

The A-List: 2006's Trend-Shaping Series A Financings

By Christopher Morrison and Nancy Dvorin

2006's most intriguing Series As reflect VCs' continued emphasis on risk reduction through re-profiling in biotech, and big gains in funding for diagnostics and device start-ups.

Although difficult public financing markets continue to weigh on VC portfolios, particularly in biopharmaceuticals, 2006 demonstrated that the private M&A activity seen in 2005 was hardly a blip on the radar. As pharma's pipeline problems remain center stage, VCs are enjoying solid M&A returns across the health care spectrum and in both the product and platform arenas—particularly as Big Pharma continues to play catch-up in large molecules of various stripes. (See "A Look Back at 2006: The Pipeline Challenge," IN VIVO, January 2007.)

Perhaps then it's surprising that this year's A-List of those early-stage financings that START-UP feels are indicative of the trajectory of the industry boasts little in the way of next-generation large molecules or vaccines. (See Exhibit 1.) In some cases these firms were entirely or nearly absent from the Series A landscape. For example, despite a sustained surge in oncology dealmaking paydays there was only one pure play oncology company that raised its Series A in 2006, and it has already been snatched up. Cabrellis Pharmaceuticals was acquired by **Pharmion Corp.** in November for \$59 million plus \$25 million in potential earn-outs. The start-up, a spin-off of Conforma Therapeutics (itself acquired in May by **Biogen Idec Inc.** for \$150 million plus earn-outs) that was developing a treatment for small cell lung cancer, raised \$27.5 million in Series A funding only two months before the sale.

In medical devices, investments were spread pretty evenly across all industry sectors in the 26 Series A rounds reported in Windhover's *Strategic Intelligence Systems (SIS)*, a big bump up from last year. As a result, the total amount of first round money raised was more than double that of 2005, even though the

average amount raised per company didn't budge significantly. (See Exhibit 2.)

No surprise, orthopedics companies were favorites for venture capitalists. What was a little surprising is that three of the four orthopedics companies receiving first rounds were developing products to treat knee or joint issues, including **iBalance Medical**. Only one spinal company raised a first round, perhaps signaling a turn of the tide away from spinal companies.

In other fields, cosmetics companies remain an attractive place for small, early-stage bets. The two biggest wagers, however, went toward cardiovascular and oncology companies. **Cardiovascular Systems Inc.**, a development-stage atherectomy device maker, closed a first institutional round of \$27 million. Meanwhile, **Galil**

Exhibit 1

The 2006 A List

COMPANY	AMOUNT RAISED	DATE
Aegerion Pharmaceuticals	\$22.5 mm	June 2006
Asuragen	\$49 mm	June 2006
Cardiovascular Systems	\$27 mm	October 2006
Concert Pharmaceuticals	\$10 mm	July 2006
Galil Medical	\$52 mm	December 2006
iBalance Medical	\$8.2 mm	July 2006
Lux Biosciences	\$49 mm	May 2006
Magen BioSciences	\$15.4 mm	August 2006
Nabriva	€42 mm (\$50.1 mm)	January 2006
Synosis Therapeutics	\$30 mm	December 2006
Xthetix	\$2 mm	October 2006

SOURCE: Windhover's *Strategic Intelligence Systems*

Medical, a 10-year-old cryotherapy play, scored \$52 million to exit a joint venture, and to expand its sales, marketing, and clinical programs in both the US and Europe.

As in previous years, our A-List is an informed though subjective selection that we hope is representative of the industry's—whether diagnostics, biotech, or medical devices—most important new companies. (See "The A-List: 2004's Trend-Shaping Series A Financings," *START-UP*, January 2005 and "The A-List: 2005's Trend-Shaping Series A Financings," *START-UP*, January 2006.) And

space is limited; plenty of promising companies cannot be discussed here. According to Windhover's *SIS*, there were 85 Series A financings in 2006 (about the same number as 2004 but roughly 50% more than last year). Diagnostic and device firms in particular made impressive strides over 2005, while biotechs continued to set the pace: 52 A rounds cumulatively raised more than \$1 billion, averaging nearly \$20 million per deal. (See *Exhibit 2*.)

Aegerion Pharmaceuticals

In dyslipidemia, the question remains: how low can you go? **Merck & Co. Inc.** and **Schering-Plough Corp.** have

found success with their ezetimibe (*Zetia*)/simvastatin (*Zocor*) combination therapy *Vytorin* by surpassing plain-old statins in the lipid-lowering game. One of a host of firms aiming to better that drug's performance,

AEGERION PHARMACEUTICALS INC.

Lowering LDL Cholesterol by Targeting MTP

\$22.5 MILLION, JUNE 2006

Advent International, Index Ventures, Alta Partners, MVM Life Science Partners

Aegerion Pharmaceuticals Inc., pulled in \$22.5 million in its June Series A to fund its pipeline of cholesterol-lowering drug candidates. The company is developing microsomal triglyceride transfer protein (MTP) inhibitors that target the precursors to low-density lipoprotein (LDL).

Exhibit 2; \$millions

By the Numbers

Biopharma	2004	2005	2006
Total Series A	866.1	1,003.7	1,018.7
Average Series A	12.6	23.3	19.6
Diagnostics			
Total Series A	30.9	4.3	117.4
Average Series A	7.7	4.3	16.8
Medical Devices			
Total Series A	98.3	100.0	244.2
Average Series A	9.8	8.3	9.3
All Companies			
Total Series A	995.3	1,108.0	1,380.3
Average Series A	12.0	19.8	16.2

SOURCE: Windhover's *Strategic Intelligence Systems*

At least nine cardiovascular-focused start-ups received Series A funding in 2006. Of that pack, Aegerion is drawing significant attention thanks to its relatively late-stage pipeline and top-notch pedigree. The New Jersey-based firm was founded and is chaired by David Scheer, the founder and chairman of the HDL-focused Esperion Therapeutics, which was bought by **Pfizer Inc.** for \$1.3 billion in late 2003. There are indeed parallels between the Esperion and the Aegerion strategies: focus on a single pathway (in the case of Esperion it was raising HDL cholesterol via the underappreciated Apo A-1

Milano HDL mimetic) while avoiding discovery by in-licensing clinical candidates. (See "A Recipe for Acquisition: the Esperion Strategy," *IN VIVO*, January 2004.) Aegerion's lead candidate, Aegr-733, is in multiple Phase II monotherapy and combination studies.

Also pulling down significant A-dollars in the CV space this year were the specialty pharmaceutical company **Prism Pharmaceuticals Inc.**, which in September raised \$23 million of a potential \$68 million in Series A funding from Paul Capital Partners and Essex Woodlands Health Ventures to build its acute care portfolio, and **ARCA Discovery Inc.**, which raised \$15 million in March to fund its re-profiling of beta-blockers as heart failure therapies.

Asuragen Inc.

Diagnostic start-ups have been on a fund-raising tear. The total monies raised across 2006's seven diagnostics Series As more than tripled the total raised over the two years previous, according to Windhover's *Strategic Intelligence Systems*. (See *Exhibit 3*.) That feat—a reflection of a renewed emphasis on disease detection and personalized medicine driven by targeted therapies—was in no small part due to the creation of

ASURAGEN INC.

Oncology Molecular Diagnostics and Molecular Biology Services

\$49 MILLION, JUNE 2006

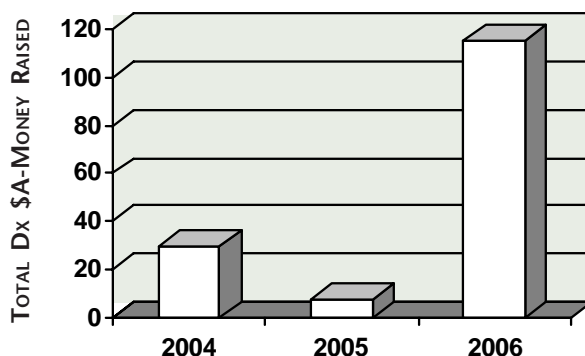
Telegraph Hill Partners, Growth Capital Partners

Asuragen Inc. and the large pots of cash that spin-outs like it tend to attract.

The oncology molecular diagnostics company spun off of **Ambion Inc.** in March when that company's research products division was bought by **Applera Corp.'s Applied Biosystems Group.** Just three months later, Asuragen raised an impressive \$49 million in Series A funds with backing from Telegraph Hill Partners and Growth Capital Partners. Asuragen markets a suite of genetic testing and oncology testing products, and in April it allied with **Digene Corp.** for marketing and distribution of Asuragen's cystic fibrosis screening products. The company also markets a series of RNA control products for use in molecular diagnostics for RNA-based viruses such as HIV or HCV.

Exhibit 3; \$millions

Diagnostics Series As Ramp Up



SOURCE: Windhover's *Strategic Intelligence Systems*

Cardiovascular Systems Inc.

The phenomenal success of stents—first bare-metal and later drug-eluting—all but killed the atherectomy business, at least for coronary applications. But the success of **FoxHollow Technologies Inc.**

CARDIOVASCULAR SYSTEMS INC.

Atherectomy Devices for Peripheral Artery Disease

\$27 MILLION, JULY & OCT. 2006

Easton Capital Group, Maverick Capital, Mitsui & Co. Venture Partners, ITX Institutional Holdings, Private investors

Technologies Inc.

(See "Fox Hollow: Reviving Atherectomy," IN VIVO, April 2003), brought developers of debulking devices a new life in the exploding field of peripheral artery disease.

Companies originally intent on clearing plaque from coronary arteries have tweaked

their technologies to address this new market. One of them, **Cardiovascular Systems Inc.**, is now in pivotal trials for its *Orbital Atherectomy System*, which abrades plaque somewhat like a sander. (See "Atherectomy Devices: At the Cutting Edge of Peripheral Vascular Disease," START-UP, December 2004.)

Although CSI has been around since the early 1990s, it closed its first institutional round of \$27 million just this past October. Lead investors Easton Capital and Maverick

Capital have a track record in spotting opportunities—both were early investors in **Conor Medsystems.** The pedigree of the company's directors may also speak to the promise of its technology: pioneering interventional cardiologist Geoff O. Hartzler, MD, Glen D. Nelson, MD, the former medical director of **Medtronic**, and Larry A. Lehmkuhl, the former president and CEO of **St. Jude Medical**, are all on CSI's board.

Concert Pharmaceuticals Inc.

Concert Pharmaceuticals Inc. was founded by the formidable trio of Richard Aldrich, chairman of RA Capital Management and chairman of Concert, Christoph Westphal, MD, PhD, vice chairman and CEO of **Sirtris Pharmaceuticals**, and Concert president and CEO Roger Tung, PhD—a founding scientist at **Vertex Pharmaceuticals** where he was ultimately VP of drug

discovery and headed compound selection (and where Aldrich spent many years as CBO). Concert began operations in April 2006 and the firm quickly pulled in a relatively modest \$10 million Series A in July to fund its novel chemistry driven small-molecule discovery operations, which it says relies on insights gained from existing biologically active compounds, thereby reducing R&D costs.

That A round was followed up only a few months later when in November 2006 Concert closed on a \$48.5 million Series B, led by new investor **Flagship Ventures**, and including **Brookside Capital Partners**, **New Leaf Venture Partners**, and its existing Series A investors.

CONCERT PHARMACEUTICALS INC.

Novel Chemistries for Existing Compounds

\$10 MILLION, JULY 2006

Flagship Ventures, Brookside Capital Partners, New Leaf Venture Partners, Three Arch Partners, TVM Capital, Skyline Ventures, Greylock Partners, QVT Fund

Tweaking exiting chemical entities belies the prominent “NCE” smack in the middle of the company’s name. Though very little of the nuts and bolts of the firm’s technology or strategy has been revealed, its management pedigree, its basic premise—improving on existing compounds—and its significant cash resources suggest a quick start.

Galil Medical

Cryotherapy device maker **Galil Medical’s** \$52 million Series A round was the largest round for a privately held device company in 2006, according to Windhover’s

Strategic Intelligence Systems, and it was the biggest round for any Israeli company in 2006, period.

It’s not your typical Series A: Galil has been around for a decade, has divisions in the US and the UK,

and as a result of this round will reacquire sole rights to a urology joint venture that generates \$20 million in annual revenues.

Galil’s technology, like that of many Israeli medtech companies, has its roots in the defense industry. In Galil’s case, that means using high-resolution imaging to precisely place ultrathin cryoneedles into targeted tumors and ablate them without damage to surrounding tissue. The company has programs in urology and prostate and kidney cancer, with next-generation systems in gynecology as well as breast, liver, lung, and bone cancer.

Vertical Group (this time without frequent partner Warburg Pincus) and Thomas, McNerney & Partners led the round, which also included Investor Growth Capital. Galil’s previous backers, Elron Electronic Industries, Discount Investment Corp., and Rafael Development Corp., also chipped in.

GALIL MEDICAL

Minimally Invasive Cryotherapy for Cancer

\$52 MILLION, DECEMBER 2006

Thomas, McNerney & Partners, Vertical Group, Investor Growth Capital

iBalance Medical Inc.

While the knee hasn’t recently been privy to as much start-up activity as the spine, that hotbed of orthopedic investment, a small number of companies is selectively innovat-

ing to solve one of the great gaps in knee reconstruction: the 50-something-year-old with degenerative joint disease. These patients are too young to receive knee implants with a life of, at

best, 20 years, but they are also young enough to balk at the notion of walking around with unbearable knee pain for the next decade or so. Thus, companies such as **iBalance Medical Inc.** are innovating to bridge the younger patient over a span of several years to the ultimate knee replacement surgery. The company closed its \$8.2 million Series A round in July 2006, led by Sutter Hill Ventures and Skyline Venture Partners.

iBalance has developed an implant to improve upon the invasiveness and reproducibility of the high tibial osteotomy procedure, a decades-old surgery that has gone out of favor because of its difficulty. With an instrument-guided technique and an implant known as the *Axial Knee Realignment System*, iBalance has created a safety envelope around the tibia to protect soft tissue and neurovascular structures. The instrumentation also guides surgeons so that they can maintain the tibia in proper anatomic alignment.

iBalance foresees two large markets for its technology. The implant could bridge the younger patient to a total knee implant. The osteotomy procedure could also improve the success rates of regenerative procedures in the younger osteoarthritis patient, those 35- to 40-year-olds who will be candidates for the cartilage and meniscal repair procedures in development. (See “The Knee Market Begins to Bend for Start-Ups,” *START-UP*, May 2006.)

IBALANCE MEDICAL INC.

Innovative Knee Implants

\$8.2 MILLION, JULY 2006

Sutter Hill Ventures, Skyline Venture Partners

Lux Biosciences Inc.

The ophthalmology space has shown impressive staying power as a component of the A-List. Following in the footsteps of **Alimera Sciences Inc.** (the ophtho-

LUX BIOSCIENCES INC.

Reprofiling in Ophthalmology

\$49 MILLION, MAY & JULY 2006

HBM Partners AG, Novo AS, SV Life Sciences, Prospect Venture Partners, SV Life Sciences' International Biotechnology Trust

focused spec pharma that raised its \$27 million Series A in July 2004) and **Aerie Pharmaceuticals Inc.** (whose \$21 million Series A in October 2005 was again one of several ophthalmology A rounds that year)

is **Lux Biosciences Inc.** Lux raised its \$49 million Series A over two closes this year, tacking on \$13 million in July to May's original \$36 million tally.

The trend toward investing in companies combating ophthalmic disease shows few signs of abating. In addition to Lux, **MacuSight Inc.** added \$8 million when it closed on a second tranche of its Series A in September (the first, \$17.5 million close was in July 2004) and in September Sirion Therapeutics gained \$25 million through its sale to the shell company Tenby Pharma (now **Sirion Holdings Inc.**). The lesson that entrepreneurs and VCs seem to be taking from the fast-paced ophthalmology sector is the need for shorter development time frames and clinical candidates with reduced risk. Despite the runaway success of **Genentech Inc.**'s ranibizumab (*Lucentis*) treatment for age-related macular degeneration (AMD)—approved in June 2006 in the US and widely expected to usurp the lion's share of the AMD market from the pegylated aptamer pegaptanib (*Macugen*), itself only two years on the market—ophthalmic diseases remain largely an unmet need, and even in AMD there will still be much room for improvement, say observers. (See "Post-Macugen, Still In-Licensing to Uncover Value in Ophthalmology," *START-UP, July/August 2006*.)

Lux, too, is taking the now-familiar route of re-profiling compounds for use in ophthalmology. It licensed rights to its lead compound LX211, a calcineurin inhibitor, from **Isotechnika Inc.**, where the candidate is in Phase III clinical trials against psoriasis and in Phase II to inhibit rejection of transplanted organs as ISA247. (See "Lux Biosciences Inc.," *START-UP, July/August 2006*.) Lux president and CEO Ulrich Grau, PhD, says that the initial target for LX211 will be uveitis, an immune-mediated inflammatory condition involving various parts of the eye and a major cause of blindness in the US, affecting some 300,000 people.

Magen BioSciences Inc.

In terms of specialty therapeutic area investments, dermatology may be the new ophthalmology. **Magen BioSciences Inc.**, which raised \$15.4 million in an August 2006 Series A, is

MAGEN BIOSCIENCES INC.

Melanin-focused Dermatology R&D

\$15.4 MILLION, AUGUST 2006

Highland Capital, IDG Ventures, QVT Financial, Alexandria Real Estate, Arch Venture Partners, Lux Capital, TVM Capital, Venrock Associates

using its co-founder's new research findings on melanin production to develop drugs for disfiguring dermatological pigmentation disorders. According to Magen president and CEO Brian Gallagher, PhD, such was the buzz around the company that the round closed in a matter of days. (See "Magen BioSciences Inc.," *START-UP, November 2006*.)

The dermatology space is overdue for R&D-driven explosion; most of the \$6 billion in annual dermatology drug sales come from generic products that contain only a handful of active ingredients. Magen and other start-ups like **Quinnova Pharmaceuticals Inc.**, which raised a \$13.6 million A round in November 2006, aim to exploit that innovation gap.

Magen's R&D platform, which aims to find dermatological uses for existing drugs, is based on the research findings of Harvard Medical School and Dana-Farber Cancer Institute's David Fisher, MD, PhD. Fisher's melanoma lab has elucidated the signaling pathways underlying the production of melanin, the pigment that darkens skin's outer surface in response to ultraviolet radiation and protects against melanoma and other skin cancers. The group's singular discovery that fair-skinned mice can be pharmacologically induced to produce melanin without sun exposure could have therapeutic as well as cosmetic implications in humans.

Like many of the other firms on the A-List, Magen boasts some heavy hitters in the boardroom and as advisors. Among the firm's founders are Aldrich and Westphal (see "Concert Pharmaceuticals," above) as well as Fisher and Christopher Walsh, PhD, from Harvard Medical School; Phillip Sharp, PhD, and Robert Langer, ScD, from Massachusetts Institute of Technology; and Venrock Associates' David Shaw.

Where They Are Now:

A-Listers Make Good

The biggest story coming out of our 2005 A-List is the \$480 million acquisition of A-Lister **Cerexa Inc.** by **Forest Laboratories Inc.** Cerexa burst onto the scene in 2005, after spinning out of **Johnson & Johnson** when the Big Pharma acquired Peninsula Pharma for \$245 million. The anti-infectives play, whose sole reason for existence is that J&J had licensed a competing project to Peninsula's PPI-0903 fifth-generation broad-spectrum cephalosporin antibiotic, raised a \$50 million Series A concomitant with its foundation that August. Cerexa's investors—who could potentially also receive up to \$100 million in earn-outs from Forest—have pulled off a brilliant payday: the sale of Peninsula's leftovers has fetched about twice the price of the parent company itself.

The rest of the A-List has been generally inert. Several firms created to in-license others' compounds have begun to fulfill their promises:

The sale of Peninsula's leftovers has fetched about twice the price of the parent company itself.

BrainCells Inc. leads the pack in this regard. The neuroscience drug developer has in-licensed several projects; in August the company brought in a **Mitsubishi Pharma Corp.** project that had failed in its original CNS indication, and in October it allied with

Akzo Nobel NV's Organon NV to investigate similarly set-aside compounds. **Receptor Biologix Inc.** also increased its stable of clinical projects when it acquired the Phase III cancer vaccine *Insegia* from the bankrupt Apton Corp. On the out-licensing side, the pediatric specialty pharma **Verus Pharmaceuticals Inc.** sold European rights (and an option to ex-US rights for the rest of the world) to its *Twinject* epinephrine auto-injectors to **UCB Group**, though terms were not disclosed.

On the device side, tissue engineering firm **Tengion Inc.** pulled in a \$50 million Series B in June. And the public markets claimed another victim. 2005 A-Lister **Light Sciences Oncology Inc.** filed for an \$86 million initial public offering in April 2006, but the company withdrew it in October, citing unstable market conditions.

Nabriva Therapeutics Forschungs GMBH

The wealth of anti-infectives start-ups this year reflects the changing priorities of Big Pharma companies that have seemingly rediscovered in recent years the merits of

NABRIVA THERAPEUTICS FORSCHUNGS GMBH

Small-Molecule Anti-Infectives

€42 MILLION, JANUARY 2006

Nomura, Global Life Science Ventures, HBM, Novartis BioVentures, Wellcome Trust

licensing and acquiring drugs in this therapeutic class. (See "Antibacterial Drug Development," START-UP, July/August 2006.) Most prominently, **Pfizer Inc.**'s \$1.8 billion acquisition in 2005 of Vicuron Pharmaceuticals, with which it had

been collaborating on orally active oxazolidones since 1999, and **Novartis AG's** takeover of **NeuTec Pharma PLC** in June 2006 for \$568 million have turned the spotlight on the space. (See "Pfizer-Vicuron: Fill Pipeline, Minimize R&D Expense," IN VIVO, July/August 2005.)

Five anti-infectives companies raised Series As this year, including a \$22 million round by **Cempra Pharmaceuticals Inc.** in October and a \$25 million round by **TetraPhase Pharmaceuticals Inc.** in November. **Nabriva Therapeutics Forschungs GMBH**, a spin-out from Novartis' generics arm **Sandoz**, led the way, raising €42 million (\$50.1 million) in January 2006 to develop a portfolio of small-molecule therapies to treat community- and hospital-acquired infections.

That Novartis would spin out Nabriva one month and spend several hundred million dollars a few months later to acquire NeuTec suggests that the Big Pharma is more interested in NeuTec's novelty than the more traditional pipeline housed within Nabriva, which started up with a handful of baked-in products: three in late preclinical studies and one IND-stage candidate. While this may be true it also suggests that for mobilizing larger sums of VC money, the limited risk that accompanies investing in spin-outs with clinic-ready assets remains a priority.

Nabriva's foundation is based on the discovery that intermediates used in the production of Sandoz's generics had antibacterial activity themselves; using medicinal chemistry the team that comprises Nabriva had created thousands of leads, which the company is now winnowing down to the most promising clinical candidates (See "Nabriva Therapeutics Forschungs GMBH," START-UP, July/August 2006.)

Synosis Therapeutics Inc.

In-licensing remained a hot model for venture capitalists in 2006. Roughly a quarter of all Series As raised by biopharmaceutical firms went to companies aiming to in-

SYNOSIS

THERAPEUTICS INC.

CNS-focused Translational Medicine

\$30 MILLION, DECEMBER 2006

Versant Ventures, 5AM Ventures, Abingworth Management, Novo Ventures

license stagnant compounds from Big Pharma or biotech for repurposing, or simply taking older products and giving them a renewed marketing effort.

For many such firms, the greatest challenge is sourcing

development candidates. (See "The New Out-Licensing Start-Ups: Securing Product Supply," *START-UP*, December 2005.) Versant Ventures' CNS-focused **Synosis Therapeutics Inc.**, which raised \$30 million in a December Series A, begins life with no fewer than nine compounds in-licensed from three European pharmaceutical companies. Five of these candidates come from **Roche** (four in Phase I, one preclinical), which retains opt-in rights for two of the five, and the provenance of the remaining four is undisclosed.

Ex-Roche exec and Versant partner Brad Bolzon describes the new company's business as "translational medicine," an area, he points out, where Big Pharma has lagged. (See "Synosis: The Financial Leverage of Translational Medicine," in this issue.) What separates Synosis from the majority of re-profilers at first might seem like limited ambition. The company is focused narrowly on late-preclinical to Phase II development and not a whisker beyond, arguing that specializing in this value chain inflexion point will bring short-term rewards from up-front payments from out-licensing that will justify its backers' investment. Milestones and royalties could vastly improve on these returns. For Roche and Synosis' other partners, the small firm provides an off-P&L development haven for what are presumably nonpriority small-market or higher-risk compounds.

Joining Synosis with Big Pharma start-up material in 2006 was inflammatory-disease-focused **Anthera Pharmaceuticals Inc.**, which secured worldwide development and commercialization rights (excluding Japan) to a pipeline of preclinical and clinical antiinflammatory compounds developed by **Eli Lilly & Co.** and **Shionogi & Co. Ltd.** in September. That same month Anthera raised \$36 million from lead investors VantagePoint Venture Partners and Sofinnova Ventures, fellow new investors Pappas Ventures and **Mitsubishi Chemical Corp.**'s **Mitsubishi International Corp.**, as well as returning backers Sears Capital Management and SIM Equity.

Xthetix Inc.

What price beauty? Aesthetics device makers continued to push for an answer in 2006. There were two IPOs in

the sector, **Artes Medical Inc.** and **Thermage Inc.**

And two new companies landed their first rounds: **Aesthetic Sciences Corp.**, which is developing a dermal filler, closed a \$6

XTHETIX INC.

*OTC Nonablative Ultrasound
Skin Rejuvenation*

\$2 MILLION, OCTOBER 2006

3i

million round in November and **Xthetix Inc.** raised \$2 million from 3i a month earlier.

This marks 3i's second investment in the ultrasound platform technology developed by engineering firm Guided Therapy Systems LLC. In December 2005, 3i was the sole investor in the \$5.5 million Series A round for GTS' first spin-out, **Ulthera Inc.** Ulthera is developing nonablative skin resurfacing technology for the professional dermatology market. (See "Ulthera Inc.," *START-UP*, February 2006.)

Xthetix's task is to move the platform into the OTC consumer market. First up is a device for treating acne, but the company's pipeline includes products for skin rejuvenation, hair removal, and treating inflammatory skin disorders. 3i may ultimately be interested in the technology's use in other therapeutic markets: Guided Therapy's initial application—for which it briefly partnered with **Johnson & Johnson**—was to develop minimally invasive ultrasound ablation for cancerous tumors.

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