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Fast pitch for big bucks

Venture capitalists adopt speed-dating rules for meeting with bio-medical startups.

By SCOTT BARANCIK, Times Staff Writer
© St. Petersburg Times
published July 10, 2003

TAMPA - Asking investors for money is about as fun as a first date.

Conversation can be awkward. Rejection is common.

But in a twist on the latest craze among lonely hearts, startup companies and potential investors gathered Wednesday at a Tampa hotel for an experiment in speed-dating.

At 10-minute intervals, executives from bio-medical companies moved from table to table in a room at the Grand Hyatt Tampa Bay, pitching their products one-on-one to each of nine different investor representatives.

Dennis Kay, CEO of BioDerm, hawked the External Continence Device, a product designed for men who have lost bladder control. Kay said the Largo company already sells 8,000 to 10,000 of the \$6 devices a month and includes NASA astronauts among its customers.

Michael Lawman, chairman of Morphogenesis Inc. of Tampa, described a technology he said could help prevent the human body from rejecting tissue or organ transplants.

Alan Chervitz, a Clearwater representative of MedicineLodge Inc. of Logan, Utah, used a model of a human spine to demonstrate his company's artificial "facet," a product he said could be the spinal answer to knee and hip replacements.

Other concepts on display included a non-surgical procedure for detecting cancers, a genetic test for identifying a person's precise racial breakdown - which has applications in police work and other venues - and a drug-delivery system based on eyedrops.

For economic development consultant Guy Hagen, speed-dating seemed a clever way to improve networking as well as jump-start the funding of startups, a money stream that gushed during the heady days of dot-com IPOs but has since fallen to a trickle.

"We've got a wealth of companies here that nobody's paid a lot of attention to," said Hagen, whose Wesley Chapel company, Innovation Insight, co-sponsored the event. "I was looking for a new model for networking."

John McDonald III, a managing director at one of the bay area's most active investment banks, Hyde Park Capital Partners, said the speed-dating model makes sense.

"We can size them (companies) up in five minutes," he said during a break. "I put X's by the ones that are no's, and checks by the ones we need to follow-up with."

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Will there be many second dates?

Marty Traber, an attorney at co-sponsor Foley & Lardner of Tampa, said institutional investors and angels are gun-shy. Many will invest only in companies that already have a finished product, a patent, and significant revenues, known informally as latter-stage companies.

That can be a problem for bio-medical companies, which often must go through years-long clinical trials and a tough government approval process before bringing their product to market. At the same time, the payout for a successful drug or other medical product can be enormous.

And with the baby boom generation starting to retire, some investors are salivating over the anticipated demand for drugs and medical technology.

That doesn't mean the companies at Wednesday's speed-dating event will necessarily be the ones to benefit, however.

McDonald said his investors are primarily interested in profitable or near-profitable startups with annual revenues of \$4-million or more and a large potential market.

"And that's just to get you in the door," he said. McDonald cited the automated heart defibrillators now on airplanes and other public places as an example of a medical device that's thrived.

Few of the startups making presentations Wednesday fit that bill.

BioDerm's revenues are well below \$4-million. Morphogenesis doesn't have a patent yet, hasn't gone through clinical trials and won't have revenues for at least two more years, its chairman said.

"That's why most of these companies aren't going to get funded," McDonald said. "It's too early" in their development.

Hagen declined to predict whether his speed-dating test would yield a match. But he dared to dream.

"It doesn't matter if the economy's good or bad," he said. "You get sick when you get sick."

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