

The Deal Pipeline®

Marina Biotech to raise \$1.1M to promote cancer drug

By Jenna Loceff

Marina Biotech Inc., which is developing nucleic acid-based drugs to treat rare diseases, is raising \$1.1 million from the sale of convertible preferred stock and warrants to previous investors Steven Newby and James Stebbins for business development related to one of its drugs. The drug, CEQ508, which treats familial adenomatous polyposis, an inherited disease which causes cancer in the large intestine in the early teenage years, has been given fast-track designation by the Food and Drug Administration and is in a Phase 1 clinical trial. This capital raise comes on the heels of Marina withdrawing a registration statement filed in January.

The Bothell, Wash.-based company made a filing June 17 with the Securities and Exchange Commission, stating recent changes in the company's financing plans. Marina "has determined that a significant capital raising transaction is not in the best interests of shareholders at this time," the filing said. Instead, "the company intends to pursue other methods to advance its corporate strategy with a focus on near-term, non-dilutive fund raising through licensing and collaborative transactions." "We were going to go to the public markets, but the board decided it didn't make sense," said CEO Michael French. He said the funds the company plans to raise should last through the end of the year. The preferred stock being sold in the private placement will be convertible into common stock at 40 cents per share. Marina is also selling six-year warrants to purchase 3.44 million common shares for 40 cents each. This issuance represents 9.7% of the company's market capitalization of \$11.3 million. Marina had only \$1.16 million in cash and cash equivalents at the end of the first quarter, after a quarterly loss from operations of \$1.315 million. Marina stock, which trades over the counter, rose 3 cents to 47 cents after the announcement of the financing, Thursday, Aug. 6. Marina acquired two companies in 2010 and would like to make more acquisitions, French said. "We need to get on solid financial footing," he said. "We have to show the investor we have staying power. We need our stock to be in a much stronger position. The company has gone through significant financial hardship, but the reason the company is still here is the technology works." He said when that is achieved, Marina will go back to the public markets and look for acquisitions. No bankers were used on the deal. The law firm Pryor Cashman LLP serves as corporate counsel. The firms Eckman Basu and Lowe Graham Jones were both counsel the company on intellectual property issues. The investors on the deal, both of whom participated in a \$6 million raise in March of last year, could not be reached for comment.