

News from



**Midwest Health Care Startups Attract \$550 Million in Investments in 2005
Minnesota, Ohio, Missouri Lead Region; Strong Outlook for 2006**

Cleveland, OH, January 24, 2006 – Midwest health care startups reported \$550 million in investments in 2005, according to the **Midwest Health Care Venture Investment Report** released by [BioEnterprise](#). For the year, Minnesota, Ohio and Missouri continued to lead the way in dollars attracted.

The report aggregates venture investment in 10 Midwest states and Western Pennsylvania.

"2005 was a good year for the Midwest," said BioEnterprise President Baiju Shah. "Of particular note, national health care investment firms joined with Midwest-based venture funds to finance a number of regional companies. Venture capitalist firms from both coasts -- including Domain Partners, Burrill Ventures, and Welsh Carson -- made significant investments in Midwest companies this past quarter, continuing a trend seen in previous quarters."

Based on reported financings, Minnesota, Ohio and Missouri are top-ranked in the Midwest, with respective totals of \$151 million, \$86 million, and \$80 million invested. Those states were followed by Michigan (\$53 million), Wisconsin (\$39 million), Illinois (\$39 million), Indiana (\$23 million), and Kentucky (\$19 million). In addition, Western Pennsylvania attracted \$58 million in financing. In Iowa, Kansas, and West Virginia, no health care sector investments were reported.

The amount raised by private health care companies may actually be higher because some companies choose to keep their fundraising efforts confidential, Shah notes. For example, Ohio health care companies attracted at least \$167 million in financing and an additional \$18 million in angel funding based on numbers disclosed to BioEnterprise. The Midwest Health Care Venture Investment Report only includes publicly disclosed numbers.

By sector, the funding was allocated as follows:

- Medical device companies: \$205 million (37%) across 33 opportunities
- Biopharmaceutical companies: \$192 million (35%) across 30 companies, and
- Health care software and service companies: \$152 million (28%) across 23 companies.

Emerging Midwest Hot Spots Catching Investor Attention

"Midwest states and institutions have made concerted efforts over the last few years to capitalize on the tremendous health care research and industry base that exists in the region to grow new health care enterprises, and those efforts are starting to bear fruit," said Shah.

A BioEnterprise survey of national health care investors conducted last year rated the Minneapolis, Cleveland, St. Louis, and Pittsburgh regions as having the richest pools of opportunity in the Midwest. The four regions account for nearly two-thirds of the current activity in the region.

Increasingly venture capitalists are finding the Midwest to be an accessible and convenient place to invest in promising health care companies.

“Venture capitalists like to see a significant volume of deals clustered in a relatively small geographic area,” Shah said. “For example, Cleveland and Pittsburgh are within a two hour drive of each other. In those two regions, 26 health care companies raised over \$200 million in venture funding last year. The proximity creates a ‘tech belt’ of sorts, where venture firms can find a wealth of opportunities.”

“As funds across the country ‘discover’ that their peers are finding great opportunities in the Midwest, I predict that the volume and level of health care deal activity across the region will continue to rise.”

Additional data about Health Care business activity in the Midwest can be viewed at <http://www.bioenterprise.com/reports/index.html>.

Sources: Compiled by BioEnterprise team from Venture Wire, Private Equity Week, Wall Street Journal, Venture Source, SEC Filings, company press releases, and www.biospace.com

About BioEnterprise

[BioEnterprise](http://www.bioenterprise.com) 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, Inc, and Summa Health System. Additional technology partners include the NASA Glenn Research Center, Cleveland State University, and NorTech.

The BioEnterprise Initiative comprises the collaborative activities of BioEnterprise Corporation, Case Research Institute Office of Technology Transfer, Cleveland Clinic Innovations, and Summa Enterprise Group. The combined efforts of these groups has created, recruited, and accelerated more than 40 companies in three years.

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