

Ohio Third Frontier Commission Meeting

December 8, 2016

Ohio | Development
Services Agency

Ohio | **Third Frontier**
Innovation Creating Opportunity

Entrepreneurial Services Program



CY 2017-2019

Entrepreneurial Services Program

Evaluators' Report

December 8, 2016



Urban Venture Group (UVG)

- Consulting firm founded in 2009 to advance the commercialization of early stage technology
 - Provides services related to capital, markets, customers, talent, and management
 - International client base includes large and small businesses, non-profits, entrepreneurs and researchers, and state and Federal agencies
- Review Team:
 - Dr. Burr Zimmerman
 - Co-Founder of UVG; Background in pharmaceutical and med device industries, serial entrepreneur; Raised \$390 million in grant funds; PhD Chemical Engineering
 - Dr. Marc Malandro
 - University of Pittsburgh Vice Chancellor for Technology Management and Commercialization and Founding Director of the Innovation Institute; PhD Biochemistry
 - Dr. Phil Smith
 - Independent Innovation consultant serving primarily Fortune 500 firms. PhD Physics
 - David Brownstein
 - Co-Founder of UVG; Software industry, serial entrepreneur. MS Computer Science



Attributes of Successful ESPs

- Aligns with ESP program vision and overall OTF vision
- Will achieve economic impacts **within term of program**
- Delivers the volume and quality of high-value services and resources needed by **high-potential companies**
- Demonstrates connections with and clear mandate from regional stakeholders, **including inclusion programs**
- Is run by a **capable, experienced management team**; effectively leads, operates, and administers the regional network
- **Observes and learns**; applies best practices; leverages resources from around the state.



Evaluation Results

Applicant	Funding Recommendation	Regional Focus and Identity	ESP Structure and Management Plan	Client Services	Capital Access and Funding Pipeline
NextTech Inc. (NWO)	Not Recommended	↓	↓	↓	→
The Entrepreneurs Center (WCO)	Not Recommended	↓	→	↓	↓

 Exceeds Requirements	 Meets Requirements	 Does Not Meet Requirements
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NextTech Inc. (NWO)



Regional Focus and Identity	ESP Structure & Management Plan	Client Services	Capital Access and Funding Pipeline
↓	↓	↓	→

- **No committed leadership team currently in place**
 - Interim leadership split responsibilities with PMI, short term commitment.
 - Expansive role of JumpStart not fully funded or committed
- **Inadequate Governance, Potential for Conflicts of Interest**
 - NextTech owned by for-profit investor PMI, shares same board as PMI
 - PMI argues minimal potential for conflict of interest “because the economic impact interests of the State are the same economic impact interests as ProMedica.”
- **High Budget / Low Return on State Investment**
 - Large budget requested, exceeding \$10 million in State funds.
 - Early stage of implementation reduces likelihood of delivering economic impacts during term of the program.



TEC (WCO)



Regional Focus and Identity	ESP Structure & Management Plan	Client Services	Capital Access and Funding Pipeline
↓	→	↓	↓

- **Early Stage Focus Does not Align with ESP Program**
 - TEC’s proposed programs address a key regional need, but early-stage focus misaligns with ESP program goals
 - Plan lacks emphasis on resources and relationships to be able to support high potential firms
- **Lack of Regional Support**
 - Federal grant is the source of majority of cost share
 - Cost share and other investment from the community is minimal
 - Notable lack of health-related stakeholders
- **Time Frame Too Long to Realize Impacts**
 - Implementation of basic services spans up to half of the program term
 - Economic impacts unlikely during the timeframe of ESP funding



Comparison of ESP Success Factors

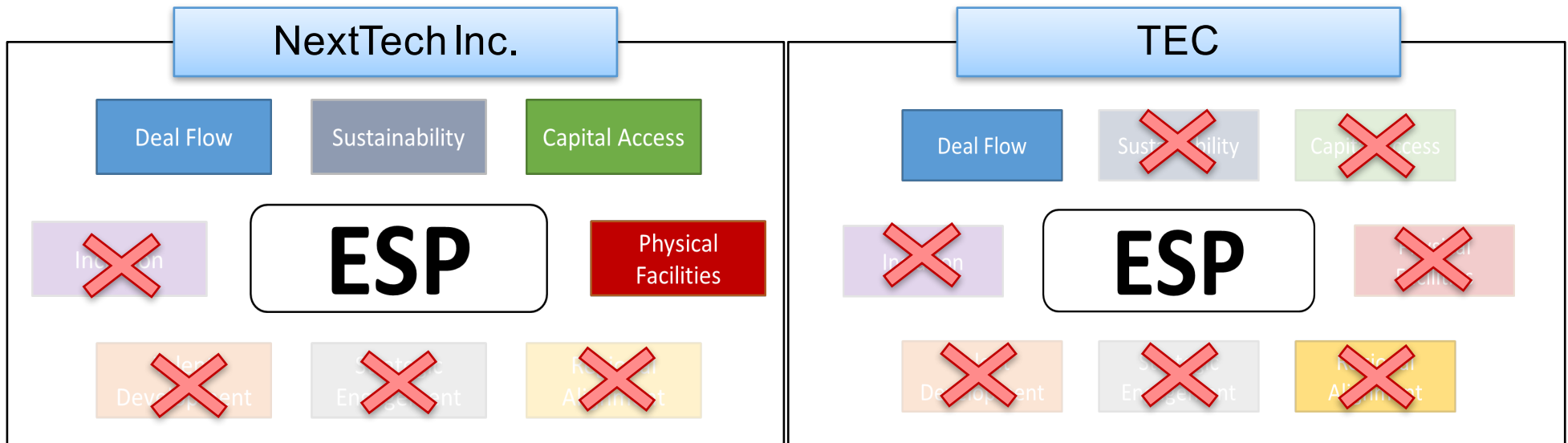
NextTech

TEC

	Aligns with ESP program vision and overall OTF vision	
	Will achieve economic impacts within term of program	
	Delivers the volume and quality of high-value services and resources needed by high-potential companies	
	Demonstrates connections with and clear mandate from regional stakeholders, including inclusion programs	
	Is run by a capable, experienced management team; effectively leads, operates, and administers the network	
	Observes and learns; applies best practices; collaborates; leverages resources from around the state.	



Comparison of ESP Elements



Commercial Acceleration Loan Fund

Commercial Acceleration Loan Fund ReadySet Surgical LLC.

Company Name	County	Industry	Project Amount	Loan Award	CALF Project Funding Percentage	New Jobs Created
ReadySet Surgical LLC	Hamilton	Software / IT	\$1,200,000	\$900,000	75%	15

Summary Evaluator Recommendation Evaluator: Fred Richards, Rolling Antiquities, LLC

Management and Team	Capitalization and Fundraising	Market and Industry	Commercialization, Sales and Marketing	Intellectual Property	Product and Technology	Financial Health	Legal	Evaluator Recommendation

Ohio Third Frontier Joint Meeting

December 8, 2016



Panel Discussion

Panel Members

Paul Jackson, Moderator

Dennis Andersh, OFRN/Wright State

Brett Conner, America Makes/Youngstown State

Ethan Karp, PRISM/MAGNET

CY 2016 Strategic Consensus Document

Consensus Document

1. Continue to actively manage the ESP network.
2. Continue development of the structure and tools to better track and report Pre-seed and Seed + activity.
3. Continue to actively pursue meaningful efforts to increase diversity and inclusion.
4. Develop an Ohio-focused collaboration with Venture For America.
5. The platform analysis.
6. In the continuing evolution of OTF focus areas, consider the scale of opportunities in FinTech and Energy.
7. Explore greater use of the OTF website.

CY 2017–19 Program Plan

Program Plan – Strategic Direction

Within the known remaining funding resources available to the Ohio Third Frontier, plans should be made to manage a core set of programs that provide appropriate services, talent and capital that contribute to a healthy, sustainable entrepreneurial economy in the state.

Program Plan

A healthy, sustainable entrepreneurial economy has the following elements:

- Ready sources of emerging technologies
- Wide funnel of deal flow from research institutions and community-based entrepreneurs
- Appropriate level of churn (i.e., births and deaths of early stage companies)
- Naturally emerging regional or statewide sector-specific clusters of competitive early stage firms
- Complete pipeline of growth capital access (not all indigenous)
- Consistent retention of companies with the highest growth potential

Growing base of:

- Serial entrepreneurs
- Executive-level talent
- Fund managers
- Technical workforce (e.g., software engineers)

Program Plan

- Professional service community knowledgeable and willing to support start-up and early stage companies
- Strong and diverse mentor networks
- Corporate community engagement
 - Funding
 - Mentors
 - First customer access
 - Business Services (e.g., Microsoft, Google, AWS)
- Organic and dynamic “buzz” from spontaneous grass roots entrepreneurial activities (e.g., networking events, social media, pitch competitions)
- Organizational connectors of technology, talent and capital
- Deeply embedded diversity/inclusion efforts

Program Plan – Specific Programs

Continue

- Entrepreneurial Services Program
- Pre-seed Fund Capitalization Program/Seed+
- Technology Validation & Start-up Fund
- Internship Program (new model)

Discontinue

- Commercial Acceleration Loan Fund

New

- VFA Fellows Collaboration

Program Plan

Program	CY 2017	CY 2018	CY 2019
Entrepreneurial Services Program*	20.1	20.1	20.1
Additional Services Support	2	3	3
Pre-seed Fund Capitalization Program/Seed+**	68		
Technology Validation & Start-up Fund	5	5	5
Talent (Fellows/Interns/Diversity)	1.5	1.5	1.5

* Award decision for CY 2017 made at October 2016 Commission meeting.

** Funds available in CY 2017; awards made at December 2015 and April 2016 Commission meetings.

Program Plan

Third Frontier Research and Development Bond Funds

CY 2017
Beginning Balance
\$214 Million

CY 2019
Ending Balance
\$185 Million