

Midwest VC investing way up for life sciences

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Midway through the year, venture-capital investments in Midwest-based life-sciences companies nearly equaled all of 2006.

Venture investors pumped \$742.1 million into 64 companies in the Midwest during the first six months of 2007, according to Cleveland-based BioEnterprises.

That's more than double the \$286.6 million invested in 49 deals during the same period a year earlier.

Three Michigan companies -- all in the southeast part of the state -- received \$63.4 million in VC funding during the period, which compares to \$5.6 million for three companies during the first six months of 2006.

In terms of the amount invested, Michigan rated fifth among 12 states in the latest quarterly BioEnterprise report on venture funding for life-sciences companies in the Midwest.

Overall, the report shows a continued surge in life-sciences investing in the Midwest by large venture funds based on the East and West Coasts, BioEnterprises President Baiju Shah said.

Drawing them are successful exits and a "significant amount" of public investments made by Midwest states to develop the industry.

"Coastal investors have clearly discovered the Midwest's abundance of investment opportunities," Shah said. "The investment deals are getting larger, and each region is seeing more East and West Coast venture firms participate."

Ohio, Minnesota and Indiana led Midwestern states in health care venture-capital attraction, accounting for more than two-thirds of the region's total investment.

Within the industry, biopharmaceutical companies attracted the most investment -- \$462 million -- BioEnterprise reports. Medical device companies in the Midwest received \$148 million, and \$132 million was invested in health care software and service companies.

Even with the growth in life sciences, Michigan still ranks low nationally in overall venture-capital investing, though the state rates near the top in generating innovations.

Drawing more venture capital to the state is key to pumping new life into a stagnant economy and keeping innovations in Michigan, said LeAnn Auer, executive director of the Michigan Venture Capital Association, which is formulating ideas to address the issue.

"Once you have more capital to capture these kinds of deals, the better off Michigan is going to be," Auer said.

"We just want to stir the pot the right way."

The association last week awarded up to \$150,000 each to two venture firms in Michigan -- MacBeedon Partners and Plymouth Venture Partners, both in Ann Arbor -- to defray the costs of raising new venture funds.

The Fund Development Award Program is one of three Venture Upstart programs the association is implementing with \$2.1 million from the state's 21st Century Jobs Fund.

The program aims to help establish at least four new venture funds in Michigan.