



Development  
Services Agency

John R. Kasich, Governor

David Goodman, Director



Third Frontier  
Innovation Creating Opportunity

[www.OhioThirdFrontier.com](http://www.OhioThirdFrontier.com)

# Pre-Seed/Seed Plus Fund Capitalization Program

CY 2015 Bidders' Conference  
July 23, 2015

4656803245  
45670982346  
68092385603  
68230848564  
80692380458  
56234685604  
06135069236  
02394530495  
56823845068  
62308485069  
6803456  
34685096804  
56234562343  
23656748364  
85748748848

wchtdoajpjsny  
jshelp qsn  
ghidska (9) (OTY)

hvjgdthvojlviq  
Cv sh  
mv474  
44b  
AWC(a)  
1047767  
5345344

1004770040100  
4410 -432040  
0064 463 550  
6644541414443  
064444333  
12785  
450.42.1127007  
voisdjvwudvassd

# Agenda

Ohio Third Frontier

Pre-Seed/Seed Plus Fund  
Capitalization Program (PFCP)

Q & A

# OTF Strategic and Programmatic Focus

Development of CY 2015 program plan developed around some key strategic drivers:

- Sharper focus on support of start-up and early stage companies
- Catalyze faster returns in the priority areas of biomedical and software/IT

# OTF Strategic and Programmatic Focus

Functional Area	Program
<b>Innovation</b>	
	Entrepreneurial Signature Program
<b>Capital</b>	
	Pre-seed Fund Capitalization Program
	Seed +
	Commercial Acceleration Loan Fund
<b>Commercialization</b>	
	Technology Validation & Start-up Fund

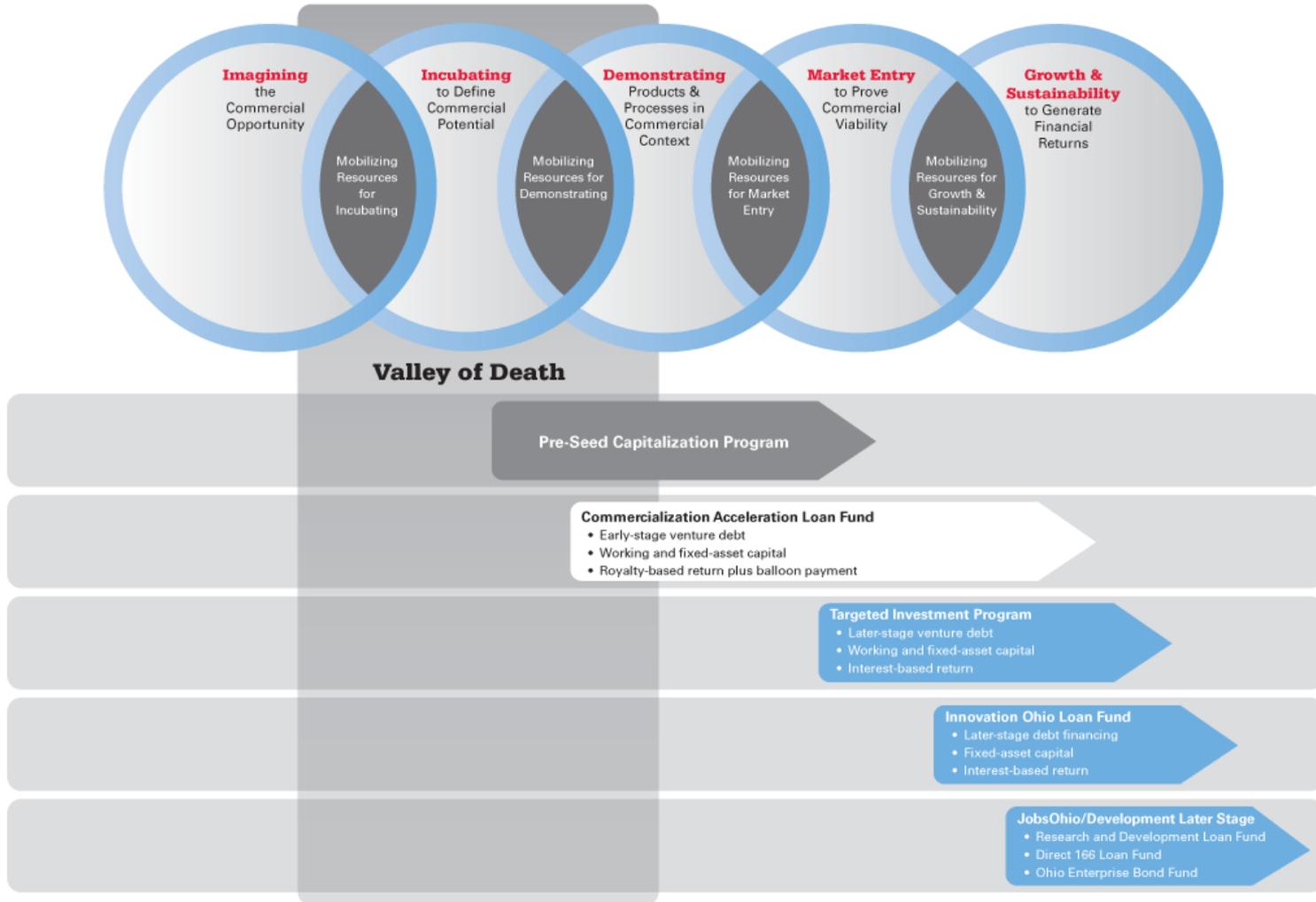
# Capital

## Objectives:

1. Fill a gap in the capital continuum by increasing the amount of early-stage capital and loan financing available to young Ohio technology companies
2. Help companies bridge the gap to sufficiently mature in order to attract venture capital funds or other forms of commercial financing
3. Increase the number of professionally managed pre-seed funds investing throughout Ohio; attract or retain top fund management talent
4. Create a risk capital climate that supports the development, retention and attraction of investable technology companies in Ohio

# Capital

## Technology Commercialization Framework



# Ohio Third Frontier has currently approved Pre-Seed Fund investments in 17 organizations



# ESP and Pre-Seed Fund Portfolio

- Over 900 companies have received assistance with roughly half receiving some Pre-Seed investment
  - This analysis focuses on the 287 receiving \$100K+ since 2006



# Pre-Seed Investments Since 2006

**287 companies**

\$134M total invested • \$100K+ each

**2,130**

New  
Jobs

**\$1.3B**

Follow-on  
Equity

**\$833M**

Product  
Sales / Rev.

# Sustainability

- Of the 287 companies, nearly 80% have either exited (15) or were still reporting (213) in 2014
  - 7 of the 15 exits occurred in 2014
- Together these 228 companies represent:
  - 93% of all jobs created
  - 83% of all follow-on equity
  - 74% of all product sales / revenue

# Totals by Tech Focus Area

- Med Tech and IT continue to be the primary jobs and leverage generators

	All	Medical Technology	Software / IT	Advanced Materials	All Other Tech
<b>Total Companies</b>	287	91	142	23	31
<b>Total Investment \$M</b>	\$134	\$52	\$60	\$10	\$12
<b>New Jobs</b>	2,130	666	1,168	147	149
<b>Follow-on Equity \$M</b>	\$1,322	\$698	\$421	\$115	\$92
<b>Product Sales / Rev \$M</b>	\$833	\$193	\$451	\$71	\$118

2006

2007

2008

2009

2010

assurex  
health

Akebia™  
THERAPEUTICS

ThinkVine

catacel™  
Driving Reaction Technology

covermymeds®

Knotice

ECHOGEN  
POWER SYSTEMS

CerviLenz®

ClevelandHeartLab®  
Know your risk.

explorys

mid

zipscene

WIRELESS  
ENVIRONMENT

Global Cooling

SPARKBASE

AquaBlok®  
Composite Particle System

Juventas  
THERAPEUTICS

updox

Thermalin  
Diabetes, LLC

OniShift

2011

2012

2013

2014

aerpio  
theranautics

n channel

7 SIGNAL®  
THE WI-FI PERFORMANCE COMPANY

Talis  
CLINICAL LLC

PRINT  
SINDICATE

BLUEWATER  
SATELLITE, INC

acceptd.

EcolibriumSolar

STACK

Tour de Force CRM  
Be Efficient. Be Effective.

Roadtrippers

VentureMed  
GROUP

cordata  
HEALTHCARE INNOVATIONS

# Pre-Seed/Seed Plus Fund Capitalization Program

**CY 2015**

# Program Goals

- Increase the number of professionally managed Pre-Seed Funds investing throughout Ohio;
- Increase the amount of early-stage capital being invested in Ohio technology-based companies in the Imagining, Incubating, or Demonstrating commercialization phases;
- Create a risk capital climate that supports the development, retention, and attraction of investable technology companies in Ohio;
- Accelerate the growth of high-potential technology companies in Ohio and create high-paying jobs in Ohio; and
- Build a pipeline of technology company deal flow that increasingly attracts the resources of venture capital firms both within and outside of Ohio

# Program Objectives

- Provide investment capital to new Pre-Seed Funds that will provide capital to early-stage technology companies;
- Provide investment capital to proven existing Pre-Seed Funds and/or to the management teams of existing Pre-Seed Funds that will provide capital to early-stage technology companies; and
- Provide investment capital to existing and active Pre-Seed Funds that will provide capital to Seed Plus stage technology companies that have received professional seed stage financing and are progressing towards an institutional venture round.

# Eligible Purposes

Funds must be structured to:

- Invest in one or more key technology areas:
  - Primary:
    - Medical Technology related to imaging, surgical instruments/equipment, implant devices, and regenerative medicine
    - Software Applications for business and healthcare
  - Secondary:
    - Advanced Materials related to advanced polymers, ceramics, composites, carbon fibers and nanotubes, and specialty metals and alloys
    - Aero propulsion Power Management
    - Fuel Cells and Energy Storage
    - Sensing and Automation Technologies
    - Situational Awareness and Surveillance Systems
    - Solar Photovoltaics

# Eligible Purposes

Funds must be structured to:

- Invest in new opportunities;
- Invest in existing Ohio companies or in companies that will relocate to Ohio as a condition of the investment; and
- Have a formal relationship(s) with ESPs, previous Third Frontier funded Pre-Seed Funds, or other organizations in connection with the commercialization of technology-based opportunities in the Imagining, Incubating, Demonstrating or Market Entry commercialization phases (relationship(s) must be evidenced by deal sharing, services exchanged, and/or established processes for resource commitments to joint opportunities)

# Eligible Lead Applicants

- Funds based in Ohio or with a Principal Place of Business in Ohio
- Pre-Seed Lead Applicants may be new or existing OTF Pre-Seed Funds
- Seed Plus Lead Applicants must have an active OTF Pre-Seed Fund
- May submit a proposal for a Pre-Seed Fund, a Seed Plus Fund, or a combined proposal
- Must be willing /able to enter a loan agreement with the State of Ohio
- Funds are expected to make full payment on the loan with interest on or before the maturity date and make principal payments on their loan upon liquidity events.
- Funds are expected to distribute returns to cost share providers, whether the cost share providers are for-profit or nonprofit entities or are persons.

# Collaborators

- All proposals must include at least one Collaborator
- An organization, institution, company or other legal entity that is not an affiliate of the Lead Applicant, which is anticipated to receive OTF funds; or an individual not employed by or related to the Lead Applicant, who is anticipated to receive OTF funds and/or is contributing cost share.
- Lead Applicants may obtain the assistance of Collaborators to provide services or to provide cost share, as needed.
- All Collaborators must submit either a Collaborator Commitment Form or a cost share Commitment Letter, or both if applicable.

# Funding

- Development anticipates awarding up to \$60 million in the form of loans
- **Pre-Seed Funds**
  - Proposals for state funding in the range of \$500,000 – \$5 million
  - \$1 of cost share required for every \$1 of OTF funds
  - Total Fund size of \$1 million to \$10 million
  - OTF funds awarded and matched on a 1:1 basis, may be used for:
    - Due Diligence (i.e., the process undertaken by a Fund to analyze and assess the desirability, value, and potential of an investment opportunity);
    - Enhanced Management Services (i.e., services provided by a Pre-Seed Fund to a portfolio company, including but not limited to, marketing, management, technical and commercialization assistance); and
    - Internal Fund Management expenses, including but not limited to, management, legal fees and accounting fees.

# Funding

- **Seed Plus Funds**
  - Proposals for state funding in the range of \$2.5 million – \$5 million
  - \$3 of cost share required for every \$1 of OTF funds
  - Total Fund size of \$10 million to \$20 million
  - OTF funds awarded and matched on a **3:1\*** basis, may be used for:
    - Due Diligence (i.e., the process undertaken by a Fund to analyze and assess the desirability, value, and potential of an investment opportunity);
    - Internal Fund Management expenses, including but not limited to, management, legal fees and accounting fees.

\* This is a correction from the ratio in the RFP. 3:1 is the correct ratio.

# Cost Share

- All cost share must be cash and must be identified in the Proposal by amount, proposed use, and source
- Lead Applicant may submit cost share in the form of either a Current Commitment or a Future Commitment at time of Proposal submission
- Current Commitment
  - Cost share that is committed at the time the Lead Applicant submits the Proposal
  - Is contingent only on the Lead Applicant receiving an OTF award and final review and approval by the cost share provider of any changes in the Investment Documents needed to conform to the Loan Agreement.
- Future Commitment
  - Cost share anticipated in the future but not available at the time of the OTF award
  - Lead Applicants have until November 30, 2015 to secure and submit cost share commitment letters for all Future Commitments included in the Proposal
  - All cost share must be in the form of a Current Commitment prior to signing the Loan Agreement and within three months of the award date

# Cost Share

- All draws on OTF funds must include a draw on cost share in an amount proportionate to the ratio of cost share contained in the Proposal.
- All cost share and OTF funds must flow through the books of the Borrower.
- Borrowers will be held accountable for the cost share ratio committed regardless of the actual amount of OTF funds awarded.
- If a higher-than-required cost share is proposed, the Lead Applicant may not, at a later time, lower the cost share ratio.

# Budget Forms

- **BF1: Total Budget Plan**

Used to present the Lead Applicant's requested State funds and all Cost Share, by year and by specific line item category.

- **BF2: Pre-Seed/Seed Plus Fund Projections**

Used to show the key financial and operating projections for the life of the Pre-Seed/Seed Plus Fund, from inception through liquidation of all investments and distributions to investors.

- **BF3: Source of Cost Share**

Used to report the sources of all Cost Share from the Lead Applicant and all Collaborators.

- If proposing a combined Pre-Seed/Seed Plus Fund, separate Budget Forms must be completed for each portion

# Term of Project

- Pre-Seed Funds: maximum of three years
- Seed Plus Funds: maximum of five years
- Proposals that put OTF funds to use over a shorter timeframe will be viewed favorably

# Loan Agreement Highlights

- The term will be ten years from the closing date, and it can be renewed or extended for a period of five years from the end of the term.
- The Interest rate is 0% for years 1 through 3
- Interest starts accruing in year 4 at the Applicable Federal Rate (AFR) and payments are due at maturity
- Principal payments are required upon a Liquidity Event, with any outstanding balance due at maturity
- Collateral is a Negative Pledge and Payments upon Liquidity Event
- Distributions by Borrower to its shareholders or investors are permitted so long as (a) there is a payment to the Director proportionate to the Cost Share on the Loan; and (b) after deducting the aforementioned disbursements, the Borrower's most recent "Investments, at fair value" exceeds the outstanding Loan balance.

# Proposal Evaluation Criteria

The following criteria have been identified in Section 4 as having the highest relevance to and weighting for the PFCP:

- Alignment of the Proposal with the Program's purpose, goals, objectives, eligibility, funding, and cost share requirements of RFP
- Quality of the responses to the RFP requirements as outlined in The Opportunity, Operations, Success and Track Record, Projected Economic Impacts and Regional Priorities, Experience and Qualifications, and Budget
- Performance, if applicable, of prior Ohio Third Frontier grants
- Compliance with the RFP's administrative requirements

# Proposal Evaluation Criteria

## Emphasis on specific elements in the Proposal narrative:

- Degree of Lead Applicant's demonstration in a quantitative manner that Ohio deal-flow is substantial and not currently being adequately served by other early-stage capital sources
- Degree of Lead Applicant's demonstration of ability to manage Pre-Seed/ Seed Plus Fund, including investment and reporting processes
- Experience of Lead Applicant, Collaborators, and key personnel with respect to successfully managing funds of comparable size, scope, and complexity
- For Seed Plus, the likelihood the Fund will be well positioned to enable portfolio companies to raise Series A capital and beyond, in the near term

# Proposal Evaluation Criteria

## Emphasis on specific elements in the Proposal narrative:

- Degree of Lead Applicant's demonstration of ability to integrate activities with the ESPs and other state-funded programs and organizations sharing complimentary missions
- Degree of Lead Applicant's demonstration of ability to actively pursue outreach activities to Ohio's minority and rural populations
- Degree to which Ohio Third Frontier funds will be impactful as evidenced by magnitude and realism of the projected metrics

# Proposal Evaluation Criteria

## Emphasis on performance measures of prior Ohio Third Frontier awards:

- Current economic impact of previous related OTF awards, such as Ohio jobs, follow-on capital, product sales, and company success stories
- The ability to attract out-of-state capital into Ohio
- Lead Applicant and Collaborators ability to develop and support qualified deal flow
- Degree of Lead Applicant's demonstration of the need for additional capital funding at the Pre-Seed stage, or the need for capital funding at the Seed Plus stage, given previous state investments and the resources remaining that will be applied to the needs of the community and/or geography that is intended to be served

# Review Process

## Administrative Review

- Conducted by Ohio Third Frontier Commission staff
- Receive, process and screen proposals for administrative compliance
- Forward to external evaluator for technical review

## Technical Review

- Conducted by external evaluator
- First-stage review – determine which proposals meet the charge of the RFP; passing proposals move to review's second-stage
- Second-stage review – address questions submitted to Development by the external evaluator; interview with the external evaluator

# Timeline

**June 24, 2015**

*RFP Released*

**August 6, 2015**

*LOIs due by 2:00 p.m.*

**September 15, 2015**

*Proposals due by 2:00 p.m.*

**September-November 2015**

*Review Process*

**December 2015**

*Award Announcements*

**Be sure to use the current version of the RFP and application /  
budget forms**

# RFP Modifications and Clarifications

- From time to time, it may be necessary to modify or clarify portions of the RFP, as well as the forms. In that event, we will post a document titled “RFP Modifications and Clarifications” to the RFP page for the particular program on the Third Frontier website.
- It is your responsibility to be aware of any RFP modifications and to ensure that your proposal conforms with any such modifications.

# Questions and Answers and Communications

- All questions must be submitted via email to:

[PFCP@development.ohio.gov](mailto:PFCP@development.ohio.gov)

**“Pre-Seed Fund Capitalization Program Q&A”** must appear in the subject line

- Frequently asked questions will be posted on the Third Frontier web site: [www.thirdfrontier.com](http://www.thirdfrontier.com)
- Lead Applicants, Collaborators and/or others acting on their behalf **are to be aware of all prohibited contact** in Section IV of the RFP’s *Appendix A – RFP Process, Awards Process, and Mandatory Compliance*.
- If a Lead Applicant, Collaborator and/or others acting on their behalf makes prohibited contact, **Development in its discretion may subject the Proposal to elimination from the RFP process.**

# Things to Avoid

- Late Proposals
- Requesting more than Award limit
- Ignoring page limitations
- Claiming proprietary information
- Appending material
- Support letters not specifically requested
- Missing letters of commitment
- Incorrect or missing budget forms

# Questions?

[PFCP@development.ohio.gov](mailto:PFCP@development.ohio.gov)

Sign up to receive announcements via the Third Frontier RSS Feed by clicking on the RSS icon in the toolbar at <http://www.development.ohio.gov>

