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[Investments in Midwest Startups Reach New Heights](#)

Midwestern healthcare startups are going strong in 2007, on track to double the amount of funding raised last year. According to the just released *BioEnterprise Midwest Health Care Venture Investment Report*, young companies in the Midwest reported \$726 million in total investments across 59 companies for the first half of 2007 — nearly equal the amount invested for all of 2006, a record year.

“Coastal investors have clearly discovered the Midwest’s abundance of investment opportunities,” said Baiju Shah, president of BioEnterprise, a Cleveland-based organization that helps grow emerging healthcare companies, in a statement. “The investment deals are getting larger and each region is seeing more East and West Coast venture firms participate.”

Ohio, Minnesota and Indiana are the region’s hottest states so far this year, accounting for over two-thirds of total investment in H1. Ohio is out in front, with healthcare ventures in that state attracting \$244.3 million, including a \$65 million investment in [Athersys](#). Other significant financings took place in Minnesota — [CVRx](#) raised \$65 million — and Indiana — [Targanta Therapeutics](#) attracted \$70 million.

Other states included in the report are Michigan, which attracted investments worth \$63.4 million, Illinois (\$42.5 million), Missouri (\$25.6 million), Wisconsin (\$16.11 million) and Kentucky (\$5 million).

By sub-sector, H1 2007 healthcare investments get broken down this way: biopharmaceutical companies account for \$447 million, medical device companies for \$148 million, and healthcare software and service companies, \$132 million. (Full details of all the financings are available [here](#).)

While biopharmaceutical companies still managed to capture the lion’s share of investments in the Midwest, nationwide, these firms are feeling some heat from medical device companies.

The BioEnterprise report was released just as Ernst & Young and VentureOne came out with their 2Q 2007 venture report, which says VCs invested \$1 billion in U.S. medical device companies last quarter. Biopharmaceutical companies, which have traditionally garnered the majority of venture funding, attracted \$1.1 billion.

Of this trend, a partner with Morgenthaler Ventures, Robert Bellas, [told Dow Jones](#) that VCs see opportunity to displace drugs, which often work in a limited number of patients,

with devices that are effective in greater numbers. Bellas added that the influx of capital in devices is driving up valuations for established companies — while Series A valuations remain stable, companies are seeing significant step ups in later rounds.