

THE PLAIN DEALER

Business

Funding source for start-ups forms in NEO

Shaheen Samavati; Plain Dealer Reporter

437 words

11 October 2007 - [The Plain Dealer](#)

Final

C6

English

© 2007 The Plain Dealer. Provided by ProQuest Information and Learning. All rights reserved.

A group of Northeast Ohio institutions and economic development organizations has joined forces to form the NEO Capital Initiative.

Their goal: to generate more investment in promising local start-up companies.

"We have gotten to the point in our entrepreneurial community where we have got a lot of exciting companies and investment opportunities in the pipeline for the region," said Brad Whitehead, president of the Fund for Our Economic Future, a partner in the initiative. "The question is how do we get their full potential to blossom?"

A NorTech task force on venture capital has reported that Northeast Ohio probably will need \$375 million in seed and early-stage investments over the next five years to fund a stream of companies emerging from regional incubators and organizations like JumpStart and BioEnterprise.

The NEO Capital Initiative is the latest effort to narrow that funding gap.

In 2005, the Ohio General Assembly created the \$150 million **Ohio Capital Fund** to invest in venture capital firms. Soon after, the Ohio Public Employee Retirement System created the Ohio-Midwest Fund to do the same thing.

Now, the new local initiative is looking for additional support from foundations and other institutional investors with large endowments. The effort, which launches at a private event in Cleveland today, was spearheaded by the Cleveland Foundation, the GAR Foundation, Fund for Our Economic Future, NorTech, BioEnterprise, JumpStart and Buckeye Venture Partners.

JT Mullen, chief financial officer of the Cleveland Foundation, said institutions are encouraged to make independent investments or to invest in the NEO Capital fund -- which works much like a mutual fund. Institutional investors can put relatively small amounts -- starting at \$500,000 -- into a fully diversified portfolio of Northeast Ohio start-up ventures managed by professionals at Buckeye Venture Partners.

"Foundations are primarily known for their pragmatic activity and grant making," Mullen said. "But one has to realize that their ability to make grants stems from their investment returns." He said venture capital investing has become increasingly common for institutions. Through the initiative, Mullen and others are working to get investors to put more of those investments back into the region.

Mullen said the goal is for institutions to commit \$35 million to \$50 million by the end of the year in order to get the fund started.

"This is a great opportunity to have great investments that also lead to employment," Whitehead said. "These are world class investments right here in Northeast Ohio."

To reach this Plain Dealer reporter: ssamavat@plaind.com, 216- 999-4331