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Business

Madison drug developer Centrose raises \$2.1 million

By [Kathleen Gallagher](#) of the Journal Sentinel

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A Madison company aiming to use its sugar chemistry to improve existing drugs said Tuesday it has raised more than \$2 million of angel financing.

The funding comes at a time when angel and venture capital investors are being more careful about where they put their money.

Centrose LLC raised \$2.1 million of funding from undisclosed, out-of-state angel investors, said James Prudent, the company's chief executive officer.

Centrose will use the money to further develop its lead drug candidate, an existing drug that the company is modifying with its sugar chemistry to be a cancer-fighting drug, Prudent said. Centrose hopes to have the drug, which it says is very potent against non-small cell lung cancer, ready for clinical trials in humans within two years, he said.

"Raising money in this environment is quite an accomplishment and is quite surprising. There's a real struggle out there," said Ralph Kauten, chairman and CEO of Quintessence Biosciences Inc., who has been involved with a variety of Madison biotech start-ups.

Centrose has a good business model in its ability to take drugs that have shown efficacy but had too high a toxicity level or other problems, and use its technology to make them better, Kauten said.

"It's a novel approach," said Tom Still, president of the Wisconsin Technology Council.

Venture capital firms are funding companies at lower levels, but many are saying this is a good time to invest in early- and seed-stage companies, said Emily Mendell, vice president of strategic affairs for the National Venture Capital Association.

Angel investors - wealthy individuals who put money into very young companies like Centrose - are

continuing to put money into well-vetted deals, Still said.

Centrose in September was "within weeks" of syndicating a venture funding round, but that fell apart when the credit crisis kicked into high gear, Prudent said.

When its venture funding fell through, Centrose immediately created a new private placement memorandum and began calling potential investors, Prudent said.

Centrose was able to get to this point because of federal programs like Small Business Innovation Research grants and Wisconsin's Act 255 tax credit program, which gives credits to investors in young, qualified Wisconsin companies, Prudent said. The governor and Legislature are considering expanding the Act 255 program.


Centrose, which Prudent started in 2007, has raised \$3.4 million from angel investors, including the recent financing round, and pulled in another \$800,000 of federal grants to fund its research and development.

The company could raise more money more quickly if it were in California, where there is a lot more angel and venture capital available, Prudent said.

"But I'm a huge proponent of the state of Wisconsin, where my family raised me and where I want my children to be raised, so I decided to do it here," he said.

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