

# Brain Firm Gets Head Start With Chinese Money

**BIOTECH:** Neural Analytics also sees investors helping open that country's market.

By **MARNI USHEROFF** Staff Reporter

As Chinese investors increasingly pour more capital into U.S. companies, the latest group to benefit is L.A.'s life-sciences sector.

But local biotech startups aren't just looking for money, they're also hoping to leverage China's massive economy to accelerate product development and eventually gain market share.

Last week, West L.A. brain-health device maker **Neural Analytics Inc.** closed a \$10 million series A round that included significant investment from two Chinese firms, **TitanMed Capital** in Hangzhou and Shanghai's **GP Healthcare Capital**. While the burgeoning 2-year-old startup said the cash will let it nearly double its 25-person head count, Neural Analytics is equally excited to tap its Asian investors' network to speed up product development.

For example, Neural Analytics has been compiling a database of more than 1,000 brain scans to help its algorithms get a better picture of what traumatic brain injury looks like. Now, the startup can gather 10,000 scans a year in China, said Chief Executive **Leo Petrossian**.

Though Petrossian noted that his Sawtelle Boulevard headquarters pales in comparison to China's massive biotech complexes.

"We're above a noodle shop," Petrossian cracked.

Despite the humble digs, his company has tapped into the \$46 billion in direct investments that Chinese firms have made in U.S. companies since 2000, the bulk of which came over the past five years, according to a recent report by the National Committee on U.S.-China Relations and Rhodium Group. The study says hundreds of millions of those dollars are spent every year on stateside research and development, and the L.A. area has garnered billions for everything from mixed-use real estate developments to making video games.

In June, **Cynvenio Biosystems Inc.**, a Westlake Village maker of liquid biopsies, announced a \$25.5 million Series B round, including funding from health care firm **Livzon Pharmaceutical Group Inc.** of Zhuhai, China, and Shanghai firm **Greenwoods Private Equity Funds**.

"If it will be something that the Chinese

need, will use and it's innovative technology, they'll come in and support it," said Neural Analytics investor and board Chairman **Roy Doumani**.

L.A. biotech firms can partly credit this new source of cash to investors who have a foot in both countries, said **Ahmed Enany**, president of downtown L.A. trade group **Southern California Biomedical Council**.

"There's a new crowd of investors that were trained in Europe or the U.S. and they know the Western way of doing things, like **Eric (Lei Tang)**," Enany said of TitanMed's managing partner, who used to be a patent lawyer in Los Angeles and now splits his time between China and Irvine.

Tang said he told his partners at TitanMed that investing in American companies alongside Chinese firms is vital in order to access the best technology in the world.

"We can also use our resources in China to help the companies in the U.S. to accelerate growth," he added.

## Building bridges

Enany, who has been making trips to China to promote Southern California's life-sciences firms, said that local companies aren't looking to move to China completely, just get a foothold in the country.

"There are opportunities," he said. "If you know how to take advantage of them, you can do a lot of business."

Meanwhile, Neural Analytics had been working to develop and commercialize its Lucid system, meant to diagnose concussions and other traumatic brain injuries. It fits a headset on a patient, using sensors at the temples to scan the brain. Data is fed back into a tablet, where algorithms diagnose the scan to detect an injury.

Petrossian wants it to replace spoken exams that detect brain injury and envisions the system as a neurological stethoscope that would be used widely in neurologists' offices, ambulances and on the sidelines at sporting events.

Neural Analytics, which has working prototypes, raised a \$3 million seed round last year and started raising more money this spring, Petrossian said. He hadn't intended to pursue Chinese funding, but changed his mind when a mutual friend introduced Petrossian to Tang this summer.

While TitanMed's financial resources are substantial – the firm manages about \$25 million and Tang's colleagues at GP Healthcare have about \$100 million – the firm is also very



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**Heady Investment:** Leo Petrossian with a diagnostic device at Neural Analytics' headquarters in West Los Angeles.

well-connected within China.

TitanMed's limited partner **TigerMed**, also in Hangzhou, is a \$2 billion publicly traded contract research organization with 50 offices in China and abroad.

TigerMed acts as a gatekeeper for many Western life-sciences companies looking to enter the Chinese market, Petrossian said.

"They'll help you build the product, get approved and sell – tip to tail," he said. "They unlock a market I would not try to go into by myself."

He noted that having powerful Chinese partners with equity in his company means better intellectual property defense from any copycats in that country.

"Once you enter the market, you're super vulnerable," Petrossian said. "With them watching your back, you have confidence you're protected."

Still, there are some challenges that come from working with partners an ocean away,

such as setting your prototype on fire in the lobby of your Shanghai hotel due to the difference in voltage, which happened to Petrossian and fellow co-founder **Robert Hamilton** a couple of months ago.

Then there's the language issue and a 16-hour time difference – though Petrossian acknowledged it's sometimes nice to have his partners toil away while he sleeps.

He added that there can also be an aversion to risk taking among low- and midlevel employees in China, which differs greatly from how Petrossian wants his team to think.

But overall, he said his experience doing business in China has been incredibly positive.

"There's a negative stigma in the community about taking foreign money from investors from China," he said. "My experience is that's absolutely completely false. They've been super professional, fair and thorough. Not what the stigma would lead you to expect."

# Ruling by State Court Releases Chains in Malibu

**DEVELOPMENT:** Judge's rejection of limits clears way for retail projects.

By **HOWARD FINE** Staff Reporter

The tide might soon flow again for developers in Malibu after a state judge last week overturned a voter-approved measure limiting development of chain stores and commercial centers.

The ruling, should it stand, also allows a **Whole Foods Market**-anchored shopping center planned for the center of town to move forward, despite voters rejecting the project last month.

Measure R, which was put forward by actor-director and Malibu homeowner **Rob Reiner** and other community activists, prohibits any shopping center in the city from leasing more than 30 percent of its space to chain stores. It also requires any commercial project of more than 20,000 square feet of retail, commercial or mixed-use space to be placed before voters. Malibu voters approved

the measure in November of last year by a 59 percent to 41 percent margin.

A group of property owners, including **Steve Soboroff**, developer of the Whole Foods project, and the **Malibu Bay Co.**, filed suit in April challenging the constitutionality of the law. They claimed it violated their rights to due process.

State Superior Court Judge **James Chalfant** last week ruled the measure invalid, saying it was illegal for the chain-store cap to be based strictly on the type of tenant as opposed to the use of the space. He also said the requirement to place any commercial project of more than 20,000 square feet before voters illegally usurped the city's proper administrative land-use role.

## Moving ahead

Development interests welcomed the ruling, saying it allows them to proceed with projects for the beachside community.

"Our clients seek to build desirable, low-impact, environmentally sensitive developments that comply with the city's land-use laws and procedures," said **Brian Lewis**, a spokesman with **Marathon Communications**, which rep-

resents a group of Malibu property owners. "Now that the court has spoken, our clients look forward to continuing to work with the city and people of Malibu to make good things happen."

Reached via email, Soboroff declined to comment, saying he had nothing to add Lewis' statement.

The first project to come along after Measure R's passage was Soboroff's 38,400-square-foot shopping center anchored by a 20,000-square-foot Whole Foods. As required under Measure R, the project was put before voters last month; as expected, the voters rejected the project 57 percent to 43 percent. Judge Chalfant's ruling makes that vote nonbinding, thus allowing the project to move forward.

**David Reznick**, president of Malibu Bay, also deferred comment to Lewis.

Reznick told the Business Journal last year that, despite voter approval of Measure R, his company planned to move forward with its plans for an 80,000-square-foot project that includes 38,000 square feet of shops, 22,000 square feet of office space and 15,000 square feet of restaurants. Presumably, last week's court ruling further smooths the way for that

project. Malibu Bay was founded by Malibu landowner **Jerrold Perenchio**.

## Tougher city rules?

An email to an assistant for Measure R proponent Reiner was not returned by press time.

But Reiner has indicated in other media reports that he would like to see the city itself enact stricter land-use controls on chain stores and major development projects. Whether that happens remains to be seen, especially since it was the perceived reluctance of the city to act on these issues that led to the filing of Measure R in the first place.

But Malibu City Attorney **Christi Hogin** said now that Measure R has been overturned, the city might indeed enact stricter controls.

"The City Council could decide to fine-tune the regulations on chain stores that the city had on its books prior to Measure R," she said.

In the meantime, the City Council, when it reconvenes next month, faces a decision on whether to appeal Chalfant's ruling. An appeal is by no means certain, since the council had previously approved some of the very projects that prompted the filing of Measure R.