



THE GOLDEN STATE

BioBUSINESS NEWS™

BIOMEDICAL BUSINESS NEWSLETTER SINCE 1987

volume x | no. 9

October 2007

Seed/Start-up Biomedical Investing in the Southwest

Intermountain Area Vibrant

By Dan Wood, CFA, Managing Director, Mesa Verde Venture Partners | www.mesaverdevp.com



It's hard to believe it was 20 years ago when I first wrote for this newsletter. From the early San Diego companies of the era, including Hybritech, Agouron, Idec, Gen-Probe and Gensia, a vibrant industry of over 500 biomedical companies has been created here.

Now that San Diego, San Francisco, Boston, Seattle and Research Triangle Park have been firmly established as leading biomedical clusters, investors are looking for the next big growth region for the industry. The Southwest, specifically Utah, New Mexico and Arizona, are prime candidates to claim the title.

Utah – Genetics

Utah is probably the most advanced of these states at forming a biomedical cluster. Myriad Genetics, which was formed in the early 1990s, is a billion-dollar-plus market cap company. Sorenson Medical, Deseret Pharmaceutical Co. (inventor of the disposable catheter) and the Jarvik artificial heart were established here decades ago. The Huntsman Cancer Center is a \$150 million effort.

Utah is one of the leading genetics centers in the world, utilizing the Utah Population Database (created in 1975, but going back as many as 10 generations). It contains information on 6.4 million individuals linked through nine million records. In the early 1980s, the Utah Genetic Reference Project was established with genotypic and phenotypic characteristics collection from more than 600 individuals representing 45 families. With personalized medicine just coming into its own, I feel it is likely that

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many of the most successful pharmacogenetics companies will spring from this well.

The state of Utah also has a Fund of Funds which has \$100 million to put into venture capital funds that have, or plan, to do business in the state. The Wayne Brown Institute of the University of Utah hosts a major conference featuring start-up companies each February. The goal of the conference is to showcase new companies in front of investors. Sixty percent of the presenting companies have found investors within 12 months.

Amgen, Ameripath (Quest), Abbott, Becton Dickinson, Celphalon, Edwards, GE Medical, GlaxoSmithKline, J&J, Medtronic & Watson and numerous earlier-stage companies including Zars, BioMicro Systems, Lineagen, Coherex, Axia, Amedica and QTherapeutics have facilities in Utah.

Utah also has generally dry, sunny weather and the “greatest snow on earth.” As many VCs, executives and successful entrepreneurs are skiers, more start-up company business is likely to be conducted on the chairlifts of Deer Valley, Park City, SnowBird and Alta.

New Mexico – Home of PhDs

New Mexico features more PhDs per capita than any other state in the nation. Los Alamos and Sandia National Laboratories harbor a great number of these. New Mexico's strengths in life science are in the personalized

medicine, bioptics and biosensing fields. In personalized medicine, Exagen Diagnostics, which is aimed at breast cancer, is probably the leading company.

Most of the venture-backed bioptics companies have been spun out of InLight Solutions of Albuquerque. These include Tru-Touch Technology (alcohol testing), Lumidym (biometric ID), Luminous Medical (non-invasive glucose measurement) and VeraLight (diabetes screening). An example

of a venture-backed biosensing company is Caldera Pharmaceuticals (fluorescence for molecular detection).

New Mexico is doing much to spur venture capital investment. It has one of the most active State Fund of Funds programs in the nation. So far in 2007, the State Investment Council committed \$10 million to Tullis-Dicerkson & Co9. fund, while the Educational Retirement Board invested \$10 million to a Psilos Group fund, both of which will invest in New Mexico-based life science companies.

New Mexico also offers a 10 percent Tech Jobs and High



with good reason. The weather and scenery is first rate. Outdoor recreational activities abound, and Santa Fe, in particular, is a major tourist destination.

Arizona – Good to Grow

Arizona is the least developed of these three states presently, but is doing the most to rapidly create a biomedical cluster.

A few years ago, TGen (The Translational Genomics Research Institute) was established in Phoenix with over \$100 million of public/private funding. Dan von Hoff, MD, one of the foremost cancer clinicians, has joined this institute. Around the same time, the Arizona BioDesign Institute, a \$60 million collaborative effort by the University of Arizona, Arizona State University and Northern Arizona University, was set up. This institute is headed by George Poste, PhD, who was head of R&D at SmithKline Beecham.

The University of Arizona has established the \$60 million Bio5 Institute in Tucson, a multi-disciplinary effort aimed at science, agriculture, manufacturing, pharmacy and engineering for life science. The Mayo Clinic has a major location in Scottsdale and the Barrow Neurological Institute in Phoenix is a leading center of its kind.

In recent news, Ventana Medical Systems of Tucson was the recipient of a \$3 billion buyout offer by Roche. The company makes and markets automated medical diagnostic instrument and reagent systems for a diagnosis of cancer and infectious disease.

Indeed, diagnostics and personalized medicine have been a core technology for Arizona for many years. A non-profit foundation, the Piper Trust made \$50 million in grant money available last year to recruit personnel for personalized medicine in Arizona.

Science Foundation Arizona has secured \$47.5 million in funding for the tech industries in Arizona. In 2003, the legislature approved \$440 million for construction of university research facilities and healthcare training at the Maricopa Community Colleges.

Covance recently began establishing a major facility in Chandler. C-Path (The Critical Path Institute) has been established in Tucson and recently opened offices in Phoenix and Washington, D.C. It is headed by Ray Woolsley, MD, PhD, who was an inventor of Allegra – the allergy medicine.

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Wage Jobs Tax Credit. Technology Venture Corporation, which is managed by Lockheed, connects entrepreneurs with angels of VCs and runs the well-attended New Mexico Private Equity Symposium each May.

The University of New Mexico has a major Health Services Center and has broken ground on a \$90 million Cancer Center. Santa Fe has a National Center for Genome Resources and the Santa Fe Institute, both with vast computational expertise for life science. The Lovelace Respiratory Institute enjoys an excellent reputation in the field.

Last year Forbes magazine voted Albuquerque number one in the nation in its survey of best places to do business. This ranking was based primarily upon cost considerations.

Major healthcare companies with a presence in New Mexico include J&J Ethicon, J&J DePuy, Genzyme and Quest.

New Mexico is known as “The Land of Enchantment”

Earlier this year, Entrepreneur Magazine named Phoenix as the best place to start and grow a business. Venture-backed companies in Arizona include Amplimed, ImaRx, High Throughput Genomics, Sensys Medical, Cayenne Medical and Zounds. Larger companies with a presence in Arizona include Sanofi-Aventis, Medtronic, Agilent and Abbott.

Unlike Utah and New Mexico, Arizona has presently zero sources of local venture capital to my knowledge. Arizona does not have a state fund of funds or any funding firms to provide bioscience venture capital within the state.

On the Upswing

In summary, the Southwest is an up and coming area for bioscience, deserving of attention from investors, entrepreneurs and executives. It is fairly easily served from California and is a nice place to visit on vacation as well as to create serious companies. Hopefully some of you will discover this gem, if you haven't already.

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Dan Wood, CFA, is Managing Director of Mesa Verde Venture Partners, a seed / start-up life science VC fund focused on the Southwest. Mesa Verde has venture partners in Salt Lake City, Albuquerque, Phoenix and San Diego.