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N.Y. firm to buy Biomec assets

Greatbatch expected to keep building, operations

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Greatbatch Inc., a developer and maker of implantable medical device components in Clarence, N.Y., has agreed to buy most of the assets of Biomec Inc. in Cleveland for \$11.4 million in cash.

Greatbatch is expected to keep Biomec's building and operations on East 30th Street, said Trevor Jones, chairman and chief executive who founded Biomec in 1998 to develop and commercialize technologies for medical and academic institutions and national laboratories, as well as for itself.

Jones, 76, said he and two other Biomec executives plan to leave the company when its acquisition is completed, likely in the second quarter. But the rest of the company's 20 scientists, engineers and other employees are expected to stay, he said.

The acquisition, which is subject to approval by Biomec shareholders, "will greatly expand Greatbatch's ability to provide device design and engineering services to its customers," the company, which is northeast of Buffalo, said in a written statement.

"We are very excited about this transaction," said Mauricio Arellano, senior vice president for Greatbatch, in the written statement.

An e-mail and phone call seeking details from Anthony Borowicz, treasurer and investor relations director for Greatbatch, were not returned Tuesday.

In connection with selling Biomec, Jones is creating a company to complete clinical testing and commercialization of two devices that Greatbatch is not buying.

Jones hopes Electrosonics Medical Inc., which is at least temporarily in Biomec's building, will be able to take to market its collapsed-lung detector, which works through radar waves, and its infected ear detector, which uses ultrasonic waves, by the end of the year.

"By and large, we're very, very excited about it," Jones said of the pending acquisition. "This is an opportunity to sell essentially all the assets of the company and provide a near-term cash distribution to our shareholders, and also provide long-term distributions, as things unfold."

Jones has been preparing Biomec shareholders for their company's exit for at least a year.

"If you look at the genealogy of startup companies, one of their major ambitions is to have an exit strategy and to exit, hopefully, to somebody who can carry the business forward . . . to bigger and better things," he said.

Jones said he has known about Greatbatch for decades. Esther Sans Takeuchi, vice president of research for Greatbatch, is a Biomec director. "We get offers monthly, 'Would you sell your company?'" Jones said.

He expects to distribute cash from the Biomec sale to his company's 223 shareholders, of which he is the largest, holding 15 percent of the company's stock.

The shareholders also are likely to get royalties from a licensed technology for three years, as well as cash when the companies in which Biomec has invested, such as Imalux Corp., are sold or go public, Jones said.

Biomec is the largest shareholder in Imalux, a Cleveland company that is commercializing a next-generation medical imaging system. Biomec's sale would make Greatbatch the largest shareholder of Imalux.

"My assumption is [Greatbatch] will continue to be supportive," said Jerry Cirino, president and CEO of Imalux.

Biomec's shareholders also will get the same number of shares in his new company, Electrosonics, as they own of Biomec, Jones said.

Wilson Greatbatch, a developer of the heart pacemaker, founded Greatbatch in 1970. Today, Greatbatch or its licensees make about 80 percent of the world's pacemaker batteries.

The contract manufacturer makes other power sources and related parts for implantable devices, such as defibrillators, which administer an electrical shock to a patient whose heart has stopped beating or strayed from a normal rhythm.

Greatbatch shares rose 75 cents to \$26.49 Tuesday on the New York Stock Exchange, a day after the Biomec acquisition was announced.

"It's good news. I am thrilled," said Baiju Shah, president of BioEnterprise, the region's health care business developer.

Not only could the pending acquisition bring significant dollars to Northeast Ohio investors, it also could bring a highly regarded medical electronics company to the region for future investment.

"It's wonderful having a company with that quality and heritage coming to the Cleveland area," Shah said.

The acquisition could further help the region by creating another company, Jones said.

By acquiring Biomec, Greatbatch is getting a share of NanoMimetics Inc., the business that is developing a polymer coating that mimics the surface cells of blood vessels.

Biomec has been helping Roger Marchant, a Case Western Reserve University biomedical engineering professor, develop the technology that could be used to line permanent vein catheters, cardiac pacing leads and pumps that circulate blood during heart bypass surgery.

In addition to an interest in Imalux, Greatbatch also would get an interest in IntElect Inc., a Cleveland Clinic spin-off that is developing a deep-brain stimulation system.

Biomec owns 20 percent of IntElect, Jones said.