



Ohio

Third Frontier
Innovation Creating Opportunity

Ohio's New Entrepreneurs (ONE) Fund



FY2012

**Start-up Accelerator Program
Evaluation Report**

Prepared by Invantage Group

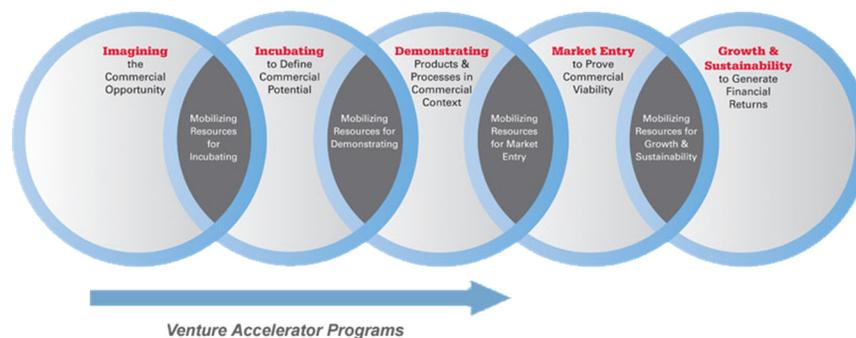
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ONE Fund Accelerator Programs

Background and Vision

A new model for aiding business start-ups emerged in 2005 around Information Technology with the goal of accelerating the path to securing investment capital and achieving market entry. The concept seeks to connect emerging technologies with market needs. This accelerator model is most typically applied to a relatively small group of entrepreneur teams by utilizing a well-defined programmatic structure, identifiable progression targets, and a group of experienced entrepreneur mentors. The accelerator concept is often viewed as a start-up “boot camp” lasting 10-12 weeks and offering companies \$18,000-\$25,000 in exchange for 5-8% equity. Accelerators usually culminate with a “Demo Day” or “Showcase Day” where entrepreneurs pitch their ventures to local, regional, and national investors.

Different accelerators may have a variety of selection criteria, though a common theme is the belief that the team and concept can meaningfully benefit from the process and that it will be able to demonstrate a high likelihood of raising follow-on investment by the end of the program. This generally requires the ability to quickly validate the business model and demonstrate market traction, often involving concept iteration in order to achieve the deployment of a beta prototype during the program. This means that the accelerator model is focused on rapidly taking start-ups quickly through the early stages of the commercialization framework.



To accomplish their goals during the relatively short program timeframe, accelerator companies typically emphasize minimum viable prototypes for market feedback, leverage platform technologies, utilize inexpensive development tools, and are generally capital efficient. For these reasons, most accelerators focus on information technology, though several support a broader range of technologies.

The pioneer accelerator, Y Combinator, was founded in Mountain View, California in 2005 followed by TechStars in Boulder, Colorado in 2006. These two organizations have remained the

pre-eminent programs in the segment. While there is insufficient evidence to draw definitive conclusions regarding the ultimate success of this model, the growing success of programs has triggered rapid proliferation in the number of accelerators worldwide, especially since 2010.

Ohio's New Entrepreneurs Fund (ONE Fund) seeks to build on this rapidly evolving accelerator model as an innovative approach to retaining and attracting the best and the brightest talent to Ohio. Supporting a mentorship-driven program which focuses on the professional development of young entrepreneurs with the necessary ambition to commercialize new technologies, it looks to link promising new ventures in Ohio with early-stage investment capital. ONE Fund supported programs will aggressively recruit entrepreneurs from within Ohio and outside the state and will foster the entrepreneurs' professional development by educating them on what it takes to form and grow scalable technology-based enterprises in Ohio.

The ONE Fund was originated as a pilot program in partnership with the initial 10-Xelerator (10x) program, launched in June 2011, with a \$425,000 grant from the Ohio Third Frontier to the Center for Entrepreneurship at The Ohio State University, Fisher College of Business (OSU). This support provided a full year of funding with grants of \$20,000 to each team, up to twenty teams, during two sessions. The strong success of the initial pilot program has led to additional efforts to expand the program throughout the state.

Objectives

Within the overall goals of the Ohio Third Frontier initiative, the ONE Fund aims to support Ohio business accelerators by providing funding to teams of entrepreneurs participating in these accelerator programs. The over-arching goals for the program include the following:

- Support Ohio accelerator programs which have the potential to become world-class;
- Attract and retain entrepreneurial talent in Ohio by directing resources to accelerate the formation and development of companies;
- Assist young companies in attracting follow-on investment; and
- Foster a culture of entrepreneurship, as well as raise the visibility and excitement about entrepreneurship in Ohio.

In order to achieve these objectives, the ONE Fund program seeks to support and hasten the accelerator programs path to developing a sustainable financial model.

Eligible Proposals

The goals of the ONE Fund program require partnership with organizations which have a "principal place of business" in Ohio and can demonstrate the ability to deliver successful accelerator programing to achieve the desired goals.

To be eligible for program funding, the applicants were expected to follow the fundamental model components of the growing accelerator movement, including:

- Program duration of approximately 10-12 weeks;
- Ability to support between 5 and 10 teams of entrepreneurs
- Expect a high level of team commitment and progress during the program;
- Provide a dedicated, collaborative facility to participating teams of entrepreneurs throughout the accelerator session;
- Maintain high graduation standards applicable to successful outcomes; and
- End with a “Showcase Day” where entrepreneurs pitch their ventures to an expert audience of local, regional, and national investors.

Funding and Cost Share

Development anticipates awarding three (3) to four (4) accelerator programs for a total of up to \$800,000 in grants through the FY2012 ONE Fund. Each grant can be for up to \$200,000 used to support a maximum of 10 entrepreneur teams with funding of \$20,000 per team. OTF funding can be used only to support the entrepreneurial teams participating in the accelerator and not the operating costs or overhead expenses associated with running the accelerator.

Proposal Evaluation Criteria

Throughout the ONE Fund accelerator program RFP, and specifically within Section 3, several important program components are detailed which organizations are directed to address within their applications. Based on the goals and objectives identified in the RFP, and expressly detailed in Section 4 of the RFP, critical elements for the proposals and the evaluation criteria are clearly identified for determining the most credible proposals for funding. Some of the most important evaluation criteria include the following:

- Alignment of the Proposal with the ONE Fund program purpose, goals, objectives, eligibility, and funding requirements.
- Quality of the responses to the requirements outlined in the Statement of Work, Performance Goals, and Budget.
 - Breadth, depth, commitment level, and relevant expertise of the mentor network;
 - Resources and services available to the participating teams;
 - Likelihood that the program will result in a world-class accelerator, and help garner national and international recognition for Ohio;
 - Availability of appropriate resources needed to deploy and sustain the accelerator;
 - Likelihood of achieving the proposed performance goals;

- Ability to attract top teams from Ohio and outside the State;
- Team selection process and criteria;
- Experience and qualifications of the Lead Applicant; and
- Strategy to retain teams in Ohio following program completion.

Other than meeting the specific criteria outlined in the RFP materials, the amount of funds requested was not a proposal evaluation criterion and did not have a material impact on the reviewer's evaluation.

Evaluation Process

Prior to any independent review, Development staff received and processed proposals, conducting an initial administrative review to ensure that submitted proposals complied with the objective content requirements defined in the RFP. Once the administrative review was finalized, eligible proposals were forwarded to an external evaluator for an independent review.

The multi-step evaluation process provides both a thorough and consistent analysis in order to identify the strengths and gaps within each proposal. The independent evaluation process included the following steps:

- Develop an evaluation paradigm in accordance with the RFP criteria and program goals.
 - Evaluation criteria with scoring ranges and point weighting.
 - Three primary evaluation categories with multiple sub-components.
 - *Organizational Expertise*
Assess the applicant's relevant organizational experience and capabilities to operate a highly successful accelerator program. This section focused on areas of past performance, leadership expertise, available resources, and credible plans for achieving the specified goals.
 - *Program Capabilities & Plans*
Evaluate the applicant's understanding and planning for an accelerator program, including philosophy, programming, and networks. This section covered areas relevant to the planning and execution of the program, including credible funding from private, non-state sources.
 - *Team Resources*
Gauge the applicant's ability to compile and deliver the resources to provide participating teams with the best opportunities for success. This section focused on the breadth, depth, and commitment from vital resources, a well-defined team selection process, access to target markets for valuable feedback and validation, the use of well-defined program management tools,

the quality of support services, and an ability to gain access to a broad investor network.

- Review proposals using a two-stage process.
 - Stage One reviews
 - Conduct a thorough reading of all proposals.
 - Review each proposal in greater detail using the pre-defined evaluation matrix to assign preliminary scores.
 - Compare relative scores to ensure consistent application of criteria.
 - Identify an appropriate scoring gap indicating a separation between the better scoring applicants and the rest of the applicant pool.
 - Select the best applicants for Stage Two reviews.
 - Stage Two reviews
 - Identify gaps in information or weaker elements and develop questions to applicants addressing these areas.
 - Detailed review of responses within the context of both the initial proposal and additional information requested.
 - Conduct a set of direct interviews with every Stage Two applicant to review their proposal within the context of the RFP criteria.
 - Assign final scores, rank, and determine the applicants deemed most likely to achieve success as defined by the objectives and goals of the ONE Fund program and the overall mission of the OTF.
 - Provide supporting documentation for the reviews of all proposals.
 - Preparation of materials for Third Frontier Commission

Proposals were evaluated based solely on the information provided within each applicant's original submission, subsequent responses to questions, and direct interviews.

Proposal Evaluation Summary

The proposals were evaluated, scored, and ranked according to the criteria clearly contained in the program RFP. The Stage 1 reviews scored and ranked nine (9) ONE Fund proposals. After completing the Stage 1 review process and sharing recommendations with Development, six (6) proposals were accepted into the competitive range for further review. Based on the deeper evaluations conducted during the Stage 2 review process, the reviewer has offered a

recommendation on proposals which best meet the program criteria for consideration of funding in whole or in part.

Summary of ONE Fund Proposal Evaluations	
Proposals reviewed for Stage 1	9
Recommended for Stage 2	6
Recommended for funding	4
Lowest score recommended	81 points
Highest score not recommended	71 points

The table below provides a summary of proposals recommended for ONE Fund program funding.

**Summary of ONE Fund Program FY 2012
Recommended Proposals**

Lead Applicant	Accelerator Name	Funds Requested
Main Street Ventures, dba The Brandery	The Brandery	\$200,000
Shaker LaunchHouse	LaunchHouse Institute	\$200,000
Ohio State University	The 10-Xelerator (10X)	\$200,000
Innov8, LLC	Innov8 for Health	\$160,000

Proposals were assessed against the evaluation standards based on the degree to which they met the standards set forth in the RFP and utilized in the evaluation paradigm. The strengths of these recommended proposals outweigh whatever weaknesses or gaps may be present at this time. The following is a brief evaluation summary of each recommended proposal.

Overviews of Recommended Proposals

The follow summaries provide an overview of the four proposals recommended for funding.

Applicant: Main Street Ventures, dba The Brandery

Accelerator: The Brandery

- *Organizational Expertise*
 - The Brandery is managed and operated by volunteer efforts of three founders, though they recently hired a full-time GM. Key personnel have extensive and relevant backgrounds in the program's focus areas. The Brandery uses a more focused approach than many other accelerators with a clear emphasis on consumer marketing concepts by helping technology start-ups better use branding, design, and marketing. The target focus builds on the region's strength as one of the top consumer marketing regions in the world, with the presence of both consumer marketing giants as well as many specialized support businesses working on areas of consumer insight and loyalty.
 - The Brandery has conducted two previous accelerator programs with good success in achieving desired results. The first two programs showed a strong ability to attract a large applicant interest from a diverse geography – both other states and international – and a broad investor community. Class 1 graduates raised more than \$2 million in capital and Class 2 participants are currently negotiating over \$6 million in venture funding.
- *Program Capabilities & Plans*
 - Their programming and early results have helped them to receive strong national attention, including recognition as one of the top 10 programs in a recent industry review. They have become a member of the Global Accelerator Network (originally known as the TechStars network) which will help with best practices, broader access, and visibility.
 - The proposal discusses the investor commitment and identifies several specific resources, including relevant investors from a broad geographic spread. For example, venture capitalists participating in the 2011 Demo Day were from leading venture capital centers including Boston, San Francisco, Austin, Houston and Minneapolis. Though there is a broad spread of investors, there are several mentions of specific efforts to keep teams within the area.
 - A significant amount of program funding comes from good connections with several private foundations. Management laid out a plan to develop multiple revenue streams from a variety of areas, in addition to potential equity returns, in order to reach independent sustainability.
- *Team Resources*
 - The mentor network appears to be very broad and deep, including connections to many major players within the selected focus areas of consumer services and products, media, and entertainments. Specific expertise within the mentor network is used to validate business concepts.
 - There is significant emphasis on the importance of social and networking opportunities not only to facilitate learning, but the use of innovative ideas to promote the region. There is a clear expectation on keeping teams in the area.

Applicant: Shaker LaunchHouse

Accelerator: LaunchHouse Institute

- *Organizational Expertise*
 - LaunchHouse has three years of related, relevant experience in working with entrepreneurs to accelerate development with a particular focus on business and healthcare software and web-based technology companies. They have developed an accelerator curriculum and resources, though prior work was not done within a set class cycle. Results appear to be solid, having leveraged approximately \$130k in investment capital by working with 30 companies which have gone on to raise \$3 MM in follow-on funding.
 - LaunchHouse has a reasonably well developed partner network, defined curriculum, and clear philosophy. They have developed a strong internship program to grow the brand and relationships.
 - The three primary program leaders have appropriate experiences and qualifications, including entrepreneurial success. They have a distinct philosophy of using ethnographic research, training, and development to engage stakeholders in the discovery of concept needs and delivery.
- *Program Capabilities & Plans*
 - There is clear experience with the accelerator model and tools, though they will now have to translate the model from working with individual portfolio companies into a group cycle program model. Management presents a clear program timeline and follow-up activities.
 - There is a systematic approach to team selection and a multi-level screening process. In line with their overall program philosophy, they have an innovative inclusion mechanism (Techie UnConference and co-creation process) and other elements (e.g. concept map) as part of the selection and screening process.
 - The majority of funds come from private sources and the proposed budget is fairly lean, though it includes an interesting provision providing \$5k matching per team to augment the ONE Fund \$20k. They are developing other income streams (work space, etc.) and they are fundraising both for investments and operations. Typical to the accelerator model, they take an equity stake in participating teams which could be used for revenue in the future.
- *Team Resources*
 - There is a clearly defined education curriculum with three threads and specifically designated leaders for the different program aspects. There is a separate mentor and staff development track to ensure high quality delivery.
 - A tiered approach to mentor commitments provides for team oversight and avoids mentor overuse. The LaunchHouse utilizes mentor auditions and performance enhancement resources to develop breadth and depth across 20+ industries.
 - The program is designed with concept development and testing integrated into early stages in order to gain potential customer understanding and feedback. They have developed a network of 3k+ beta testers available for teams to use.

Applicant: Ohio State University

Accelerator: The 10-Xelerator (10X)

- *Organizational Expertise*
 - In 2011, 10x partnered with the Ohio Third Frontier ONE Fund to pilot two accelerator classes. The first program class consisted of 10 teams (7 from Ohio, 1 from Indiana, 1 from Pennsylvania, and 1 from Europe) with six of the graduating teams having raised \$2.4 MM in new venture funding and an additional \$2.1 MM is currently under negotiation. A second class has just started with 10 new teams (9 teams from Ohio and 1 team from Singapore).
 - The 10x accelerator focuses on information technology with a broad base of applications including web 2.0, social, mobile, software development, and data services. Having joined the Global Accelerator Network (i.e. TechStars network), 10x will have more visibility and access to the shared application form.
 - The program is integrating adjustments based on past efforts and network input. There is a clear plan to be a premier player and not just a regional program.
- *Program Capabilities & Plans*
 - A four stage selection process provides for a good evaluation and includes written, video, and in-person presentation components.
 - Management presents a fairly clear program timeline and there are discussions about follow up activities. Programming is influenced by the TechStars model with heavy dependence on fast iterations, a deep mentor network, and team collaboration. The program has identified a new facility for their use during the current class, but it is unclear for future programs.
 - The program management group has extensive connections to the regional investment community and has a solid history earned from other entrepreneurial programs. NCT Ventures has already committed \$200k to funding top teams in the first class and has renewed its commitment for subsequent cycles.
 - The proposed funding plan is creative, with significant credit for developing a privately generated fund for operations and program management. The fund participants have also made significant mentor commitments.
- *Team Resources*
 - A three-tiered network of 60 mentors ensures commitment of 6 – 8 hours per week per team with tier-one mentors. Tier-two and tier-three mentors and support resources are committed to providing an additional 2 – 4 hours per week in both formal and informal environments. Based on early experiences, adjustments have been made to the mentor pairing process to improve connections and allow for multiple mentor pairings at various points in the program based on team needs. Access to the TechStars network brings additional resources, particularly in niche markets or unusual situations.
 - Strong ties to the business community and access to the larger TechStars network provides more than ample resources for market testing resources and concept refinement.

Applicant: Innov8, LLC

Accelerator: Innov8 for Health

- *Organizational Expertise*
 - Innov8 has not run an accelerator program previously, but they recently conducted a successful initial event which created strong applicant and investor interest. The program will have a specific focus on information technology to improve the quality and affordability of health care. The goal is clearly to be a center of attraction with broader national and global exposure. The concept has garnered funding from one of the largest multi-national manufacturing companies (General Electric's Aviation division) and a large health care company (Sanofi-Aventis). In addition, the concept has been presented to the Health2.0 group, a nationwide innovation network based in San Francisco.
 - Key personnel appear to be successful, experienced entrepreneurs and leaders in healthcare IT segments. Members of the core team have committed significant time to the program and gained considerable traction with area partners, though no full-time staff has been identified.
- *Program Capabilities & Plans*
 - There is an understanding of the accelerator model with an emphasis on educational sessions, networking, and mentor driven counseling, though the methodology is still evolving.
 - A significant portion of funding has already been committed, demonstrating strong support for the concept. All funding, with the exception of funds for team grants, appears to come from private (mostly corporate) donations. The program sustainability plan follows the general model of many other groups, including team equity and other revenue streams, including the possible development of advisory services and tuition for non-selected (though highly rated) applicants.
 - The proposed facility and resource networks bring several benefits, including access to a cluster of users (university, hospitals, medical practices, and medical firms) which will bring benefits for concept feedback.
- *Team Resources*
 - The core leadership team's experience is deep and relevant, which is the foundation for plans to use core members as deep mentor with supplemental support from a broader pool of subject matter experts selected to meet specific team needs.
 - Methodology is based on both a formal education curriculum and informal learning opportunities. The curriculum is derived from past Biostart business planning and accelerator sessions, as well as developed with assistance of the Queen City Angels investment group.
 - Both the facility location and Customer Advisory Panel includes access to decision-makers of internet health companies, health care providers, and medical device companies.

Summary Overviews of Other Proposals

The follow section includes a brief summary overview of the other proposals. Although not recommended for funding, all of the other proposals have merits worth future consideration.

Applicant: TechColumbus

Accelerator: Fourteen Ninety Two (1492)

- The 1492 accelerator has a key benefit of being connected to TechColumbus, an organization that provides coaching, incubating, education, and funding for technology-based start-up companies. They have conducted two past accelerator programs, graduating six out of seven teams. Some positive results can be seen, though not as strong as other leading programs, with graduating teams having received \$300k of follow on funding and an additional \$600k of funding currently under negotiations.
- The key program leaders have relevant experience and depth in entrepreneurship and information technology segments. TechColumbus provides an ample mentor network, though many resources have also committed to other initiatives. Mentors for 1492 commit to four hours per week and advisors provide an additional 1 – 2 hours per week.
- The proposed budget is significantly lower than several other programs and budgets typical within the accelerator segment, which can be a positive benefit or indicative of funding concerns. The collaboration with two area schools for the last program cycle is noteworthy. While there appears to be some partnership interest from other area universities and unidentified verbal commitments for funding, the proposed budget has gaps in identifying specific funding sources.
- Program leadership fundamentally believes in the importance of building the entrepreneurial ecosystem in the region and sees an accelerator as a component of their ESP goals. Regional goals are certainly worthwhile, though a path for developing a broader program with world class appeal is less clear.

Applicant: Ohio University Innovation Center

Accelerator: Innovation Engine

- Ohio University proposed deploying a new regional digital media accelerator to build on the growth of its Center for Entrepreneurship and the work of its regional ESP. Program staff of the lead organization, the Innovation Center, have interviewed or visited with several leaders of accelerator programs, including the 1492 and 10x programs, in order to gain insights. The key personnel have a strong commitment to the initiative and have begun to develop the curriculum and tools for running the program, though the overall depth of entrepreneurial and start-up experience is not as extensive as the leading applicants.
- The accelerator will require each company to have at least two mentors (one with industry expertise and another with C-level experience) and each mentor is expected to dedicate at least two hours each week to the company. A fairly informal mentor

network currently exists through several of the area's existing programs and they have secured commitments from only 10 people.

- In order to gain market feedback and validation, teams will have access to a variety of university and regional partner resources, as well as some resources to conduct focus groups. This market assessment process is helpful, but not as extensive or focused as other leading programs.

Applicant: Founders Factory, LLC

Accelerator: Founders Factory

- Founders Factory was formally established in June 2011 with a focus on technology companies whose mode of business is interacting with customers through web, SaaS, or mobile applications. Over the months, they've provided 29 companies with mentoring, funding, or coaching, though no specific results are available. The applicant has experience with some aspects of the accelerator model, though not with a defined accelerator class cycle. The leadership team has strong connections to the regional environment, though the plans to broaden the reach are less developed.
- They have developed a somewhat different approach built around a core "Managing Mentor" team of six to ten individuals. These Managing Mentors all have experience with founding, building, and successfully exiting a startup business. The core mentors are expected to provide 10– 15 hours weekly and sponsor 2 – 3 teams at any given time. Program methodology has three main milestones and mentors play a significant role, though formal programming is not as well defined as in other programs.
- The program has recently obtained a dedicated facility and is currently run through self-funding based on management fee revenue from their existing pre-seed venture fund. There are expectations that additional revenue streams will be developed from due diligence and validation services. Moving forward, this funding model is interesting, though untested.

Applicant: Development Projects Inc, acting on behalf of Dayton Development Coalition

Accelerator: Cyber Warriors

- DPI seeks to establish a new accelerator program focused on information technology and cyber security technologies related to protecting critical national infrastructure, financial and agricultural industries, and defense priorities. The specified focus area has a well-defined target market and builds upon the region's identified cluster, though several specific elements of the proposed process are not as well defined.
- The key program personnel are all leaders of other area organizations. While there may be expertise within their primary roles, there's no indication of specific experience with an accelerator program. The accelerator will utilize The Entrepreneurs Center's Advance to Profit™ commercialization software and tools which could help to provide a defined approach for both team selection and program management.

- A few different program tools are presented for aiding concept validation, though the discussion of market size assessment seems to focus more on target market jobs than customers for potential entrepreneurial efforts.
- In an effort to ensure that graduates remain in the state, the program would reserve the right to “claw back” the grant associated with participation in the accelerator if the team moves the resulting company out of Ohio within 5 years of program completion. The proposed budget, though, is rather minimal compared to other programs and the funding source is an unidentified future collaborator.

Applicant: Pi Factory, LLC

Accelerator: Pi Factory

- The Pi Factory was established in 2012 as a result of a community initiative. The Digital River Project’s mission is to create an ecosystem of innovation through recruitment of high-tech industry, business development initiatives, and quality of life enrichment for those living and working in Gallia County. Members of the Gallipolis business and academic community have joined forces to develop an accelerator program with a focus on information technology, as well as advanced software development for web and mobile applications.
- The managing group is developing a mentor network and currently has received commitments from 21 mentors. While some mentors have committed as much as 5 – 10 hours per week of support, the mentor network is not as well defined or robust as other proposals. Similarly, there is a strong reliance on generic information about regional investor networks, though no clear commitment.
- The proposed accelerator curriculum covers primary considerations at a high level, though very few programmatic details were provided.
- Similar to several of the other programs with limited experience, the initial budget is relatively low and may underestimate the costs to achieve the desired outcomes. The budget relies on a generous funding contribution from the program co-founder for facility and infrastructure costs, with the remaining funds from uncommitted grants.

Conclusion

Based on the deep evaluations conducted during the review process, the reviewer has offered a recommendation on proposals which sufficiently meet or exceed the program criteria for consideration of funding in whole or in part. The top scoring proposals did a significantly clearer and stronger job in addressing the specified criteria and demonstrating capabilities to aid the potential for success. Given the information available for assessment, the evaluator sees reasonable potential for each of the recommended proposals.

The four recommended proposals rated relatively high on the scoring range and showed a clear distinction from the other proposals. All of the proposals have certain merits and gaps, with all

applicants being applauded for their efforts. The lower scoring proposals should not be deemed as insignificant or unimportant; rather they will require additional work and assistance in helping to define stronger plans and operational models for comprehensive accelerator strategies. Several of the non-recommended proposals could still provide significant regional benefits and should be encouraged to pursue further development.

Invantage Group wishes to thank the State of Ohio for the opportunity to review these proposals and to provide its recommendations. It is hoped that the evaluation process provides helpful insights and directions to assist Development and the ONE Fund program in the successful development of world-class accelerator programs.

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