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Coalition working to reactivate fund

A group of businesses and academics wants the state to revive a tech venture capital fund

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By Ted Sickinger of The Oregonian staff

When Cetin Koc developed the concept for a new generation of cryptographic techniques in 1994, the computer engineering professor at Oregon State University began chasing money to support and commercialize his research.

He eventually found funding -- but not in Oregon.

Through colleagues at the California Institute of Technology, he found a group of California entrepreneurs willing to ante up about \$1 million. Today, the 35-person start-up company borne of his research is located in Pasadena, Calif.

"I spoke to a lot of people, but Oregon wasn't the place," Koc said. "OSU paid for the patent, but it didn't have the (funding) contacts. . . . Otherwise, it could have ended up in Portland."

Koc's experience is common in Oregon, observers say.

Technologies developed by researchers here either end up licensed to out-of-state ventures -- exporting potential jobs and tax revenues -- or die for a lack of seed funding.

A coalition of business leaders and academics are pushing the Legislature to help solve the problem by reactivating a state-sponsored venture capital fund that focuses on commercializing "core" technologies developed in physics, biomedicine, chemistry, engineering and computer science departments at state universities.

Backers say the Oregon Resource and Technology Development Account (ORTDA) would help bridge the gap between embryonic technologies in research labs and first-stage investments from venture capitalists.

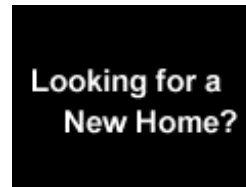
They also emphasize that the fund, which carries a \$10 million price tag, is a one-time investment that could become an evergreen source of funds recycled into new companies as its investments mature and are sold.

The request received the unanimous blessing of the state Senate Education Committee last week. It now moves to the House Ways and Means Committee, where it awaits funding amid a growing collection of technology-related bills in a tight budget year.

"We're aware of the realities within the state," said William Newman, an interim manager of the fund. "But we're positioning this as something that allows us to build the state's tax revenue and job base."

The distinction is important because backers hope legislators will see the request as an economic development initiative -- and seek funds from such sources as the lottery and tobacco settlement -- not as a higher-education request.

The high-tech community already is pushing a full slate of education initiatives in Salem, including ones that would double the number of



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Oregon engineering graduates and create top-tier engineering and bioscience programs. The price tags of the three initiatives total about \$50 million in the next biennium.

And the ORTDA funding request is one of a package of complementary bills designed to ease university-to-industry technology transfer, including one bill that would increase funding for technology-transfer offices at universities and others that, with voter approval, would enable public universities to hold stock.

The ORTDA would succeed a fund that provided early seed capital to 50 companies between its inception in 1986 and 1998.

The Legislature's original \$12.3 million ballooned to more than \$20 million before the state Attorney General's Office determined in 1998 that the fund violated a provision of the Oregon Constitution barring state agencies from owning stock in companies.

In the ensuing two years, while the fund was inactive and managers were barred from selling investments, the value of the fund shriveled to about \$6.8 million.

But fund backers say the devaluation was simply a matter of timing and point to other economic benefits, including 3,000 jobs and more than \$6 million in annual corporate and payroll taxes generated by companies backed by the fund.

"If the legislature can seriously consider funding a major league baseball franchise with \$150 million in lottery money, it should certainly fund ORTDA with at least \$10 million," said Donald Hagge, president of Caldas Semiconductor, a Salem company backed by the original fund, in a letter supporting the initiative.

"If not," Hagge added, "it would be a tremendous injustice to the citizens of Oregon and a very sad commentary on their elected representatives."

You can reach Ted Sickinger by phone at 503-221-8505 or by e-mail tedsickinger@news.oregonian.com

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