

## Boston Venture Capital Group Opens Central Ohio Office as Investments in Region's Innovation Economy Swell

When Forbes magazine published its 2008 Midas List, a ranking of the top 100 tech and life sciences dealmakers, it noted an important trend; venture capital is slowly going national. Although the most well known names on the list still originate from the coasts (namely Palo Alto and Boston), regional venture capital firms are proving that investors can be successful "between the coasts." And in Columbus, where a recent benchmarking report published by The Columbus Partnership put venture capital investments in the middle-of-the-pack among other metropolitan areas, there are clear signs that activity is picking up. Case in point, Boston's Fletcher Spaght Ventures II has become the latest nationally based venture capital fund to set up operations in Ohio by announcing the opening of an office in Columbus – the result of a commitment from The Ohio Capital Fund and Battelle Memorial Institute. Planning to locate in the TechColumbus Center at 1275 Kinnear Road, Fletcher Spaght joins six other funds who have opened in Ohio to take advantage of the many opportunities to fund promising young tech and life sciences ventures in the region and all of whom have received investments from The Ohio Capital Fund (TOCF).

Established in 2005, TOCF is a \$150 million fund of funds created to make investments in venture capital firms that agree to invest in Ohio-based seed and early stage businesses, with 75 percent of those investments going to funds which operate principal offices in the state. To date, TOCF has invested in 16 firms of which 13 have offices in Ohio. With the opening of its office in Columbus, Fletcher Spaght joins Adena Ventures, CID Capital, NCT Ventures and Reservoir Venture Partners, all operating offices in Central Ohio. This represents just one of the many sources, including public monies and private investments, that are currently infusing capital into the region's innovation economy.

### Ohio TechAngels and TechColumbus' Tech-Start Program Pump Over \$2 Million into Central Ohio Startups Over Last 10 Months

TechColumbus manages TechStart, the Central Ohio Entrepreneurial Signature Program, a \$22.5 million pool of capital and services made possible through Ohio's Third Frontier Program and support from other public and private partners. TechStart provides young companies at various phases of development with the capital and coaching necessary to move to the next stage of commercial viability. These funds are made available through TechGenesis grants, Regional Commercialization Funding, Ohio TechAngels (OTA) and a recently formed Co-Investment fund.

To date, TechColumbus has committed investments of nearly \$450,000 in TechGenesis

grants to nine companies in what is deemed the "imagining" phase of development. TechGenesis grants are used for such activities as validating technologies, identifying markets, prototyping, protecting intellectual property and other company formation activities. One such recipient of a TechGenesis grant is EnteraTech, Inc. who received \$50,000 last October for legal and patent-related expenses required to validate and market a high-accuracy blood glucose sensing platform to address traditional (finger stick) meter and implantable markets.



William Indest, vice president of capital access and formation for TechColumbus

"TechGenesis allows very early stage ideas to be tested and validated before expending precious time and larger amounts of money on forming a company, completing a product and going to market," says Will Indest, vice president of capital access and formation for TechColumbus.

TechColumbus' Regional Commercialization Fund (RCF) provides for convertible debt investments in companies who have reached the "incubating" phase or the stage at which promising technology startups are completing the steps necessary to attract follow-on funding from venture capital, angel funds and other sources. Traycer Diagnostics Systems, Inc. recently received \$500,000 from the RCF for further development of its advanced diagnostic imaging systems. According to Allison Finkelstein, senior director of TechColumbus funds, the RCF provides the bridge to additional institutional capital for pre-seed tech startups.

In total TechColumbus has made RCF commitments of \$1,000,000 in two companies. The RCF is considered an ever-green fund, meaning that any proceeds from investments will return to TechColumbus to be re-invested in additional promising companies and innovations.

One RCF recipient, 3X Systems, also received capital through TechColumbus' newly formed Co-Investment Fund, a \$2.5 million for-profit fund whose purpose is to bring more local investment dollars into selected deals. 3X, which will offer small and mid-sized businesses with unique data management solutions, is considered to be in the "demon-

strating" phase during which technical and market proof is used to demonstrate that the product will meet the needs of paying customers. 3X received \$650,000 of total funding commitments from the RCF and the Co-Investment Fund.

Ohio TechAngels (OTA) fully invested (except for follow-ons) its first fund, Ohio TechAngels Fund I (OTAF I) in 2007 having committed \$7.3 million in fund and sidecar investments to 16 companies. It then launched its second fund, OTAF II, which since its inception has committed to invest \$600,000 in startups while OTA sidecar and other co-investors have committed an additional \$300,000 to those same companies.

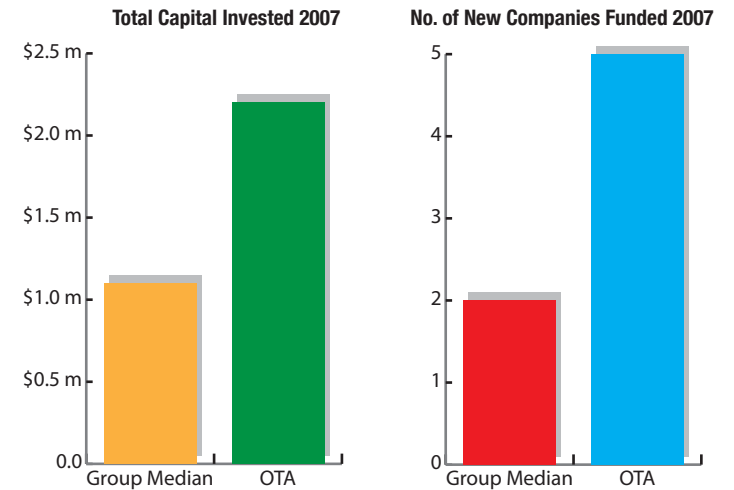
### Continued Angel Activity in Region Demonstrates Investor Confidence

A recent poll conducted by the national Angel Capital Association relative to the confidence of its member groups indicates that Ohio TechAngels are significantly outpacing their counterparts in other areas of the country. For example, the median capital invested by member groups across the nation was \$1.1 million versus the 2007 OTA

investment of \$2.2 million. The median number of new companies funded by other member groups in 2007 was two, while OTAF I funded five during the same period.

OTA further reports that during 2007 its co-investment and syndication efforts involving non-member individual angels, other angel groups and venture capital firms resulted in matches of

more than 2.5 to 1 by these co-investors. When the impact of all co-investors is considered, the leverage on the \$1 million Ohio Third Frontier grant which OTAF I received is impressive. For each public dollar invested, more than \$25 from other sources has been invested in Ohio start-



Ohio TechAngels versus national Angel Capital Association member medians

ups, primarily in the Central Ohio region.

"Ohio has tremendous investment potential and Columbus is one of the cities that represents that potential," says Michelle Murcia who will lead the Fletcher Spaght Ohio operation. "We're very pleased to be working with TechColumbus to identify opportunities to fund promising young companies in the region."

And that says a lot about Central Ohio coming from an organization that's used to making deals in Boston, a city the Forbes Midas List considers one of the "poles around which the venture capital world revolves."

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— Michelle Murcia,  
Fletcher Spaght Ventures II

