

## Medical start-up grows as cash rolls in

**Despite tough economy, Charlotte's US HIFU, which treats prostate cancer, has attracted venture capital.**

By Tony Mecia  
tmecia@charlotteobserver.com  
Posted: Wednesday, Nov. 11, 2009  
[www.charlotteobserver.com/business/story/1048832.html](http://www.charlotteobserver.com/business/story/1048832.html)

Steve Puckett Jr. has a different background than a lot of Charlotte CEOs. He majored in history. He's just 28.

Yet from his company's office on Morehead Street near uptown, Puckett in just five years has built a company that's attracted hard-to-find venture capital and is taking a novel approach to treating prostate cancer. Health officials have not approved the treatment in the U.S., but it's available in 33 foreign countries, and insurance companies sometimes cover it.

The experience of Puckett's company, US HIFU (pronounced "HIGH-foo"), shows that despite an economic downturn and a potential overhaul of the nation's health care system, some start-up companies are still able to attract outside capital and continue growing.

US HIFU also is a rare Charlotte-area example of a medical technology company. Most such N.C. companies are based in the Raleigh-Durham area, where they're closer to major research universities.

"It might be odd to be in Charlotte," Puckett says, "but Charlotte is an extremely desirable place to be."

Fresh out of Vanderbilt University, Puckett founded US HIFU at age 23 in 2004. It was an outgrowth of his work with his father, Steve Puckett, who founded Charlotte-based hospital operator MedCath Corp.

The company started with three employees. It now has 55.

US HIFU arranges to treat prostate cancer patients overseas with a device, the Sonoblade 500, that shoots ultrasound waves at cancer cells. The company says that's a cheaper treatment than the two traditional ways to treat prostate cancer - radiation or prostate removal - and that it can have fewer side effects. The treatment is undergoing clinical trials for approval in the U.S., a process that could take around two more years.

For now, patients fly with their urologists to countries where the procedure is approved - such as the Bahamas, Mexico or Canada - and pay US HIFU. The procedure costs \$25,000 to \$30,000.



CEO Steve Puckett Jr., 28, of US HIFU with his Sonoblade 500 medical device that's used to treat prostate cancer.

### More Information

Steve Puckett Jr.

Job: CEO, US HIFU.

Age: 28.

Education: Vanderbilt University (history major).

Background: Helped launch Hospital Partners of America, hospital operator, before founding US HIFU in 2004.

The company says it just about breaks even financially, even though it's sinking plenty of money into research and development. The company projects it will have 2009 revenues of between \$15 million and \$18 million.

Dr. Samuel Peretsman, a urological oncologist with Urology Specialists of the Carolinas in Charlotte, says the procedure fits into a line of medical treatments that start abroad then migrate to the U.S. after additional study. Lithotripsy, a treatment for kidney stones, started that way in the 1980s, he said.

An estimated 540,000 Americans went outside the U.S. for medical treatment last year, a figure expected to triple by 2012, according to a Deloitte study published last month. Experts say patients should talk with their U.S. doctors before leaving the country for a medical procedure.

Peretsman recommends the treatment for certain patients and says "people have been extremely happy with it."

"It's a rapidly growing technology, it's getting increasingly popular, and the early results are looking very good," he says. "Like every new technology, time will prove if it is as good as we think."

Another physician with Urology Specialists who treats prostate cancer, Dr. Daniel Watson, says he doesn't initiate conversations about the treatment with his patients - but he'll discuss it if they ask. He says urologists have been hesitant to recommend the procedure because it's not approved by the Food and Drug Administration, and he's waiting to see more conclusive data before advocating it for patients.

US HIFU has been successful in raising money, and it has just started seeking its second round of funding.

Last year, Galen Partners, a private equity firm from Stamford, Conn., that focuses on health care companies, invested \$23 million for a minority stake in US HIFU.

David Jahns, Galen's managing director, says his firm found it to be an attractive investment because prostate cancer is a huge market and that US HIFU's treatment shows promise. He also said he liked the company management's track record.

Raising money, even in the growing health sector, is harder to come by nowadays.

Health care venture capital fell 28 percent in 2008, to \$7 billion, according to Healthcare Corporate Finance News, an industry publication.

Sandy Steever, editor of Health Care M&A Monthly, says venture capital and private equity firms are looking closely at business models that produce revenue, as opposed to simply investing in technologies that hold promise. Still, health care remains an active field for deals, because investors are betting that they can make money out of that industry more easily than in, say, energy or retail, he said.

For now, Puckett says he's focused on growing the company. He says it's gaining momentum, is poised to have a strong fourth quarter and keeps adding urological luminaries to its board - a lineup that includes professors from Johns Hopkins University and the University of California at Los Angeles.