervous system diseases such as multiple sclerosis.

"We must, as scientists, bring our research quickly to the clinic," Steward said.

The election of Gov. Arnold Schwarzenegger was a shot in the arm for stem cell research in the state.

The moderate Schwarzenegger's position deviates from that held by President Bush and other GOP conservatives. The process to harvest stem cells does destroy days-old embryos, a fact that offends anti-abortion advocates.

In 2001, the Bush administration slapped strict federal funding restrictions on stem cell research. Proposition 71 allowed California to bypass those restrictions.

California's effort also has triggered some copycat efforts—at least seven states are believed to be moving forward with stem cell research proposals, perhaps out of a fear that California will strip those areas of scientific and research talent.

Connecticut, New York, Illinois, New Jersey, Wisconsin, Maryland and Virginia are considering various proposals.

Meanwhile, the California Nurses Association, a labor union that is active in politically charged health issues, has argued that no results from stem cell research—including drugs and treatments—should be granted patents because the program is financed with taxpayer dollars.

Instead, the union, which represents nurses at UCI Medical Center in Orange, believes any discoveries from any stem cell research projects should be “open-sourced” and available for all.

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