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## **Midwest Health Care Startups Raise \$1.1 Billion in 2008, Sustaining 3-Year Growth Momentum** *Minnesota and Ohio Are Leading States*

**Cleveland, OH, January 8, 2009** – Midwest health care startups attracted \$1.1 Billion in new investments across 165 companies in 2008, ranking the region 3<sup>rd</sup> among US regions and maintaining a multi-year growth trend for Midwest health care investing. Minnesota and Ohio companies collectively attracted the most investment dollars within the Midwest. All findings are reported in the [Midwest Health Care Venture Report 2008](#) released today by [BioEnterprise](#) and the [Mid-America Healthcare Investors Network](#) (MHIN).

“The continued momentum seen in Midwest health care investments is the result of a concerted effort by the public sector, venture firms, accelerators, and research institutions to develop high-caliber health care startups,” said Dan Broderick, President of MHIN and Managing Director of Prolog Ventures. “Midwest institutions are responsible for nearly one-quarter of the nation’s NIH-funded research. This research is at the core of the startups that have spawned venture-backed companies, making the region home to over 300,000 bioscience employees.”

Minnesota (\$319 million) and Ohio (\$189 million) led all Midwestern states in dollars of investment attracted, followed by Michigan (\$105 million) and Illinois (\$97 million). The leading regions were Minneapolis (\$319 million), Cleveland (\$164 million), and Pittsburgh (\$126 million). Major financings were reported in each area.

“Midwest health care deals continue to mature and attract greater levels of investment both from Midwest-based venture firms as well as coastal investors,” said Baiju R. Shah, President & CEO of BioEnterprise, the Cleveland-based biomedical venture developer. “In addition, the Midwest health care pipeline has matured to the point where the region is seeing numerous high-profile acquisitions each year of venture-backed companies.”

The Midwest report notes that over the past two years, there have been several high-profile Midwest acquisitions in all health care sectors:

- Medical Devices: Renal Solutions by Fresenius (Pittsburgh); Theken by Integra (Ohio)
- BioPharmaceuticals: NimbleGen by Roche (Wisconsin); Nanosphere; AppTec by WuXi (Minnesota)
- Software and Services: HealthMedia by Johnson & Johnson (Michigan); CMS by Elekta (Missouri); MemberHealth by Universal American (Ohio)

By sector, the 2008 equity funding was allocated as follows:

- Medical device companies: \$487 million (46%)
- Biopharmaceutical companies: \$380 million (36%)
- Health care software and service companies: \$183 million (18%)

The success of the Midwest health care sector is due to the convergence of several forces:

- Excellent academic, research and clinical institutions performing over one-quarter of all NIH and University-funded research;
- Professional technology transfer offices yielding a substantial percentage of total US licensing revenues and university-based startups;
- Numerous leading health care companies employing over 300,000 individuals; and
- Progressive Midwest state economic stimulus and investment initiatives providing billions in funding to develop health care innovations.

“The Midwest state initiatives are an excellent example of targeted economic stimulus to jumpstart a high-growth, sustainable U.S industry,” said Shah. “The Midwest state programs can be models for the Obama administration’s federal economic stimulus package. These programs demonstrate how the public sector can both catalyze and partner with the institutional and private sectors to drive company creation and job growth.”

“In the Midwest, the seeds for a vibrant biomedical sector have always been present; through collective efforts, those seeds are blossoming into successful companies,” concluded Broderick.

The [2008 Midwest Health Care Venture Investment Report](#) highlights the Midwest region’s health care venture investments, notable acquisitions and IPOs, research, and technology transfer statistics. It aggregates activity across 10 Midwest states and Western Pennsylvania. For complete state-by-state and region-by-region results across the Midwest, see the following tables. Additional data about Midwest biomedical business activity can be viewed at [www.bioenterprise.com/reports/index.html](http://www.bioenterprise.com/reports/index.html).

**Table: Midwest Health Care Venture Investment (By State)**

State	2008		2007		2006		2005	
	\$ Millions	# of Cos.	\$ Millions	# of Cos.	\$ Millions	# of Cos.	\$ Millions	# of Cos.
Illinois	97.3	13	125.5	7	101.6	12	39.2	7
Indiana	75.4	7	135.6	10	37.2	8	23.1	4
Iowa	4.0	1	-	-	-	-	-	-
Kansas	16.9	9	56.6	6	-	-	-	-
Kentucky	19.2	6	32.0	4	51.4	4	19.3	2
Michigan	105.0	12	56.2	5	135.5	11	52.9	8
Minnesota	318.9	22	296.1	25	233.9	22	151.0	18
Missouri	50.2	11	69.6	7	39.2	10	71.9	9
Ohio	189.1	43	295.5	44	113.9	39	185.4	18
Western Pennsylvania	126.2	33	101.4	17	54.4	22	58.3	10
Wisconsin	48.5	8	56.2	12	25.2	7	39.3	6
<b>Total</b>	<b>1,050.5</b>	<b>165</b>	<b>1,224.7</b>	<b>137</b>	<b>792.3</b>	<b>135</b>	<b>640.4</b>	<b>82</b>

**Table: Midwest Health Care Venture Investment (By Region)**

Region	2008		2007		2006	
	\$ Millions	# of Cos.	\$ Millions	# of Cos.	\$ Millions	# of Cos.
Chicago	97.3	13	125.5	7	101.6	12
Indianapolis	73.0	6	113.6	8	18.4	6
West Lafayette	2.5	1	22.0	2	18.8	2
Iowa	4.0	1	-	-	-	-
Lexington, KY	4.5	1	0.9	1	40.0	1
Louisville, KY	13.4	3	6.2	2	11.4	3
Detroit-Ann Arbor	89.0	8	56.2	5	98.3	8
SW Michigan	16.0	2	-	-	6.7	2
Minneapolis	318.9	22	296.1	25	233.9	22
St. Louis	47.2	10	57.6	6	20.2	9
Kansas City*	19.9	10	68.6	7	19.0	1
Cincinnati*	19.2	2	64.6	10	13.6	4
Cleveland	163.5	31	241.8	28	87.9	23
Columbus	6.4	10	14.2	7	12.4	12
Pittsburgh	126.2	33	101.4	17	54.4	22
Wisconsin	48.5	8	56.2	12	25.2	7
<b>Total</b>	<b>1,050.5</b>	<b>165</b>	<b>1,224.7</b>	<b>137</b>	<b>792.3</b>	<b>135</b>

\*Includes deals in metro region but across state border

Sources: Compiled by BioEnterprise team from Venture Wire, Private Equity Week, Wall Street Journal, Venture Source, SEC Filings, company press releases, and www.biospace.com.

**About Mid-America Healthcare Investors Network**

[Mid-America Healthcare Investors Network](#) (MHIN) is a not-for-profit association of more than 48 venture capital firms from 14 states, with more than \$2 billion under management. MHIN focuses on life science investment opportunities in the Mid-America Region. These life science opportunities include companies involved in biotechnology, medical devices, bioinformatics, health care information technology, and health care services.

**About BioEnterprise**

[BioEnterprise](#) is a business formation, recruitment, and acceleration initiative designed to grow health care companies and commercialize bioscience technologies. Based in Cleveland, BioEnterprise's founders and partners are Cleveland Clinic, University Hospitals, Case Western Reserve University, Summa Health System, and the BioInnovation Institute in Akron. Since launching in 2002, BioEnterprise and its partners have accelerated over 70 companies that have attracted \$820 million in capital.

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