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At Fig., growth comes with stretch marks

St. Louis Business Journal - by [Christopher Tritto](#)

Despite Fig.'s blistering growth rate and recent injection of \$10 million in venture capital, executives and customers of the cosmetic fat-busting company are encountering more bumps than just love handles and saddle bags.

The Better Business Bureau's St. Louis office has received more than 100 customer complaints about Maryland Heights-based Fig., formerly known as Advanced LipoDissolve, since March 2006. Missouri Attorney General Jay Nixon's office has logged 37 complaints since Fig. opened its first clinic in Chesterfield in 2005. Another dozen or so complaints have been filed with Nixon's counterpart in Kansas in recent months. The calls and reports range from cases involving painful side effects of treatment to a lack of cosmetic results to delayed refund payments associated with the firm's money-back guarantee.

Perhaps most significantly, the Kansas State Board of Healing Arts issued a regulation in August that would prohibit LipoDissolve treatments there except in cases of physician-administered drug trials. Although a judge blocked the regulation last month and remanded the regulation back to the board for further review, a successful ban in Kansas or elsewhere could effectively put Fig. and other LipoDissolve providers out of business in those states.

Rob Semaan, Fig.'s chief executive, said the company is addressing issues raised by consumers, and that Fig.'s investors remain confident in the business and its projected growth.

"Members of Fig.'s executive team have met personally with the Better Business Bureau in a proactive manner and are working to immediately resolve all outstanding complaints," Semaan said. "The demand for Fig.'s medically supervised body shaping procedure has been overwhelming, generating more than 20,000 patients to date, which has led to some organizational challenges in our rapidly growing company. We acknowledge that the demands on our resources have outpaced our ability to respond in a timely manner, which unfortunately sparked complaints to the organization."

Scott Thomas, a BBB trade practice consultant, said that on the whole, Fig. has been responsive to customer complaints. Of the approximately 100 complaints filed, about a dozen remain open. Most of the open cases are situations where a customer has maintained his or her position but Fig. has not yet issued a refund or resolved the case in some other way, Thomas said.

LipoDissolve involves local injections of a chemical compound called phosphatidylcholine



BRIAN CASSIDY

Fig. oversees 16 centers nationwide from its Maryland Heights headquarters.

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deoxycholate, which destroys fat cells. Fig. and other providers market the treatment for "body shaping" to help patients get rid of specific problem areas, such as stubborn fat deposits under the chin or on the arms, waist and thighs.

The chemicals and procedures involved are not approved by the Food and Drug Administration (FDA) for cosmetic fat removal, and no clinical trials have been completed to determine their safety and efficacy for cosmetic use. The drugs may be used for this purpose, however, under a federal law that gives doctors the right to order ingredients mixed by a compounding pharmacist to treat an individual's health needs.

Mark Stafford, general counsel for the Kansas State Board of Healing Arts, said his board is not only concerned LipoDissolve has not been subjected to the scrutiny necessary for the approval or disapproval of a new drug, but also argues the protections given to drug compounding are being abused in this case.

Drug compounding has traditionally been authorized so a physician can order a unique product for an individual patient based on unique circumstances, Stafford said. But for LipoDissolve treatments, the drug mixtures are made up ahead of time in large batches for uniform injection into every customer treated by Fig. and other providers, he said.

"If it is simply ordering the same thing each and every time, in my view, that is not compounding," Stafford said. "That is manufacturing, and the drug should have to be approved."

On Sept. 4, the FDA gave the green light to the research arm of the American Society for Aesthetic Plastic Surgery (ASAPS) to initiate a small-scale clinical trial to investigate the safety and efficacy of LipoDissolve. St. Louis plastic surgeon Dr. V. Leroy Young is chief investigator for the study, which will follow patients for 46 weeks to evaluate how well the treatment works and collect information about patient reactions and any long-term complications.

"Although there are clinical reports of significant and positive results, they are all anecdotal, and unfortunately there is currently insufficient scientifically valid evidence to support the long-term safety and efficacy of injection lipolysis," said Dr. Alan Gold, president of the society, in a statement. In the meantime, ASAPS warns against the use of injection fat-loss treatments, telling consumers "Don't allow yourself to be injected with an unknown and untested substance."

Despite some health concerns and business complaints, however, demand for LipoDissolve is on the rise. LipoDissolve and similar injection lipolysis procedures were performed in 2006 on 28,901 Americans, six times the number performed the previous year, according to statistics compiled by the ASAPS.

Privately held Fig., one of the largest LipoDissolve providers in the country, has grown to three centers in the St. Louis area and 16 across the United States since opening its first office here two years ago. The company employs 500 people nationwide and is on track to have 20 or more centers in operation by the end of this year. Executives have said Fig. spends about \$1 million to open each center.

Semaan became an early investor in the firm when he was brought in as chief executive in 2005 by co-investor and business partner Robert Moore, who died of colon and liver cancer April 1.

Semaan and Moore previously founded the now-defunct software firm 321 Studios, which was forced to close in 2004 following lawsuits by movie studio and video game companies over the DVD-copying software it had been selling. Prior to launching 321, Semaan was a founding partner in Access US, which became one of the area's largest Internet service providers before filing for bankruptcy in 2004.

Fig. does not disclose its revenue, but each center can perform hundreds of procedures each week, and a normal course of six LipoDissolve treatments over 12 weeks costs about \$2,400, according to the company. If 20,000 patients have spent roughly that much each, that would mean Fig. has generated some \$48 million in revenue over its first three years in business.

Fig.'s growth is part of a broader boom for businesses offering cosmetic treatments. Americans underwent a total of 9.1 million minimally invasive cosmetic procedures in 2006, an increase of 8 percent compared to the previous year and 66 percent since 2000, according to the American Society of Plastic Surgeons (ASPS). Botox injections, the leading minimally invasive cosmetic procedure in the United States, were performed 4.1 million times last year, a 420 percent rise since 2000. Combined with plastic surgery, Americans spent \$11.4 billion on cosmetic procedures in 2006, according to the ASPS.

The demand for such procedures is drawing the attention of venture capital firms like never before. Last year, about \$130 million in venture capital was invested in cosmetic medicine, up 217 percent from roughly \$41 million in 2005, according to statistics from the National Venture Capital Association reported in the Wall Street Journal.

Fig. is no exception. This summer the company landed \$10 million in funding from Bessemer Venture Partners of Larchmont, N.Y., after Bessemer purchased a minority share in Fig. earlier this year. Bessemer is a significant player in venture capital circles and has about \$1 billion under management, sources said. It is primarily focused on information technology, health care and consumer retail businesses. Sources said Fig. is actively seeking additional venture funding.

Rob Stavis, managing partner at Bessemer, could not be reached for comment by this story's deadline. But some venture capital sources, who spoke on condition of anonymity because they are familiar with Fig. and its executives, said Bessemer may be taking a higher risk with Fig. than that with which they would be comfortable.

"Venture capital is all about assessing risk, and certainly in the life science world the FDA is a very big part of our risk assessment," said one local venture capital investor. "My plastic surgeon friends say (LipoDissolve) clearly works sometimes, but what is lacking is a study that shows 'X' number of patients see results. Most venture capitalists would want to have a successful clinical study before launching such a large commercial operation."

Another venture capital investor noted that many of the customer complaints Fig. faces appear to reflect poorly on the company's fundamental retail strategy and business practices more than the unpleasant side effects related to LipoDissolve treatments.

Many venture capital firms are willing to gamble, however, in the hope of scoring big with customers ready to fork over big bucks to take a risk themselves.

"Would you be willing to endure pain, bruising and swelling for a subtle improvement and a good chance you'll be disappointed with the results?" one venture source said. "Many people are. It's a testament to people's willingness to spend money for vanity purposes and to look better."

Julia M. Johnson contributed information for this story.

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