

AUSTIN BUSINESS JOURNAL

WHERE CENTRAL TEXAS CAPITALIZES ON BUSINESS

November 15-21, 2013

Volume 33
Number 38

austinbusinessjournal.com

\$4.99



TOMORROW'S WORKFORCE

ABJ's Patricia Rogers breaks down which trade and tech schools crank out the most talent. **PAGE A19**



JOURNAL PROFILE

If you haven't met this man, you may not be getting out and about enough. **PAGE A22**

COVER STORY

FOLLOW THEIR MONEY



These four Austinites pump capital and expertise into health-focused startups. They're going to be a lot busier when the Dell Medical School debuts.

PAGES A4-A6



A NEW TECH LANDSCAPE:

These entrepreneurs hope their new website will alter a process that hasn't changed in a century. **PAGE A17**



OUR NEIGHBORS TO THE NORTH:

Bridget Brandt is leading the charge to bring retailers and manufacturers to Leander. **PAGE A10**

THE VIRTUAL COLD SHOULDER:

Reporter Jan Buchholz filled the Real Estate Hub with the latest on local Realtors' Web battle. **PAGE A8**

WILL IT BE LIKE BEANTOWN?

Boston economists tell us what we should expect from our new medical school. **PAGE A16**

TALES OF ENTREPRENEURSHIP:

In this week's ABJ-E section, the maker of Sassy Lassi walks us through some big decisions. **PAGE A20**

PHOTO BY NICK SIMONITE

INSIDE: THE BIG NEWS A3 ■ REAL ESTATE HUB A8 ■ ECONOMIC DEVELOPMENT HUB A10 ■ TECH HUB A12 ■ CREATIVE HUB A14 ■ HEALTH CARE HUB A16 ■ OPINION A31



Breaking news online
AustinBusinessJournal.com



Follow us on Twitter
[@myABJ](https://twitter.com/myABJ)



Free email updates
bizj.us/si1ft



POWER PLAYERS: We help you get to know them all. **INSIDE**

COVER STORY

For two decades, Austin and its investors and startups have tried to get this city truly into the biotech game. It's been a slow road to get life sciences technology anywhere close to the level of the area's hardware and software sectors. Until now, they haven't had ...

THE MISSING INGREDIENT

CHRISTOPHER CALNAN | STAFF WRITER

Although Austin has all the ingredients to grow a vibrant information technology industry, the same has not been true for health care and life sciences technology.

But that's about to change.

Industry experts say the Dell Medical School, projected to open on the University of Texas at Austin campus in 2016, will add that last crucial component for Central Texas to grow its life sciences sector and an investment community to support it. The school and the physicians it would attract are projected to be the final piece of the city's health care technology puzzle.

In addition to creating more deal flow for local venture capital firms, the business opportunities expected to be generated could lure more VC firms to Austin and prompt the launching of others to take advantage of the innovation. But more important, a growth in local life sciences startups would diversify Austin beyond its technology focus of hardware and software companies.

The innovation and research from the UT would be supported by the clinicians at work in the medical school — and investors are sure to follow.

Several local VC firms and startup supporters already specialize in life sciences and health care. They include the Austin Technology Incubator, Emergent Technologies, PTV Sciences LLC, Santé Ventures, Spindletop Health Care Capital LP and Texo Ventures.

Industry experts said the additional life sciences activity should attract more VC firms to Austin and promote syndication with firms that specialize in such investments, such as Kleiner Perkins Caulfield & Byers in Silicon Valley and Polaris Venture Partners in Boston.

Austin Ventures LP, the largest VC firm in the state, has traditionally been a software- and hardware-focused firm and doesn't operate a dedicated life sciences or health care practice. Austin Ventures officials wouldn't comment on the medical school's effect on its investments.

In 2006, life sciences firm Santé Ven-

tures was spun out of Austin Ventures to exclusively invest in early-stage companies developing medical technologies or health care delivery models. In 2007, the firm



Texo Ventures launched in 2009, and Managing Director Randall Crowder is already on the hunt for med school deals.

closed its debut \$130 million fund. Then in 2011 it reported receiving \$91.6 million — and so far that's resulted in at least 19 portfolio companies, such as Boston-based AbVitro Inc. and Austin-based BioStable Science & Engineering Inc.

Santé Ventures Managing Director Kevin Lelande is looking forward to operating in an environment that can boast of bigger numbers soon.

"When there is more opportunity for ventures, there will be more capital available," he said. "Capital will come to where the opportunities are."

The medical school, which was approved by the state's voters in October 2012, will be constructed across the street from University Medical Center Brackenridge. The site is north of downtown and on the southern portion of the UT campus — or south of Martin Luther King Jr. Boulevard, between I-35 and Trinity Street. It's scheduled to accept its first class in 2016.

Kick-started with a \$60 million donation from Dell Inc. CEO Michael Dell's family foundation, the medical school will operate as part of the Seton Healthcare Family and Central Health, a public health care district. A new teaching hospital run by Seton is scheduled to be adjacent to the new medical school as part of a five-building complex.

Startups in the IT space typically rely on a technology hook and the smarts of the entrepreneur running the show. But health care and life science startup also need a clinician to turn an idea into a practical application. And that's where the medical school will come into play for local investors.

"There's another player at the table," Lelande said.

In addition to the obvious benefit of promoting better local health care, the medical school would provide problem-driven research compared with the academic research at UT. The difference is important to investors because medical school research develops solutions with a ready-made market, which naturally reduces the



Santé Ventures Managing Director Kevin Lelande has been investing in life sciences startups for several years.

investment risk for VC firms, said Thomas Harlan, CEO of Austin-based life sciences venture firm Emergent Technologies Inc.



Cindy Walker-Peach used to manage biotech startups from the inside, but now she offers her expertise to those inside the Austin Technology Incubator.

“There are going to be more collaborations to move the needle in the output quadrant,” he said. “There’s going to be more research to pick from.”

Emergent Technologies, which employs 35 workers, was founded in 1989. In 2007, it closed a \$27 million Fund IV dedicated to the UT system. Last year, it launched a life sciences business incubator for entrepreneurs and startups designed to foster inventors and startup life science

‘We’re no longer the flyover (city for life science investors).’

Cindy Walker-Peach
Biosciences director
Austin Technology Incubator

and technology companies by assisting with the steps of creating a laboratory, intellectual property expansion and product development. Spindletop, which launched in 2011, raised a \$50.5 million fund. The amount was far short of the \$150 million the firm planned to raise, according to a filing with the U.S. Securities and Exchange Commission. But Managing Partner Dr. Evan Melrose said the firm, which lists North Carolina-based Bioventus LLC, Georgia-based QSpex Technologies Inc. and Austin-based Avanzar Medical Inc. as its portfolio companies, is raising additional capital.

The amount of venture capital local health care industry companies have received has risen significantly in recent years.

During 2012, local companies that include biopharmaceuticals, medical devices and medical software, raised \$137.7

million compared with \$68.3 million the previous year, according to Dow Jones VentureSource.

The density of physicians provided by a medical school will provide Austin with a melting pot of health care invention since physicians are the end users — and a concentration of such users would provide ready-made conditions for beta testing. Consequently, the area will finally have the final piece needed for the development of health care-related technology, said Cindy Walker-Peach, director of the biosciences program at the Austin Technology Incubator since 2010.

“We’re no longer the flyover (city),” she said. “We just haven’t had that last ingredient.”

Walker-Peach projects more VC firms from the east and west coasts will be doing business in Austin in 10-20 years.

Since many physicians prefer to work where they were educated and trained, Austin stands to benefit from a significant increase in its medical talent pool. The physicians would innovate and commercialize that innovation with startup companies.

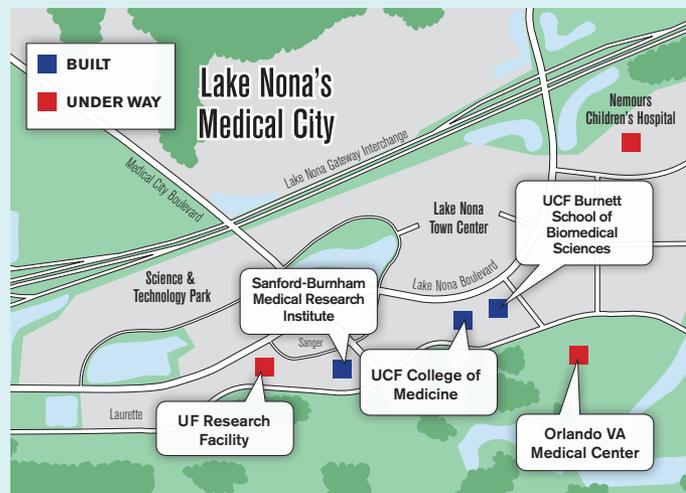
Austin-based Texo Ventures, which launched in 2009, plans to fund the health care companies produced by the new conditions, Managing Director Randall Crowder said.

Health care startup entrepreneurs are typically physicians who understand what it takes to care for patients and have experienced first-hand some of the inadequacies in the system, he said.

STORY CONTINUES ON PAGE A6



Thomas Harlan has been commercializing life science companies – some with UT ties – since 1998 as the founder and CEO of Emergent Technologies Inc.



The University of Central Florida College of Medicine building is the centerpiece of Orlando’s campus, and it’s attracting some major developments.

In Orlando, med school fuels major innovation hub

A look at a major health care development in the Sunshine State could offer a glimpse of the effect a medical school may have in Austin.

In Orlando, Fla., the 7,000-acre Lake Nona Medical City — which includes a children’s hospital, a Veteran’s Administration medical center and a research center — is projected to create 30,000 jobs and \$7.6 billion in economic impact by 2017.

In 2009, the development attracted its first key tenant — the University of Central Florida’s College of Medicine, a research-based medical school built from the ground up.

The Orlando Business Journal, an affiliated publication, reported that UCF spent another \$15 million in 2012 to buy 25 acres of land for a future 253,000-square-foot inpatient teaching hospital.

Once the go-ahead was given for the medical school, other anchor tenants were attracted to the development. The result is a growing health and life sciences cluster that is growing at an astounding pace:

- Sanford-Burnham Medical Research Institute in Orlando: The \$85

million facility opened in 2009, now has more than 190 employees and expects to grow to 300 jobs. Its scientists are researching obesity, diabetes and heart disease.

- Nemours Children’s Hospital: The \$400 million, 95-bed, 600,000-square-foot facility started seeing patients in October, becoming Orlando’s third children’s hospital.

- The Orlando VA Medical Center: The 1.2 million-square-foot, \$665 million center will include a nursing home and a simulation center, and is expected to be the largest VA hospital in the U.S. when it opens in 2014.

- The UF Research & Academic Center at Lake Nona: The

\$53 million, 106,000-square foot research center opened in November 2012. The campus will grow to 280 students in four years, and grow post-doctoral and fellow students to 20 to 30 students in five years. The building is also housing high-paying researchers, including 30 jobs at the Institute for Therapeutic Innovation, which has \$40 million in grant funding and focuses on infectious disease control.

■ Christopher Calnan

CAN AUSTIN BE LIKE BEANTOWN?

Reporter Chad Swiatecki speaks to two economic experts from Boston about how Austin’s proposed “innovation district” adjacent to the Dell Medical School might try to emulate the success of Boston’s Longwood Medical Center near the Massachusetts Institute of Technology.

SEE PAGE A16

COVER STORY

Austin Health Care and Life Science Startup Investments

	No. of deals	Aggregate amount
2012	11	\$137.7 million
2011	9	\$68.3 million
2010	4	\$12.7 million
2009	8	\$26.3 million
2008	7	\$23.7 million

SOURCE: Dow Jones VentureSource

FROM PAGE A5

“The medical school brings not only a medical mindset here to deliver care better, but the technology to deliver care better,” Crowder said.

At Emergent Technologies, Harlan expects the local life sciences deal flow to increase within 24 months after the school is operating and then 2 years to 4 years for it to gain a measure of momentum.

However, the entire process could be turbo charged if the medical school generates a successful startup.

“There’s nothing like a win to pull investors in,” he said. “One big success will then amplify that a lot.”



Here's the proposed layout of Austin's medical school campus. The centerpiece will be the teaching hospital across the street from the University Medical Center Brackenridge, which may ultimately be torn down. To the west of the proposed buildings will be Austin's Innovation District - sites devoted to commercialization. The Frank Erwin Center may also move across I-35 in the coming years.

AUSTIN BUSINESS JOURNAL



A look back at the November 12 Face 2 Face featuring Dan Graham, Founder and CEO of BuildASign.com



“As we’ve grown and become more successful the less and less you need the money, and of course then more people want to give it to you.”

“We’ve found military families are incredibly loyal – and not only are they purchasing from us, but they’re referring people to us as well.”

“The biggest mistake I’ve made in business is not getting over my fear of networking earlier.”

NOVEMBER 12 FACE 2 FACE FEATURING

Dan Graham
Founder and CEO of BuildASign.com



Upcoming Interview
Dr. James Truchard
President, CEO and Cofounder
National Instruments

December 5, 2013
8:30 - 10:00 am
Whole Foods Market Global Headquarters
Plaza Level
550 Bowie Street

REGISTER AT austinbusinessjournal.com/events

PARTNER



SPONSOR

BAKER BOTTS

LIVE TAPING BY

