Ohio | Third Frontier
Innovation Creating Opportunity

ONE Fund

FY 2014 Evaluators' Final Report

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1 EXECUTIVE SUMMARY

Ohio's New Entrepreneurs (ONE) Fund is an innovative approach to retaining and attracting the best and the brightest entrepreneurial talent to Ohio by supporting technology accelerators within Ohio. Accelerator programs supported by the ONE Fund aggressively recruit entrepreneurs from within Ohio and outside the state. These accelerators foster entrepreneurial development by enabling rapid market introduction of new products and technologies developed in Ohio. ONE Fund accelerator participants work intensively under the mentorship of seasoned entrepreneurs, industry experts, and investors.

The Ohio Development Services Agency (Development) aims to support Ohio business accelerators that have the potential to become world-class by providing funding to teams of entrepreneurs participating in these accelerators. The overarching goals for the accelerators include the following:

- Attract and retain top entrepreneurial talent in Ohio.
- Assist young companies in attracting follow-on investment.
- Raise visibility and excitement about entrepreneurship in Ohio.

ONE Fund was initially piloted in 2011. Based on the success of this initial pilot, the program was expanded in 2012, supporting four accelerator programs. In 2013, an additional four programs were supported. In 2014, the program funding was expanded to allow for 12 teams to be supported, compared with 10 in 2013.

Five applications were received in FY2014. In the 2014 applicant pool, a clear shift emerged with accelerators identifying one or more specific markets or industry focuses. The applicants intensified the availability of aligned assets and other resources for their teams. The reviewers viewed this shift as a significant, positive step in the maturation of Ohio's accelerator community and in achieving world-class status.

After verifying each applicant's eligibility, a set of pre-determined evaluation criteria was applied, including: Likelihood of World-Class Accelerator; Mentor Network; Funding & Sustainability; Resources Available to Teams; and Likelihood of Achieving Performance Goals. Based on these criteria, Urban Venture Group, Inc. (UVG) recommends funding as follows:

Table 1: ONE Fund Funding Recommendations

Applicant	Number of Teams	Budget
Bizdom Cleveland	12	$240,000
FlashStarts	12	$240,000
LaunchHouse Accelerator	10	$200,000
The Brandery	12	$240,000

These recommendations focus on support for established programs with strong prospects for successful operation and meaningful economic impacts for Ohio. In the short term, each of these programs should attract and retain entrepreneurial teams to Ohio, enhance Ohio's entrepreneurial reputation, and create new Ohio companies and jobs.

2 INTRODUCTION TO THE ONE FUND PROGRAM

2.1 Business Accelerators

The accelerator model first emerged in 2005 with the goal of reducing the time to secure investment capital and achieve market entry. Y Combinator, the pioneer accelerator, started in 2005 in Mountain View, California and was followed by TechStars in 2006 in Boulder, Colorado. Both accelerators remain pre-eminent today.

The accelerator model differs from business incubators. Accelerators have highly defined programmatic structures that include a set duration, identifiable progression targets, and a coherent class of participating companies.

Since the inception of Y Combinator in 2005, over 500 accelerators have been started in the U.S. and thousands more across the globe. Many accelerators have not met expectations, leading to two trends. First, the market is increasingly recognizing the challenge associated with new accelerators replicating the exceptional programs and results of top accelerators. Second, accelerators are evolving to focus on particular markets or disciplines in order to draw more talented teams, mentors, and investors from greater distances.

2.2 Objective of ONE Fund

Ohio's New Entrepreneurs Fund is an innovative approach to retaining and attracting top entrepreneurial talent to Ohio. This mentorship-driven program focuses on the professional development of young entrepreneurs and links Ohio-based ventures with early-stage investment capital. ONE Fund supports Ohio business accelerators that have the potential to become world-class by providing funding directly to teams of entrepreneurs participating in those accelerators.

2.3 Applicant Eligibility

To be eligible for the program, an accelerator is expected to follow the model of an approximately twelve-week program duration, support between six and twelve teams of entrepreneurs, expect a high level of team commitment and progress during the program, maintain graduation standards, and end with a Showcase or Demo Day where entrepreneurs pitch their ventures to an audience of local, regional and national investors. In addition, the accelerator is expected to provide a dedicated collaborative facility to the participating teams of entrepreneurs throughout the accelerator session. Current or past Grantees under the Entrepreneurial Signature Program are not eligible as Lead Applicants, but are encouraged to look to accelerators for a potential pipeline of quality deal flow.

The Lead Applicant must have a principal place of business in Ohio and maintain physical operations managed by a senior representative in the State. This facility must be owned by the Lead Applicant or be subject to a long-term lease. Lead Applicants that become Grantees must maintain eligibility while the Grant is open. A Grantee that loses eligibility forfeits its award and may be required to repay the State of Ohio the full amount of the monies it has received, plus interest.

3 Proposal Evaluation Results

Proposals were received from five applicants for the 2014 program. All applicants were deemed substantively responsive to the ONE Fund vision. Each applicant proposed a compliant accelerator program. One application, 10Xelerator from Columbus, was withdrawn and was not evaluated.

Table 2: Proposals Received

Proposal #	Lead Applicant	Accelerator Name	Request
14-200	FlashStarts, Inc., Cleveland	FlashStarts	$240,000
14-201	Main Street Ventures, Cincinnati	The Brandery	$240,000
14-203	Bizdom Fund, Cleveland	Bizdom	$240,000
14-204	The University of Akron Foundation, Akron	MEDLaunch	$240,000
14-205	LaunchHouse, Shaker Heights	LaunchHouse Accelerator	$200,000

Detailed review of the applicants was performed according to a rubric developed based on the pre-established evaluation criteria outlined in Appendix 1, below. The same process was employed in the evaluation of each applicant. Based on an initial review of the written Request for Proposals (RFP) submissions, the reviewers catalogued strengths and weaknesses of the applicant. The reviewers then generated a list of questions that were shared in advance of an in-person interview with representatives of the Lead Applicant. Based on this interview, the reviewers updated their evaluation rubrics. The results were then aggregated below (Table 3). Four of the five applicants were judged to merit ONE Fund support based on the evaluation criteria.

Table 3: Evaluation Findings and Funding Recommendations

Ctrl #	Accelerator	Stage 1 Review	Criteria					Recommendation	
			1	2	3	4	5	Teams	Funding
14-200	FlashStarts	Pass	→	→	→	↗	↗	12	$240,000
14-201	The Brandery	Pass	↑	↑	↑	↑	↑	12	$240,000
14-203	Bizdom	Pass	→	↗	↗	↗	↗	12	$240,000
14-204	MEDLaunch	Pass	↘	↘	↓	↘	↓	Do not fund	
14-205	LaunchHouse	Pass	↗	↗	→	→	→	10	$200,000

Criteria:

1. Likelihood of World-Class Accelerator
2. Mentor Network
3. Funding & Sustainability
4. Resources Available to Team
5. Likelihood of Achieving Performance Goals

Legend:

↑ – excellent
↗ – good
→ – acceptable
↘ – poor
↓ – unacceptable

3.1 Proposals Recommended for Funding

3.1.1 FlashStarts (FlashStarts Inc.)

Summary

FlashStarts is a Cleveland-based for-profit accelerator focused on IT startups. The reviewers note the proliferation of IT focused accelerators and recognize FlashStarts' internal $1 million seed fund as a substantial differentiating value proposition. FlashStarts is a relatively new accelerator, having been founded in 2012. The core of FlashStarts is an active leadership team led by serial IT entrepreneur Charles Stack and a $1+ million investment fund used to seed accelerator graduates. FlashStarts offers an effective accelerator program that includes a clear technical focus, a highly committed leadership team, a dedicated fund to seed graduates, an effective curriculum, and capable execution demonstrated during its 2013 class. On this basis, funding is recommended for FlashStarts.

Ctrl #	Accelerator	Merit Criteria					Recommendation	
		1	2	3	4	5	Teams	Funding
14-200	FlashStarts	➔	➔	➔	↗	↗	12	$240,000

Likelihood of World-Class Accelerator

FlashStarts is a relatively new accelerator, founded in 2012 and with one completed class (2013). Its deeply committed leadership team combined with a dedicated investment fund make for a compelling value proposition for IT startups. FlashStarts has demonstrated a strong ability to raise funding for the program and seems well-positioned to continue to garner support for future programs. The accelerator model is designed around effective business execution. The FlashStarts leadership team is able to deploy expertise in both B2B and B2C software, also a strong attractor for high quality teams. The accelerator's internship program was viewed as one potentially differentiating aspect of the FlashStarts model. FlashStarts aligns well with the ONE Fund program as well as with the Ohio Third Frontier mission.

The technical focus area of FlashStarts does not provide clear differentiation for FlashStarts from other accelerators. A lack of clear innovative elements in curriculum and focus area may hold it back from achieving world-class status in the near term. With a large portion of the mentoring originating with the two co-founders, there is no intention from FlashStarts to expand the accelerator beyond one class per year. FlashStarts claimed a secondary focus on healthcare IT, but this focus area was not well substantiated with expertise or resources specific to healthcare IT solutions.

Mentor Network

Though the FlashStarts mentor network is large and diverse, commitment from key mentors is modest. However, FlashStarts reports increasing interest from last year's mentor team. The high level of engagement from Stack and Neundorfer provide additional support for the mentoring program. The mentor team spans numerous industries and functional expertise areas (e.g. legal, finance, etc.) but lacks depth in health care, a stated focus area of the accelerator.

The mentor team structure and roles assigned to mentors appear reasonable. FlashStarts divides its mentors into two groups: program mentors and corporate mentors. Program mentors, whose

expertise is in entrepreneurship and investment, are tasked with guiding the focus and development of accelerator teams. Corporate mentors are chosen based on industry and subject matter expertise and are deployed to teams based on their specific product or industry focus. FlashStarts allows teams and mentors to self-select, which will allow for a natural relationship to develop based on needs and capabilities.

The mentor network is somewhat lacking in both healthcare IT and large industry. If the next class is heavily focused on healthcare IT, the mentor network might not be sufficient to support this. In addition, the majority of the mentors are from small businesses with little support from large industry.

Funding and Sustainability

The most notable strength of the FlashStarts model is its dedicated investment fund for accelerator graduates, which provides seed-stage funds for graduating teams. FlashStarts is well funded by its founder Charles Stack, who has demonstrated the ability to raise angel investment funds dedicated to support the accelerator and its graduates. Accelerator operations will be funded by annually raised funds until returns on investments mature. FlashStarts has not yet secured full commitment for 2014 operating funds, but its founder has committed personal funds to support accelerator operations in the event of any shortfall.

Relationships with other external investors were notably weak; little substantiation of relationships with external investors was provided. Building deeper, more concrete ties with external investors, particularly venture capital, is a key need to be addressed.

Resources Available to Teams

The leadership team of Charles Stack and Jennifer Neundorfer represents the key resource provided to FlashStarts teams. These two individuals demonstrate a high level of commitment and engagement with the accelerator and its teams. Charles Stack is an experienced serial IT entrepreneur. Jennifer Neundorfer has deep experience in IT finance and mergers and acquisitions. Together, they provide a compelling set of skills to support accelerator teams.

FlashStarts has effectively raised and deployed investment funds into its teams and has demonstrated the ability to continue to raise funds to support future teams. The ready availability of seed funds for graduates is an attractive feature of the accelerator. The accelerator provides adequate physical facilities for teams, including data connectivity to support big-data startups, although no other specialized physical resources were detailed.

FlashStarts' internship program was viewed as a particular strength, with FlashStarts training a cadre of interns in the accelerator's IT tools, practices, and specific technical skills (programming, media, etc.). In addition to reducing the demands on participants, the internship program may also be an effective means of attracting and retaining young entrepreneurial talent within Ohio. The inaugural Demo Day held September 23, 2013, was well-attended.

Likelihood of Achieving Performance Goals

Early results suggest that FlashStarts is on a trajectory to become a focused, effective accelerator. The first year execution of the accelerator appears efficient and effective. All 10 graduates from

2013 remain active, with 5 having raised follow-on capital. FlashStarts attracted a deep pool of applicants in 2013 as well as numerous early applicant submissions for 2014.

The program appears well-designed, although its structure lacks in innovative elements and is not well differentiated from other IT accelerator programs. FlashStarts' focus on customer engagement and iterative process are both reasonable and well-aligned with its IT focus. Maintaining special focus on pitch practice is appropriate and was well-received by the reviewers. The most notable weakness is that the curriculum does not have substantial customized content or resources for the stated focus on healthcare IT.

Collectively, FlashStarts' first class of graduates has raised nearly $1.5 million in capital, $1.2 million of which is directly related to the FlashStarts fund. The 10 teams support 23 jobs. Four teams already have revenue. Based on these results, FlashStarts' goals of $400,000 in revenue and $4 million in additional equity funds in 2014 are aggressive, but reasonable. FlashStarts is already on pace to meet its 2014 goals for applicant and intern applications.

3.1.2 The Brandery (Main Street Ventures)

Summary

The Brandery is a globally recognized, world-class accelerator located in Cincinnati. The Brandery focuses on consumer internet and product startups. The Brandery consistently attracts and retains high-quality teams, and their associated economic impacts, within Ohio. These impacts include newly created jobs by Brandery graduates, and a heightened awareness of Cincinnati and Ohio among venture capitalists. Having established near-term sustainability from partner donors, The Brandery is on a thoughtful path to build an endowment to support its long-term sustainability. The Brandery offers substantial resources to its teams, including a committed and deep pool of mentors and strategic partners. Concrete engagement from national venture capital firms and angel investors provide direct access to capital. For these reasons, funding is recommended for The Brandery.

		Merit Criteria					Recommendation	
Ctrl #	Accelerator	1	2	3	4	5	Teams	Funding
14-201	The Brandery	↑	↑	↑	↑	↑	12	$240,000

Likelihood of World-Class Accelerator

The Brandery is widely regarded as a world-class accelerator, ranked number 10 in Tech Crunch's 2013 ranking of top Accelerators, released in March 2014. For their 2013 class, The Brandery vetted over 1,000 applicants from 40 states and 40 countries. Of these applicants, 85% were from outside Ohio and 21% from outside the United States. Ten applicants were selected to form the 2013 class, with eight relocating to Ohio to participate in The Brandery program. Teams relocated from across the U.S., Canada, Europe, and Asia.

The Brandery has successfully created a word-wide network of collaborators and supporters for their work. Within the global accelerator community, The Brandery is one of the seventeen charter members of the TechStars Network. Supporting its focus on consumer internet and product companies, The Brandery builds on the core strengths of its home in Cincinnati. It leverages its home with active relationships with major firms Procter & Gamble, Kroger, and Macy's. Market

research leader dunnhumby usa and leading design agencies commit significant resources to The Brandery teams. The University of Cincinnati's College of Design, Architecture, Art, and Planning (DAAP) is ranked as the #3 design school worldwide, further strengthening The Brandery's community.

Mentor Network

The Brandery's mentor network is a notable strength. Seventy-five mentors are identified by name and biography on The Brandery's website. Mentors show a high level of commitment in both time and resource commitment to The Brandery and its teams. For example, out of town mentors travel to Cincinnati at their own expense.

Mentors dedicate two to three hours weekly with their teams and serve in a core mentorship or subject expert role. Core mentors deliver functional expertise in the areas of venture capital, marketing and branding, entrepreneurship, and programmatic expertise. Each team is also assigned a Brandery alum within its mentor team. Subject expert mentors provide market, industry, or geographic expertise. In addition to individual team mentor assignments, The Brandery program hosts events designed to encourage teams to engage the full mentor network.

The Brandery is focused on maintaining and improving the overall quality of mentorship provided during the program. After graduation, feedback is collected from the teams specifically on the quality of contribution from each mentor. The program actively recruits additional mentors to meet identified needs.

Funding and Sustainability

The Brandery has well-established funding sources but is seeking greater funding predictability by creating an endowment. Currently, annual operating expenses come primarily from donor grants from large, established businesses and foundations. In addition, each team commits 6% of founders' equity to The Brandery. Operated for six years, The Brandery management anticipates the accelerator will begin to harvest proceeds from these investments beginning in 2015.

The Brandery has a well-established pipeline of mentors and other supporters. The Brandery's international brand recognition supports a robust pipeline of prospective teams (over 1,000 applicants were vetted in 2013). The Brandery's outreach efforts include extensive social media, office hours at sites across the country, speaking engagements at conferences and universities, and a formal partnership to source teams from Israel.

Resources Available to Teams

One of the primary attractors of the strongest teams to The Brandery is the compelling collection of services provided to those teams. For example, each team is paired with a creative agency that commits to providing at least $25,000 worth of brand development and go-to-market strategic services. This resource aligns especially well with The Brandery's focus on consumer products. The Brandery has instituted sponsored fellowships, targeted to particular industries. The recipient of a fellowship gains special access to industry experts, additional pre- and post- Demo Day pitch opportunities, and possible additional stipend.

Teams graduating from The Brandery have a strong record of raising follow-on funds, with over $44 million raised. The Brandery maintains strong relationships with venture capital firms

throughout the country. Numerous specific relationships were detailed in the proposal. Also, a Cincinnati-based venture firm, Vine St. Ventures, has been established for the purpose of investing in Brandery companies.

Demo Day events at The Brandery are well orchestrated and effective, drawing several hundred attendees. The 2013 class received term sheets for $3 million within four months of the Demo Day. Events include a "speed dating" session with representatives of large businesses, investor meetings, a pitch event for the Cincinnati community, and additional investor events in Chicago and New York City.

Facilities are well established and adequate to The Brandery's program. Offices are located in the historic Over-the-Rhine district of Cincinnati and include standard office resources and collaborative spaces.

Likelihood of Achieving Performance Goals

The Brandery has established clear and aggressive goals that are well aligned with the ONE Fund program. The Brandery has a track record of achieving these goals. Over $44 million of follow on capital has been raised by 30 of the 35 Brandery graduates. As of February 2014, twenty-six (74%) graduate firms remain active. Of those, seventeen (65% of active graduates) remain in Ohio. Over sixty new jobs have been created in Ohio. As graduates continue to grow, the pace of job creation is anticipated to accelerate. The reviewers are confident that The Brandery will continue to accomplish these goals.

3.1.3 Bizdom Cleveland (Bizdom Fund)

Summary

Bizdom Cleveland is a non-profit accelerator based in Cleveland, related to the Detroit-based Bizdom. Bizdom Cleveland focuses on financial and entertainment industry startups. The core of Bizdom Cleveland is its unique relationship with the Quicken Loans Family of Companies (QLFOC). Bizdom has strong links to Dan Gilbert, the founder of Quicken Loans. Access to The Cleveland Cavaliers, owned by Gilbert, is an example of the unique assets made available to the accelerator program in Cleveland. Bizdom Cleveland is strongly dedicated to the community, requiring that graduates commit to remaining in the city after graduation. The program is well structured and offers good connections to financial services and entertainment industry opportunities for participating startups. Funding is recommended for Bizdom Cleveland.

		Merit Criteria					Recommendation	
Ctrl #	Accelerator	1	2	3	4	5	Teams	Funding
14-203	Bizdom Cleveland	→	↗	↗	↗	↗	12	$240,000

Likelihood of World-Class Accelerator

Bizdom Cleveland attracts a sufficient number of applicants to sustain the program. Its response to the RFP provides substantive examples of its support to its teams. Bizdom Cleveland has a clear strategy that leverages the QLFOC and presents a thoughtful framework of services. Connectivity to regional and local sources of capital is robust, particularly with angel investors who represent the majority of initial funding to startups. It maintains useful connections with regional institutional investors. Bizdom follows a detailed application process and very thorough applicant screening.

Bizdom Cleveland has produced impressive economic impacts. Of twenty-eight graduates, sixteen have received funding, totaling almost $1.5 million. Twenty-four teams remain in Ohio, supporting forty full-time and twenty-one part time jobs.

Bizdom Cleveland's focus areas build on unique assets of the QLFOC, such as access to the Cleveland Cavaliers organization and to a broader entertainment industry. Such assets are difficult to replicate and provide clear differentiation from other accelerators.

Mentor Network

The Bizdom Cleveland mentor network is well suited to the focused character and high level of engagement of the accelerator. A core team of twelve mentors dedicate between two and five hours each week. An additional group of twenty mentors typically commit about an hour per week. A larger group of approximately 275 individuals are familiar with Bizdom and make themselves available to teams upon request.

As expected for Bizdom Cleveland's focus, mentor expertise is concentrated in financial services and entertainment. A majority of mentors have some connection with the QLFOC. B2C and B2B expertise is well represented. Graduates from previous sessions are also prominent among the mentors.

Funding and Sustainability

Bizdom Cleveland presents a plausible strategy for achieving financial sustainability. Similar to many other accelerators, Bizdom acquires an equity position in participant firms (up to 8%). Bizdom anticipates receipt of cash distributions from graduates, when their cash flow supports it. Bizdom Detroit, which has been in operation longer than Bizdom Cleveland, has begun to receive such payments from graduates (in 2012 and 2013).

Beyond OTF ONE Fund funds, Bizdom receives significant support from the QLFOC and expresses a high level of confidence that this support will continue. Bizdom Cleveland plans to run two classes in 2014.

As a non-profit accelerator, Bizdom anticipates some level of ongoing outside support from a variety of sources, including corporate, philanthropic, and economic development sources. Bizdom intends to operate as an evergreen entity and projects achieving break-even operations within four years.

Resources Available to Teams

The QLFOC represents an exceptional resource for accelerator participants. Bizdom Cleveland relies heavily on QLFOC to provide both routine services and strategic business opportunities to participants. Bizdom has also forged relationships with the broader Cleveland business and startup community to further extend resources available to teams.

Beyond good connections within the Cleveland community, Bizdom has exceptional relationships with two regional venture capital firms: Rockbridge Growth and Detroit Venture Partners. Bizdom Cleveland has also commenced a new funding program for accelerator participants through the Bizdom Fund. Qualifying participant firms can secure a $100,000 convertible loan.

Facilities appear appropriate for Bizdom's size and focus. Additional facilities are available if needed and Bizdom charges rent for tenants after one year or upon demonstrating viability.

Likelihood of Achieving Performance Goals

Bizdom Cleveland has operated since 2012 with ONE Fund support beginning in 2013. Bizdom has achieved quality results in previous classes. These results support the likelihood of future results. The total number of participants in each class has increased since first receiving OTF support. Ten of the total twenty-eight participants have been supported by ONE Fund. While Bizdom has shown resourcefulness in hosting accelerator classes without State support, the reviewers observe that such support has amplified positive impact within the State.

Bizdom Cleveland graduates have consistently raised follow-on capital within six month of graduation and demo day. Eleven of the twenty-eight graduates had collectively raised approximately $1.5 million in equity and grant funds. Only four graduate teams have ceased operations. Because Bizdom requires its graduates remain in Cleveland, the remaining twenty-four (86%) continue to operate in Ohio. Graduates have created 40 full-time and 21 part-time jobs in Cleveland.

3.1.4 LaunchHouse Accelerator (LaunchHouse)

Summary

The LaunchHouse Accelerator (LHX) was founded in 2013 by LaunchHouse (LH), a for-profit incubator based in Shaker Heights. LHX's strengths lie in generating new ideas and its innovative, creative energy. LHX emphasizes staying flexible, nimble, and lean. The LHX proposal includes a new focus on robotics, hardware, and user interface technology. This focus area aligns with the manufacturing base within Ohio and with multiple OTF technology focus areas. Although LHX's pivot toward hardware introduces new risks, the reviewers judged the new focus area to be unique and compelling. LHX should continue its efforts in augmenting its mentors and assets related to the new focus area. The unique value proposition and fit within Ohio of LHX's proposal merits a recommendation for funding.

		Merit Criteria					Recommendation	
Ctrl #	Accelerator	1	2	3	4	5	Teams	Funding
14-205	LaunchHouse Accelerator	↗	↗	→	→	→	10	$200,000

Likelihood of World-Class Accelerator

LaunchHouse's new focus on hardware and robotics will make it one of only nine hardware-focused accelerators in the U.S. The focus area will be unique in Ohio. It aligns well with long-time manufacturing strength in the region as well as OTF's mission and vision. LaunchHouse's execution and track record of economic impacts has not yet achieved world-class status. Adopting a differentiating vision will help LHX achieve that status and accelerate economic impacts for Ohio.

LaunchHouse has been recognized as a model for community-based economic development programs. Their marketing and communications programs have resulted in broad awareness of the LaunchHouse program. This recognition is supported by press exposure in national and international publications, such as The Atlantic, TechCrunch, and Private Equity Capital.

LaunchHouse has hosted delegations from Serbia, Africa, Germany, and France. Elite Daily recognized LHX as among the top four accelerators in the North & Midwest.

Mentor Network

LHX identifies over 50 active mentors in a diverse set of industries and functional areas. Mentors demonstrate commitment to the program in a number of ways, including significant time commitment as well as direct investments into participant firms. The majority of follow-on equity investment made to LHX graduates has come from mentors.

In support of the shift to hardware, LaunchHouse has begun cultivating partners and mentors more closely aligned with the new focus. A major partnership has begun with Waxman Consumer Product Group, a division of Waxman Industries. Waxman is an 80 year-old manufacturing firm in northeast Ohio. Waxman brings expertise in engineering, manufacturing, supply chain management, distribution, and experience working with big-box retailers. LHX expressed the intent to build additional relationships with other major firms in the region, mentioning Eaton and Parker Hannifin. In order to achieve enduring success, the mentor network focused on hardware should be augmented.

Funding and Sustainability

LaunchHouse is deeply committed to lean operations. The reviewers believe this organizational orientation will remain constant. Operating expenses are sourced from tenant rent, program income, philanthropic giving, and community support. Efficient operations were viewed as a strength of LH and LHX. LH and LHX have demonstrated sustainable operations by these means.

The new focus area in hardware introduces additional risk in achieving independent sustainability owing to anticipated longer times to market for hardware products. LHX does not yet support a sustainable pipeline of mentors and assets to support the new focus area.

LHX has demonstrated sustainable team recruitment in its former focus area on software startups. Accelerator team applications are received primarily through an online application portal. In support of team recruitment for its new focus area, LHX plans a national tour. As a resource to support attracting teams from outside Ohio, LaunchHouse has acquired two houses near their facility that can house program participants at subsidized rent.

Resources Available to Teams

LaunchHouse partners with providers of core business functions essential for any startup, such as legal and accounting, enabling participants to focus on their core business. The LaunchHouse facility is a 23,000 square foot former auto dealership in Shaker Heights, renovated to include work and meeting space appropriate for startups.

LHX is establishing partnerships in hardware development, including Case Western Reserve University's think[box], Waxman Consumer Products Group, and Thogus. Access to prototyping equipment is provided through partners and each LHX team receives an addition $5,000 provided from LaunchHouse funds. Because graduates in the new hardware/robotics focus may have greater needs for follow-on capital, LH has undertaken to raise a follow-on seed fund.

LHX operates several programs for accelerator teams and graduates. LHX hosts a novel two-day program called 2DAYdiscovery, similar to the Startup Weekend concept. The 2013 Demo Day was attended by over 300 people and streamed to more than 50 investors. LHX also programs Demo Day II, held three months after the initial Demo Day.

Likelihood of Achieving Performance Goals

LHX identifies the qualitative goals of assisting graduates raise follow-on capital, attracting and retaining talent in Ohio, and raising Ohio's reputation as an entrepreneurial center. Notionally, LaunchHouse intends to double its performance on these criteria.

Among its twenty-one graduates, nine have raised a combined total of $734,000. Seventeen (81%) remain active, with thirteen active in Ohio (62%). Launch House graduates have created over 30 jobs in Ohio.

3.2 Proposals Not Recommended for Funding

3.2.1 MedLaunch (University of Akron Research Foundation)

Summary

MedLaunch is a newly proposed non-profit accelerator focused on medical technology startups with a focus on medical devices and diagnostics. Located in Akron, MedLaunch is located in a region with tremendous assets dedicated toward medical technology. MedLaunch lists an impressive array of partners including BioEnterprise, NEOMED, and NextStep, although the reviewers noted a marked lack of evidence of commitment. The MedLaunch proposal lacks a compelling vision and resources to meaningfully support a medical technology accelerator. The proposed accelerator has neither dedicated staff nor funded, tangible medical technology resources. Likewise, no tangible evidence of commitment or engagement with the investment community was demonstrated. MedLaunch did not offer a curriculum tailored for medical technology nor could they define the kinds of teams they would seek to recruit. Due to MedLaunch's lack compelling strategy, committed leadership team, investor relationships, or tangible resources to support the accelerator, funding is not recommended.

Ctrl #	Accelerator	Merit Criteria					Recommendation
		1	2	3	4	5	
14-204	MedLaunch	↘	↘	↓	↘	↓	Do Not Fund

Likelihood of World-Class Accelerator

The risk and cost associated with developing medical technology offers a compelling opportunity for acceleration. Identifying medical technologies that align with business acceleration could provide substantial economic benefits to Ohio, consistent with ONE Fund and OTF goals. Unfortunately, the MedLaunch proposal outlines no convincing vision or approach to achieve these goals. The core leadership team lacks a strong history of medical technology entrepreneurial experience and also is not dedicated to the accelerator. MedLaunch also did not present any alterations to its lean startup curriculum specific to medical technology teams. While MedLaunch lists an experienced array of partners, the partners' commitments are extremely modest; none offered tangible, funded resources such as laboratory assets, clinical facilities, or regulatory

expertise. MedLaunch's relationships with investors are primarily through partners, with little evidence of direct or meaningful engagement by investors with the accelerator. MedLaunch expressed a goal of handing off accelerator graduates to area incubators instead of identifying and graduating fundable startups; this goal was not viewed as a viable path toward world-class acceleration.

Mentor Network

The MedLaunch accelerator may be constrained by the small size and lack of entrepreneurial experience of its mentor team. MedLaunch listed a comparatively small core team of eight mentors with mostly general medical technology expertise. The majority of the mentor team are members of the lead applicant or institutional partners; only a small fraction of the mentor team has medical technology startup experience. Although the team offers good coverage of technical areas, hands-on entrepreneurial expertise is lacking.

With 12 teams planned for the initial class and just 5-10 hours per week committed by the eight core mentors, the availability and targeted expertise of mentors may be a limiting resource. Due to the complexity in accelerating a medical device/diagnostic technology, teams will require mentor guidance on a wide range of areas including market insight, prototyping, and regulatory approval. This will be difficult to accomplish in the limited time committed by the core mentors and small pool of additional mentors. Little detail was provided in how additional mentors would be recruited. The lack of internal mentor recruiting plans or resources suggests that MedLaunch may have difficulty with its plan to recruit targeted mentor expertise for specific teams.

Funding and Sustainability

The funding for and sustainability of MedLaunch was a particular weakness. MedLaunch presented an operational budget primarily based on mentor compensation. Less than $50,000 of funds were dedicated to marketing, online tools, facilities, and other resources for teams. No operational funds were dedicated to support technical development critical to medical technology startups such as clinical or regulatory facilities. Although MedLaunch claimed teams would have access to partners' facilities, no discussion of cost or funding was provided.

MedLaunch lacks direct ties to local investors and articulated no plans to raise an investment fund, sponsorships, or any other sustaining capital resource. MedLaunch's partners provided little funding beyond mentor time during the accelerator program itself. The lack of targeted assets and funding was viewed as a critical weakness for an accelerator focused on medical devices and diagnostics, which have notoriously long incubation times.

MedLaunch provided little detail about how it would create sustainable operations. In addition to a lack of funding, MedLaunch provided no sustaining vision or plan to attract teams, capital, or mentors. The leadership team is not dedicated year-around to the accelerator, suggesting that activity may be slow or negligible during the critical recruiting season. Partner commitments were limited to mentor time and did not extend beyond the 12-week accelerator time frame.

Resources Available to Teams

MedLaunch did not offer a compelling, accessible set of resources to its teams. MedLaunch's partners house extensive assets and expertise in clinical, laboratory, and regulatory areas, but

neither MedLaunch nor these partners committed funded access to these assets or services to teams. The bulk (~80%) of operational funds were allocated to in-kind staff and mentor time. Other resources offered, such as travel, marketing, and online tools, were viewed as secondary in importance compared with clinical and regulatory resources. In summary, it was not clear how and to what degree, the teams would be able to access the critical resources necessary to accelerate medical device and diagnostic companies.

Likelihood of Achieving Performance Goals

MedLaunch provided clear and quantitative goals but provided little evidence that their goals were achievable with the team and plan provided. The goals seemed overly optimistic considering the emergent stage of the program. MedLaunch's proposal provided for very limited funding, a small pool of mentors, few resources for teams, and a leadership team that lacks deep entrepreneurial experience and must split its attention with non-accelerator responsibilities. Although accelerating medical technology startups is an admirable objective, MedLaunch did not provide a compelling, fundable vision for achieving its goals.

4 Conclusions

Ohio's New Entrepreneurs Fund intends to promote broad economic impacts in Ohio by supporting Ohio accelerators. ONE Fund awards are exclusively designated for direct funding of teams participating in the accelerators. No ONE Fund funding is used for accelerator operations or other program costs.

The funding recommendations presented in this report reflect the ONE Fund goal of supporting accelerator programs that embody attributes of world-class accelerators, including innovative methodology, unique alignment with Ohio-based technology sectors, operational excellence, and leveraging of unique local business strengths. Deeply committed mentor networks as well as meaningful engagement of investment resources are likewise critical to accelerator success. The table below details the attributes of each accelerator and the basis for its respective funding recommendation.

Table 4: Funding Recommendations, in Brief

Program	Teams	Funding	Recommendation summary
The Brandery	12	$240,000	Currently recognized as a world-class accelerator. Focus on branding and consumer products. Leverages unique Ohio strength in consumer products industry.
LaunchHouse Accelerator (LHX)	10	$200,000	Pivot toward hardware and robotics viewed as unique and differentiating. Strong brand with national and international presence. Strong applicant pull. Past program results promising.
FlashStarts	12	$240,000	A deeply committed leadership team and dedicated investment fund. Strong expertise in B2B and B2C software development. Track record, while relatively short-lived, is impressive.
Bizdom Cleveland	10	$240,000	Market focus on entertainment and finance is compelling. Strong resources provided to teams through the Quicken Loans Family of Companies. An established model, transplanted from Detroit, with a strong track record.

5 APPENDIX 1: EVALUATION PROCESS AND CRITERIA

5.1 Evaluation Process

The evaluation process for ONE Fund RFP responses consisted of a three stages of review. Prior to reviewing applications, a check for any conflicts of interest was performed. Reviewers who were found to have potential conflict with an application were not involved in that review.

Stage 1 is an initial check that an applicant's written RFP response is substantially responsive to the ONE Fund evaluation criteria. This stage is intended to verify that an applicant meets the following Stage 1 criteria and is eligible for review.

Table 5: ONE Fund Stage 1 Evaluation Criteria

Criteria	Yes	No	Note/Explanation
A. Is the proposed program an Accelerator?			
a. Recruits and supports 6-12 teams			
b. Defined program length (~12 weeks)			
B. Program includes meaningful support resources?			
a. Dedicated facility?			
b. Committed mentor network?			
C. Lead Applicant qualified to apply?			
a. Letter of Commitment for Lead Applicant?			
b. Principal place of business in OH?			
c. Senior Representative based in OH?			
d. Registered with Ohio Secretary of State?			
e. Not a current or past ESP?			
D. Appendix B (Operating Funds) is compliant?			

Stage 2 is a detailed review of an applicant's written RFP response submission. Two independent reviewers complete an evaluation rubric. The rubric contains each of the evaluation criteria, allowing for the identification of strengths, weaknesses, and "red flags." Upon completion of their review, the reviewers assign a preliminary qualitative grade to each criterion. The grading scale is: Excellent; Good; Adequate; Poor; and Unacceptable.

Red flags are observations by the reviewer of aspects of the proposal that could threaten the program's success. Red flags are not necessarily fatal flaws. Authors of otherwise-qualified proposals that advance to Stage 2 may be questioned about any red flags, to allow for the proposal to be refined to eliminate such red flags.

During Stage 2, the reviewers generate questions to clarify intent and detail not contained in written RFP responses.

Stage 3 reviews consist of written questions and responses and in-person interviews between the applicants and the review team. This discussion is intended to more fully explore the applicant's proposal as well as clarify any questions remaining with the reviewers. After Stage 3 is completed, the final application scoring is determined and recommendations for funding are presented to the Ohio Third Frontier Commission.

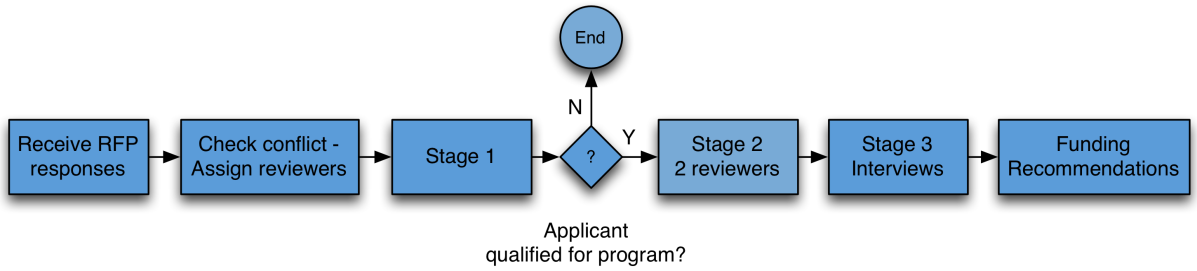

Figure 1: Evaluation Process Diagram

5.2 Evaluation Criteria

UVG established RFP response evaluation criteria based on the ONE Fund program RFP. The individual criteria were defined prior to receipt of ONE Fund RFP responses. Proposals that did not substantially meet all merit criteria were not recommended for funding.

5.2.1 Likelihood of World-Class Accelerator

World-class accelerators should have a clear value proposition to both entrepreneurial teams as well as to investors. Accelerators should be likely to achieve substantial economic impacts and raise the national and international profile of the Ohio accelerator community. Programs should align with OTF and ONE Fund mission and goals. Individual considerations include:

- Clearly defined value proposition for top tier teams including a clear market or technical focus or other area(s) of expertise;
- Innovative accelerator program or elements;
- Clear awareness of accelerator best practices and articulated approach to adopt or expand on them;
- Defined brand;
- Appropriate emphasis and plan for marketing and outreach; Intensity, definition, and quality of program;
- Ability to garner national and international attention; Ability to attract quality entrepreneurs;
- Well-connected with external innovation and business communities;
- Capabilities and track record of attracting world-class talent; and
- Alignment with ONE Fund and OTF vision and goals.

5.2.2 Mentor Network

Accelerator programs should have a deep and committed pool of mentors with expertise that aligns with the accelerator focus. Mentor resources should be sufficient to support the scope and goals of the accelerator. Individual considerations include:

- Breadth, depth, and relevant experience of mentor network;
- Expertise of named mentors;
- Clear evidence of commitment of mentors (e.g., time commitments, access to professional network, etc.);
- Clearly defined expectations for mentors; and
- Evidence of access to relevant customers or other stakeholders through mentors.

5.2.3 Funding & Sustainability

Accelerators should present a compelling plan for financial and programmatic sustainability. Plans should be substantiated by a track record of attracting the capital and human resources necessary to sustain the accelerator. Clear plans should be in place to attract mentors and investors. Procedures should be established to support team attraction and selection. Individual considerations include:

- Availability and appropriateness of all financial and other resources needed to deploy and sustain the accelerator;
- Clear path to and timeframe for self-sustainability of the accelerator;
- If previously supported by the State, clearly defined progress toward sustainability;
- Sustainable marketing plan to attract applicants;
- Focus on attracting and retaining talent in Ohio;
- Sustainable source of mentors, capital, and other resources for teams; and
- Defined, reasonable selection process including recruitment, application, selection, and screening.

5.2.4 Resources Available to Teams

A key to attracting high quality teams to an accelerator is a compelling set of resources. These include business and market expertise, capital, and unique technical assets to support product development. Individual considerations include:

- Strong mentor and investor connections;
- Accelerator staff expertise and commitment;
- Quality and availability of services tailored to new ventures (e.g. legal, accounting, business validation, technical validation, marketing, sales process, IT);
- Timeliness of service availability;
- Evidence of commitment from service providers;
- Well defined Showcase, Demo Day, or other final event attended by relevant potential stakeholders;
- Focus on educating new entrepreneurs;

- Quality, dedicated accelerator facility; and
- Facilities suitable and tailored for early stage ventures.

5.2.5 Likelihood of Achieving Performance Goals

Funded teams should have the necessary structures and feasible plans in place to maximize the likelihood of achieving performance goals. This includes well defined programs, methods, milestones, and quantitative goals. A track record of success is a critical factor in evaluating the likelihood of achieving performance goals. Individual considerations include:

- Highly defined programmatic structure;
- Clearly defined and quantified performance goals;
- Well-articulated methodologies for achieving goals;
- Milestones or intermediate objectives defined;
- Performance goals align with those articulated in RFP;
- Goals align with and are meaningful relative to the scope and focus of the accelerator;
- Goals seem reasonable compared with past performance of accelerator.

6 APPENDIX 2: ABOUT URBAN VENTURE GROUP (UVG)

6.1 UVG Company Background

Urban Venture Group, Inc. (UVG) is a Columbus, Ohio, based consultancy. Founded in 1998, UVG principals are experienced technology entrepreneurs with over fifty years combined experience founding, funding, growing, and selling technology-based businesses in Ohio.

UVG provides consulting services focused on commercialization of early-stage technologies. We focus on identifying and analyzing the market dynamics that drive early-stage technology adoption. Our clients span energy, materials, medical, defense, and information industries.

UVG principals have negotiated and managed $500 million in corporate M&A activity, helped clients secure over $140 million in grant awards, built a three time Inc. 500-recognized firm, and evaluated over 200 technologies on behalf of clients.