



Portfolio Spotlight

Merix Biosciences: Revolutionizing Cancer Treatment

Eli Gilboa, Ph.D. describes Merix's technology for cancer treatment—one he developed himself—as an evolutionary one, born slowly after years of looking through microscopes in the research labs at Duke University Medical Center. "Small pieces of my research came together and as each piece came together, what I was finding became more compelling," he said. "Step-by-step, I realized what I was seeing was a potentially revolutionary way of treating cancer in humans."



Last year, Merix Biosciences received \$1.6 million in a series A round of financing from The Aurora Funds and several other venture firms who formed an enthusiastic syndicate around the company. At the time, Merix had a skeleton work force. As the year and the science progressed, Merix added more researchers, business development professionals, regulatory affairs personnel, and a CEO, bringing the company to the precipice of a series B round of financing. The round has the potential to be very large and may consist of both strategic and venture investments—a laudable accomplishment in today's tepid funding environment.

Eli suggests that investors' enthusiasm derives from recent developments in clinical trials performed in the labs of Dr. Johannes Vieweg, a physician at Duke University Medical Center. "In these labs, Merix has performed a series of human clinical trials in test tubes. The results have been very promising," said Eli.

Merix Biosciences has developed a unique vaccine for humans with cancer. Its immunotherapeutic uses provide a compelling advantage over other modes of treating cancer through a specific ability to test the unique, antigenic "fingerprint" in each person's immune system. This fingerprint is created by random and therefore unique duplications of cancer within a human body.



Merix's vaccine will be "personalized" in the sense that its vaccine will train the human immune system in each individual to recognize and fight that individual's cancer. The vaccine will be used to treat a wide variety of cancers not currently being addressed by other forms of cancer therapies.

According to Aurora's Jeff Clark, "Cancer immunotherapy is emerging as an important tool in the fight against cancer. We feel Merix will be one of the leaders with this promising approach that could help many patients."

As if the technology itself is not enough good news, Merix has recently hired Mark Weedon as CEO. Mark has more than twenty years of industry experience, leading large Canadian pharmaceutical companies such as Wellcome Canada and Anadys Pharmaceuticals as President & CEO. His pharmaceutical experience also includes a variety of sales, marketing and business development roles, with over twenty product launches and licenses in the oncology and virology therapeutic areas.

"Mark is a seasoned executive with extensive experience in the biotech world. He is already having a dynamic impact at Merix and we're thrilled to have him on board," said Jeff.

When asked what his hopes were for the company, Eli said, "That our technology will prevent every living person from dying of cancer, that we will find a cure."

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Blackboard Leads e-Education Revolution

Chalk-covered blackboards are ancient history. One of Aurora's portfolio companies has created an e-Education empire designed to take its place.



In 1998, The Aurora Funds, Inc. invested in the then one-year-old e-Education company, Blackboard Inc., whose vision was and still is to transform the Internet into a powerful environment for teaching and learning.

Washington, DC-based Blackboard is harnessing the power of the Internet with their complete suite of enterprise software products and services. Their products are reinventing the traditional classroom by allowing and enhancing online teaching and learning in schools, universities, and other educational institutions.

In tough economic times, Blackboard surpassed their profit goals with pro-forma 2000 revenues of \$32 million with an additional \$16.1 million in deferred revenue, which is a 2,000% increase from their 1999 revenues of \$1.5 million. In 2000, Blackboard not only surpassed its revenue goals, but also achieved top revenue performance among its private peer group.

Lately, Blackboard hasn't only been making money but securing it as well. In the last few months, venture capital has been hard to come by, but in April of 2001 Blackboard secured \$48 million of equity financing from existing investors together with four new investors, a notable accomplishment in the recently difficult private equity markets.

Money is multiplying at Blackboard; but more impressively, so is their customer base. It is currently the largest in the e-Education industry. Blackboard ended 2000 with over 1,275 licensed Course & Portal customers, a 171% increase in licensed institutions from 1999, and 450 commerce & access customers. The company's superior products and services resulted in a 98.8% renewal rate among current customers during 2000.

"We are very pleased that Blackboard has experienced the kind of success that has propelled the company to the top of the rapidly growing e-Education market," said Matthew Pittinsky, chairman of Blackboard Inc. "We are very fortunate to have such a dedicated team of professionals, enthusiastic investors and a committed board of directors, all of whom played a substantial role in building Blackboard's successful business model, leading products, first-rate services and the financial foundation to solidify our leadership position."

Blackboard is quickly becoming a leading consolidator in the e-Education industry. Many of their new customers and products came from their recent acquisition of MadDuck Technologies and former AT&T CampusWide, CEI SpecialTeams and iCollege

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...and more!

Blackboard is developing e-Education on a worldwide front with offices and staff across North America, Europe and Asia with approximately 15% of year 2000 revenues from non-U.S. customers.

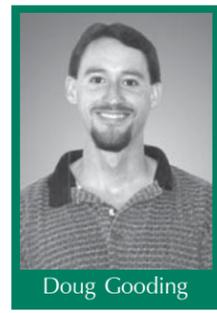
"We couldn't be more pleased with Blackboard's success," said Aurora's Scott Albert. "The Blackboard team has done a remarkable job."



Aurora News

Aurora Enhances Life Science Team

In April, Aurora added a talented associate to its life science investment team. Doug Gooding was most recently Director of Business Development at Paradigm Genetics (NasdaqNM:PDGM), a genomics research company located in Research Triangle Park, NC. Prior to his work with Paradigm, Doug worked in research, genomic technology development and management roles at Incyte Genomics and Stratagene Cloning Systems in California.



Doug Gooding

Jeff Clark, Aurora General Partner, said, "Doug is an integral part of our team. His knowledge in genomics and business development has already added value to Aurora and our portfolio."

Doug holds an MBA from the University of North Carolina-Chapel Hill's Kenan-Flagler Business School and a bachelor's degree in Molecular Biology from the University of San Diego.

Aurora hired Doug to replace Jim Adair, who left Aurora in April.

New Fund on Horizon

The Aurora Funds, Inc. has geared up to raise its fourth fund in the amount of \$75 to \$100 million, Aurora Ventures IV, LLC, commencing in the fall of 2001. Once the fund is closed, Aurora anticipates new investments in approximately 18-22 companies.

Aurora Shareholders Gather

Aurora held its seventh annual meeting of shareholders on May 3, 2001. The annual meeting included presentations by prominent investment bankers and analysts in the life science and information technology industries. In addition, two of Aurora's portfolio companies, Norak Biosciences, Inc. and Blackboard, Inc. provided insight into their business models and the challenges that lie ahead. (For more information about Blackboard, see Spotlight on page 1).

Aurora Closes Washington, DC Office

On July 1, Aurora closed its Washington, DC office. According to Scott Albert, "Our interest in investing in the DC area continues to be very strong. We believe we can be active in our current portfolio companies in the DC area, and continue evaluating deals there from our corporate headquarters." Scott indicated that concentrating its investment team in one geographical area will assist in stronger portfolio management. Erik Rasmussen will continue to work with the firm by serving on the board of directors for Mobile-Mind, Inc.

Aurora Investment Team In The Community, Q3

In June, **Scott Albert** was the North Carolina Ambassador to the Early Stage East conference in Wilmington, Delaware. Scott also spoke at NCSU on New Firm Financing.

On June 27, **Rich Brown** was a panelist for a North Carolina Citizens for Business and Industry program. The panel presented "New Economy Businesses" to a group of 70 young executives from across the state. Rich Brown has continued involvement in the CED Capital Connections VC advisory panel and review group.

Jeff Clark was a panelist at the CED Biotech Conference on May 21, at UNC Chapel Hill's Friday Center. The panel topic was: "From Estuary to Open Sea: How Successful Biotechs Negotiate Treacherous Waters in the Early Years." Jeff also joined the executive committee for CED and the Board of Directors for TROSA, a regional not-for-profit.

New Associate **Doug Gooding**, was featured on GenomeWeb, an electronic provider of news and information on the business and technology of genomics and bioinformatics worldwide. The feature on May 11 was an in-depth interview with Doug titled "Life Sciences VC Talks about Raising Capital During the Downturn."



Questions related to events, publicity, public relations, etc. may be directed to Bill Lampley. Bill can be reached at (919) 484-0400 extension 103 or via email, Blampley@aurorafunds.com



Portfolio Talk

Meet the CEO



Roger Blevins, CEO
Norak Biosciences, Inc.

Roger Blevins, CEO, Norak Biosciences, Inc.

Age: 45

Joined Company: June 2000

Previous Experience: President & CEO, Medco Research, Inc. (NYSE:MRE) acquired by King Pharmaceuticals (NYSE:KG) in February 2000

Education: Pharm.D. (1982) Wayne State University, Detroit, MI

Economic Forecast: I am somewhat pessimistic about the short-term outlook for the broad markets, as I believe most companies and the Federal government reacted with too-little and too-late to overcome the recent down-turn. As such, I believe that earnings will continue to disappoint the street until later this year when the corrective actions begin to take effect. However, I am very bullish on the long-term outlook, as I believe the baby-boomer generation will continue to drive the broad markets, although individual sectors will fare better or worse as dictated by the demographics of the generation.

Life Science Forecast: With respect to the healthcare sector, I am very bullish on the long-term outlook for big pharma, particularly with the aging demographics of the baby boomers, but very bearish on big pharma in the short-term. I believe that recent and continued advances in the biosciences will lead to tremendous new products and impressive earnings 5-10 years from now. However, in the short-term, big pharma earnings will be squeezed by a significant loss of revenue on the one hand, as blockbusters representing 1/3 of all U.S. big pharma revenue go off-patent over the next 5 years, with significant increases in R&D spending required on the other hand to access the latest technologies. As such, I believe the short-term outlook for generic companies is very strong (i.e., capitalizing on the blockbusters that go off-patent), as is the outlook for biotechnology companies (like Norak Biosciences) that offer critically enabling technologies for big pharma to fill its revenue gap long-term.

Professional Lessons Learned:

- (1) Learning from your mistakes is good, but learning from other people's mistakes is better... and usually cheaper!
- (2) Don't let personal agendas interfere with the corporate agenda!

Family: Blevins and his wife Sandy have three children, Heather (27), Jennifer (25), and Bradley (19), and three grandchildren, Austin (7), Jake (3), Mia (15 months).

Hobbies: Golf (handicap - usually my driver!), scuba diving, deep-sea fishing, boating, cruising and traveling.

Aurora's Active Portfolio Companies

Information Technology		Life Sciences	
Alerts, Inc. www.alerts.com	Haht Commerce, Inc. www.haht.com	Cogent Neuroscience, Inc. www.cogentscience.com	Nobex Corporation www.nobexcorp.com
Blackboard, Inc. www.blackboard.com	MicroMass Communications, Inc. www.micromass.com	Emageon, Inc. www.emageon.com	Norak Biosciences, Inc. www.norakbio.com
Brightpod, Inc. www.brightpod.com	Mobile-Mind, Inc. www.mobile-mind.com	Insect Biotechnology, Inc. www.insectbio.com	Stemco Biomedical, Inc. no web site available
Broadband Home, Inc. www.broadbandhome.com	Porivo Technologies, Inc. www.porivo.com	Merix Bioscience, Inc. www.merixbio.com	TriVirix International, Inc. www.trivirix.com
Engenia Software, Inc. www.engenia.com	Technauts, Inc. www.technauts.com	Natus Medical, Inc. www.natusmed.com	United Emergency Services, Inc. www.unitedemergency.com
Foresight Corporation www.foresightcorp.com	Unitive Electronics, Inc. www.unitive.com	Nexan, PLC www.nexan.com	Xanthon, Inc. www.xanthon.com
Gadgetsplace, Inc. www.gadgetsplace.com	VetCentric.com www.vetcentric.com		

Aurora's Exited Portfolio Companies

- Accipiter, Inc. Sold to CMGI
- Dataflux Corporation Sold to SAS Institute
- Oxidyn Sold to Cyclopps Corporation
- Solution Technology, Inc. Sold to Rodel, Inc.

Virologic - Public Offering NASDAQ: VLGC