Local investor puts $4 million into fledgling drug company

By Chris Bonura Staff Writer

NEW ORLEANS BUSINESS and medical leaders have lately preached the wisdom of developing a local pharmaceutical and biotechnology sector rooted in research conducted at Louisiana State University and Tulane University medical centers. Last week, a local investor kicked the effort into gear by making a $4 million commitment to a pharmaceutical start-up.

Koerner Capital Corp. invested the money to bring St. Charles Pharmaceutical Inc.'s low-toxic pain killer through the pre-clinical trials that precede the long Food and Drug Administration approval process.

Koerner Capital is a company owned primarily by John Koerner III, the executive known for brewing up a national market for Barq's root beer and selling it to the Coca-Cola Co. Koerner has invested in other medical technology companies located outside of Louisiana. His company will gain an undisclosed equity stake in St. Charles Pharmaceuticals with the capital investment.

He says there is ample opportunity to make money and grow jobs from the drugs and therapies that New Orleans' best doctors are concocting in their research labs.

"I'm going to continue to do more of this, if I don't run out of capital first," he says.

Koerner says usually a medical technology sector develops around the periphery of medical schools, but that hasn't happened yet in New Orleans. Nevertheless, he thinks the quality of the Crescent City's two medical schools, some of the genetic features of Louisiana's population and a lifestyle centered on eating and partying prime the city for medical research.

Koerner says he has been keeping an eye on cancer and genetic research at Tulane Medical Center.

St. Charles Pharmaceuticals is a company started by Dr. Nicolas Bazan, director of LSU's Neuroscience Center. The Foundation for the LSU Health Sciences Center has licensed to the company the patent that it holds for a series of compounds that Bazan and a chemist from Spain designed as an alternative to Tylenol and other analgesics. Bazan and Julio Alvarez-Builla of the Universidad de Aerial designed the compound to avoid the toxic effect on the liver that most analgesics have.

Some analgesics are not ideal for post-surgery pain relief because they reduce fever, which can be an important sign that a patient has a surgery-related infection. If a patient is developing an infection, doctors and nurses need to know about it so they can treat it. Bazan thinks his compound could fill the after-surgery pain relief niche because it doesn't mask the indication that infection could be setting in.

"We need this type of pain reliever at patients' bedside," Bazan says.

St. Charles Pharmaceuticals has the right of first refusal to license other discoveries that arise from the collaboration between Bazan and Alvarez-Builla.

Koerner says he is investing in Bazan as well as the new pain killer. "I'm betting on Nick, the man. I'm investing in a pipeline for fresh ideas that will come out of his collaboration."

Bazan says he is focusing his research on ailments that lead to blindness, such as strokes and retinitis pigmentosa, an inherited disease that causes the retina to deteriorate.

LSU Health Sciences Center Chancellor Merv Trail says the infusion of venture capital in St. Charles Pharmaceuticals speaks to the quality of Bazan's research. He hopes St. Charles will become a model for more companies that arise from research at New Orleans' medical centers.

"Once this becomes successful, people are going to start looking at us. You need to gradually build these things," he says.

Barry LeBlanc, chief administrative and financial officer for St. Charles Pharmaceuticals, says the financial backing from Koerner will fund the testing on animals that is required before the FDA allows clinical trials on human volunteers to proceed. These pre-clinical trials are done in laboratories that specialize in this kind of research. LeBlanc says St. Charles Pharmaceuticals is in the process of choosing a lab.

"This will allow us the funds to submit an investigational new drug application in an 18-month time period. If approved, that will allow us to proceed in the human clinical trials," LeBlanc says.

During that time, the company will decide which of several similar compounds that it has a license for under the agreement with LSU offers the most promise as a low-toxicity analgesic.

LeBlanc says once St. Charles Pharmaceuticals gets the go-ahead from the FDA, it will look for a large drug company to partner with to help bring the drug through clinical trials.