Affinergy, Inc. Leveraging Resources

In five years, Affinergy, Inc. has gone from a start-up spinning out of Duke University to a company of 30 employees with major industry partners. CEO Peyton Anderson describes the core technology as discovering and commercializing peptides that form site-specific biological delivery technology.

"We might put a peptide on a stent or an artificial hip or a catheter," he said. "The medical device is in the body and by modifying the surface of the device with our peptides we can make them work better. We can deliver a drug off the surface or we can improve the integration with the body." The company's technology has applications in orthopedics, cardiovascular, tissue engineering, drug delivery and stem cells.

The company formed out of Chief Financial Officer and Senior Vice President of Business Development Jonathan Gindes' work as an MBA student at Duke's Fuqua School of Business. He worked on a business plan with the founding researchers applying his previous experience in finance and management consulting. He started talking with the technology transfer office, which led to licensing and funding.

Anderson, who had experience taking companies from start-up to public, joined as CEO completing the management team. They leveraged a loan from the NC Biotechnology Center, which they have since repaid, to begin developing data that was later used to raise angel funds and win grants. They stretched their cash by using incubator space in Becton Dickinson, a medical technology company, and the First Flight Venture Center. They worked with attorneys who deferred payment until their funds were raised.

"All along, we've been frugal in terms of how we spend our money," said Gindes. "We've been pretty mindful of not being the first users of anything whether that's lab equipment or lab space. If you can stretch your cash 25 percent further that's really important to a company when you're in a research and development stage."

Through Wilmington Angel Investors, Charleston Angel Partners, NC IDEA and, as Ginges said, high net worth individuals and other alternative investors, they raised over $2 million in angel funds in 2004 that paid the rent, hired staff and advanced their research. At that time, the company's staff, including Anderson and Gindes, received their first paychecks. They raised another $3 million in angel funds in 2006.

In between rounds of funding, they submitted grant applications. "We started filing grants in 2003," Gindes said. "We stunk at it initially and did very poorly. Through practice and a lot of hard work generating some sound data, we developed a nice competency in terms of knowing what areas we could get grant funded."

In 2008 alone, Affinergy won a Phase II SBIR grant for $2 million to advance the technology around its proprietary peptide linkers. Two other Phase II SBIR grants totaling $3.6 million are being applied to product development in the orthopedic and dental markets. Four Phase I program grants total $1 million.

Affinergy's first industry partnerships came in 2005 and 2006. "When a company came to see us, they walked into the Becton Dickinson incubator. While they were there, we could talk to them about how we were selected on a competitive basis by the NC Biotechnology Center, how angel funds gave us millions after completing their due diligence and how we won SBIR grants," Anderson said. "It was a useful proxy for these companies to understand that we had checked off significant milestones although we were pretty young."

Anderson stresses not every company is suited for angel funds and grants. "We had a powerful concept, but it wasn't obvious early on where the killer application was. Then we looked at angel funds. We had a good story in the grant world. Grants, angels and industry partnerships were the appropriate mix for us."

"Most entrepreneurs don't take that path using a combination of angel money and grant money to extend their capacity for several years," said Michael Cain, president of the Wilmington Investor Network. "Affinergy's been able to run a relatively large operation on very little money, especially very little equity money."

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– Jonathan Gindes, CFO and senior vice president of business development, Affinergy, Inc.

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