



Portfolio Spotlight:

StemCo Biomedical, Inc.

Stem cell research is an exciting new life science discipline that has quickly gained acceptance in biotech circles, not only for its current applications but also for future treatment of aggressive diseases. StemCo Biomedical, Inc., a spinout from Duke Medical Center's Comprehensive Cancer Center and Aurora's most recent biotechnology investment, has made groundbreaking strides in stem cell research. Founded by prominent Duke physicians Clay Smith, Mike Colvin and Nelson Chao, StemCo has a proprietary marker technology that identifies and isolates hemopoietic stem cells (HSC) in the

bloodstream. The company's technology is unique because it utilizes a proprietary method that vastly improves existing techniques of identifying stem cells in human adults.

StemCo's management is led by Jon Lawrie, Ph.D and Andy Balber, Ph.D. Balber, StemCo's VP of Business Development, has seen hundreds of technologies at Duke University, where he was most recently the Associate Director of the Office of Science and Technology. Balber left Duke after nearly 10 years to join StemCo. At Duke he was responsible for integrating classical technology transfers in molecular genetics, immunology, and biotechnology. He validates StemCo's technology saying, "This is exciting technology with a straightforward clinical development plan. The clinical



Jon Lawrie, Ph.D., Andy Balber, Ph.D., StemCo Biomedical, Inc.

infrastructure is already out there, and clinicians know the applications and implications of stem cell use."

The main focus for stem cell technology currently lies in the areas of cancer treatment and organ transplants, because HSCs can be used to boost the immune system and regenerate human muscle, bone and nerve cells. The technology has future implications in the fields of autoimmune disorders such as AIDS, advanced organ transplants, arthritis, and especially neuronal regeneration where spinal cord tissue may be reproduced.

StemCo's CEO, Jon Lawrie Ph.D., recognizes that StemCo's expertise is in "exploiting stem cells for bone marrow transplants, and the main challenge is expanding to other areas of stem cell application. The fundamental trick is to make the technology widely applicable and make StemCo the main beneficiary." Lawrie was formerly the head of Becton Dickinson Technologies where his responsibilities included development of strategic alliances, investments, and licensing agreements with biomedical companies. In 1995, Lawrie led a \$23 million IPO as President of Cardiovascular Diagnostics, Inc.

StemCo's business model is a stable, two-tiered plan. The first stage consists of kit development for early revenue. The kits will provide clinicians with innovative diagnostics and therapeutics to help maintain, restore, and improve blood and immune system function. The kit revenue will be used to sustain the second tier of their plan: therapeutic research and development. Aurora associate Jim Adair says, "StemCo has the technology and management team to make it a leader. It has a fundamental plan that provides the most stability and the least risk."

Founder Clay Smith is now preparing the company for clinical trials by developing a network of qualified, talented physicians to perform the trials. Lawrie said he expects to "get into human clinical trials within two years, because StemCo has exciting stem cell technology that can be immediately put to use in patients." Aurora's Jeff Clark worked with StemCo's scientific founders during his years at Duke and says, "Aurora was in a position to get in on the ground floor in funding this new technology. We have a unique understanding of the research and a strong relationship with the management team. I anticipate great things from this company, its founders and management."

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Nuclear Winter Be Gone - Biotech is Back!



Jeff Clark

Private funding for biotechnology is on the rise. According to Bioworld Financial Watch, biotech funding has increased in the past year from \$811 million to \$2.6 billion. Aurora's Jeff Clark views this as hard evidence of a thaw in the biotech nuclear winter. "For years, especially in the mid-to late-'90s, biotechnology investments were shunned by many venture capital firms. In fact, many groups stopped investing in life science all together. Those who stayed the course and continued to invest in the life sciences have great prospects for building substantial companies now."

Aurora's Jim Adair believes that this increase in investment dollars is only partly due to sobering market conditions in the information technology sector. More importantly, he cites the reawakening by Wall Street and the investment community as a whole to the importance of business models that have clear paths to profitability.



Jim Adair

According to Jim, biotechnology companies have always been forced to have a defensible intellectual property (IP) position, and a product that can differentiate itself in the market. "The real difference in recent years," says Jim, "is that the fundamentals of business were often suspended with the Internet revolution. A clear path to profitability, actual revenue, a superior product—all of these things have been imperative for biotechnology throughout time. Now that there has been a widespread return to the importance of these business fundamentals, biotechnology is being looked upon more favorably."

Jeff cites the rise of interest in the Human Genome Project in 1999 as re-generating public interest in biotechnology as a whole. "Genomics has brought biotech back to the main stream," he says. He also cites the surge in the valuation of publicly-traded biotechnology companies in late 1999 and early 2000 as further evidence of biotech's favor. "The recent corrections in the market have, by and large, not deeply affected publicly-traded biotechnology stocks," he notes.

Both Jim and Jeff indicate that when biotechnology companies are successful, the result is faster, more effective ways of treating human disease. This, in turn, generates strong interest by all key parties—Wall Street analysts, equity investors, and others—effectively creating significant shareholder value for those who invest in biotechnology.

A profile of how some of Aurora's biotech portfolio companies are making a difference:

Cogent Neuroscience

(www.cogentscience.com) is finding new targets for medications that help victims of stroke, Alzheimers, and Parkinsons disease.

Merix Bioscience

(www.merix.com) is discovering advanced treatments for metastatic cancer.

Natus Medical (www.natus.com) will diagnose hearing deficiencies in over half of the babies born in the United States this year.

Nobex (www.proteindelivery.com) is sorting out the delivery of protein and small molecule drugs for oral delivery, leading to better outcome for disease treatment

StemCo (no web site currently available) is developing technologies to improve cancer treatment through the study of stem cells.

ViroLogic (NASDAQ VLOG) is guiding therapy for HIV patients, leading to better outcomes for patients and their treatment.

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Aurora News

Aurora Initiates IT CEO Gatherings

Aurora has launched a gathering for its portfolio IT CEOs. Held initially on December 7, the assembled group of CEOs decided to continue these gatherings on a quarterly basis. The initial gathering was intended to introduce new portfolio CEOs to the group of existing CEOs, discuss potential synergies, and discuss the format and frequency of subsequent gatherings.

Aurora Hires Office Manager

Aurora has hired Tia Thurman as office manager. Originally from Kentucky, Tia moved to NC in 1996. Most recently, her work was with IBM as a marketing support representative for the sales department. Tia joined Aurora officially as of November 1.



Tia Thurman
Office Manager

Aurora Launches New Web Site



Aurora launched a new web site in December. Led by Z Promotion & Design in Chapel Hill, NC, Aurora's new site is now updated in design and content. Conceptually, the site is more entrepreneur-focused, with FAQ and resource sections for entrepreneurs. The new site also reflects Aurora's identity and mission much more clearly. Please visit the site at www.aurorafunds.com.

Quarterly Life Science Gatherings Continue

Aurora's Life Science portfolio CEOs met at Aurora's offices on December 7 to discuss recent market trends, trends in biotechnology and numerous related issues. Jon Lawrie, Ph.D., CEO of StemCo Biomedical, Inc., updated the group on the latest developments in StemCo's research and preparations for clinical trials. Additional information about StemCo can be found in the [Portfolio Spotlight](#) on page 4.



Alerts.com's
Christy Riggelman

IT Portfolio Companies Demo at InfoTech 2000

In October, Porivo Technologies and Alerts.com were selected to participate as demo companies in CED's InfoTech 2000 Conference. Held annually in Chapel Hill, NC, this one-day conference covers recent trends in information



Porivo's Sam Kirby (right)
at InfoTech 2000

technology industries, in areas such as business development and venture capital. Both Porivo and Alerts experienced high traffic at their demo sites, where each company demonstrated their unique technology. www.porivo.com and www.alerts.com

Aurora Investment Team In The Community, Q4

Jim Adair spoke to a group of Small of SBTDC members at Wake Forest University in December.

Scott Albert reviewed two companies at CED's STREAK public forum on December 14; he also participated in North Carolina State University's annual management symposium in Raleigh as a panelist representing the venture capital industry.

Tim Taylor & Will Brooke coordinated a program of Alabama's best seed and early stage technology companies through the Alabama Information Technology Association (AITA), for more than 175 participants.

Rich Brown continues to be active at UNC's Kenan-Flagler Business School, assisting in new project development.

Jeff Clark has been appointed an advisor to the Duke University Network of Entrepreneurs (DUNE) and has planned several programs for undergraduates interested in entrepreneurship. He also served as a moderator at a recent technology forum in Jackson, Mississippi.

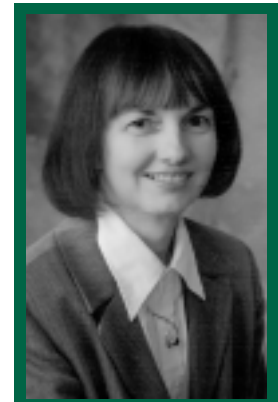
Erik Rasmussen, founder of Critical Mass in Washington, DC, continues to be active in promoting highly successful networking opportunities for technology entrepreneurs and service providers in the DC-area.

Bill Lampley was named to the Raleigh Housing Authority's Board of Directors in November.

Pam Newton has been appointed to the Greater Raleigh Chamber of Commerce's recruitment committee, designed to recruit area companies for participation in the Chamber's leadership programs.

Recent Investments

Mobile-Mind, Inc.



Mary J. Cronin, PhD.
President, Mobile-Mind, Inc.

Mobile-Mind is a Boston-based company that builds applications and system software that add value to corporations by making mobile employees more productive and responsive to customers. Founded by Mary Cronin and Scott Guthrey, two of the industry's most knowledgeable and experienced individuals in SIM card development, Mobile-Mind provides a robust and trusted set of products and services for companies planning to conduct more and more critical operations in the wireless world. *Carousel*, the Mobile-Mind corporate SIM product suite, delivers the functionality of core business processes directly to the wireless device—in a format that is customized for maximum mobile efficiency anywhere in the world. For more information, www.mobile-mind.com.



Scott Guthrey
CTO, Mobile-Mind, Inc.

StemCo Biomedical, Inc.

StemCo Biomedical, Inc. (StemCo) is a biotechnology company based in Durham, NC., founded by members of the Comprehensive Cancer Center from the Duke University Medical Center. The company is developing a series of products related to therapeutic transplantation of human hematopoietic stem cells (HSCs). For additional information see the [Portfolio Spotlight](#) on page 4.

Portfolio News



Haht Commerce Slated for IPO

Haht Commerce filed a registration statement with the Securities and Exchange Commission on November 8. Their aim is to hold an Initial Public Offering of stock and raise \$75 million. Haht sells software that enables B2B transactions over the Internet, specifically between suppliers and distributors. Haht currently has 178 employees and its offices are in Raleigh, NC. www.haht.com



Richard Holcomb
Co-Founder, haht

Aurora's Active Portfolio Companies

Alerts.com www.alerts.com	Haht Commerce, Inc. www.haht.com	Nexan, PLC www.nexan.com	TriVirix International, Inc. www.trivirix.com
Blackboard, Inc. www.blackboard.com	Insect Biotechnology, Inc. www.insectbio.com	Nobex Corporation www.nobexcorp.com	United Emergency Services, Inc. www.unitedemergency.com
Brightpod, Inc. www.brightpod.com	InterAdNet www.interadnet.com	Norak Biosciences, Inc. www.norakbioscience.com	Unitive Electronics, Inc. www.unitive.com
Cogent Neuroscience, Inc. www.cogentscience.com	MERIX Bioscience, Inc. www.merixbio.com	OxiDyn, Inc. www.oxidyn.com	VetCentric.com www.vetcentric.com
Emageon, Inc. www.emageon.com	MicroMass Communications, Inc. www.micromass.com	Peracom Networks, Inc. www.peracom.com	ViroLogic, Inc. www.virollogic.com
Engenia Software, Inc. www.engenia.com	Mobile-Mind, Inc. www.mobile-mind.com	Porivo Technologies, Inc. www.porivo.com	Volumetrics no web site available
Foresight Corporation www.foresightcorp.com	Natus Medical, Inc. www.natusmed.com	StemCo Biomedical, Inc. no web site available	Xanthon, Inc. www.xanthon.com
Gadgetsplace, Inc. www.gadgetsplace.com		Technauts, Inc. www.technauts.com	

Editorial Information The Aurora Update is a quarterly publication of The Aurora Funds, Inc., a Research Triangle Park, NC-based venture capital partnership that invests in early stage life science and information companies in the southeastern US. Aurora also has offices in McLean, VA, and Birmingham, AL. Pam Newton edits The Aurora Update. For more information, contact Pam at pnewton@aurorafunds.com or (919) 484-0400. Harbert Management Corporation (HMC) is a merchant bank located in Birmingham, AL, that invests in a series of asset classes through the Harbinger family of funds. HMC is lead investor in Aurora's third fund, Harbinger/Aurora Ventures, LLC.