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Cleveland stem-cell developer Arteriocyte gets \$10 million investment

\$10 million to fuel Arteriocyte's growth

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A private equity firm in Utah is investing \$10 million in Cleveland stem-cell developer Arteriocyte to enable the company to grow and do more things.

DW Healthcare Partners in Salt Lake City and Arteriocyte Inc. are creating Arteriocyte Medical Systems Inc. to develop and market products that help patients heal after cardiac, orthopedic and vascular surgeries.

The investment also could enable Arteriocyte Medical to buy technologies - largely medical devices - that have significant growth potential and could deliver or boost the effectiveness of Arteriocyte's stem-cell therapies.

Started in early 2004, Arteriocyte develops therapies based on research done at Case Western Reserve University and the National Center for Regenerative Medicine in Cleveland.

These therapies use adult stem cells, which come from bone marrow and other sources - not from embryos.

Arteriocyte's leading therapy treats tissue damage caused by ischemia, or lack of adequate blood supply.

The therapy is being evaluated for its effectiveness to treat damaged hearts, said Don Brown, the experienced health-care company executive who has led Arteriocyte since June 2004.

Brown - who lives in Boston and commutes to Cleveland - has acquired rights to stem-cell harvesting, growing and delivery technologies from three other universities to develop and market Arteriocyte's therapies.

As chief executive of Arteriocyte Medical, Brown could buy technologies "that help accelerate the convergence of medical device delivery with biologics for tissue repair," he said.

Acquiring medical devices that already are approved for sale by the Food and Drug Administration also would generate revenue to support Arteriocyte's research and development work, Brown said.

The investment in Arteriocyte Medical is a hat trick for Northeast Ohio's three stem-cell developers, said Baiju Shah, president of BioEnterprise, the region's health-care company developer. Athersys Inc. in Cleveland went public in June, raising \$65 million from investors. And AccelleRX, a Cleveland Clinic spinoff, landed \$1.5 million from mostly Northeast Ohio investors a month later.

"What is underappreciated by Clevelanders is the breadth of stem-cell and regenerative medicine research that is going on in the region," Shah said.

During a recent presentation, Shah said he learned that more than \$80 million of this type of research is done in Northeast Ohio each year, "making it the single largest center for stem-cell and regenerative medicine work between the coasts," he said.

Three managing directors from DW Healthcare Partners - Dr. Jay Benear, Rod Boone and Doug Schillinger - have joined Arteriocyte Medical's board of directors. Schillinger is chairman of the board.

Until its latest investment, Arteriocyte had attracted \$3.8 million in seed investments and development grants - including grants from the Ohio Third Frontier Project.

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