

Midwest healthcare startups raise record \$1 billion through 3Q07

A Medical Device Daily Staff Report

Midwest healthcare startups reported a record-breaking \$1 billion in total investments for 104 companies through 3Q07, according to the **BioEnterprise** (Cleveland) Midwest Health Care Venture Investment Report.

The previous full-year record for Midwest healthcare companies was \$783 million in 2006. Ohio and Minnesota led all Midwestern states in healthcare investment (*see Table, page 8*), with Cleveland and Minneapolis leading all regions, according to the report.

“This year continues trends that have been developing over the past few years,” said Baiju Shah, president of BioEnterprise. “There are more Midwestern deals each year that draw investment, the investment rounds are becoming larger, and the companies are attracting both regional and national investors for the financing.”

In addition to investments, the report noted that 2007 has seen substantial exits, including the \$630 million pri-

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vate buyout of pharmacy benefits manager **Member-Health** (Solon, Ohio) by **Universal American Financial** (Rye Brook, New York) and gene chip maker **NimbleGen Systems** (Madison, Wisconsin) — which was acquired by **Roche** (Basel, Switzerland) in June for \$272.5 million — as well as significant public offerings, such as **TomoTherapy** (Madison, Wisconsin), a developer of radiation treatments for cancer, which raised more than \$189 million and specialty pharmaceutical company **Eurand's** (Vandalia, Ohio) \$123 million IPO.

By industry sub sector, the investment funding breaks down as follows:

- Biopharmaceutical companies: \$591 million
- Medical device companies: \$251 million
- Healthcare software and service companies: \$158 million

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Table: Midwest Health Care Venture Investment (By State)

State	Through 3Q07		Through 3Q06	
	\$ Millions	# of Cos.	\$ Millions	# of Cos.
Illinois	100.5	4	101.6	11
Indiana	129.3	8	25.6	8
Iowa	—	—	—	0
Kansas	—	—	—	0
Kentucky	31.6	4	51.4	4
Michigan	64.9	5	38.9	5
Minnesota	212.7	17	181.8	18
Missouri	69.6	7	39.2	9
Ohio	261.2	35	67.8	19
Western				
Pennsylvania	91.2	15	46.4	19
West Virginia	—	—	—	0
Wisconsin	39.7	9	11.5	5
Total	1000.4	104	563.6	98

In other financing news:

- **Genoptix** (Carlsbad, California) reported the pricing of its initial public offering of 5 million shares of common stock at a price of \$17 per share (or about \$85 million before expenses), a \$1 higher than the company's estimated range of \$14-\$16 (*Medical Device Daily*, Oct. 30, 2007).

Shares of the diagnostic services provider climbed more than 50% in their first day of trading Tuesday.

Shares jumped \$8.51, or 50.1%, to \$25.51 in midday trading before closing up \$8.35, or 49.1%, to \$25.35.

The company is offering 4,285,714 shares and 714,286 shares are being offered by certain selling stockholders. In addition, Genoptix and the selling stockholders have granted to the underwriters a 30-day option to purchase up to an additional 750,000 shares of common stock.

The company's stock is trading on the Nasdaq Global

Market under the symbol GXDX.

The offering was made through an underwriting syndicate led by Lehman Brothers acting as sole book-running manager. Banc of America Securities is acting as joint lead manager and Cowen and Co. as co-manager.

Genoptix is a specialized laboratory service provider focused on delivering personalized and comprehensive diagnostic services to community-based hematologists and oncologists, aiding physicians in making decisions concerning the treatment of malignancies of the blood and bone marrow and other forms of cancer.

The company said it plans to use proceeds from its portion of the offering to grow its work force, establish a second laboratory facility, expand its backup systems, repay all outstanding debt and pursue new collaborations or acquisitions.

- **Regenetech** (Houston), the tissue regeneration adult stem cell company which has built upon **NASA** licensed technology, reported that it has raised about \$2.5 million via a significant round of equity financing.

The financing was completed with Royal Securities Co., a brokerage firm acting in conjunction with Outrider Investors.

"This financing will help facilitate near-term revenue generation opportunities, including the launch of market focused subsidiaries, such as orthopedics. In addition, it will facilitate continued development of our strong cellXpansion technology, which we believe will enable widespread use of adult stem cells for

- **OpGen** (Madison, Wisconsin), a provider of microbial genome analysis, reported a strategic investment and development agreement with **In-Q-Tel** (Arlington, Virginia) for development and enhancement of new optical mapping systems.

"OpGen's microbial genome analysis technology has been used by commercial,

academic, and governmental organizations worldwide, on a service basis, since the company's inception," said Colin Dykes, OpGen's chief scientific officer. "This strategic agreement with In-Q-Tel provides further validation of our technology and dovetails perfectly with OpGen's move towards delivering stand-alone instruments and disposables for microbial analysis."

OpGen is commercializing a single molecule DNA analysis technology, "Optical Mapping", for rapid identification and analysis of microorganisms. The system can be used to obtain detailed genetic information with no requirement for prior sequence data, PCR, cloning, or probes. Applications of the new commercial systems include clinical microbial analysis, forensic microbiology and the development of novel molecular diagnostic products. ■