

ACG Cincinnati Venture Capital Program Overview

By Rob McDonald

Earlier this month, I was joined by the CEOs of three of the hottest (though they all laughed at me when I called them “hot”) emerging companies in the Midwest venture capital ecosystem for a panel discussion at the Cincinnati chapter of the Association for Corporate Growth. I was joined by Michael Wohlschlaeger, the Founder and CEO of Ahalogy, Andy Nielsen, the CEO of Everything But the House (EBTH), and Gerald Schlechter, the Founder and CEO of Enosix. All three CEOs had game-changing news in the fourth quarter of 2014. Ahalogy had just been pinned as the fastest growing start-up in Ohio, EBTH had just raised one of the largest Series A rounds in Southwest Ohio history, and Enosix closed its Series A funding round with ease and is poised for significant global expansion. With only an hour in which to pepper the CEOs with questions, we had a lot to cover in a brief period of time.

By way of background and based only on what has been reported publicly, Ahalogy has closed over \$4.8mm in capital, EBTH has closed \$13mm, and Enosix has closed \$4.3mm. It is evident from these numbers that all three companies have bucked whatever local “Series A Crunch” might exist. Perhaps most interesting is that all three companies raised their rounds in very different ways. Andy shared that EBTH raised its round relatively rapidly from predominantly two funds; Greycroft Partners in New York and Spark Capital in Boston. Ahalogy raised its capital in several smaller rounds from Hyde Park Venture Partners and Origin Ventures in Chicago, locally from CincyTech and Vine Street Ventures (where I confess that I am a Manager), and North Coast Angel Fund in Cleveland. Enosix’s Series A round which closed in conjunction with the closing of Enosix’s acquisition of select intellectual property. The round was led by Allos Ventures in Cincinnati and Mutual Capital Partners Funds in Cleveland.

Of paramount interest to me was how each CEO had found success fundraising. For all three CEOs, it seemed to be an easy endeavor despite the fact that each founder raised the round in dramatically different fashion. All three founders were quick to lay out the recipe for easy fundraising.

1. **Pursue an obvious market.** When queried why all three CEOs had been so successful fundraising, they all immediately replied that their businesses are in extraordinary markets. All three CEOs reiterated that investors have a particular interest the market that they are trying to tackle; namely, marketing and ad tech for Ahalogy, ecommerce and auction sales for EBTH, and mobile development for Enosix.
2. **Have the right team in place.** Michael credited some of Ahalogy’s success with having the right team in place. He shared how he met his co-founder Bob Gilbreath, who at the time was an Entrepreneur-in-Residence at CincyTech. Having a strong core team that has the capability and experience to tackle the business makes the pitch much easier.
3. **Know your business.** Gerald discussed how he pitched his business to his lead investor Allos Ventures. He stressed the importance of knowing all of the numbers of your business and having the business organized for growth.

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4. **Show that you can scale the business.** Andy emphasized that they sought to prove the scalability of the business by growing the business in select markets. From there, EBTH was able to model how applied capital could be used to expand EBTH into other markets. By first showing that EBTH could be developed in other markets, the scalability story was more compelling to investors.
5. **Pursue the right investors.** Gerald shared that Enosix was fortunate to find the right investor early on. He suggested that by networking locally, even though there is not an extensive number of Series A round funds in Cincinnati, he was able to connect to a number of investors early-on. Finding the right partner that seeks to grow the business in the same way was a critical part of Gerald's search for capital.
6. **Raise money when you don't need to raise money.** Michael suggested that the best time to fundraise is when a company does not need to fundraise. Michael shared how Ahalogy has raised a number of smaller rounds at critical inflection points of the business as opposed to on a need basis. This has allowed the company to have more selectivity with investors and drive the business valuation.

After an insightful afternoon with all three CEOs, they made fundraising seem easy. While certainly fundraising is no easy feat, I'm hopeful that the panel provided some insight for other entrepreneurs on how to tackle the fundraising process.



Rob is an associate in Taft's Business and Finance and Start-Up and Growth Companies practice groups. He assists start-up and emerging companies with business formation, fundraising, compensation, securities and other matters that entrepreneurial businesses encounter. Rob is a co-founder of The Brandery, a top 10 business accelerator. The Brandery has graduated more than 48 emerging technology companies.