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# Vaccine Maker Facing Possible Bankruptcy Wins Contract

By [ANDREW POLLACK](#)

A small biotechnology company facing possible bankruptcy and liquidation has been awarded a \$35 million federal contract to develop a faster way to make vaccines for pandemic influenza.

The award of the contract to the Protein Sciences Corporation of Meriden, Conn., was announced on Tuesday by the [Department of Health and Human Services](#). But only a day earlier, creditors filed a petition in federal bankruptcy court in Wilmington, Del., seeking to force Protein Sciences into bankruptcy and liquidation, saying they were owed \$11.7 million.

Almost all of that money is owed to [Emergent BioSolutions](#), a vaccine company in Rockville, Md., that lent Protein Sciences \$10 million last year in advance of the pending acquisition of virtually all the assets of Protein Sciences by Emergent. The acquisition deal fell apart, and Emergent sued Protein Sciences and its top executives, accusing them of fraud and breach of agreements.

The series of events raises questions about whether the government is entrusting part of the nation's influenza defense to a financially shaky or untrustworthy company. Conversely, the award of the contract could put

Emergent into an uncomfortable light for trying to force into bankruptcy a company with promising vaccine technology.

Robin Robinson, director of the branch of Health and Human Services that will administer the contract, said the government had spent months doing “two very thorough financial audits” of Protein Sciences. “It was determined that they were healthy enough to go forward with development of this vaccine,” he said.

Health authorities are scrambling to come up with enough vaccine to protect the world’s population against the recently declared pandemic of [swine flu](#), which has killed more than 230 people worldwide and sickened more than 52,000. They are worried that the death toll from the strain might rise sharply this winter.

“I can’t imagine what legitimate purpose can be served by trying to close the company,” Daniel D. Adams, the chief executive of Protein Sciences, said in an interview on Tuesday. Mr. Adams said that Emergent’s suit was without merit and that its actions were making it difficult for Protein Sciences to attract new investors.

But Daniel J. Abdun-[Nabi](#), president and chief operating officer of Emergent, said that bankruptcy “doesn’t destroy the product, and it doesn’t destroy the technology.” It might result in the technology’s being sold to a stronger company, like his own or others, he said. Emergent, which makes the anthrax vaccine used by the armed forces, says it has been more than patient in giving Protein Sciences a chance to pay back the loan.

Protein Sciences is one of several small companies trying to make influenza vaccines by methods that are faster than growing them in chicken eggs, the technique now generally used.

Instead of growing whole viruses, Protein Sciences produces just a protein from the virus and it does so in genetically modified insect cells.

The company, which is privately held, has already applied to the [Food and Drug Administration](#) for approval of a seasonal flu vaccine. And last week, Mr. Adams said, the company made its first 100,000 doses of a vaccine against the new swine flu.

The federal contract will help Protein Sciences develop its technology and obtain F.D.A. approval. It can be extended up to five years for a total cost of \$147 million.

If the technology is proved safe and effective and is licensed by the F.D.A, the contract calls for Protein Sciences to establish domestic manufacturing capacity, to provide a finished vaccine within 12 weeks of the onset of a pandemic and to produce at least 50 million doses of a pandemic flu vaccine within six months.

Mr. Robinson of Health and Human Services said that for the current pandemic, the Protein Sciences vaccine might be used as a backup to those being supplied by larger companies.