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THE LIFE SCIENCES EXECUTIVE NETWORK AT SARIAN STRATEGIC PARTNERS PRESENTS

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TRACKING THE PULSE OF THE PHILADELPHIA LIFE SCIENCES INDUSTRY

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CEO & Founder

GUEST CONTRIBUTOR



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IVANA WOLFE
Director, Bravo Group

Stay up to date on the pulse of the Philadelphia Life Sciences industry with our Biotech Bulletin. This is a quarterly newsletter with data and perspectives from local leaders within the industry. Greg Sarian of Sarian Strategic Partners is the author of the Biotech Bulletin. Each issue will include insight on the latest industry trends, performance metrics on local biotech companies, as well as current acquisitions and IPO news in this area.

"MOST FAVORED NATION" POLICY JEOPARDIZES SCIENTIFIC INNOVATION AND PATIENTS' LIVES

By Ivana Wolfe, Bravo Group



Whether it's startup life sciences companies spun out from promising academic research or corporate giants that are household names in your medicine cabinets, they're all constantly marching forward to find the next best therapeutic drug for everything from cancer to Alzheimer's. This year, we are seeing these efforts as a race to beat COVID-19. It can take years, multiple failed efforts and billions of dollars before one new, effective treatment is developed, approved and on the market. Despite all the risk and uncertainties involved in its work, the U.S. biopharmaceutical industry repeatedly proves it can innovate better and produce results more quickly than the rest of the world.

That may soon come to a screeching halt.

In mid-pandemic, a recent executive order threatens to damage the industry, its innovators, investors and ultimately patients who now may not be able to get the medications they need.

The Trump administration's most favored nation policy carries a component called international reference pricing, allowing the government to set prices for certain drugs in America based on the prices charged for those pharmaceuticals in foreign countries.

The program is slated to begin Jan. 1 with 50 Medicare Part B drugs, and more drugs will be added to the list through the program's seven-year run.

While originally aimed to help Americans afford their prescription medication, the policy comes at the expense of future drug development, jobs and patients' health.

The order stifles the incentive for research which, especially for rare diseases or poorly understood conditions, can take years before there is any promising drug development. As a Wall Street Journal editorial noted, price controls are certain to "reduce drug-maker spending on research and development, especially in fields like Alzheimer's where experimental therapies have met with little success."

PROTECS, Inc.

By: Kimberlee Cirillo, Corporate Communications Manager

Interview with Christopher R. DiPaolo, President & CEO of PROTECS, Inc.

**WHAT ARE YOU CURRENTLY SEEING IN THE INDUSTRY?**

We are seeing growth in hi-tech real estate investment throughout the east coast and especially in the Philadelphia region. The investors run the gambit from private equity firms, investment firms, traditional hi-tech REITs, one off developers to traditional office developers. COVID-19 has taken a tremendous toll on the office and retail market space where most companies are re-thinking their office requirements moving forward based on efficiencies with staff working from home and the realities that a large percentage of retail renters have gone out of business and will not survive this pandemic. Specific to the Philadelphia region, the emergence of cell-based research, development, and manufacturing has created a high-demand for lab space specifically in the city where there is a vacancy for lab space of less than 2% and there is no new lab product coming on-line until 12-18 months from now. The greatest need includes the gap lab space for tenants looking for 2,500 to 25,000 SF of space where tenants will have their dedicated office and lab spaces but share common amenities such as conference rooms, break rooms, bathrooms, etc. where collaborative collisions can occur with other tenants in these innovation centers. This has driven traditional office developers and landlords to look at repurposing their early 1900's built office buildings into lab innovation centers to meet the current demand. Buildings like the Curtis Center, Wanamaker Building, One South Broad, and others are going through transformations currently that will reshape the real estate landscape of downtown Philadelphia. This phenomenon is happening across the US in cluster markets that have research institutions and universities. As a result, [PROTECS' real estate consulting services](#) are in high demand to assess existing office buildings and adaptively repurpose for research and development operations.

WHAT ROLE DOES PROTECS PLAY IN ASSISTING TECH COMPANIES TO NAVIGATE THROUGH THEIR REAL ESTATE NEEDS?

PROTECS firmly believes that any company looking for R&D and/or manufacturing space should first perform some level of preliminary master planning to identify the key facility parameters that are required to meet their operational objectives. This is in regard to overall program square footage including growth considerations, floor loading, clear height,

utility capacities (electric, gas, water, etc.), and outdoor equipment requirements (chillers, emergency generator, bulk gas, chemical storage, etc.) Based on this information and in a vacuum of any real estate property, a cost estimate should be prepared with the assumption of having to fit-out from an empty shell condition, which would be the worst case scenario and have the company align their performance objectives with their financial constraints. Armed with this information, the real estate community can then efficiently and effectively identify the potential real estate options available in the market. These options would be quickly narrowed down to a couple of sites and then pressure tested with all the preliminary master planning deliverables and have customized estimates and project delivery schedules prepared for each site. Each site may have significant existing infrastructure that can be leveraged and re-purposed toward the tenant fit-out that would save capital cost. This information, in conjunction with the leasing rates and Tenant Improvement Allowance (TIA) that the landlord is providing, would be analyzed and provide the tenant with the most educated decision on where to establish their operations. PROTECS is very proficient in assisting with all of these real estate consulting efforts and once a lease is agreed upon, we can then perform all design to the [Targeted Cost®](#), construction, commissioning, and validation to have them occupy in record time.

WHAT DO YOU ENJOY MOST ABOUT WHAT YOU AND PROTECS DO?

The most satisfying thing to me is working closely with the C-suite of a start-up/emerging company and determining the best way to get their first facility fully operational that meets their performance, conformance, and compliance requirements while working with a shoe-string budget. Then as they grow, we continue to work with them on their expansion requirements over many years as their strategic partner where both our clients and PROTECS evolve together. I have had the great honor to work with many incredible and innovative companies in my career, some of which allowed me to be a part of ground-breaking and life changing medicines and therapeutics that feed, fuel, and cure the world. Another area of pride at PROTECS is the development of our four (4) Innovation Centers totaling 190,000 SF that we have

managed over the past decade which enables over 20 high tech companies in all phases of evolution to advance their technology and products, including COVID-19 R&D and testing services. Being a high-tech developer, in conjunction with our high-tech design/build capabilities, really sets PROTECS apart from our competitors in the fact we have a 360 degree view of a project from inception, site selection through occupancy, property, and facility management. None of this could be possible without the support and efforts of our professional staff that I truly enjoy mentoring and working with to provide innovative solutions to the market.

ABOUT CHRISTOPHER R. DIPAOLO, PRESIDENT/CEO OF PROTECS

Chris has over 30 years of engineering experience, managing over \$1 Billion in project value, construction management, commissioning and validation of technically complex projects within the pharmaceutical, biotechnology, semiconductor, specialty chemical, food, healthcare and science and technology business sectors. He has completed projects successfully for a diverse portfolio of clients, across the country from Fortune 500 to venture capitalized start-up companies.

In addition to his design-build expertise, Chris has in-depth knowledge in assessing high-tech real estate assets for adaptive re-use to accommodate R&D, pilot, clinical, and full scale manufacturing and packaging operations across multiple regulated market sectors for both owner operators, tenants, landlords and developers.

As President, Chris leads the PROTECS team in meeting their client's strategic objectives. As the patent holder of the "Method of Designing and Building to a Targeted Cost for High Tech Facilities", his expertise is focusing the design effort to meet a "targeted cost" from the onset of the project regardless of size, complexity or market sector involved. By doing so, PROTECS assists clients to meet or exceed their performance, conformance, compliance, time-to-market, and capital budget goals.

ABOUT PROTECS

PROTECS is a leading, innovative full-service project and construction management company focused on serving the hi-tech regulated market sectors. For more than 15 years, PROTECS has provided its clients a broad range of leveraged services in a collaborative construction management and design/build approach by collaborating with best-in-class architecture/engineering firms from project inception to occupancy. Through PROTECS' patented Target Costing® delivery methodology, the company acts as a single point of contact and accountability for master planning, site selection, design, construction, commissioning and validation. As part of this delivery approach, PROTECS takes on the risk to guarantee performance, conformance, compliance and cost to ensure all its clients' strategic objectives and goals are met. For more information, please visit our website at www.protecsinc.com.