

Regional BioScience Cluster Gets Boost From Cleveland-Area Backers

Leaders from Cleveland's health care, business, higher education and foundation communities made the case at a conference December 6, 2002 in Severance Hall for establishing a "bio-cluster" of start-up businesses based on research generated by the area's universities, clinical facilities and federal laboratory.

Sponsored by the Generation Foundation, the conference, "Building a New Life Sciences Cluster in Greater Cleveland," explored both the potential costs and pay-offs for a regional effort to commercialize the vast amounts of intellectual property generated by the Cleveland Clinic, University Hospitals, NASA Glenn and Case Western Reserve University.

Speaking of the potential cluster, in opening the meeting Cleveland Mayor Jane Campbell said, "What we have in Cleveland is not only an opportunity but a challenge,"

While most of the funds needed to create a cluster would come from early stage and venture capital investors, together with some federal and state money, a new source of funding was proposed by Generation Foundation president Glenn R. Brown.

"The 896 foundations in Northeast Ohio approve over \$360 million in grants annually, but hardly any go to this kind of economic development," Brown said. "We are challenging these donors to earmark 10% of their annual grants budget to help the region regain full competitiveness by building on its strongest asset: life sciences research. This will fulfill a basic philanthropic goal by ultimately raising the quality of life for everyone."

Speaking at the conference were Dr. Edward Hundert, president of Case Western Reserve University; Dr. Joseph F. Hahn, Chief of Surgery and manager of intellectual property and research commercialization at the Cleveland Clinic; Dr. Fred Rothstein, Acting President and CEO of University Hospitals Health System; and Bill R. Sanford, chairman of BioEnterprise.

"We're not saying that investing in bioscience start-ups is the only strategy, or that its pay-off in creating new companies and high-paying jobs will be immediate, or that we should neglect our traditional manufacturing sector and key emerging fields like fuel cells, MEMS, polymers and information technology," Brown said.

"But consider the case for supporting a BioCluster. Our region has immense existing strength in institutional life science research; we're strong in existing medical equipment companies, biomedical engineering research and drug discovery; a healthy early-stage capital industry is emerging to provide vital seed and pre-seed funding for start-ups; incubator space and support facilities are increasing rapidly; and we have important financial support from State of Ohio through Technology Action Fund grants and Third Frontier," Brown said.

Working collaboratively with other area foundations in cooperative research and funding for prospective economic development grants, the Generation Foundation relies on an advisory board of 20 local experts in the fields of venture capital, management, technology and philanthropy to evaluate prospective grants. Working with other donors, it has leveraged its own grants 6:1 in the last two years, reaching almost \$4 million for Northeast Ohio economic development.

Presentation by Foundation President Glenn R. Brown

Good afternoon. I'm Glenn Brown, president of The Generation Foundation, and I want to thank you for joining us today.

The other day I heard an amazing story. In 1979 Ross Perot went to Seattle to talk to Bill Gates about buying Microsoft. But after a few days, their talks ended because Perot thought \$10 million was too much to pay. The lesson is obvious: the two most astute high-technology businessmen of this era did not have the vision to see the possibilities. Gates, with his proprietary technology in a revolutionary field, was willing to sell it for peanuts; and Perot couldn't see beyond Microsoft's last quarterly earnings statement.

This meeting is really about vision: Does Northeast Ohio have the vision to help establish a thriving cluster of more bioscience companies like these BIOMECH, Steris, Athersys, Quark and Invacare to take advantage of the vast amount of, but currently underutilized, research pouring out of our leading institutions.

The Generation Foundation is a newcomer in Cleveland's philanthropic world. But thanks to the vision of my predecessor as president, the late Herb Strawbridge, and our other Trustees Peter Ranney, Jamie Ireland, Nancy McCann, Kathy O'Neill, and Phil Ranney, the Foundation has been able to accomplish a lot — in a very narrow field called "technology-based economic development" — in a short amount of time.

A year ago, The Generation Foundation introduced a new philanthropic concept to a conference of leaders from Cleveland's private and corporate foundations. The idea was that we could all collaborate, rather than work independently, in supporting those key economic drivers that can create a stronger economy for Northeast Ohio. Here's how it works. The Generation Foundation:

- Recruits experts in management, technology, venture-capital and economic development to volunteer on the Foundation's Advisory Board;
- Uses this group to help find and evaluate those initiatives that offer the best opportunities for effective technology transfer and sustainable economic growth;
- Cooperates with like-minded foundations and donors to make grants which achieve critical mass in support of these programs; and
- Follows up with careful evaluation so that all donors can assess the leveraging impact and return on their grant investments.

Our trustees and advisory board members are the quality control department in what we call our venture philanthropy business. Although our model is entrepreneurial, we are of course a nonprofit grantmaking public charity committed to improving quality of life through technology-based economic development.

Here's a quick run-down on some of our recent cooperative grants:

- Two grants totaling \$163,000 to Case Western Reserve and Edison BioTechnology Center, now called Omeris, which established the conceptual groundwork for BioEnterprise and a resulting cluster of bioscience companies;
- A \$35,000 matching Technology Action Fund grant to help form Early-Stage Partners,

which is now Cleveland's, and Ohio's, leading early stage private equity fund with almost \$35 million of investor capital for start-up companies;

-- \$150,000 to CAMP to help start the Ohio Intellectual Property Consortium, which enables corporations to donate patents for local commercialization. So far, they have attracted \$35 million in IP donations from companies like Eaton and Lubrizol. Just as important, they have come close to creating a financially self-sustaining effort

-- \$40,000 to MidTown Cleveland for the development stage of the \$16 million renovation of the historic Ohio Knitting Mills building;

-- \$75,000 to Ohio Aerospace Council so that Battelle could produce a \$250,000 "roadmap" strategy to access and implement NASA Glenn technology for local commercial applications. The Battelle strategy will radically expand this kind of tech transfer in Northeast Ohio, and was made possible by these collaborating donors: BF Goodrich, Forest City Enterprises, General Electric, Generation Foundation, Gund Foundation, Jones, Day, Keithley Instruments, John P. Murphy Foundation, National City, Nordson Corporation, Parker Hannifin, PolyOne, Kelvin and Eleanor Smith Foundation

In more grants this fall, \$100,000, plus the same amount from the Codrington Foundation and over \$1 million from the Technology Action Fund, went to the Cleveland Clinic to start a Technology Validation Fund, and

\$75,000 went to WIRE-Net, the West Side Industrial Retention and Expansion Network, for a manufacturing innovation program which includes counseling from successful entrepreneurs.

Those of you with adding-machine minds have figured out that, compared to big foundation annual grants, our total giving is not a lot of money. However: for every dollar we put in, our 26 collaborating foundation/donors have put in six, for a total of almost \$4 million in the last two years.

What this means is that foundations can:

-- Participate directly in large economic development projects that might be too complex to do alone, and be recognized in the community as a participant in economic development; and

-- Take advantage of cost-efficient collaborative research and grant evaluation.

This is why we are urging the 896 foundations in Northeast Ohio to earmark 10 percent of their annual grants for high-tech economic development — like a "Fair Share" formula — which could provide \$30 million to help Greater Cleveland regain its economic competitiveness.

Like most personal investors, our Trustees and Advisory Board members have made a bet: that of all possible investments to help Greater Cleveland, forming a biosciences cluster is probably the most likely to succeed. We're not saying it's the only investment, or that its pay-off in creating new companies and high-paying jobs will be immediate, or that we should neglect our traditional manufacturing sector and key emerging fields like fuel cells, MEMS, polymers and IT. But consider the case for supporting a BioCluster:

-- Our region has immense existing strength in institutional life science research;

--We're strong in existing medical equipment companies, biomedical engineering research and drug discovery;

-- A healthy early-stage capital industry is emerging to provide vital seed and pre-seed funding for start-ups;

-- Incubator space and support facilities are increasing rapidly, and

-- We have important financial support from State of Ohio through Technology Action Fund grants and Third Frontier.

Thanks for listening to our story. If you're interested in talking about some form of partnership or affiliation with The Generation Foundation our Trustees would be happy to meet with you.