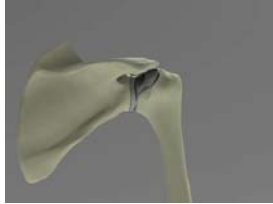


## Angels invest in local medical device startup

Laura Layden, Naples Daily News

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(Photo: Submitted Photo)

A Naples-based investment fund has bet its money on the success of a local orthopedic medical device startup.

The fund, Tamiami Angel Fund II, or T2 for short, has invested nearly \$1 million in Catalyst OrthoScience to help the company ramp up the production of what it describes as a "breakthrough product" for shoulder-replacement surgery.

"The product we feel is revolutionary, not evolutionary. And we liked the progress that the management team had made," said Tim Cartwright, chairman of Tamiami Angel Funds.

Steven Goldberg, chief of orthopedic surgery at Physicians Regional Healthcare System in Naples, founded Catalyst OrthoScience in December 2014. He started developing his product, called the Catalyst CSR Shoulder System, about four years ago. He has several patents for the device and others pending.

The device, which can fit in the palm of a hand, is made of two materials: a metal alloy, cobalt-chromium-molybdenum, and ultra-high molecular-weight polyethylene. It's in the shape of a shoulder. Used with a new surgical approach, the implant requires less bone removal than other procedures for arthroplasty, or joint replacement.

T2 invested \$930,000 in Catalyst OrthoScience. The fund was the lead investor in a \$3.3 million Series A capital raise. Series A refers to the first significant round of capital raised from outside investors, and it's the largest such raise in Southwest Florida this year, according to the MoneyTree Report from PricewaterhouseCoopers LLP.

Other investors in the new company include IrishAngels, a Chicago-based group whose members have ties to the University of Notre Dame.

Catalyst OrthoScience is one of two Naples-based companies T2 has invested in, and it's one of the fund's largest investments in a first round.

Investor dollars will go toward building inventory, beefing up sales and marketing, and completing the management team, Cartwright said.



Timothy J. Cartwright (Photo: Submitted Photo)

"I think it's an example of the types of companies that are the future for Naples and Southwest Florida in knowledge-based industries," he said. "Of course, Arthrex, from this industry's perspective, is a perfect example of that — and a huge example."

Florida ranks second in the nation for medical device manufacturing locations registered with the FDA, with more than 660, which have nearly 21,000 employees, according to the Florida Medical Manufacturers Consortium.

The state's life sciences industry is made up of nearly 6,000 companies, which support 83,000 jobs, according to BioFlorida, an industry trade group.

The U.S. Food and Drug Administration recently approved the use of Catalyst OrthoScience's device in live patients. Since the approval last month, Goldberg has implanted the device in more than half a dozen patients. Soon other doctors will be trained on the product and how to do the surgery.

Bob Kaufman, a member of T2 and head of health care investing for Tamiami Angel Funds, also invested individually in the new company. He's now the company's chairman.

Asked why he liked the business so much, Kaufman said: "It's a very rapidly growing space. Shoulder surgery is growing very quickly. So there is a lot of opportunity for a new device."

Shoulder surgery is a \$700 million a year market in the U.S., and it's rapidly growing, he said.

"It's projected to be a billion dollars in just a few years," Kaufman said. "So it's a very good market, and that is in the U.S. alone. There is much more than that if you include the whole world."

Before Goldberg pitched his company to T2 for funding, he'd already hired Stephen Herrington, a 27-year veteran of the medical device industry, as his CEO. Herrington is a former senior executive with Biomet, which became part of the medical device giant Zimmer Holdings last year.

Catalyst OrthoScience has struck an agreement with a global partner that will manufacture its device, Herrington said. There may come a time when the company will own its own manufacturing plant and make its own product here, he said, but for a startup, the costs of doing that are too tremendous.

The new product will be beneficial to many patients because there is less stretching of muscles and ligaments involved in the surgical approach to implant it, Herrington said.

"The thing that differentiates this is it is very streamlined," he said. "What we've seen so far with our interactions with customers is they can get up to speed very quickly. It's a very intuitive system, very streamlined and very straightforward."

Down the road, Herrington sees the possibility for the company to add more products and procedures to its offerings.

"We are actually going to work with a group of surgeons," he said. "We've already got a group of surgeons lined up, so we are actually getting new ideas coming in every day that we are considering. We could very well expand into other markets."

Catalyst OrthoScience is the 15th company Tamiami Angel Funds has invested in. The first two funds have invested nearly \$9.5 million in early stage companies over the past five years including add-on dollars from its individual members. This will be the last company T2 invests in, with most of that fund's money gone.

There are plans for a third angel fund, with a first meeting about it scheduled for October. The size of that fund has yet to be determined.

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