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Venture capital triples at health care start-ups

But state lags much of region, nation in attracting money, reports show

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Wisconsin health care start-ups more than tripled the amount of venture capital they pulled in during the first three quarters of this year, according to a report that BioEnterprise in Cleveland released Monday.

Wisconsin health care start-ups raised \$39.7 million from January through September, vs. \$11.5 million a year earlier, according to the BioEnterprise Midwest Health Care Venture Investment Report.

All Wisconsin companies raised \$69.04 million in venture capital through Sept. 30, up from \$53.73 million a year earlier, according to the MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association.

Although it is growing, the state's ability to attract venture capital is still small by national standards, the reports show.

Among the 12 states in the BioEnterprise report, health care companies raised a record amount of venture capital - just over \$1 billion through Sept. 30, a 77.5% increase over the \$563.6 million raised a year earlier.

"We continue to have some catching up to do, but we have strong emerging companies in a number of sectors which are of interest to the market," said Tom Still, president of the Wisconsin Technology Council.

Why it's important

Venture capital is important because it represents investments in what sophisticated investors think are promising companies that will, in future years, create jobs and add to the tax base.

The top venture capital deal in Wisconsin in the third quarter was the \$22 million funding of Virent Energy Systems Inc. of Madison.

"It's good to see states like Wisconsin participating in the development of clean tech companies. This trend is a national one, as venture capitalists are spending more time and investment in developing companies in alternative energy, pollution control and environmental companies," said Emily Mendell, vice president of strategic affairs for the National Venture Capital Association in Arlington, Va.

This sector will be one of the fastest-growing areas of venture capital investment in the coming years, Mendell said.

17 networks, funds

As for Wisconsin's pipeline, Still said there are 17 active angel networks or funds making deals with emerging companies in the state.

For example, the council has a strong slate of young companies seeking \$500,000 to several million dollars of investment funding that will make presentations at the Wisconsin Early Stage Symposium in November in Madison, Still said.

"Those are tomorrow's venture-ready companies," he said.

The state also has had two big "exits" in 2007.

Venture investors cashed out when Tomotherapy Inc. raised \$223 million in an initial public stock offering in May, and NimbleGen Systems was acquired in June by Swiss pharmaceutical company Roche Holding AG for \$272.5 million.

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