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Cytomatrix goes global with CordLife merger deal

Proposed merger gives firm expanded market for stem cell technology

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WOBURN — Cytomatrix LLC plans to merge with a Singapore company that promises to distribute its stem cell expansion technology globally, something Cytomatrix did not have the capital or resources to do on its own.

The company is awaiting final shareholder approval of its proposed merger

with Singapore-based CordLife Pte Ltd., though company officials on both sides consider it a done deal.

Terms of the transaction were not fully disclosed but Cytomatrix CEO Mark Pykett said CordLife made an \$11 million share-swap deal with privately held Cytomatrix.

Like many small local biotech companies these days, Cytomatrix had few expansion options, given the sour economy, with the IPO window closed and less venture capital available for risky technology such as stem cell therapy. The company has long depended on government contracts to fund its research and development, but it was not enough to expand globally. So executives at

Cytomatrix decided to find a partner.

"From a commercialization standpoint, we needed to establish partnerships with companies that are already commercially involved in the procurement of cells for therapy," Pykett said.

CordLife, which banks umbilical cord blood, a source of stem cells, was a good fit for Cytomatrix, Pykett said. Both companies have patented technologies that can expand limited supplies of adult stem cells, which can be used to treat a number of diseases.

Founded in 1996, Cytomatrix has a technology that enables stem cells to grow in a three-dimensional matrix called "The Cytomatrix." The company has already begun to commercialize the

matrix as a research-and-development tool for scientists who need to grow cells on a lab benchtop for experiments.

Now through CordLife, Cytomatrix will be immediately able to ramp up its distribution in Asia and Europe through CordLife's existing channels. And for CordLife, the deal gave it an immediate U.S. presence.

"(Cytomatrix) has very strong intellectual properties, a great management team, proven technologies, ongoing revenue and a strong network within the American market," said CordLife CEO Steven Fang via e-mail from Singapore. "The number of companies in the world that do what the combined CordLife-Cytomatrix organization is doing is very small."

The two hope to introduce new research products soon.

Cytomatrix has been able to produce human T-cells, which trigger the body's immune system to fight disease, outside of a human body from adult stem cells.

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 CEO, Cytomatrix LLC

However, the company has not yet tested them in humans. Down the road, the company hopes to conduct clinical trials of these cells for a wide range of diseases, from cancer to drug-resistant bacteria. In the short term, Cytomatrix hopes to develop sources of stem cells for patients who need blood transfusions.

Pykett said he does not expect any changes at the Woburn facility, which will be known as the Cytomatrix R&D division of CordLife. Cytomatrix has 10 employees and CordLife has 20, and Fang said he hopes to hire more people for both locations.

Recently, several companies have merged in order to combine resources and avoid the effects of the prolonged economic downturn, said attorney David Broadwin of Boston-based Foley Hoag LLP. He said the area of stem cell therapy, even outside the more controversial subject of embryonic stem cells, is still murky for investors, and Cytomatrix would probably have had a hard time attracting venture capital in this environment.

"People in the United States are wondering what prohibitions will be coming down the pike," he said.

Cytomatrix attempted a merger in December 2000 with Select Therapeutics Inc., which is now based in Brookline, but both companies backed away from the attempt in November 2001. Before the plans dissolved, the two had started a company called Cell Science Therapies Inc. to grow stem cells for therapy. The company was dissolved and Select has since gone in a different direction, focusing on anti-cancer vaccines.