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CRAIN'S CLEVELAND BUSINESS

Israeli biotech company bringing R&D unit here

By **JEFF STACKLIN**

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Simbionix Ltd., an Israeli developer of computer-assisted surgical simulation equipment, plans to move its research and development operations to Cleveland next month.

'We are definitely, for sure, going to Cleveland,' said Simbionix CEO David Barkay during a telephone interview last week. The company, which also plans to open a sales office in Cleveland, will move into BioEnterprise Corp.'s office at 11000 Cedar Ave., Mr. Barkay said.

The move is intended to expand the collaborative relationship between Simbionix and the Cleveland Clinic Foundation, which is a shareholder in the company.

The Clinic and Simbionix last June signed a joint research and technology transfer agreement to develop surgical simulation equipment for minimally invasive surgery, Mr. Barkay said.

As an incentive to attract Simbionix, Cleveland officials have proposed a financial package that would include two loans of \$500,000 each to be granted in 2002 and 2003, said Tim Mueller, the city's chief development officer. He said the loan package would be presented next Monday, Feb. 25, to Cleveland City Council.

'We look forward to having (Simbionix) join the Cleveland biotech community,' Mr. Mueller said. 'We think this is a viable company for our region.'

Simbionix also will apply for state money via the Technology Action Fund, Mr. Mueller said. He said Simbionix is expected to reach \$10 million in sales in 2002.

Mr. Barkay said he and two other Simbionix employees would move to Cleveland in March. By the end of July, up to seven more employees will move to Northeast Ohio, Mr. Barkay said. The company, which has 40 employees in Israel, will hire up to eight employees this year in Northeast Ohio and up to 50 more here in 2003, according to Mr. Barkay.

The decision to move some operations of the company to Cleveland is directly related to an attractive, collaborative spirit to conduct biotech research in Northeast Ohio, Mr. Barkay said.

'Unless you're a big company, you need to co

llaborate with medical institutions and the (government),' Mr. Barkay said. 'The Cleveland Clinic has the same spirit we do. The spirit of Cleveland today is extremely open to entrepreneurs. I'm an entrepreneur.'

Simbionix also will work with researchers from Case Western Reserve University and University Hospitals of Cleveland, Mr. Barkay said.

Christopher M. Coburn, head of the Clinic's business development arm, said the pending arrival of Simbionix is the result of a relationship that was built with the company by Dr. Joe Hahn, chairman of the Clinic's division of surgery; Dr. Jeff Ponsky, chairman of graduate education at the Clinic; and engineer Chip Steiner, head of new product development for the Clinic's minimally invasive surgery center.

Mr. Coburn said the Clinic three years ago went on a global search for companies involved in surgical simulation.

'They identified this company (Simbionix), which was built around Israeli military technology,' Mr. Coburn said.

The 5-year-old Simbionix has developed surgical simulation equipment that benefits both medical students and surgeons preparing for an operation, Mr. Barkay said. The technology, which is used in minimally invasive endoscopic surgery procedure, helps guide surgeons and warns them of potentially dangerous situations.

Marc Morgenstern, managing partner at the Kahn Kleinman Yanowitz and Arnsco Co. law firm, described the Simbionix technology as 'the medical world meeting the Disney world.' Mr. Morgenstern represents a group of local venture capitalists who are considering investing in Simbionix.

Representatives of Simbionix have met with Cleveland business and government leaders on at least two occasions. In January, officials from BioEnterprise, the Clinic and other institutions went to Israel to meet with biotech companies and to encourage them to move to or at least open offices in Northeast Ohio. Mr. Barkay also traveled to Cleveland in January.

Among the people he met was Bill Sanford, chairman of BioEnterprise, which is planning an incubator in what currently is the University West Building on the CWRU campus. BioEnterprise plans to buy the building, which houses two incubators run by Enterprise Development Inc.

'I met with Bill Sanford ... I fell in love with him,' Mr. Barkay said. 'I found him a very open-minded person. We (at Simbionix) decided we would like to collaborate with BioEnterprise and Bill Sanford.'

Simbionix and BioEnterprise are working out an agreement to move into the building, Mr. Barkay said.

'We're still negotiating the price,' Mr. Barkay said. 'But there's no doubt we are moving there. We visited the place last month. We even chose the room we're going to take.'

The company is about to wrap up negotiations for an estimated \$2.5 million of investments from local venture capitalists. Early Stage Partners LP, a venture fund organized by Capital One Partners LLC of Cleveland, is expected to make an investment in the company, Mr. Mueller said.

Mr. Morgenstern, who said he is representing Early Stage Partners and other investors, declined to say how much the investors might put into Simbionix. However, he said the deal represents a unique partnership of venture capitalists, government and entrepreneurs that could help Northeast Ohio become a 'launch pad' for Israeli tech companies.