

Reporter's Notebook: Market is Brewing For Chicago Venture Capital

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CHICAGO – In today's *Reporter's Notebook*, we look at Todd Holmes – co-founder of Goose Island and separately [Beer Across America](#) – who's tapping Midwest venture investors to fund expansion for his company Liquidus On Demand Marketing. We also showcase early stage and university business plan winners and highlight Firm58, which has hired a new CEO for its next venture raise.

Microbrew pioneer Todd Holmes is looking for his next liquidity event.

That's why the co-founder of the Goose Island and separately Beer Across



Todd Holmes

Photo credit: Todd Holmes

America last week was one of dozens of Chicago entrepreneurs hoping to tap into the venture capital market during the 2008 Midwest Venture Summit.

The two-day summit, which was organized by the Illinois Venture Capital Association (IVCA), was the place to be for any young company seeking cash.

More than 100 early stage investors were on hand to review presentations from dozens of start-ups selling everything from software to synthetic medical glue. Holmes' Liquidus On Demand Marketing firm helps cable companies including Comcast and Time Warner distribute video classified advertising to their digital subscribers.

Chicago-based Liquidus, which was founded in 2001, has been funded to date by a \$1 million angel investment. Though the 50-employee company made more than \$4 million in 2007, Holmes hopes to raise as much as \$5 million to fund expansion into Internet markets.

"Most companies start on the Web and then work toward video on demand," said Holmes, 40, who is a native of Barrington, Ill. "We went the other way. The cable space is difficult. It took us two years to learn the intricacies of dealing with multiple players in multiple markets."

This homegrown approach to raising money contrasts with the last time Holmes was out seeking institutional venture capital during the frothy period of the dot-com bubble. In March 2000 just before that market's last call, he raised \$25 million from several blue-chip venture firms to fund Drinks.com.

"That is the one business no longer in existence," he said. "Back then, you spent your money as if you were going to raise your next round. That is a tough way to run a business."

Holmes, who turned a \$5,000 investment in mail-order distributor Beer Across America into an \$18 million sale, is now consumed with finding the right talent to grow Liquidus. While the company already has a presence in 30 cities, Holmes believes the market for video classified advertising has multibillion-dollar potential. He says with or without raising money, Liquidus expects to make more than \$10 million in 2008.

"When you put all (my companies) side by side, they couldn't be more different," he said. "Relying on good people has helped to take this vision into a reality."

Seeding New Stars

Grants from the Illinois Department of Commerce & Economic Opportunity and Chicago angel investor Bob Geras put a total of \$120,000 in the hands of two local companies. ReTel Technologies, which uses radio frequency technology to help grocery shoppers find better deals, won \$50,000 in the 2008 Midwest Venture Summit's university business plan competition.

The University of Chicago company competed against seven other start-ups representing Southern Illinois University, the University of Illinois, DePaul University, the Illinois Institute of Technology, Northwestern University and Loyola University. The competition, which kicked off the summit, was organized in part by the Illinois Business & Investors Forum.

Evanston, Ill.-based PatientImpact, which develops online surveys to help health care organizations better communicate with their

customers, took home a \$70,000 check in the early stage competition. The prize money was donated by Geras as a way to both celebrate his 70th birthday and motivate young and worthy companies to tighten up their business plans.

One-Stop Shopping

Many of the later stage businesses that showcased their wares were existing portfolio companies of Evanston, Ill.-based New World Ventures. Among the New World-backed companies out raising more money were Chicago-based financial technology provider Firm58 and Lisle, Ill.-based grid computing shop Univa UD.

Firm58 leases software to help exchanges and other financial institutions manage and reconcile transactions. The company, which hired CEO Curt Witte to replace founder Same Mele, is raising \$7 million after closing on \$3.7 million a year ago. Mele remains its director of sales.

Univa, which is also funded in Chicago by ARCH Venture Partners and OCA Ventures, has received a term sheet from a new investor to lead a \$10 million round, according to CEO Jason C. Liu. The company recently hired former Dell executive Alex Brown to serve as general manager of its data center division.

"The advantage of an event like Midwest Venture Summit is the exposure companies get to multiple investors at once," said New World managing partner Chris Girgenti.

*Disclosures: Midwest Business, Inc. presented at the 2008 Midwest Venture Summit.
The IVCA is a partner with MidwestBusiness.com.*

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By [BRAD SPIRRISON](#)
Staff Writer
brad@midwestbusiness.com
AIM: [JSpirrison](#)