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## Philip Frost leads investment in another Israeli biomed CO

**Modigene raised capital within a year of raising \$15 million.**

Gali Weinreb 31 Mar 08 12:10

The Frost Group LLC, controlled by Dr. Phillip Frost, is making its second investment in Israel, leading a \$12 million in [ModiGene Inc.](#) (Bulletin Board: MODG) a biopharmaceutical company that is applying its patented technology to develop longer-acting versions of already approved therapeutic proteins. The Frost Group is providing a \$10 million credit line, while Dr. Frost led a \$2 million equity investment by a group of private investors together with two The Frost Group directors Dr. Jane Hsiao and Steven Rubin. Dr. Frost also serves as Modigene chairman.

The investment comes less than a year after Modigene raised \$15 million in a reverse merger with a shell company listed on the Bulletin Board in New York. Since selling Ivax Corporation to [Teva Pharmaceutical Industries Ltd.](#) (Nasdaq: TEVA; TASE: TEVA) three years ago, Dr. Frost has been involved in Israeli biopharmaceutical companies. He applies a unique method of involvement: merging companies with stock market shells and plays an active role in the companies, including bringing in colleagues from Ivax. This has been his *modus operandi* in [Protalix Biotherapeutics Inc.](#) (AMEX:PLX), Neovasc Medical Ltd. and [B-Balloon Ltd.](#)

In the equity financing, Modigene issued a convertible series A preferred security at \$2.50 per preferred share and under the line of credit it received an option to borrow up to \$10 million at an interest rate of 10% per annum that includes warrant coverage if exercised. Modigene will issue to The Frost Group 1.5 million warrants to purchase unregistered common stock of the company. The warrants have a five-year term and a \$0.99 exercise price, compared with the company's current share price of \$0.90. Although the line of credit is secured, the intellectual property of the company is not part of any lien or security provided to The Frost Group under the line of credit.

Modigene was founded at [Technion Entrepreneurial Incubator Co. Ltd.](#) (TEIC) and is currently registered in the US. The company, founded in 2001, is run by CEO Dr. Avraham Havron and president Shai Novik.

Modigene's core technology is the use of a short, naturally occurring amino acid sequence (ctp) to slow the removal of therapeutic proteins from the body without increasing toxicity or altering the overall biological activity. The company licenses the intellectual property, exclusively for human therapeutics, necessary to conduct its business from Washington University of St. Louis.

*"Globes": Why raise capital so soon after the last investment?*

Novik: "It's not easy raising capital in the markets now, and I think that it was a responsible move on our part to take the opportunity to raise capital that will finance us through Phase II trials of our two products also provide us with at least three years of operating cash."

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There is no recession here, there is only fear of a recession.