

Vancouver Drug Therapies
ForSight To See 1st Exit With \$42M QLT Deal
By Jonathan Matsey

Ophthalmic incubator ForSight Labs LLC will see its first exit with an agreement to sell drug delivery start-up ForSight Newco II Inc. to Vancouver-based QLT Inc. for at least \$42 million.

Besides the up-front \$42 million, Newco II shareholders may receive \$5 million for the initiation of a Phase III trial, \$20 million for the first commercialization of each of the first two products and \$15 million for first commercialization for each subsequent product. The deal is slated to close by the end of the year.

While Newco II had been in clinical trials for several months, the company did not yet have a chief executive or even a formal name, said Robin Bellas, general partner at Morgenthaler Ventures. "We had no plans to sell them yet," he said. "It was a strategic buyer being interested in the technology and having to have it."

The investment is the first exit for Menlo Park, Calif.-based ForSight, which has an earlier company, glaucoma treatment company Transcent Medical Inc. ForSight was launched in late 2005 by another incubator, The Foundry, to focus on ophthalmic device start-ups. The Foundry, despite a portfolio of 10 companies, has yet to see an M&A transaction itself. One of its companies, however, has gone public - stent company Xtent Inc. in February - and another, pulmonary device company Emphasys Medical Inc., has a pending IPO.

Newco II is developing proprietary punctal plugs, inserted into the tear duct, for the delivery of drugs to the front of the eye. "As the tear film of the eye naturally bathes that area, it elutes the drug," said K. Angela Macfarlane, president and chief executive of ForSight. The technology could be used for several indications, including glaucoma.

Newco II raised \$5 million in Series A financing in December 2006 from Morgenthaler, Split Rock Partners and Versant Ventures.

Morgenthaler's Bellas said ForSight has created a Newco III, although that company has yet to secure venture financing or select the technology it will develop. Macfarlane said the incubator had several markets on its horizon that it would like to tackle. "We are very interested in the glaucoma space," she said. "We've found that there are opportunities in cataracts, refractive surgery, drug delivery."

Back-of-the-eye drug delivery is also in Bellas' sights, in particular since the current mode of treatment is often injections straight into the eye. "I think you'll find us exploring solutions for that area, too," he said.