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After growing Boston Scientific SCIMED to \$1.5 billion, Mike Berman threw his talents into igniting and inspiring Minnesota entrepreneurs.

Having emerged as one of the state's top angels, what's next for this med-tech power player?



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Venture Catalyst

Michael Berman is a very busy man. In the last five years, he's invested in more than a dozen private companies, co-founded six of them, acted as chairman of four companies (including one internationally-based company and a public company on the West Coast), been an adviser to two venture capital firms and actively participates in multiple non-profit organizations.

For most business leaders, such a panoply of commitments would be overwhelming. "I couldn't imagine personally having the intellectual capacity and energy to be engaged in everything he's engaged in, but he's gifted in that way," acknowledges Berman's former boss Dale Spencer. And Spencer is no slouch—he was one of the key drivers behind the ascension of Maple Grove-based SCIMED Life Systems, Inc. from a tiny public company to its \$1.4 billion acquisition by Boston Scientific in 1995. But as far as he's concerned, Berman is in a different class.

"It's no more complex than running a big company," minimizes Berman. And although that may be true, it would be typical of Berman to downplay. According to those that know and work with him, Berman is a picture of selfless leadership.

"Mike has no ego," observes Dr. Denise Barbut. "That is a large component of his success, and it is a rare quality." Barbut is the founder of several medical device companies, including Plymouth-based CoAsia [Upstart, July 2004] in which Berman is an investor and board member. She is also in the process of co-founding two more enterprises with Berman.

After growing Boston Scientific SCIMED to \$1.5 billion, Mike Berman threw his talents into igniting and inspiring Minnesota entrepreneurs.

Having emerged as one of the state's top angels, what's next for this med-tech power player?

BY MARK DRUSKOFF PHOTOS BY TODD BUCHANAN

"Make no mistake," emphasizes Dr. Dennis Wahr, who co-founded Velocimed LLC [Cover, September 2003] with both Berman and Spencer. "Mike will call a spade a spade. He's a decisive guy, he's not afraid to move forward with something he feels good about."

Fortunately for Minnesota, what Berman feels good about is the Twin Cities' medical device community. And Berman's efforts since leaving Boston Scientific SCIMED have served as inspiration for other SCIMED alumni, who are also interested in transferring the lessons learned in the executive suite to med-tech start-ups. In fact, SCIMED is emerging as the Medtronic of the 21st century—giving life to Minnesota's medical technology industry through a whole wave of new ventures. And Berman is leading the way.

Right Place, Right Time

Before beginning his run at angel investing and entrepreneurship, Berman says he had some of the best training possible. From 1986 to 2000, Berman worked his way up through the ranks of SCIMED under the tutelage of Spencer.

"He taught me everything," Berman states plainly. "I can't think of anything that I

know or do today that you could say, 'None of that came from Dale Spencer.'"

The respect between Berman and Spencer is mutual. "Mike is exceptionally smart and quick on his feet," Spencer says. "He can multitask as good as anybody I've ever met. He's able to process information and dismiss that which is not particularly relevant and prioritize. ... He's a quick study and an extraordinary learner. He can look at something and can process it in a fraction of what it would take most people, including myself."

Berman was a transplant to the Twin Cities from his native New York—not the Big Apple—but upstate in Ithaca. He relocated to Minnesota when his wife, Judith, a professor of molecular genetics, took a job at the University of Minnesota.

Berman had just finished his MBA in marketing at Cornell, and was interested in pursuing a job in the medical device industry. He had gotten a taste for it several years before while working for a division of the Baxter Corporation. It was during a five year period, after obtaining his bachelor's degree, when he lived in Israel.

His desire to live in Israel was driven by the beliefs of his Jewish faith. (Today he

A man in a white dress shirt and a dark, patterned tie is crouching on a dark red surface. He is smiling and looking towards the camera. His hands are clasped together. In front of him is a pile of several logs. The background is dark with a red gradient and some white, lightning-like patterns on the left side.

[Mike Berman]

Referring to himself as a "value-added director," Mike Berman serves on the boards of nine medical device enterprises.

■ cover story

keeps up the connection to Israel, travelling there every few months as part of his involvement in TopSpin, a magnetic resonance imaging company of which he is the chairman. He is also a partner in an Israeli venture capital firm and a board member of the Minnesota chapter of the American-Israeli Chamber of Commerce.)

At Baxter, he had worked in labor relations, yet he says he was attracted to the device industry because of the challenge it represented.

As far as timing was concerned, he notes, it was a great time to get into the industry. Medical device manufacturing was a cottage industry about to undergo tremendous change. "There was no such thing as a big company in the medical device business," says Berman. Medtronic, the largest stand-alone medical device company in the world today, was less than a twentieth of its current size.

It was also an auspicious point during which to join SCIMED, which had languished as a small, publicly traded medical technology company. Organizationally

SCIMED was relatively underdeveloped, as evidenced by the fact that Berman was the company's first product manager. He was brought on board to help launch an entirely new product—the balloon angioplasty catheter—which was finishing up U.S. clinical trials. As it would turn out, the product launched SCIMED on a tear of growth that sent the company's stock price from \$4 a share in 1988 to \$90 a share by late 1991, with two splits along the way.

Of course, at the time, Berman could not have known he had hitched himself to such a red-hot rocket. In fact, he says, by most measures used to evaluate growth companies, SCIMED should have been a loser.

"We were small, we didn't have a broad array of technologies, and we didn't have the experience in the field—all the reasons that

Biz Briefing

Aetherworks I & II ■ HQ: White Bear Lake ■
Inception: 2003 ■ **Revenue:** pre-revenue ■
Seed Capital: ND ■ **Venture Capital:** None ■
Employees: 3 ■ **Description:** Medical device incubator ■ **Web site:** None

Management Team ■ **Mike Berman**, Co-Founder
■ **Robert Atkinson**, Co-Founder ■ **Pete Keith**, Co-Founder

conventional wisdom always says a small new entrant in a field is not going to succeed," recalls Berman. But he can't blame the experts of the day, because he says, "I probably would have bought into that same con-

ventional wisdom. ... If you know too much you can reach premature and inappropriate judgments for the potential of companies or technologies—or for that matter people."

At the time, however, Berman says he was blissfully unaware of the many obstacles that lay in the company's path. And, in hindsight, it was for the best.

Growing, Growing, Gone

Beginning as SCIMED's product manager, Berman quickly advanced to positions of greater responsibility. Although these promotions pushed him to go beyond

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"You have to have a certain amount of humility whenever you're making judgments about the future—there's a good chance you're going to be wrong."

—Michael Berman, medical device investor and entrepreneur



his existing skill sets, he realizes the breadth of exposure to various aspects of running a medical device industry were invaluable.

"You have to rely upon a lot of other people to do your work," says Berman. "You can't do everything on your own, not by any stretch. On the other hand, you can't let other people do your thinking for you. If something's important you'd better dig in and get a primary understanding of what's going on."

Because of the complexity and technical expertise required to run a medical device enterprise, Berman had to be up to speed on a wide range of areas while still relying on others to provide the majority of information.

"It's the balance between having a primary, first-hand understanding while empowering and relying on other people. It is a very important managerial balance that is hard for people to get right."

With sales rocketing, SCIMED was sold to Boston Scientific Corporation in early 1995 in a \$1.4 billion stock-for-stock deal. At that point, Spencer who had served as SCIMED's long-time CEO, received a promotion that opened up the top post at SCIMED. Berman was his suggested replacement.

"He's a rapid problem solver," elaborates Spencer. "And he's a respected leader. He can

quickly gain respect and support of people very quickly. It isn't like he has to carry all the water. Whether there are two people in the organization or two thousand, he can gain people's respect, give them good direction and gain leverage by doing that."

From the time Berman took over as president of SCIMED until 2000 when he left Boston Scientific, he had led the growth of his division from \$300 million in sales to \$1.5 billion, and had 4,000 employees under management.

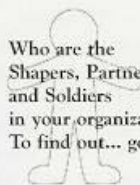
Although the parent company might not want to admit it, Spencer notes, "SCIMED saved Boston Scientific." He says Berman,

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with other key SCIMED executives, were responsible for bringing in 95 percent of the company's revenue, and nearly all of its profit.

By 2000, Berman was ready for a change. Even with the possibility of a promotion and greater responsibility within the parent company, Berman says, "My gut said it was time to do other things. That's the bottom line."

At the time Berman left Boston Scientific, Spencer recounts, his protégé had several options open to him, including senior executive positions at a number of large companies. But what Berman did instead was go camping.

"I had been with SCIMED and then Boston Scientific for 15 years, and I needed a break. Truthfully at the time I didn't know

what I was going to do. I didn't leave for another job. I left in order to go figure out what I was going to do next," says Berman. He hadn't taken more than a week of vacation in the previous decade and half, and they had all been working vacations. So he packed up an RV and hit the road with his family for a month-long tour of the Western U.S.

Following Your Gut

After returning from his grand excursion, Berman says he began working with some private equity firms with the idea of identifying and then acquiring a medical device company that he could take over and run. (Ultimately he decided against it.) Also during that time, Berman was approached by a number of companies, big and small, offering senior executive positions.

Berman chose instead to get involved as an angel investor and as, what he terms, a "value-added board member." That means

Biz Briefing

Prospex ▶ **HQ:** Arden Hills ■ **Inception:** 2005 ■
Revenue: pre-revenue ■ **Seed Capital:** ND ■
Venture Capital: \$1.5M ■ **Employees:** 2 ■
Description: Medical device incubator ■ **Web site:**
www.prospexmedical.com

Management Team ▶ **Michael Berman**, Chairman
■ **Robert E. Atkinson**, President & CEO ■ **Chad J. Kugler**, Vice President

being involved in the strategy and operations of the companies, and bridging the gap between the management team and venture capital investors.

In 2000 alone, Berman joined six companies (including publicly traded Curon Medical based in California) and invested in several others. Noteworthy among them was his teaming up with his former boss and mentor to co-found Velocimed with Dr. Dennis Wahr.

It was not the first time Wahr had worked with the two men. The doctor had been one of the founding members of SCIMED's physician advisory panel.

"Dennis was getting ready to make a career change and move to manage a start up company in the Bay Area," recalls Berman.

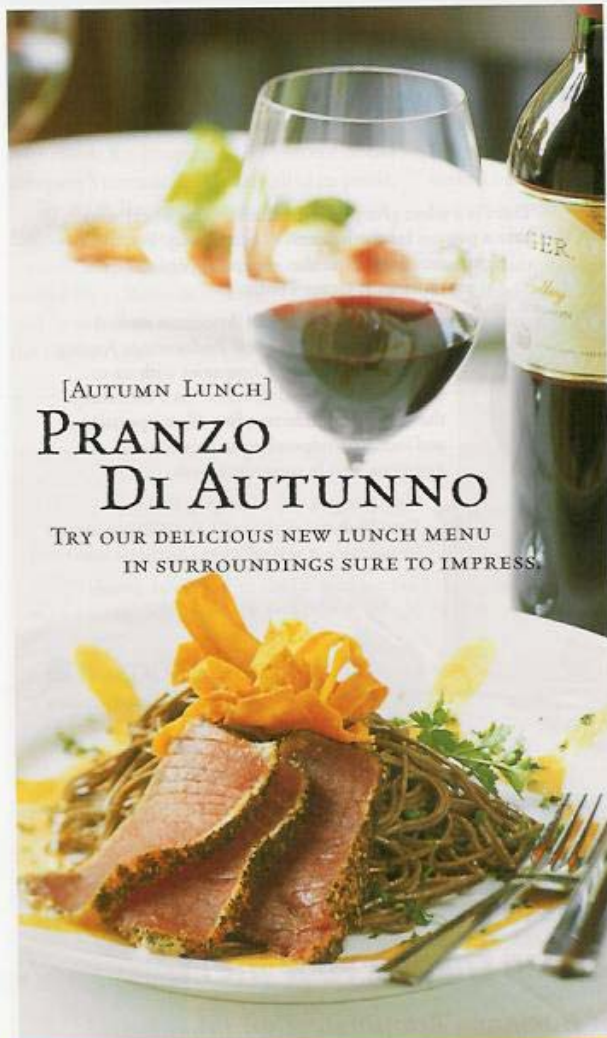
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Berman's portfolio



CoAxia [Plymouth], maker of device to reduce the severity of ischemic stroke

Myocor [Maple Grove], developer of treatment for off pump mitral valve repair and congestive heart failure

Urometrics [Anoka], A gynecology company focused on female sexual health

Curon [CA], a developer of radiofrequency technology to treat gastro intestinal disorders

Transoma Medical [Arden Hills], maker of wireless implantable diagnostic heart monitors

TopSpin Medical [Israel], developer of magnetic resonance catheter technology for tissue characterization

Aetherworks I & II, a medical device incubator

BeneChill [San Diego], developer of technology to minimize trauma for head injury victims

Prospex Medical [Arden Hills], a medical device incubator

Ortaco [Twin Cities], focus not disclosed

"Essentially what happened is that Dale and I intercepted him before he made the final decision and convinced him to start an incubator company with us."

Together they chipped in \$1.5 million in seed capital to get the company off the ground. Four years later, Velocimed had garnered \$46.5 million in venture capital, and three products completed or nearing completion. Then in early 2005 St. Jude Medical acquired the company for \$82.5 million in cash.

Wahr notes Berman brought a lot more than money to the table. "I would characterize Mike as an unusual combination of things, is



"Mike has no ego. That is a large component of his success, and it is a rare quality."

—Dr. Denise Barbut, founder, CoAxia, Inc.

he's very bright, he's very articulate and he has great enthusiasm," explains Wahr. "You get a lot of people who have two of the three, but not all three of the three. And then he puts this on top of is a very extensive base of operating experience."

Those attributes make Berman a man in demand as he is able to take the ideas of technical specialists and help translate them into viable products. It's no wonder, then, that in addition to his original six investments, Berman has gone on to co-found four other enterprises, and join several other boards of directors.

[Mike Berman]

That Winning Feeling

Most recently Berman collaborated with CoAxia's founder, Dr. Denise Barbut, to establish two different device companies: San Diego-based BeneChill, Inc. and Twin Cities-based Ortaco. While Berman won't disclose details about Ortaco, other than the fact the company has filed for patents, he says BeneChill is developing technology to assist emergency responders treat cases of brain damage.

Barbut, who is also founder of a Silicon Valley medical device firm, notes that "In terms of personalities, we are very complementary with a very functional and practical approach to life that, despite our different backgrounds, means that we just about always have the same goals and means to achieve those goals. So we supplement each other well."

Biz Briefing

BeneChill, Inc. ▶ HQ: San Diego ■ Inception: 2004 ■ Revenue: pre-revenue ■ Seed Capital: ND ■ Venture Capital: \$1.5M ■ Employees: 3 ■ Description: Developer of medical device for tissue cooling. ■ Web site: None

Management Team ▶ Mike Berman, Co-Founder ■ Denise Barbut, Co-founder

Outside Directors ▶ Annette J. Campbell-White, Senior Managing Member, MedVenture Associates

She says that one particularly valuable trait is Berman's ability to judge the personality of not just individuals, but groups of people, such as a community of physicians, and be able predict how they're going to behave. "He's a very good judge of that—how they're going to behave, what they're going to accept, what they'll reject and where they'll be so conservative that any effort to dissuade them will not work."

Andrew Weiss, who was recruited to take over the president and CEO spots at CoAxia, points out that Berman has the unique ability to attack both macro and micro issues. "He can be strategic and he can be very detail oriented; he can go high and low," says Weiss. "He's just really good at knowing at the strategic level what priorities



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to focus on, and at the detail level what are things that he can come up with to resolve a specific problem.”

Berman's other recent venture is Prospex Medical. Also founded this year, Prospex replicates the incubator model developed for Velocimed: put together a great team, pick a focus and start looking for opportunities. To launch Prospex, Berman is working with two

former SCIMED alums, Robert E. Atkinson and Chad J. Kugler, of whom Berman says, “I'd trust with my life.”

The SCIMED connection is no fluke. According to Berman, a large number of companies have been launched or are led by former SCIMEDers in recent years, including: Acorn Medical, Myocor, Atritech, Annulex, ev3, AMS, Torax,

Vascular Sciences, Rhythm Technologies, Protostar and CVRx.

Weiss, CoAxia's CEO, who himself came from Medtronic, is not surprised at the trend: “I think that group at SCIMED had a very entrepreneurial, growth orientation. I'd argue maybe more than Medtronic, which tends to be more inside-looking and less entrepreneurially aggressive. And that's why it's called Mother Med—people stay there all of their lives.”

Velocimed's Wahr says that even he felt inspired by SCIMED's example, which led him to leave the practice of medicine to become an entrepreneur. “SCIMED established an excellent culture of entrepreneurialism and a willingness to compete and wrapped around it a package of people who really enjoyed what they did and had fun,”

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myself.”**

—Dale Spencer, former
CEO, SCIMED Life Sciences
and angel investor

describes Wahr. “Even in my part as a physician adviser on the clinical side, [SCIMED] clearly had an impact on why in the second half of my career I wanted to move onto the company and creation side. There's a long-lasting glow from being part of winner.”

Commitment to Good

Going forward Berman says he will begin transitioning to spend more time on the companies in which he has a co-founder stake because the financial rewards are greater. But don't confuse him for a straight venture capital investor.

Leader Profile

Michael Berman ▶ **Title:** Co-founder, Velocimed, Aetherworks, BeneChill, Ortaco & Prospex ■ **Age:** 47 ■ **Hometown:** Ithaca, NY ■ **Education:** B.S., Industrial and Labor Relations (1979) & MBA (1986), Cornell University ■ **First Job:** Assistant labor relations manager ■ **Directorships/Trusteeships:** Director (for-profit), Aetherworks, BeneChill, Myocor, CoAxia, Transoma; Chairman (for-profit), Prospex, Curon Medical, TopSpin Medical; Venture Partner, Israel Seed Partners; Director (non-profit), American Israel Chamber of Commerce; Chairman (non-profit), Minneapolis Jewish Community Foundation ■ **Family:** Wife, Dr. Judith Berman; 2 sons ■ **Best Advice Ever Received:** "Focus on SIQ: Speed, innovation and quality."

He has no plans of forsaking the other companies he's involved with.

"When I commit to a company, upfront I'm committed," asserts Berman. "My

intention is to stay with companies and help them be successful in the long run." The workload is manageable says Berman because rarely do all the companies demand attention simultaneously. "It's like hockey, it's a transition game," says Berman.

"With the portfolio of companies I have, at any given time, two or three are very time consuming. The others are normal—normal being two to three hours a week, but not much more than that." Raising money, reviewing strategy and hiring key employees takes the most time. "On average it works out great."

Will he ever go back to being a big company exec? Berman says never say never, but it's unlikely. One reason is the inertia that can keep large companies from advancing.

"When you're in a big company, you can do a lot of things really well for a long time, but the upside takes a long time to manifest itself. ... Medtronic has been a wonderful company for the last five years, and there are many thousands of employees that have done a marvelous job for a long time.

But if you look at the price of Medtronic's stock, it hasn't changed much." The flipside, says Berman, is that there's less room for margin of error in a small company and it can sink fast.

And Berman admits he's far from flawless. "You have to have a certain amount of humility whenever you're making judgments about the future, there's a good chance you're going to be wrong," says Berman. "I try to stay humble because I make a lot more wrong decisions than I make right ones."

Such humility is characteristic of Berman's overall outlook on life, says Spencer. "Mike is not motivated by wanting to get involved in these entrepreneurial startups because he thinks he's going to make a lot of money, or because he can gain a level of influence or control. He believes he can do good, and believes he can make this world a better place by getting engaged and involved." ☺

Mark Druskoff (markd@minnesotabusiness.com) is editor of *MinnesotaBusiness Magazine*.

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