Apnex taps Boston Scientific vet as CEO

Mass Device

By Thomas Lee *[1]*

Apnex Medical Inc. [2], a St. Paul, Minn.-based start-up developing technology to treat obstructive sleep apnea, named Charles McKhann as its new CEO.

McKhann, who previously served as a global vice president of marketing for Boston Scientific Corp.'s (NYSE:BSX) cardiac rhythm management division, replaces founder and executive director Robert Atkinson. While at Johnson & Johnson (NYSE:JNJ), McKhann helped oversee the global launch of Cypher, the first drug-eluting stent.

Apnex is developing an implantable device that uses electricity to open clogged airways when a patient sleeps. Specifically, the device stimulates a nerve that forces the tongue to push forward, allowing the patient to breathe easier. Inspire Medical Systems Inc. [3] of Brooklyn Park, Minn., a start-up that spun out of Medtronic Inc. (NYSE:MDT), is working on similar technology.

"There is a real, unmet clinical need out there," McKhann said a brief phone interview. "There is a real need for a better therapy. Apnex has made incredible progress in a short period of time."

Neurostimulation is a relatively new method to treat OSA, a condition that affects an estimated 30 million to 40 million people in the United States. OSA sufferers can't get enough oxygen during sleep, causing them to frequently wake up. Studies show that severe cases of OSA can even cause obesity, high blood pressure and cardiac arrest.

Investors say OSA is a vastly under-served market [4]. For one thing, many people don't necessarily know they have it because the symptoms are seemingly harmless: Snoring, daytime drowsiness. In 2006, only 17.4 percent of patients with moderate to severe cases of OSA received treatment, according to Canaccord Adams Investment Research. The group estimates the global sales of sleep-therapy devices will hit $3 billion in 2010 compared with $1.5 billion in 2006.

McKhann's arrival signals a new stage of development for Apnex. Last month, the company released preliminary data from the first human clinical trials of the device in Australia. In December, Apnex raised another $14 million from its investors, including local medical device entrepreneur Mike Berman, Domain Associates [5], New Enterprise Associates [6], and Polaris Venture Partners [7]. The company's total venture financing is $30 million.

The company said the three- and six-month data shows the device reduced the severity of OSA by an average of more than 50 percent as measured by the apnea-

hypopnea index. AHI measures the number of times per hour that a person either stops breathing or has restricted breathing during sleep.

“The company has established the basic framework,” McKhann said. “We now need to do the heavy lifting and figure out how to commercialize it.”

Apnex’s next steps are to conduct a full scale pivotal trial and earn regulatory approval in overseas markets, such as winning the CE Mark in Europe, he said.

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