

Job growth is goal of Israeli 'co-location'

BY:[DOUGLAS J. GUTH](#) Senior Staff Reporter

About two-dozen Israeli technology companies are connected to Cleveland, estimates Baiju Shah, president and CEO of the locally based nonprofit biotech accelerator group BioEnterprise Corp.

That connection can be as minimal as a post office box for an Israeli company at the Beachwood Chamber of Commerce. Or it can be as connected as MDG Medical Inc., which Shah believes stands as a truer litmus test of what a successful business bond between Israel and Northeast Ohio should be.

MDG, a leading provider of automated medication dispensing systems, recently raised \$14 million in equity and debt to pay for its marketing and sales development, reports CEO Mark Saffran. The investment, led by two New York-based firms, will enable MDG to increase these efforts in the U.S., Europe and the Middle East.

"We have experienced steady organic growth in the past several years," says Saffran in reference to the 180 dispensing systems sold in the U.S. and abroad and the \$6 million the company accrued in sales revenue last year. The influx of capital from the recent investment round will help "accelerate that growth."

In addition, the small company is providing high-paying white-collar senior management and software development jobs. Six people are currently employed at MDG; Saffran expects that number to double in the next year or two.

Since Cleveland is no Silicon Valley, he adds, it is necessary to attract a number of smaller high-tech companies with the growth potential to make an economic dent on the region.

MDG, whose target market is smaller, rural healthcare facilities, represents one of Israel's first "co-located" companies within the region. The company was started in Tel Aviv in 2000 and moved its headquarters to Cleveland a year later, keeping its research and development staff in Israel.

Economically impactful co-locations from Israel to Northeast Ohio (like MDG) are rare, admits BioEnterprise's Shah. While there are currently several co-located firms that he believes could be a financial "home run" for the area, it takes seven or eight years from the initial point of investment before any real progress is realized. This is especially true for a region like ours that is still relatively new to the biotech game.

In addition to its work with Israeli firms, BioEnterprise has recruited more than 70 companies to Cleveland, generating more than \$85 million in revenue. These companies have attracted more than \$625 million in new funding within the region.

The bioscience industry is quickly becoming the state's largest economic sector and is already its primary job creator, says Shah. In February, Gov. Ted Strickland proposed a \$300 million investment in the biosciences as part of his \$1.7 billion "Building Ohio Jobs Plan."

The ultimate goal for companies from Israel and elsewhere is to achieve sustainability outside the protective corridors of BioEnterprise or the Beachwood Chamber's Business Development Center; the latter is a 7,100-square-foot incubator, offering office space, banking, marketing and management assistance to help jumpstart small- and medium-sized companies.

Sustainability leads to local job creation, notes Shah. One example is a former BioEnterprise tenant: Symbionix USA Corp., an outgrowth of Symbionix Ltd. in Tel Aviv. It is a developer of interactive medical simulators and simulation software to train physicians in a wide array of minimally invasive therapies. About 65% of the firm's manufacturing is done in Northeast Ohio, including two product lines in Eastlake.

Job growth is also the goal of the recently formed partnership between Cleveland's BlueBridge Networks and the Tel Aviv-based Med-1. The respective firms are teaming up to provide reciprocal data center services for companies that conduct business in both Ohio and Israel.

BlueBridge, founded in 2004 by CEO Neil Adelman and located downtown in the Sterling Building, secures its clients' computer data and IT assets so they remain available before, during and after a crisis. Med-1 is the leading supplier of IT infrastructure outsourcing and data center solutions in the Israeli market.

Adelman, 43, believes the collaboration will foster further economic activity between Northeast Ohio and the Jewish state. The attraction of "mirrored" data systems on both sides of the ocean, he explains, will give the region an infrastructure-based advantage in drawing high-end Israeli companies searching for a foothold stateside.

Another BioEnterprise venture, EarlySense Ltd., a Ramat Gan-based company that makes sensors designed for early detection of medical problems, is conducting pilot tests in Boston; it may open an office there or in Cleveland.

Bridge Investment Fund L.P. participated in a \$4.8 million financing round for the company in late 2006. Bridge managing partner Michael Goldberg, a Cleveland resident, is aiming for a second pilot test of EarlySense Ltd.'s technology to take place locally.

Bridge, a Cleveland-based venture capital firm, has made three investments in Israeli bioscience companies and is close to closing on a fourth, notes Goldberg. Its main target industries are biomedical, advanced materials and polymers.

Faced with its limited domestic market, Israel sees America as a commercial outlet for newly developed technologies with an extensive support system for startup companies, remarks the young investor. The Cleveland Clinic is an "easy sell" for Israeli companies looking to test their wares in the U.S.

However, landing a company beyond clinical trials is a more difficult task, Goldberg admits. BioEnterprise, where Bridge has an office, does not mandate that an Israeli company must co-locate in Cleveland to receive assistance.

Therefore, Goldberg stresses the importance of "proving to companies the value of Cleveland." After clinical trials, the next step in attracting Israeli firms is connecting them with local partners that can assist in sales and marketing. The city must also prove it has qualified talent to competently staff a co-located company's local headquarters.

"The challenge is having patience," Goldberg admits.

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