

Angels eye life sciences investments



Dr. Ehrlich
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Rhode Island life science entrepreneurs with breakthrough research they hope will conquer the marketplace have a new ally.

Ocean State Angels, a new seed-stage investment group, convened for the first time last month to connect Rhode Island's top medical minds with capital.

The new angel group is a father-son creation, bringing together the medical expertise of Dr. Michael G. Ehrlich, chief of orthopedics at Rhode Island Hospital and chairman of orthopedics at Brown University's Warren Alpert Medical School, with the venture-capital background of his son Timothy Ehrlich, a partner at Waltham, Mass., law firm Gunderson Dettmer LLP, which represents emerging technology companies and investors.

The group's mission is to launch Rhode Island life sciences companies and grow the industry here. It has committed to investing only in life science companies that agree to remain in the Ocean State for at least five years.

"I have a lot of people in my lab who are doing amazing biotech research and I have tried to encourage them over the last year or two to patent their ideas and make them into some kind of worthwhile company that would bring these ideas into the market," said Michael Ehrlich in a recent phone interview. "I started looking around for a mechanism to help them do it and there really wasn't any great mechanism."

Ehrlich noted that Rhode Island Hospital's orthopedic department was one of the top five in the nation over the last five years in federal National Institute of Health grants, pointing to a strong volume of quality research.

At the same time Michael Ehrlich was thinking about biotech startups from the research end, his son, Timothy Ehrlich, had been mulling the same thing from the investment end after a dinner conversation with Slater Technology Fund Managing Partner Thorne Sparkman a little over a year ago.

“I knew that there was a lot going on but that it is critically important to be able to raise capital,” Tim Ehrlich said. “When I thought about it, I realized what we could do is combine what I know, and my firm’s national reputation with successful startups, and put them in touch with my father’s history in Rhode Island and access to that network.”

When the Ehrlichs floated the idea, they found encouragement beyond the medical community from diverse groups such as Brown University’s Technology Ventures Office, The Rhode Island Foundation, the Greater Providence Chamber of Commerce and the former venture-capitalist General Treasurer Gina M. Raimondo, Michael Ehrlich said.

After months of consideration and planning, the Ehrlich’s started building the angel group in the spring and announced its creation shortly after The Rhode Island Foundation’s Make It Happen RI forum, where expanding access to capital within the state was a major theme of attendees.

“I see them filling a critical need for funding capital in life sciences and biomedical technology and I intend to be showing them companies we are trying to get launched,” said Katherine Gordon, managing director of Brown University’s Technology Ventures Office.

“A lot of what has been said is we don’t have the ecosystem Boston has and this makes it important to have people here to bounce ideas off of or make introductions,” Gordon added. “And if we do go to the Boston angels and seed investors, we are competing with all those others. This will vastly increase the chances of success.”

Sparkman of the Slater Technology Fund said simply increasing the amount of capital and number of investors participating would boost local startups.

“We have more opportunities than Slater can participate in. If we have more dollars coming into the space, that can only help,” said Sparkman of the Slater Fund, which is a member in Ocean State Angels.

A central aspect of Ocean State Angels is its 11-member scientific advisory board, which was pulled together from the upper echelons of Rhode Island Hospital and Warren Alpert Medical School (plus one from Woman & Infants Hospital and Hasbro Children’s Hospital.)

When a company applying for financing from the group is approved by a screening panel, they are assigned a member of the scientific board who works with them to hone their pitch to investors while also learning more about the technology to assist in the due-diligence process that would come with any investment.

Like most early-stage investors, mentorship and assistance for companies the group invests in is a significant part of the model.

Companies make their pitches for funding to the full angel group, now 24 members, at monthly dinner sessions. The group then goes through a due-diligence process with the goal of having an answer to the applicant on a financing package within 90 days.

Ocean State Angels had its first meeting on Oct. 25 and received pitches from two companies.

Timothy Ehrlich said the group will be looking at companies in the seed stage or more advanced early stage and investments will generally either be for equity or in convertible debt.

A typical investment might pay for the testing needed to prove that a concept or technology is not just encouraging, but can change the course of patient outcomes, one of the most difficult hurdles for entrepreneurs to bridge.

Ocean State Angels members include executives, scientists, financial professionals, doctors, engineers and entrepreneurs. Timothy Ehrlich said their number could grow to between 30 and 40 by the end of the year. The group has capped membership at 50.

In addition to bringing in more capital, angel groups can also function as networks between investors and between entrepreneurs and those providing services they may need.

“One of the things that is exciting is we have already been able to make connections between members in the medical community and these companies that didn’t exist before,” Timothy Ehrlich said.

Michael Ehrlich said he hoped Ocean State Angels will help achieve a critical mass of life sciences activity in Rhode Island that feeds on itself and draws more investment.

“Some companies I talk to say they are having a tough time getting technologists here,” Ehrlich said. “If we get a certain number of things going, each one will bring more people and there will be a larger pool of very skilled labor.”

Peter Dorsey, executive director of the Providence-based Cherrystone Angel Group, Rhode Island’s first angel group, welcomes the chance to collaborate with a new angel group.

“The more the merrier,” Dorsey said. “Angel groups like collaborating with one another for a number of reasons, greater resources to tap into for due diligence and more money for follow-on investments. Ocean State is particularly interesting because they are targeting technology coming out of the medical community at a very early stage and that is a very acute domain expertise.” •