

Tech startups raise capital despite challenging environment

Building a business is tough these days. Yet some have managed not only to start, but to grow and flourish while at the same time bringing high-paying jobs and impressive revenues to Ohio.

In the last eight years, TechColumbus and its predecessors have invested \$11.1 million in 65 Ohio technology based companies through its venture and angel investment funds. Subsequently, those companies raised more than \$244.5 million in follow-on funds from investors, grants and other sources during that period – an amount that exceeded TechColumbus' expectations.

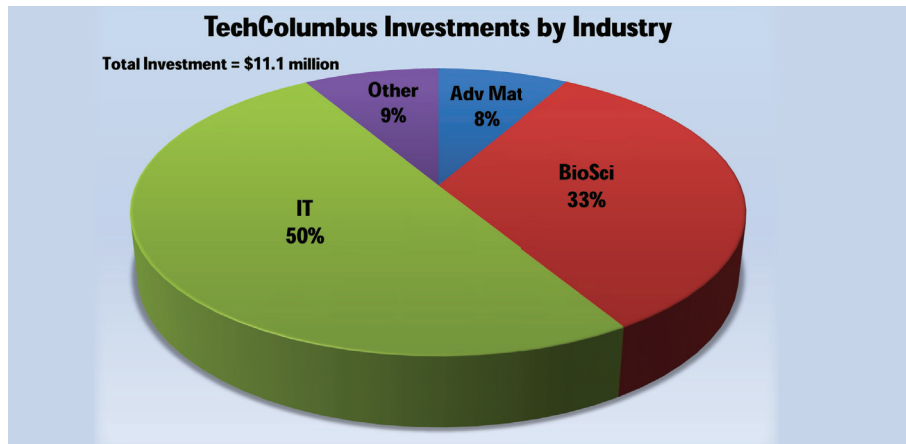
In fiscal 2009 alone, the companies reported more than \$55 million in revenue and raised more than \$28 million.

"The fact that our Ohio startup portfolio companies have raised almost a quarter of a billion dollars over the last eight years shows that innovation is thriving and risk capital is accessible in Ohio," said Will Indest, TechColumbus Vice President of Venture Development. "As Central Ohio's very early pipeline of ideas grows though, more capital will be needed."

Follow-on funding occurs after a company has started and needs additional funding to keep growing. "Follow-on capital is critical because you can't achieve sustainability or growth unless you have the funding to do it," said Allison Finkelstein, TechColumbus' Senior Director of Funds Management.

"Jobs are important, but they take time to develop. Meanwhile, a great short-term measure of success is follow-on capital. It shows that knowledgeable investors believe in these companies enough to provide them with the capital to grow," Finkelstein said.

TechColumbus can help tech companies with funding in several ways. It invests directly in promising companies, informs them about additional funding sources, assists with grant applications and provides coaching and technical assistance in preparing companies for angel and



TechColumbus' direct investments focus primarily on IT, bioscience and advanced materials.

venture capital due diligence processes, among other services.

In order to provide direct funding and other resources to companies, TechColumbus receives funding from local and state sources, including a significant portion from Ohio Third Frontier, a statewide program aimed at creating businesses and jobs in high-tech areas. "None of this would be possible without Ohio Third Frontier," Indest said.

With follow-on funding comes business growth, and growth means increased revenues and jobs. The 65 companies that TechColumbus and others funded have generated more than 900 jobs.

"The average annual salary of those jobs is \$63,000, which is significant because the 2005-2007 U.S.

Census figures put median household income in Ohio at \$46,296," Finkelstein said.

The \$213 million in combined revenue generated by those companies to date is equally impressive, Finkelstein said. "Revenue is important to investors because it's an external validation that the company is actively making things or

producing services that customers want to buy," Finkelstein said.

Regional Strengths

Three industries stand out as major fund-attracting entities in Central Ohio – advanced materials, bioscience and information technology. "These three areas show where we're targeting our investments," Finkelstein said. "This is mainly because major institutions here such as banking and insurance as well education, medicine and science are big drivers of development and expertise in these areas."

Cardiox Corp. in the biotech space is a great example of how follow-on investments helped a company grow, and in turn, helped advance

economic development in the region because a new company chose to locate here rather than the West Coast. Needless to say, the company is "hot." In November of 2008, it received \$500,000 from TechColumbus' Regional Commercialization Fund.

Cardiox, based in Dublin, Ohio, was founded

by Phil Eggers in 1996 to develop and commercialize minimally invasive cardiac products that will help in the prevention of strokes, mini-strokes and potentially, migraine headaches.

Eggers was named Inventor of the year for the 2008 TechColumbus Innovation Awards. A serial entrepreneur with more than 165 patents, Eggers previously founded five other medical technology companies



Philip Eggers, Cardiox Corp.

in the Columbus area which he subsequently moved to the West Coast for increased access to capital and resources. Eggers says he's happy he found funding for Cardiox in Central Ohio, which is his home. Because Ohio has ramped up its commitment to technology development, Eggers says he didn't have to "abandon his roots" to see his most recent company grow.

"Cardiox has done very well and is continuing to look at additional rounds of funding," Finkelstein said.

As a catalyst for business development, TechColumbus has assisted more than 700 companies in everything from funding to general business assistance. "We get them started and help them get through the "valley of death" to their first investors," Finkelstein said.



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Impact by the numbers:

TechColumbus investments: **\$11.1 million**
Follow-on capital: **\$244.5 million**
Ohio companies funded: **65**
Job generated: **912**
Average salary: **\$63,000/yr**

Total payroll: **\$57.4 million**
Total revenue: **\$213 million**
Patents granted: **18**
Total companies engaged w/TechColumbus: **709**