

THE PLAIN DEALER

Ohio takes lead in Midwest's private health care investments

State bumps Minnesota, lures \$244 million in equity

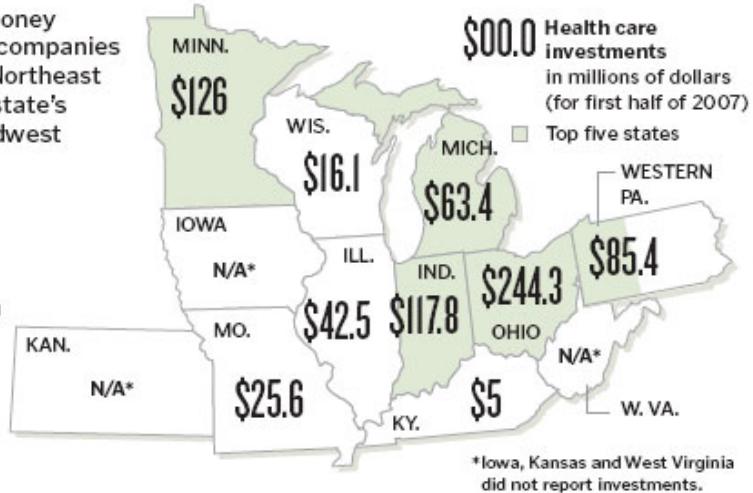
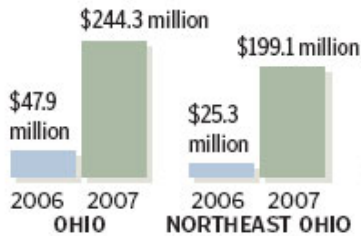
Tuesday, July 24, 2007

Mary Vanac
Plain Dealer Reporter

Ohio increases share of Midwest health care investing

Ohio attracted by far the most money invested in Midwest health care companies during the first half of the year. Northeast Ohio brought home most of the state's health care investments. The Midwest region attracted \$726 million.

Health care investments (for first half of year)



SOURCE: BioEnterprise Midwest Health Care Investment Report

THE PLAIN DEALER

Ohio is the Midwest's hot spot for private-equity investments in health care companies so far this year, attracting nearly twice as much money as perennial leader Minnesota.

Since January, Ohio's health care companies have brought home \$244 million from investors -- more than double the state's total for all of 2006, according to the quarterly BioEnterprise Midwest Health Care Venture Investment Report released Monday.

Minnesota health care companies raised \$126 million from January through June, according to BioEnterprise Corp., the regional health care business developer.

"An amazing string of very large financings in the Cleveland area" went a long way to give Ohio leadership among 11 Midwest states and western Pennsylvania, said Baiju Shah, president and chief executive of BioEnterprise.

Northeast Ohio companies alone took in \$199 million, much more than Minnesota.

In all, 59 Midwest health care companies raised \$726 million of mostly venture capital in the first half of the year, nearly equal to the amount raised in all of 2006, according to the BioEnterprise report.

Biopharmaceutical companies got 62 percent of the total, or \$447 million. Medical device companies received 20 percent, or \$148 million, and health care software and service companies received 18 percent, or \$132 million, according to BioEnterprise.

The figures indicate that Northeast Ohio is becoming a destination largely for East Coast investors but also for some from the West Coast, Shah said.

"As Clevelanders, we should see how the outside world is already regarding our region," he said. Investors are "voting with their dollars, in terms of where they're spending time looking for new innovations in the medical sector."

Shah also is excited by the number of Ohio companies that got investments in the first half of the year - 24, compared with Minnesota's nine.

"That number points to the richness of the pipeline" of companies that merit venture investments, he said.

Cleveland biopharmaceutical company Athersys Inc. received the biggest investment during the first half - \$65 million in a June financing round led by New York private-equity firm Radius Ventures LLC. The investment was part of making Athersys a public company. Athersys has developed technology to discover drugs, as well as a line of therapeutic stem cells.

A \$25 million investment in Franklin & Seidelmann LLC, a specialty teleradiology firm in Beachwood, was the second-largest transaction in the half-year. Oak Investment Partners in Westport, Conn., made that investment, also in June.

Teleradiology involves interpreting medical images via computers and high-speed data equipment.

Franklin & Seidelmann plans to use the money to buy a couple of complementary teleradiology businesses in order to hold its own against well-funded public competitors, said Scott Seidelmann, the company's president.

However, the company also will use some of the money to expand into general teleradiology services, he said.

To reach this Plain Dealer reporter:

mvanac@plaind.com, 216-999-5302