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*To receive this press release via email, send a message to foss@levinassociates.com

Phone: (800) 248-1668
Fax: (203) 846-8300

Stephen M. Monroe, Partner
Gretchen S. Swanson, Associate Editor

HEALTH CARE VENTURE CAPITAL INVESTORS ON TRACK FOR RECORD YEAR, ACCORDING TO HEALTHCARE CORPORATE FINANCE NEWS

Norwalk, CT—July 11, 2006—More than \$2 billion in venture capital was invested in health care companies during the second quarter ended June 30, 2006. The average deal size was \$20.75 million, reflecting a 29% increase from the first quarter of 2006 and a 26% increase over the year-ago quarter. In each of the top three sectors—Biotechnology, Biopharmaceuticals and Pharmaceuticals—the average deal size was about \$23 million, but in Medical Devices the average deal size was just over \$15 million. Compared with the first quarter of 2006, during the second quarter the total number of deals decreased by 29%, but the total amount of venture capital invested in health care decreased by just 9%.

Health Care Venture Capital Investment Totals By Sector				
<u>Sector</u>	Six Months Ended June 30, 2006		Second Quarter Ended June 30, 2006	
	<i>Number of Deals</i>	<i>Dollar Total, In Millions</i>	<i>Number of Deals</i>	<i>Dollar Total, In Millions</i>
Biotechnology	67	\$1,103.54	33	\$761.92
Medical Devices	56	\$870.65	17	\$260.00
Pharmaceuticals	30	\$868.72	13	\$288.87
Biopharmaceuticals	48	\$845.10	20	\$472.34
Health Care Services & Other	17	\$388.50	3	\$134.50
e-Health	15	\$112.45	11	\$85.15
Total	233	\$4,188.96	97	\$2,002.78

“Even as consolidation is occurring among biotechs, biopharmas and pharmaceutical companies, investors are backing new companies that will ultimately feed the M&A pipeline,” noted Stephen M. Monroe, Managing Editor of Irving Levin Associates. The

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largest deal of the second quarter, and also the second-largest deal so far this year, is the \$100 million round that newly-formed Pelican Life Sciences secured from Grotech Capital Group and Ferrer Freeman & Company. The second-largest deal of the quarter is the \$65 million Series E announced by Merrimack Pharmaceuticals. For the six months ended June 30, 2006, the largest deal, a \$200 million financing, was announced in February by another start-up company, Graceway Pharmaceuticals. Both Graceway Pharmaceuticals and Pelican Life Sciences are pursuing a business strategy based on growth by acquisition.

For the second quarter ended June 30, 2006, biotechnology companies, with \$762 million in funding and 33 deals, secured the greatest amount of funding in one sector as well as the most rounds. In 20 deals, biopharmaceutical companies raised \$472 million. Pharmaceuticals accounted for nearly \$289 million, with 13 deals announced. Medical device companies announced nearly as much funding, \$260 million, in 17 deals. e-Health and other types of companies providing technology solutions or other services to the health care industry account for the remainder of the totals.

Combining the quarters, for the six months ended June 30, 2006, the total number of deals announced is almost the same this year as it was last year, with approximately 230 deals in each six-month period. But the total amount of venture capital committed to health care companies increased by 9% during the first six months of 2006, compared with the first six months of the previous year, and the median deal size for the first six

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months of 2006 posted a gain of 10% over the year-ago period. “At this point it seems likely that for 2006, we will see a record amount of venture capital financing committed to health care companies,” commented Gretchen S. Swanson, Associate Editor of *Healthcare Corporate Finance News*. The most active venture capital investment firms, led by Alta Partners for the second quarter and also for the six months ended June 30, 2006, are ranked below by participation in number of deals.

Most Active Health Care Venture Capital Firms			
<i>The Second Quarter, Ended June 30, 2006</i>	<i>Number of Investments</i>	<i>The Half-Year, From January 1 to June 30, 2006</i>	<i>Number of Investments</i>
Alta Partners Funds	6	Alta Partners Funds	9
HealthCare Ventures	5	New Enterprise Associates	9
New Enterprise Associates	5	Atlas Venture Funds	8
InterWest Partners	4	Novartis Funds	8
ABS Ventures	3	Burrill & Company	7
Amgen Ventures	3	HealthCare Ventures	7
Apax Partners	3	MPM Capital	7
Atlas Venture Funds	3	Pequot Funds	7
Burrill & Company	3	Versant Ventures	7
Delphi Ventures	3	Domain Associates	6
Investor Growth Capital	3	Prism Venture Partners	6
Johnson & Johnson Development	3	3i Group	5
MIG Funds	3	Apax Partners	5
Novo A/S	3	Index Ventures	5
Oxford Bioscience Parnters	3	InterWest Partners	5
Quaker BioVentures	3	Johnson & Johnson Development	5
The Vertical Group	3	Novo A/S	5
Three Arch Partners	3	Sofinnova	5
		Three Arch Partners	5
		TVM Capital	5

Healthcare Corporate Finance News (www.hcfnews.com) reports bi-weekly on financial events in the fast-paced venture capital, private and public equity, and merger and acquisition markets for health care companies. This monthly newsletter and mid-monthly email update is published by Irving Levin Associates, Inc., a leading financial publisher and source of market intelligence since 1948. For more information, please call 1-800-248-1668.

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