

## **Medtronic to Acquire Privately Held Twelve Inc.**

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Medtronic PLC's \$458 million acquisition of California startup Twelve Inc. is the latest example of how the company is taking advantage of the tax benefits it gained after reincorporating overseas earlier this year.

Medtronic moved its headquarters to Dublin from Minneapolis after acquiring Dublin-based Covidien PLC for \$43 billion. That move allowed the medical-device maker to spend more of its overseas cash in the U.S. without having to pay U.S. tax on it--a perk Chief Executive Omar Ishrak has said Medtronic would use to help it acquire U.S. technology.

The U.S. Treasury has criticized companies for trying to "avoid U.S. taxes" through such so-called "tax inversions," and tried to discourage them by closing legal loopholes.

Twelve Inc., a privately held firm based in Redwood City, Calif., is developing a device aimed at repairing faulty mitral valves in the heart, which can contribute to congestive heart failure. The device hasn't yet reached the market. Medtronic agreed to pay \$408 million upfront and another \$50 million upon the device's regulatory clearance in Europe. Twelve's investors include the venture-capital firms Domain Associates, The Foundry, Morgenthaler Ventures, Split Rock Partners and Versant Ventures

Medtronic rivals Edwards Lifesciences Corp. and Abbott Laboratories have also recently acquired startups developing heart-valve technology similar to Twelve's, Wells Fargo said in a research note.

In June, Medtronic acquired Aptus Endosystems Inc. of Sunnyvale, Calif., for roughly \$110 million. It also bought Cleveland-based CardioInsight Technologies Inc. in a deal valued at \$93 million. Last month, the company agreed to acquire RF Surgical Systems Inc. of Carlsbad, Calif., for about \$235 million.

Twelve is the second firm Medtronic has bought in recent years that was originally established by The Foundry, a business incubator in Menlo Park, Calif. In 2010, Medtronic acquired Ardian Inc., another Foundry startup, for \$800 million upfront plus milestone payments. Both Twelve and Ardian were run by Chief Executive Andrew Cleeland, vice chairman of The Foundry.

Mr. Cleeland and The Foundry didn't immediately respond to requests for comment.

The Ardian acquisition so far has failed to pan out. Medtronic last year was forced to take a \$236 million pretax write-down on Ardian assets, after the startup's experimental hypertension treatment failed to perform adequately in a large clinical trial. Medtronic has begun two new clinical trials of the technology and says it still views Ardian as a "strong strategic acquisition."

--Ezequiel Minaya contributed to this article.

<http://www.medtronic.com>