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News

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Continuum co-develops portable analyzer for monitoring AIDS in developing countries

LabNow Inc., a company with a promising device to help monitor AIDS patients, has raised \$14 million from a wide range of investors, including billionaire George Soros. It's the largest first round of funding ever raised by a company commercializing University of Texas research and the biggest initial round invested in an Austin company this year.

In addition to Soros, backers include Austin Ventures and several individual Central Texas investors.

LabNow's technology, which could help treat AIDS by bringing a vital test to the field in places such as Africa, has generated worldwide interest because it is more portable and cheaper than current equipment. Doctors can use the device to monitor the levels of a white blood cell called CD4 in HIV-positive patients and adjust their medication.

The device is based on technology developed by UT researcher John McDevitt.

Soros was the company's largest investor, putting in \$7 million. Austin Ventures invested more than \$3 million. UT owns 10.5 percent of LabNow and will collect royalties from the sale of the devices.

UT already has spent about \$18 million on research over eight years to develop the technology. Nonprofits, including the Bill and Melinda Gates Foundation and the Doris Duke Charitable Foundation, helped finance the development. The Gates foundation gave \$2 million; the Duke foundation gave \$200,000.

The company raised twice as much venture backing as it expected.

"We started out by saying that if we raised \$7 million, we would be close to getting (the device) on the market," said LabNow CEO Richard Hawkins.

The additional funding will help LabNow distribute the device to more areas, he said.

"We're going to where this device is needed most then followed by deployment in the U.S. and Europe," Hawkins said. The areas where it is needed most include China, Mexico and South Africa.

Although Soros has a history of social investing, LabNow's product has plenty of raw financial appeal.

"It definitely serves an altruistic purpose, but that doesn't mean it is not intended to be a profitable company," said Venu Shamapant, a partner at Austin Ventures. "The neat thing about what the company is doing is that the breakthrough is of such a huge dimension."

LabNow sparked huge interest when it showed off its technology in Bangkok, Thailand, at the

International AIDS Conference in July. The current method to measure CD4 counts involves a refrigerator-size machine that costs \$75,000.

As a result, patients in many developing countries don't have access to a test that can help their doctors effectively prescribe medication to manage the disease.

About 38 million people worldwide are infected with HIV, according to United Nations estimates. As drugs become less expensive and more accessible, LabNow's device could help doctors treat those infected.

LabNow's device is expected to be the size of a toaster or smaller. Hawkins said he plans to make the device available at \$750, with each test card costing about \$5.

"We're going to attempt to subsidize the cost and practically give them away in (developing countries)," Hawkins said.

LabNow plans to sell the device to clinics in developing countries and to nonprofits that work on AIDS issues.

Hawkins said he hopes to have the device rolling off the assembly line by July 2005 and to have 20,000 made in the first year. Production will be handled by a contract manufacturer.

That will be the biggest challenge for the company, Shamapant said. "It is innovative science, and the demand is there. But the question is: How do I build a million of those biochips?" he said.

In the United States, the company needs Food and Drug Administration approval to sell its device, but regulatory hurdles are lower in other countries. Hawkins is currently testing the device in Durban, South Africa.

"We are going to look at what it's actually like to pack up instruments, get on motorcycle or get on a Jeep, drive four to six hours to some village and make sure we can test patients," said Eric Cohen, vice president of program development at Design Continuum Inc., a product design consulting firm that is working with LabNow.

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