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Innovation Factory Launches VC Fund, Accuitive Medical Ventures, With \$35M

By Estee Pierce

With an eye on keeping more of a stake in their portfolio firms, partners at medical device incubator The Innovation Factory have launched Accuitive Medical Ventures, a new venture firm.

Accuitive has raised just over \$35 million in commitments towards its debut fund, AMV Partners, and will look to raise a total of between \$50 million and \$75 million before closing in mid-summer.

Innovation Factory Chairman Tom Weldon, who serves as chairman and managing director of the new fund, said that AMV Partners has received limited partner commitments from The Duke Endowment, Brooke Private Equity Management and Grove Street Advisors, which invested on behalf of the California Public Employees' Retirement System and AlpInvest Partners. Weldon said he expects three or four more partners to invest in the fund before its final close.

AMV Partners will place the majority of its investments in firms that were first incubated within the Duluth, Ga.-based Innovation Factory.

Innovation Factory was founded in 1999, since which time it has launched five device start-ups, including Acufocus Inc., a firm working in the area of presbyopia; Cerebral Vascular Applications Inc., which is focused on atrial fibrillation; LipoSonix Inc., a developer of noninvasive cosmetic body shaping technology; NeoVista, which is working on a brachytherapy device for the treatment of Age-related Macular Degeneration; and Neuronetics, which focuses on therapies for disorders of the central nervous system.

The common thread between the portfolio firms, Weldon said, is that they all cater to major market indications. "The market has to be potentially \$500 million per year, otherwise The Innovation Factory has no interest and neither does Accuitive. They're all very big-idea companies."

All these firms have been funded through a venture syndicate agreement between the incubator and three veteran VC investors: The Carlyle Group, Versant Ventures and Schroder Ventures Life Sciences. Under this deal, affiliated venture investors have had exclusive access to Innovation Factory deals through the Series B round, after which point the portfolio companies may open rounds to 'outside' investors.

"We have had founding stock when we formed each of these companies, but we get diluted constantly with the venture investments, and eventually a management team is brought in and they get equity too," Weldon said.

Going forward, he said, AMV Partners will provide 10% of the early funding for start-ups within the Innovation Factory incubator, with members of its affiliate syndicate each chipping in 30% of the additional capital. AMV will have the option to continue to make investments as these companies peel off into standalone firms. "We were interested in trying to obtain and keep more equity, and the only way to keep it was to bring something to the table that we weren't already doing," Weldon said.

AMV's investment activity will also be focused on other sorts of co-investment opportunities with Carlyle, Versant and Schroder, as well as on outside venture opportunities. "They're not hard and fast rules, but that is the objective," said Weldon.

So far, the fund has invested in two Innovation Factory portfolio firms, Neovista and LipoSonix, with plans in place to invest in as many as five firms before an annual meeting in September. AMV Partners will slow eventually down its pace and look to invest in a portfolio of 10 start-ups over a three-year timeframe.

<http://www.amvpartners.com>