

Third Annual Midwest Health Care Venture Survey Findings: Investment Interest in Midwest Health Care Companies Continues to Increase

*Medical Devices viewed as Primary Sector of Interest, though Biotechnology Leads in Investments;
Minneapolis, Cleveland & Pittsburgh Seen as Most Active Regions*

Cleveland, OH, January 8, 2008 – The Midwest continues to grow in reputation as a source of quality health care investment deals, according to the results of the third annual survey of national health care venture capital firms by [BioEnterprise](#). The survey gathers venture firms' perspectives on the Midwest health care start-up environment and sources of Midwest opportunities.

Forty-five active health care investors from across the country responded to the survey. Survey respondents represent funds with a strong interest in the health care technology space. Ninety-five percent invest more than a quarter of their funds in health care. Eighty-two percent of the respondents invest in at least 1 Midwest health care venture each year, and ninety percent self-identified themselves as knowledgeable about Midwest health care opportunities.

Among the findings:

- Investment interest continues to strongly favor medical devices, followed by biopharmaceuticals: 94% of the respondents indicated an interest in medical devices, 65% indicated an interest in biopharmaceuticals, 55% indicated an interest in health care services, and 44% showed interest in health care software.
- Investors are planning to invest more in health care services and software: Compared to prior years, investors are planning to allocate a greater percentage of their health care investments towards health care software and service opportunities.
- Compared to national deals, 23% of investors believe Midwest deals perform better, while the remaining 77% indicate Midwest deals perform equally. The principal reasons Midwest deals are seen as promising by investors are reasonable deal valuations and the availability of experienced management teams in the medical device sector.
- Medical devices is seen as the strongest sector in Midwest deals; however, investor dollars would suggest the biopharmaceutical sector is actually stronger. 72% of investors rated medical device deal flow to be strong in the Midwest; only 16% rated Midwest biopharmaceutical deals as strong. However, based on actual investments, biopharmaceutical companies capture nearly 50% of the invested dollars in the region. [Click here](#) to view the Q3 2007 Midwest Healthcare Venture Report.
- Minneapolis, Cleveland and Pittsburgh continue to enjoy the highest reputations among venture investors for the quality of health care deals. Compared to the 2006 survey, Cleveland, Indianapolis, Cincinnati and Columbus showed notable gains in reputation (see table). Chicago and St. Louis suffered significant losses in reputation.

OVERALL DEAL QUALITY RANKINGS OF MIDWEST REGIONS		
Scale = 10 Very Strong, 1 Very Weak		
Region	2007 Ranking	2006 Ranking
Minneapolis/St. Paul	8.36	9.25
Cleveland	7.54	6.83
Pittsburgh	5.35	5.71
Wisconsin	5.20	5.06
Indianapolis	4.85	4.55
Cincinnati	4.77	3.23
St. Louis	4.56	5.53
Chicago	3.42	4.03
Columbus	3.12	2.19
Kansas City	1.85	2.27
Kentucky	1.74	2.03

- Most respondents (79%) see overall Midwest deal flow as having increased over the past five years, and 87% would like to expand their deal flow in the Midwest.

“Not surprisingly, the 2007 survey results mostly reflect what we have seen in terms of actual venture investing in the Midwest,” said Baiju R. Shah, President of BioEnterprise. “Through the third quarter, Midwest health care startups reported a record-breaking \$1 Billion in venture investments, up from \$783 Million reported in 2006. Clearly, investors are finding good opportunities in the Midwest and the deals are performing for them.”

“As to investors’ perceptions, it is interesting that the Midwest’s strong historic position in medical devices continues to drive the region’s reputation, even though actual investments show that Midwest biopharmaceutical companies are drawing significantly more dollars than medical device companies,” said Shah.

A full presentation of the survey results can be viewed at www.bioenterprise.com/reports.

About BioEnterprise

BioEnterprise is a business formation, recruitment, and acceleration effort designed to support the growth of bioscience companies. Located in Cleveland, BioEnterprise provides management counsel and support services to health care companies. BioEnterprise's partners are Case Western Reserve University, The Cleveland Clinic Foundation, University Hospitals Health System, and Summa Health System. Additional technology partners include the NASA Glenn Research Center, Cleveland State University, NorTech, and BioOhio.

The BioEnterprise Initiative comprises the collaborative activities of BioEnterprise Corporation, the Case Western Reserve University Technology Transfer Office, Cleveland

Clinic Innovations, and Summa Enterprise Group. The combined efforts of these groups has created, recruited, and accelerated more than 60 companies in four years.

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