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# LabNow gets \$20 million investment

## Cash infusion to help develop device used in AIDS treatment

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AMERICAN-STATESMAN STAFF  
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LabNow Inc., an Austin biotech company that has developed a portable device that will help treat AIDS patients in Africa and Asia, has secured an investment of \$20 million.

The company, which was on a shoestring budget only seven months ago after spending its initial \$14 million investment, now has a "chance to do everything we had hoped with this money," CEO Rick Hawkins said. "This is very exciting for us."

The lead investor is Dallas-based Sammons Enterprises, with additional money from Austin Ventures and local private investors.

Hawkins said the \$20 million will help the company establish a manufacturing line and conduct clinical trials necessary to win Food and Drug Administration approval for its toaster-size device that can analyze a drop of blood.

Although the technology can be used for many diagnostic purposes, the initial focus is monitoring a particular type of white blood cell in AIDS patients called CD4 lymphocytes, a key factor in determining whether drug treatments are working or need adjustments. Hawkins hopes to sell the device to nonprofits, universities and businesses in African and Asian countries first.

LabNow's device is a lower-cost alternative to current equipment that will transform the way AIDS is managed, Hawkins said.

"We put together a business model that shows investors ... a very good return on their investment," Hawkins said, "even though it's a Third World application."

But "most venture funds automatically reject the idea that they are going to invest in anything" destined for countries in Africa, Hawkins said.

LabNow has had a roller-coaster history since its founding in 2004. Its technology was invented by University of Texas chemistry professor John McDevitt and his colleagues in 1996.

After several failed attempts to commercialize the technology, the university lured Hawkins, a respected entrepreneur with a successful track record, out of semiretirement to launch LabNow.

The company had a promising beginning, making a splash at an international AIDS conference in Bangkok, Thailand, and raising \$14 million from backers that included billionaire George Soros and Austin Ventures.

But by March 2007, LabNow faced difficulties when a second round of financing from a backer fell through. The company was surviving on a \$5 million bridge loan, which was rolled into the current \$20 million investment.

Hawkins, who has founded and sold three pharmaceutical companies, had to lay off several employees, and it was unclear if LabNow could bounce back.

"Six months ago, what's the chance this is going to work out?" said Neil Iscoe, director of the Office of Technology Commercialization for the University of Texas. "Betting people probably wouldn't have been betting."

Iscoe said Hawkins and his team managed to keep things going against long odds. "Rick is a passionate entrepreneur," Iscoe said.

"It's a credit to the organization for not giving up," said McDevitt. "Rick is a former football player, and I guess he's used to the discipline of exercise and working through hard parts."

Hawkins has spent the past few months trying to persuade venture capital and investment firms that LabNow can be a success.

Investors give startups money in exchange for a stake in the company. That investment is often returned through a sale of the company or an initial public offering.

Sammons, the new lead investor in LabNow, thinks the company will be a good bet.

"The health sciences sector is an emerging investment interest for Sammons," said CEO Robert Korba.

"We are impressed with the promise it shows to make a positive impact on health care around the world. LabNow presents a compelling case to focus on CD4 testing in Third World countries."

LabNow is moving into new offices in North Austin, where it can build a research and development facility. It is also hiring three more employees.

In the next 12 to 14 months, Hawkins said, LabNow plans to complete a manufacturing line and finish three sets of clinical trials, submitting an application for approval. Bank loans or other sources will be tapped to bring the final product to market, he said.

Hawkins said one of his goals is to keep LabNow based in Austin. One question mark is where the company will build its manufacturing facility.

McDevitt said LabNow's trademark discipline is going to come in handy as the company prepares to turn his invention into a full-fledged business.

"This next \$20 million is going to be just a huge opportunity for LabNow to further accelerate," McDevitt said, adding that LabNow has winnowed down what it needs to accomplish in the last few months. "Sometimes you just need to take a breath and have the adrenaline go away and think critically about what needs to be done, and that happened."

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