

## NEW WAY TO INVEST IN STARTUPS

### NEO VENTURE CAPITAL FUND TO HELP PUSH REGIONAL HIGH-TECH COMPANIES ALONG

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Local institutions and foundations have a new investment opportunity that could also help spur the region's economic transition.

The creation of the NEO Venture Capital Fund was announced Thursday by a partnership of the Cleveland Foundation, the Fund for Our Economic Future, NorTech, BioEnterprise and JumpStart.

Those nonprofit organizations -- who are among the architects of a new regional economy -- say their efforts of the past five years are bearing fruit: A pipeline filled with high-tech start-ups in fast-growth sectors.

But there's a funding gap on the horizon.

Over the next five years, Northeast Ohio will need to generate and attract more than \$1.2 billion in venture capital to help propel those innovative companies through the pipeline.

A recent study predicts that \$800 million will be found through national investors willing to invest in later and less-risky stages.

But \$375 million is still needed to help the young companies through their early growth phase while resupplying the front of the pipeline with more new start-ups. That's where the NEO Venture Capital Fund comes in.

A "fund of funds," it will be managed by Buckeye Venture Partners, the same firm that manages the similar statewide **Ohio Capital Fund**.

The fund manager will select up to a dozen venture capital funds that are heavily invested in Northeast Ohio.

Rob Briggs, chairman of the Fund for Our Economic Future and head of the Akron-based GAR Foundation, said the capital fund offers a professionally managed vehicle for smaller local endowments that have never had the money or interest to get into the venture capital game.

"Until a few years ago, if you talked about alternative investments, people would look askance at you," Briggs said. "It wasn't a Midwest thing ... It wasn't something that people understood or were favorably inclined to do."

But this region is starting to catch up to where the East and West coasts have been for a couple of decades, with innovative high-tech (and initially, high-risk) companies holding the key to economic progress.

Briggs noted the change in his own GAR Foundation over the past five years. The \$190 million fund now sets aside up to 15 percent of its money for venture investments, with no less than 2 percent of its assets committed to early-stage efforts in Northeast Ohio.

Larger funds, like GAR, will be encouraged to consider the region's capital fund, but Briggs said the fund's design should be especially appealing to endowments of \$100 million or less, whose smaller staffs do not include individuals able to investigate venture opportunities.

The highly experienced Buckeye Venture Partners does all the work, Briggs said. The fund will have one manager, who will hire underlying managers, each of whom will oversee a fund with diverse venture investments.

Like mutual fund

"You can compare it to a mutual fund," explained J.T. Mullen, chief financial officer of the Cleveland Foundation. "For an institutional investor, it provides you diversification in managers and reduces risk."

Mullen said organized efforts have increased entrepreneurial activity and the creation of new businesses throughout the region. Now it's time to support the next stage of their development.

"Clearly, there is a strong belief that the ideas coming out of Northeast Ohio are great ideas and will eventually generate investment return," Mullen said.

In addition to creating the NEO Venture Capital Fund, the partnership of nonprofits will work to attract more venture capitalists to locate here through a broader effort called the NEO Capital Fund Initiative.

National firms

In the past two years, the national firms of Draper Triangle Ventures, Chrysalis Ventures, and Oakwood Medical Investors have opened new offices in the region to capitalize on recent high-tech growth here.

Meanwhile, several local investment groups have formed, from firms like Early Stage Partners, Reservoir Ventures, Bridge Investment Fund and Mutual Capital to "angel" investor groups like Akron ARCHAngels and North Coast Angel Fund.

Mullen said while the NEO Venture Capital Fund will help to begin closing that \$375 million funding gap, ideally it will create momentum that will lure other venture funds into the area.

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