

# Top five trends from InvestMidwest 2013

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## By David Kaufman

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*Less than a month after the 2013 InvestMidwest Venture Capital Forum, my mind is still buzzing with all the ideas, innovations and investment opportunities I saw and the inspiring people I met. As a longtime adviser to both investors and companies on venture capital deals, I've participated in this start-up field for more than two decades. But as a new partner at Thompson Coburn – and a first-time attendee at InvestMidwest – I arrived in Kansas City with fresh eyes.*

*These are the themes I picked up on during those two jam-packed days.*

### **Entrepreneurship is alive and well**

We may live in a still-rebounding economy dominated by large global public corporations and entrepreneurs on the two coasts, but the startup spirit thrives across the Midwest. Every presentation I heard made that fact even more apparent.

InvestMidwest divided its 41 professionally curated presenting companies, representing 11 different states, across three "tracks." With 15-odd presentations per track, I could have sprinted around the conference center each day and still not caught all the presentations.

These start-ups are not run by lone inventors holed up in basements. They are sophisticated, well

researched companies that solve real world problems and are ready for the next step. And best of all, they are led by highly motivated, experienced management teams, many of whom have already built great businesses and raised hundreds of thousands of dollars or more in capital. They aim to capture specific markets.

Another realization: entrepreneurs come in all types of packages; the cliché "been there" Silicon Valley angel investor, the jeans-wearing free spirit idealist, the bespectacled university researcher; the physician-inventor. These innovators defy all stereotypes but one: They are eager to build the next great persisting business. And not just to make gobs of money – often they are motivated to change the world or because it is just plain fun.

## Ecosystems support innovation

It's not enough to have a great idea. You have to construct a supportive environment around an entrepreneur to enable him or her to push an idea from conception to execution. These innovation "ecosystems" have several important components, including mentors, university technology transfers, wise sages, marketing, manufacturing and distribution support, funding support, and local, county and state institutions.

Investors inject capital, expertise and credibility. Lawyers and accountants step up with critical technical advice, professional services and business counsel. Incubators and accelerator programs provide structural support, funding, and lab and office space. University systems nurture ground-breaking technologies with research facilities and manpower. The government gives a boost through incentives and tax breaks.

Clearly, it takes more than one person to transform a great idea into a credible product or service. That's the beauty and the weakness of an entrepreneur; to be successful, she can't do it herself.

**Find the exact audience  
that needs  
your product or process.**

**Market to them and do  
it well.**

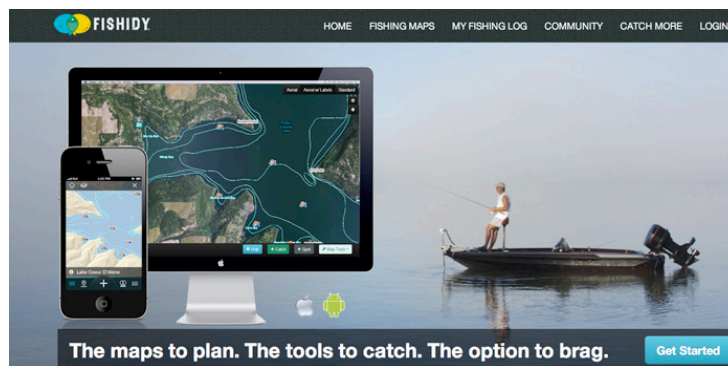
## We still need plenty of solutions

People like to believe that "everything that can be invented has been invented." But from the incredible breadth and depth of InvestMidwest presenters, it is readily apparent to me that this belief would be mistaken. Presenters offered incredible technologies that support life-altering drugs, procedures, and products, including surgical meshes, stents, and implants. We also were introduced to remarkable products that can boost crop yields and improve the safety of our food supply chain.

Other innovations tackled problems that crop up in more everyday activities. I was impressed by the pitch for Georama, a website that enables travelers to select a destination based on their specific desires. Through the use of a proprietary algorithm, visitors can explore destinations around the world and let the experiences of fellow travelers guide their research. The site's interactive map also allows you to compare locations and determine, based on your travel priorities and budget, which trip to take. A site like this would have been a hugely helpful tool when my wife and I were considering a vacation to celebrate a milestone birthday and were open to multiple destinations.

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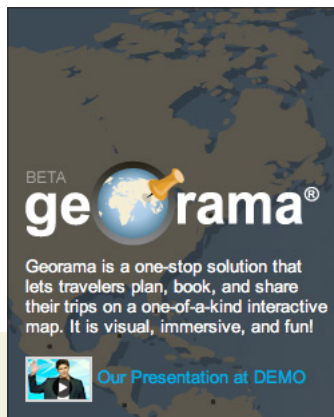
Another web-based innovation, Fishidy, uses exclusive maps and social media to connect amateur anglers across 4,000 U.S. waterways. Trawlers can access interactive maps, discover new fishing spots, and upload photos of their best catches to a "bragging board." I'm not an active angler myself, so I had no idea these sportsmen lacked an online community. But when, as Fishidy's creators claim, Americans spend more money on fishing equipment than golf, I — and entire investor community — should certainly pay closer attention.

## 'Narrowcasting': The new key to success

Let's face it: Not every company can be Facebook. But for many start-ups, generating one billion users is not the end goal, nor should it be. This year's InvestMidwest attendees talked a lot about "narrowcasting." Instead of "broadcasting" your innovation to the widest possible audience, do some research and identify the smaller segment that needs/wants/cannot live without your product or service. Hold on to them and provide enormous value to them. Narrowcast to that audience.

One innovative company, Red Clay, hopes to do just that. It partners with brands to host design competitions, such as an in-store display project. Their pool of more than 400 experienced designers then submit their specific design proposals. The brand

partner then crowdsources the winning design, allowing its highly engaged consumers to provide feedback and vote on the top proposals, all at a much lower cost than the typical design process. This low-volume, high-touch model has been gaining traction among household brands. Like Red Clay, find out what you do really well. Find out the exact audience who needs the resulting product or process. Market to them and do it well. It can be that simple.



## Capital is calling

My final trend is the one that may matter most to these and other innovators: There is plenty of money to be invested in the start-up arena. This year's InvestMidwest was attended by investors with billions of undeployed dollars in capital.

Here's just a sampling of some of the venture capital investor attendees at InvestMidwest 2013, with the amounts listed under total management.

Chrysalis Ventures	\$600 million
RiverVest Venture Partners	\$164 million
Thomas, McNerney & Partners	\$600 million
Ascension Health Ventures	\$550 million
Venture Investors	\$200 million

That is huge amount of potential funding just at this one event, and I am looking forward to hearing more about the partnerships that result from this year's event.

## About the author

David J. Kaufman has more than 20 years of experience as a legal advisor who develops creative strategies to assist clients in accomplishing their financial and business goals. He has led more than \$8 billion in public and private securities offerings and counseled clients through dozens of mergers and acquisitions, including many involving national and international technology companies, financial institutions and commercial real estate groups.



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David helps start-ups structure their business, sign partner and technology agreements, and obtain initial rounds of funding. To both strategic and financial buyers, he has led companies from conception through initial public offerings and sales. He regularly represents public and private companies in securities compliance and offerings. He also represents investors in their security investments in public companies, and private equity participants (including fundless sponsors and high net worth individuals) in their transactions. David has secured venture capital financing for startup companies and assisted established corporations with complex joint venture transactions.

Recognized by Chambers USA for Corporate/ M&A & Private Equity in Illinois, David regularly speaks and writes on corporate law topics, including SEC rule changes and developments affecting corporations and their shareholders.

He attended the University of Michigan, where he earned his B.A. (in Honors with high distinction), his J.D. and a master's in public policy from the University of Michigan's Gerald R. Ford School of Public Policy.

## About Thompson Coburn

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Our nationally recognized Intellectual Property group offers a full slate of legal services to innovators and investors, including:

- Patents (prosecution and litigation)
- Licensing and technology transfer agreements
- Technology transfer arrangements

We have significant experience serving a range of clients in the life sciences, chemical, pharmaceutical, mechanical, and computer and electrical industries.

Our corporate finance and securities practice advises a diverse range of businesses and individuals investors. We assist issuers, underwriters, sponsors, boards of directors, management and shareholders in all types of public securities offerings, private placements, recapitalizations and other corporate and commercial finance transactions. Our practitioners also have extensive experience in securities regulatory compliance and disclosure, including investigations and litigation.



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