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I write about growing regional industry clusters that create jobs.

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Hidden Gems in the Heartland

If you mention venture capital most people immediately think of Silicon Valley in California. Even now, long after the dot-com bust, Silicon Valley still attracts the most dollars. The [National Venture Capital Association](#) reported that, in the fourth quarter of 2011, Silicon Valley attracted nearly half of all venture capital in the U.S. By comparison, the Midwest attracted three percent.

When it comes to capital, having access to public and private funds is ideal for regions and entrepreneurs, according to [David Morgenthaler](#), founder of [Morgenthaler Ventures](#), and one of the nation's most respected venture capitalists.

“Institutional venture capital funds are under extreme pressure to return cash quickly to their investors, so they must be highly selective in the investments they choose to fund. Inevitably this means most investment opportunities will get turned down.”

Morgenthaler continued, “With the availability of public funds, more projects and companies have the potential to get funded. Public funds will attract more entrepreneurs to a region, or even in some cases relocate their companies to it, because they feel they have a better chance of getting funded in the region. Ultimately, the more sources of financing available, the better.”

In the Midwest, Ohio has a good mix of public and private funds, and programs like the [Ohio Third Frontier](#) and [Ohio Capital Fund](#) (a fund of funds) that are creating a robust venture pipeline for interested investors who want more bang for their buck.

[JobsOhio](#) president and [Silicon Valley](#) venture capitalist Mark Kvamme believes Ohio is a compelling region for potential investors. “Given Ohio's strong commitment to nurturing entrepreneurship and developing its most promising industry clusters, I see strong opportunities for investment in the state. We are doing everything we can at JobsOhio to accelerate those companies and markets so venture capitalists want to close more deals in Ohio.”

According to [BioEnterprise](#), Midwest health care companies attracted \$810 Million in new investments in 2011, up ten percent from 2010. Minnesota (\$223 million), Ohio (\$178 million), and Missouri (\$169 million) led the Midwestern states in attracting those investment dollars.

But why does the Midwest often finish behind other states along the coasts (California, Massachusetts and New York)?

“We've always done it that way.” “We feel more comfortable investing here.” “It would require a lot research to look into other areas.” That kind of thinking just doesn't cut it anymore in our 21st Century, global economy.

It might come as a surprise, but investors could likely secure more value for their VC dollar by investing in the Midwest. Many venture capital insiders acknowledge “the importance of investing in emerging

markets” or traditionally capital-starved markets where better terms are available and there is less competition — all of which leads to greater returns on investment.

Some analysts and savvy investors think the Midwest is a hidden gem ripe with opportunity. Charles Rothstein writes in the *Huffington Post* that the Midwest has “many characteristics of an emerging market but that trades in the U.S. dollar and is openly accessible to the world’s largest consumer markets.” Most important, says Rothstein, is that data from VentureXpert indicates the “exit value” of VC funds invested in the Midwest is nearly 50 percent higher than the exit value of “top venture markets.”

When it comes to venture capital, there is money, there is return on investment and there is value out there –in the heartland. And it’s available for those who are willing to take the time and make the effort to find it.