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BioEnterprise draws funds for Midwest health startups

Midwest companies reach high of \$792m VC in 2006

By G. Venkat Ganeshan

CLEVELAND — In a recent survey conducted by Midwest Health Care Venture Investment, health-care startups in the Midwest region raised \$792 million in total investments in 2006. And among the major Midwest cities, Cleveland was ranked fourth in investment raised.

One of the key factors for Cleveland's success is BioEnterprise, a company started in 2002 to develop early stage health-care companies, such as biotechnology and medical software businesses, in the Cleveland region. BioEnterprise, which is headquartered in Cleveland and run by president Baiju R. Shah, provides startup companies with management support and helps them secure venture capital.

BioEnterprise was formed by the joint efforts of Cleveland Clinic Innovations, Case Office of Technology Transfer, University Hospitals Case Medical Center: Center for Clinical Research and Summa Enterprise Group.

Shah was a founding member of the effort and was quickly promoted to BioEnterprise president.

"In Cleveland, we had tremendous health-care companies," Shah, 35, said. "We also had industry leaders and well-known global firms like Philips Medical, but what we were missing were dynamic health-care startups. A vibrant pipeline of business was missing."

BioEnterprise filled the need by helping companies recruit management, develop strategic partnerships and inform about the various industry and clinical norms needed to raise venture capital.

"Back in 2001 and 2002, each year, we had about \$30 million in venture capital across all the companies in Cleveland," Shah said. "In the past year, we had \$125 million in venture capital. That was four times more than what we had before BioEnterprise was started."

Similarly BioEnterprise has also achieved staggering growth. Initially, the firm only worked with four to five companies a year. In recent years, it is averaging 20 companies a year. All told, BioEnterprise has helped raise \$325 million in venture capital.

The firm now has a staff of 20 and a \$4 million annual budget. Shah believes BioEnterprise can make Cleveland a hub of health-care startups.

"The association with BioEnterprise has only helped companies grow even more," Shah said. "Most of our companies certainly achieved milestones that include phase two clinical trials and Food and Drug Administration approvals."

One of BioEnterprise's clients, Cleveland Biolabs Inc., went public last year. Another company, Ris Logic



Baiju R. Shah

Inc., was successfully acquired in 2003. And BioEnterprise helped facilitate the transactions.

"All of our clients are achieving sales at this point," Shah said. "PartSource was named to Inc. 100 fastest growing in America. Also another better indicator of growth in the Cleveland region is that there is a spurt in venture capital from Cleveland. Now we have investors from Boston to Palo Alto in California lining up to fund companies in the Cleveland region."

"Now investors are willing to look outside of the East and West coasts," he added. "The Midwest is a fertile area for new startups and investors are discovering that as they look for new deals. They are now faced with options like, 'Should I look for an okay deal in Boston or should I fund a great venture somewhere else?'"

Shah said BioEnterprise maintains privileged contact with a network of investors.

"We listen to our investors," Shah said. "Get to understand where they want to invest, including the type of management they prefer, and we provide much focused advice to our entrepreneurs. Some of our companies that come our way have already have experience in getting venture capital while some are first-time entrepreneurs that we assist."

What is unusual about BioEnterprise is that it provides its services for free. The company is funded by several Cleveland foundations.

"We are uniquely set up as a not-for-profit organization," Shah said. "We have been funded successfully so far by the foundations and we don't charge our entrepreneurs. It's a community service."

Shah gained experience setting up venture capital deals while working as an analyst at McKinsey & Co.; a job he took when he graduated from Harvard Law School in 1998.

Shah is also preparing BioEnterprise to help companies deal with the increasingly global nature of the health-care industry, as more and more health-care startups are going global.

"We are working with eight companies from Russia and Israel in helping them establish their United States operations," Shah said. "Similarly we look for partners in terms of clinical support, client service in countries like India, China. Health-care is following its peers in IT in looking at other regions of the world to develop its products."

Recently, one such company, Ricerca, signed up with an Indian research partner and another two companies plan to do clinical studies in India.