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ETI banks on biotech sector

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With the close of its latest investment fund last year and three new startup companies under its wing, life sciences venture capital firm Emergent Technologies Inc. has secured a new nest to spawn more businesses in the coming year.

Emergent Technologies, which focuses primarily on forming and managing companies that commercialize university-based research, is doubling its space with a move to the Preserve at Bee Cave II, a new 23,000-square-foot building at 11412 Bee Caves Road.

The Emerson Group developed the three-story office building, which is part of Strawn Properties' 70,000-square-foot Preserve at Bee Cave office and retail complex. The 8,000-square-foot first floor is earmarked for laboratory space, providing several of ETI's firms with state-of-the-art wet labs to conduct research. The two upper floors will house executive offices for ETI's staff, which has more than doubled to 24 people since fall 2006.

"We had just run out of room," says Thomas Harlan, president and CEO of ETI. The firm's growing portfolio of local businesses required more breathing room, he adds, particularly when it came to scarce lab space. ETI relocated from less than 12,000 square feet in a nearby office building. And since Emerson is developing another building as part of the complex, Harlan says ETI will have options should it need to expand beyond its current footprint.

In April 2007, ETI closed its \$27 million Fund IV dedicated to the University of Texas System. So far, three companies — Mimetic Solutions LLC, Beacon Sciences LLC and AeonClad Coatings LLC — have launched from Fund IV. Harlan



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Thomas Harlan, president and CEO of Emergent Technologies Inc., at the company's new digs, soon to be complete with wet labs for research.

says with another two or three companies likely to emerge from UT system schools in the coming year, the new building offers growth space while serving as a reflection of the firm's commitment to increasing the biotech and life sciences sectors in Austin and in Texas.

Launched in 1989, ETI now has more than \$40 million in investment funds under its management and 14 companies in its portfolio, says Grant Gibson, vice president of market development. The firm's first businesses were born out of the University of Oklahoma Health Sciences Center. ETI will look to exit two of those companies, Hyalose LLC and Pure Transplant Solutions LLC, through a sale or other method in 2008 to realize a return on investment. Those two companies are about six years old, but Harlan says ETI expects to exit

several of the more recent companies from its Texas Tech University and University of Texas funds on a more rapid timeline.

"The biotech sector is a limitless one," says Harlan. "We're delighted to be sitting in a region where there's abundant deal flow, in terms of the science coming from the university."

Perhaps even more important to emerging companies' success is the number of lab techs, postdoctorates and other professionals who want to make Austin their home, says Harlan.

"Because Austin has such an allure, it's that much easier to recruit people that aren't already here," he says.

Besides ETI's employees, each of the individual companies it starts has its own staff, which usually numbers three to seven people after two years, says Harlan.