

Ohio

Third Frontier

Innovation Creating Opportunity

Commission Meeting

September 19, 2012

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Agenda

10:00	Call to Order	Chair
	Approve Minutes	
10:05	Entrepreneurial Signature Program	Applicant
	JumpStart Inc.	
10:50	Entrepreneurial Signature Program	Applicant
	Rocket Ventures, LLC	
11:35	CY 2013 Program Plan and Budget	Staff
12:10	Other Business	All
12:15	Adjourn	

Entrepreneurial Signature Program

Fiscal Year 2012

6-Month Bridge Funding Award

Organization	6-Month Funding
CincyTech	\$1,406,869
Dayton ESP	\$ 616,700
JumpStart	\$5,470,514
Rocket Ventures	\$ 150,000
TechColumbus	\$1,485,869
TechGrowth	\$ 200,000
OTF Total	\$9,329,952

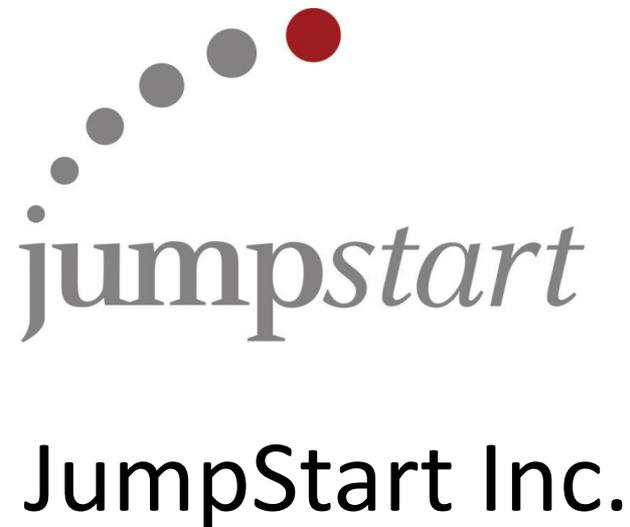
ESP Funding Requests – FY 2012/2013

Organization	Continuity	Continuity Plus	New	Total 2013-2014
CincyTech	\$2,605,510	\$1,569,490	\$1,325,000	\$5,500,000
Dayton ESP	\$2,085,055	\$841,745	\$1,073,202	\$4,000,000
JumpStart	\$10,379,856	\$3,499,290	\$6,701,897	\$20,581,043
Rocket Ventures	\$1,500,000	\$195,000	\$ 0	\$1,695,000
TechColumbus	\$5,786,414	\$1,093,727	\$1,525,210	\$8,405,351
TechGrowth	\$ 2,474,399	\$490,520	\$35,081	\$3,000,000
OTF Total	\$24,831,234	\$7,689,772	\$10,660,390	\$43,181,396

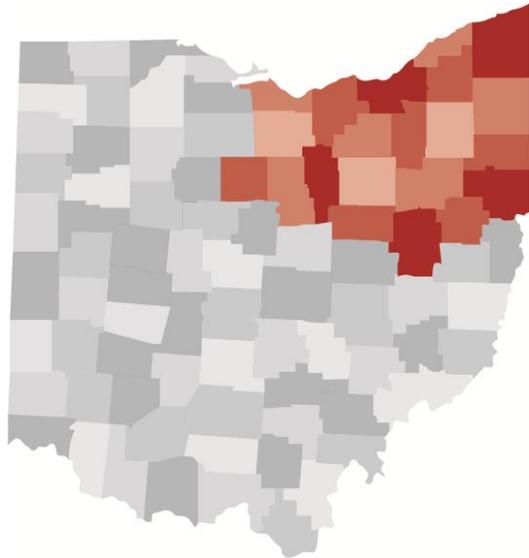
Funding Awarded CY 2013-2014

Organization	Total Funding
CincyTech	\$5,500,000
Dayton ESP	\$4,000,000*
JumpStart	TBD
Rocket Ventures	TBD
TechColumbus	TBD
TechGrowth	TBD
OTF Total So Far	\$9,500,000

Entrepreneurial Signature Program



Context: Northeast Ohio ESP Region Overview



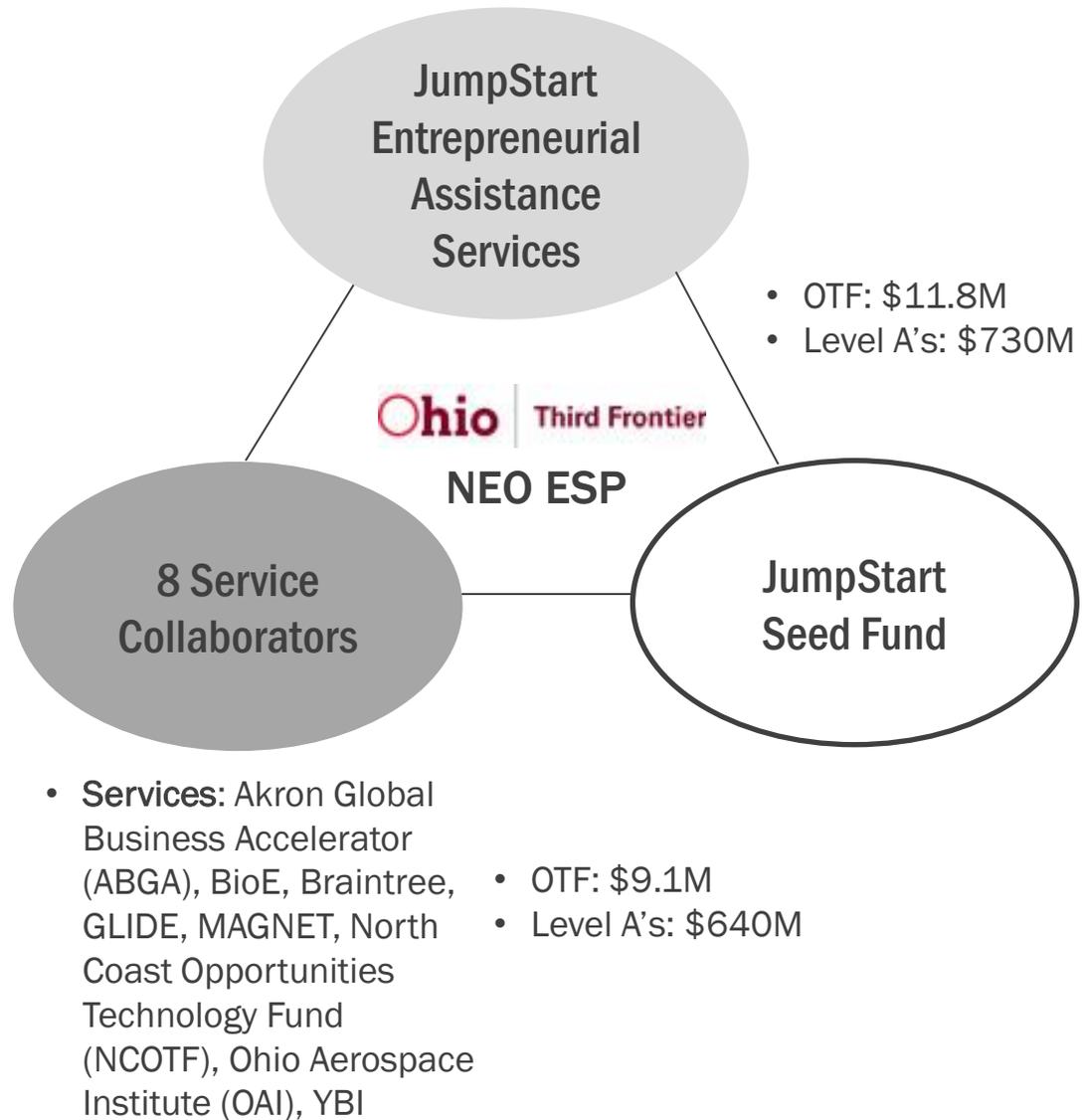
- **40% of Ohio's GDP (\$190B) and population (4.6M people)**
 - GRP is larger than 24 states including South Carolina & Oklahoma
 - 6 of the Ohio's largest 10 cities
 - 16 cities with over 45,000 people
- **Home to 5 research universities, 6 research hospitals and 2 Federal research centers**
- **250+ public, private, philanthropic and institutional regional programs focused on innovation and entrepreneurship**
- **~\$1B in venture and angel capital invested in NEO companies via 472 deals in the last 5 years**
 - 71% of the companies who raised this capital are part of NEO ESP
 - 53% of all investment dollars raised went to NEO ESP companies
 - 67% of investors are based outside of Ohio
- **900+ entrepreneurs approach NEO ESP annually**
 - An opportunity to assist 200+ entrepreneurs going forward
- **The NEO ESP provides direct services to entrepreneurs and services that support the collaboration**
 - Coordinating, optimizing, and sequencing deal flow with collaborators
 - IT support for metrics gathering and reporting

The Benefits of NEO's Evolving Collaborative Entrepreneurial Ecosystem

- **BioEnterprise and JumpStart created in 2002-2004 by business and philanthropic leadership in NEO to accelerate high tech entrepreneurial opportunities in partnership with state-funded Edison entities**
- **Challenge: Realization in 2006 that approach was addressing 10% of the promising tech-based startups across the 21 county region**
- **NEO funders requested and the Ohio Third Frontier ESP required an ecosystem approach leveraging regional collaboration to accelerate entrepreneurial outcomes**
- **Significant Benefits of NEO ESP Ecosystem Collaboration:**
 - Leverage regional assets and specialized capabilities to accelerate innovative companies
 - Dramatically increased effectiveness and efficiency in delivering entrepreneurial services
 - Greater outcomes which enhance Ohio's reputation with entrepreneurs and investors
 - Collective understanding, informed by data, on how to fill gaps and improve the ecosystem
 - Easier for entrepreneurs to understand and access state-supported resources

2007-2012: NEO ESP Services / Fund Model

- **Primary Goal of ESP:**
To significantly accelerate tech-based company outcomes via services and capital
- To meet demand, an addition of new services at JumpStart and 8 service collaborators
- Founding ESP proposal created a services and investment ecosystem; subsequent OTF proposals provided for investment or services
- No additional NEO ESP collaborators added since 2007
- All metrics being tracked via [Salesforce.com](https://www.salesforce.com) across the ESP since 2009



2012 NEO ESP Ecosystem

(OTF funds pay 50% of total costs)

**JumpStart
Services**

**JumpStart
Seed Fund**

Collaborators

Service description	FTE's
Entrepreneurial Assistance <ul style="list-style-type: none"> Initial discussions and connections to services in network Direct support via EIRs with specific sector expertise 	4.9
Talent Recruiting <ul style="list-style-type: none"> Preparing job specs, recruiting, screening, interviewing, comp for both fulltime positions and Boards of Adv./Directors 	4.3
Inclusion EIRs <ul style="list-style-type: none"> Outreach specifically within minority communities EIR services and programming such as First Client Pilot 	4.5
Marketing/Outreach <ul style="list-style-type: none"> Communications, PR, website development for portfolio companies Graphics, video, media relations, events, education, VC data tracking 	3.0
Metrics, reporting, and management <ul style="list-style-type: none"> Coordination, sequencing, data tracking, surveys, reporting 	3.5
Investing and due diligence <ul style="list-style-type: none"> Ongoing due diligence across NEO, pre-investment and preparation Investment closing 	4
Portfolio technical assistance and management <ul style="list-style-type: none"> Preparing entrepreneurs for follow-on funding Determination and achievement of milestones Connections to sources of capital including VC's, Grants, clients, etc. 	5.3
Sector-specific entrepreneurial assistance across eight collaborators <ul style="list-style-type: none"> EIRs, bus dev., fin. & bus analysts, prep for pre-seed funds, etc. 	16.5
FY12 NEO ESP FTE Total	45.9

20.2

9.3

Cumulative Activities and Outcomes for NEO ESP (FY07 – FY12)

Category	Companies that received JumpStart services**	Companies that received services from other 8 Collaborators	Total
Clients *	417	203	620
Follow-on funding/capital raised	\$452M	\$544M	\$996M
Cumulative Revenues	\$278M	\$96M	\$374M
Total Level A metrics excluding exits	\$730M	\$640M	\$1.37B
Direct jobs created and retained	1,543	1,219	2,762
Average wage	\$69,000	\$71,000	\$69,750

- Definition: A company that JumpStart or an ESP collaborator provided 15 hours or more of services, and the company provided certified metrics
- ** A client is attributed to JumpStart if 1) it meets the definition of a client (above), and 2) JumpStart provided the greatest number of hours of service to the client compared to other collaborators. This is the same guideline for attribution to any collaborator.

Cumulative Activities and Outcomes By Collaborator* (FY07 – FY12)

Category	AGBA	BioEnterprise	Braintree	GLIDE	MAGNET	YBI
Clients	38	39	37	42	10	37

Capital raised	\$25M	\$490M	\$3M	\$5M	\$2M	\$19M
Cumulative revenues	\$10M	\$66M	\$0M	\$3M	\$0M	\$17M
Total Level A metrics excluding exits	\$35M	\$556M	\$3M	\$8M	\$2M	\$36M

Direct jobs created and retained	144	912	17	27	10	109
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* NCOTF & OAI partner with other ESP-supported entities to provide all services therefore they do not have independent Level A's

The Momentum of the NEO ESP Collaborative Ecosystem has brought \$100M+ to NEO Innovators & Entrepreneurs via new initiatives

- **Goldman Sachs 10,000 Small Businesses Initiative**
 - Technical assistance and debt capital for NEO companies
 - Interested in statewide expansion of program in Ohio; \$30M+ for Ohio entrepreneurs
 - No state match required
- **4 new local community funds for NEO entrepreneurs, accelerating local NEO impact**
- **Blackstone Launchpad created at 4 ESP-connected NEO universities**
 - CWRU, Baldwin Wallace, Kent State, Lorain County Community College
- **Leadership on the National Venture Capital Association board & Congressionally-appointed National Advisory Committee on Innovation and Entrepreneurship**
- **Strong relationship with Federal agencies resulting in significant funds to regional priorities**
 - Small Business Administration's Speed-to-Market Accelerator
 - NAMII (National Additive Manufacturing Innovation Institute)
 - DOD, DOE, NIH, Commerce: direct and through SBIR/STTR programming support
 - USPTO Pro bono legal center in Cleveland
- **Significant value of media coverage to date**
 - 199 in-region and 6,334 out-of-region media placements regarding portfolio/client companies
 - 70 in-region and 547 out-of-region media placements regarding or mentioning ESP/Ohio Third Frontier
 - Support of hiVelocity (list sharing, content ideas)

2013-14 ESP Ohio Third Frontier Proposal

- February 2012 NEO ESP proposal was based on the goals of the '13-'14 RFP
- Addresses unmet demand for services from 200+ high-potential entrepreneurs and adds new regional collaborators to maximize impact
- **At JumpStart**
 - Mentoring: Program to leverage hundreds of volunteer mentors in NEO to guide entrepreneurs to achieve Level A metrics
 - Education and Entrepreneurial Assistance: Online and one-to-many in-person education programs; providing market assessments; efficiently and effectively support more clients; university commercialization support
 - No additional staffing cost for coordinating expanded network; ESP moving from a managed network to a more self-managing model
- **At 8 NEO Founding ESP Collaborators**
 - Additional EIR support, programmatic initiatives, and financial services support
- **At 8 NEO organizations which will be new ESP collaborators**
 - New EIRs and programs to support IT, biotech, energy, university commercialization
- **Will generate \$840M in additional Level A outcomes – 58x Leverage**
 - \$14.5M in Ohio Third Frontier support over 2 years
 - 1,200 new direct jobs by end of 2014
- Are flexible and open to adjusting NEO ESP plan to changing objectives and strategies

2013-2014 NEO ESP Ecosystem

(OTF funds pay 50% of total costs)

JumpStart Services

JumpStart Seed Fund

Collaborators

Service description	FTE's (change from FY12)	
Entrepreneurial Assistance and Education <ul style="list-style-type: none"> No change to existing work 2.3 added people to manage new education program, market assessments, entrepreneurial acceleration for earliest entrepreneurs 	7.2 (+2.3)	} 24.2 (+4.0)
Talent and Mentoring <ul style="list-style-type: none"> No change to talent recruiting programs 1.7 added people for mentoring program 	6.0 (+1.7)	
Inclusion EIR's - no change	4.5 (0.0)	
Marketing/Outreach - no change	3.0 (0.0)	
Metrics, reporting, and management - no change	3.5 (0.0)	
Investing and due diligence - no change	4.0 (0.0)	} 9.3 (+0.0)
Portfolio technical assistance and management - no change	5.3 (0.0)	
Entrepreneurial assistance across existing 8 collaborators <ul style="list-style-type: none"> EIRs, bus dev., fin. & bus analysts, and programmatic initiatives 	22.0 (+5.5)	} 36.0 (+19.5)
Sector-specific entrepreneurial assistance from 8 new collaborators <ul style="list-style-type: none"> EIRs and sector-specific programs; student integration 	+14.0	
FY12 NEO ESP FTE Total	69.5	

Projected NEO ESP Cumulative Outcomes by end of 2014

Category	Companies receiving JumpStart Services	Companies receiving Collaborator Services	Total
Clients *	573	325	898
Follow-on funding/capital raised	\$783M **	\$671M	\$1.46B
Cumulative Revenues	\$552M	\$204M	\$756M
Total Level A metrics excluding exits	\$1.33B	\$875M	\$2.21B
Direct jobs created/retained	2,208	1,742	3,950
Average wage	\$67,000	\$66,300	\$66,500

* Definition: A company that JumpStart or an ESP collaborator provided at least 15 hours of services

** Follow-on funding numbers assume JumpStart will continue to make investments from its Seed Fund in 13-14

Entrepreneurial Signature Program

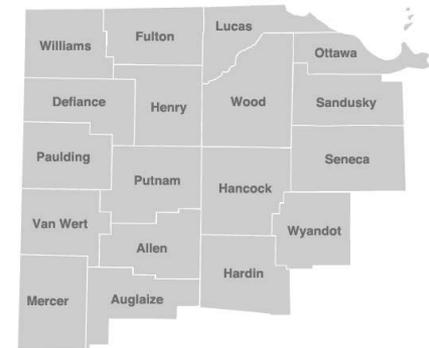


Rocket Ventures, LLC



Rocket Ventures, LLC

Northwest Ohio's Premier Venture Capital & Entrepreneurial Resource



September 19, 2012
Ohio Third Frontier Commission Meeting



Ohio | **Third Frontier**



Organization

The mission of Rocket Ventures, LLC is to prepare technology-based start-up companies for funding and sustainability by providing intensive business assistance, enhanced management services, and pre-seed investments.

Founding

July 2007 @ Regional Growth Partnership
Region's first venture capital source since 1996

Funding

\$7.2 million – ESP Services
\$1.8 million – Ignite Development Grant Fund
\$6 million – ESP Fund
\$7.5 million – Match from Collaborators

Service Area

18 counties in Northwest Ohio
4th most populous ESP region

Staffing

11-member team:
3 Entrepreneurs-in-Residence (soon to be 5) ▪
Fund Manager ▪ Chairman ▪ Finance ▪
Marketing ▪ Commercialization Coordinator ▪
3 Project Executives

Joint Venture Organization

Created in July 2011
Five-member board of directors

Owners

University of Toledo Innovation Enterprises
Regional Growth Partnership

Collaborators

- * University of Toledo Innovation Enterprises
- * Regional Growth Partnership (51 investors within)
- * Toledo Edison
- * Gilmore, Jasion & Mahler, Ltd.
Bowling Green State University
North Central Campus for Emerging Technologies (NCC-ET)
Findlay-Hancock County Economic Development
Defiance 2100
Findley Davies
- * Mercy Health Partners
Northwest Ohio Regional Economic Development
(NORED)
- * Owens Corning
Owens-Illinois
- * Plante & Moran
- * ProMedica Health System
Toledo-Lucas County Port Authority
Weber-O'Brien, Ltd.

** Denotes Collaborators who have committed cash to Rocket Ventures, LLC*



The Team & Experience

Rocket Ventures, LLC

Rick Stansley – Chairman (30+ years)

Founder/CEO of several start-ups in mining and transportation; Multiple successful exits

Dan Slifko – President & Entrepreneur-in-Residence (35+ years)

Founder/CEO of two start-ups, both with successful exits, in retail and Tier 1 automotive supply; Interim CEO roles

Bob Savage – Fund Manager (20+ years)

Founder of an angel capital fund; Founder/CEO of a consulting practice; Professional investor; Multiple exits

Jon Klotz – Entrepreneur-in-Residence (45+ years)

CFO of The Andersons, a \$4+ billion public corporation; COO of NAMSA; Interim CEO & CFO roles

Blake Culver – Director of Commercialization & Entrepreneur-in-Residence (5+ years)

Involved in creating Rocket Ventures; Edison Program Director; Grant writer; Interim CEO role

Jennifer Rose – Commercialization Coordinator (35+ years)

Due diligence at a venture capital firm; Finance and human resources

John Gibney – Marketing & Communications (20+ years)

Television media production; Enterprise marketing and communications

Lynn Wilkins – Finance (30+ years)

An Ohio CPA; Public accounting; 22 years in Controller positions; CEO/CFO of a sales and service company

Project Executives

Peter Machin (40+ years)

President/CEO/Owner of a Tier 1 automotive supply company; President and GM of several corporate units

Brent Cousino (30+ years)

Partner at Plante & Moran; Co-founder of an accounting practice; Business consultant to start-ups

Rick Yocum (30+ years)

President / CEO of multiple early-stage companies; President of a venture capital firm; Business consultant



Resources & Services

We most notably offer the following resources and services to our clients:

Investments
Of \$250,000 to \$750,000

Client Services Funding
Pre-investment funds for acceleration

Business Management Services
Interim CEO / CFO or business advisory

Funding Development
Grants, Loans, Investments, and Sales

Comprehensive Planning
Business, financial, and strategic

We do:

- Commercialization assessment for:
 - University of Toledo
 - Bowling Green State University
 - Owens-Illinois
 - ProMedica Health System
- Corporate spin-off companies
- Lab-to-Launch enterprise formation
- Grant writing for scientific and business development
- Networking and educational events
- Business incubation:
 - Strategically manage University of Toledo Business Incubation (Edison Incubator)
 - University of Toledo Minority Business Development Center



Performance

July 2007 – June 2012

\$160+ million

in total income and investment

\$56+ million

in sales revenue

45 Percent of A Metrics from Sales in FY 2012

...the mark of commercialization success

260 paying, full-time equivalent jobs

directly created at client companies

\$76,000+ average annual wage

per paying FTE job at client companies in Q2 2012

47 current, active client companies

with 16 portfolio companies

1,200+ opportunities have been reviewed

Client companies self-report metrics each quarter

Metrics must be reported on a cash basis

A-Metrics Magnitude

24 companies have achieved **\$1+ million**, together totaling **\$100+ million**

Commercialization Stage

Market Entry	32%
Demonstrating	19%
Incubating	38%
Imagining	11%

Technology Area

IT / Web	25%
Biomedical	21%
Solar Photovoltaics	17%
Advanced Materials	7%
Biofuels	7%
Instruments / Controls	7%
Other	17%



The Rocket Venture Fund

Rocket Venture Fund, LLC

A for-profit fund

Initial capitalization of \$13.5 million

Focus on company formation to first revenue

Multi-hundred million target markets

5 to 7 investments per year

Deal syndication pursued early on

Strategic and larger institutional investors

Bob Savage - Fund Manager

Rocket Ventures Fund Manager since 2008

Professional investor for 15 years

Fund manager for nine years

Graduate of The Wharton School, University of Pennsylvania

Highlights

- Investment activity kicked off in Q3 2008
- 16 portfolio companies, with 2 currently pending
- Three quarters of companies are producing sales revenue
- Two companies measure sales revenue in quarter-over-quarter growth
- Four companies out of 16 have attracted outside venture capital investment...and another is close
- All 16 portfolio companies have technology secured by intellectual property protection (patents and copyrights)
- Investments have been made in software, biomedical, advanced materials, energy storage, satellite imaging, and solar photovoltaics
- Only three companies have been in the portfolio more than 42 months



New For 2013 - 2014

Two Additional Entrepreneur-in-Residence Hires

- EIRs are the backbone of our business model and results
- This will provide additional capacity for embedding C-level leadership into start-up ventures

The Ignite Development Fund

- Transform Rocket Ventures' Client Services Funding into a formal program
- Start up the new Ignite Development Fund as a \$350,000 / year program
- Sustain the Ignite Development Fund by exercising warrants for repayment

Deal Flow Generation

- Review 400 new opportunities per year (up from an average of 200 annually)
- Market aggressively to all sources of technology deal flow

Client Enrollment

- Enroll 20 new, high-technology companies per year
- Graduate successful non-portfolio firms in three years after Rocket Ventures assistance

A-Metrics Targets

2013 Total: \$62 million

2014 Total: \$70 million



Funding Request

\$750,000 / year

Or: \$1 million / year
...an additional \$250,000 / year

Rationale

1. Direct Payback

- **\$630,000 / year** estimated Ohio income tax revenue currently generated by our client companies
- This will only continue to grow as more high-wage jobs are created

2. Financial Stewardship

- Right size a funding request to deliver impactful services and results
- Able to make a comparatively low OTF funding request because of prudent management
- Incorporated as a for-profit company

3. Joint Venture Setup

- In 2011, formed Rocket Ventures, LLC as a joint venture
- The joint venture provides two co-owners to lead funding raises
- The unique joint venture structure (61 total Collaborators) bolsters private fundraising

4. Sustainability

- The ESP program was intended to launch *self-sustaining* ESP organizations
- Northwest Ohio is committed to funding technology commercialization and venture capital

5. Matching Funds

- **\$575,000 / year cash cost share**...76.7% of cost share; Provided by four Funding Collaborators
- **\$175,000 / year in-kind cost share**...23.3% of cost share; Provided by four Collaborators



Thank You

Principles & Values

- Client-driven
- Universal coverage of Northwest Ohio
- Financial stewardship
- Results and sustainability
- Utilization of local and regional resources

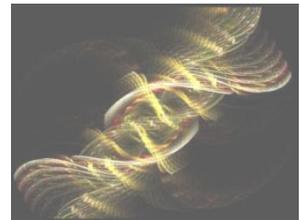
Rocket Ventures, LLC acknowledges the contribution of the State of Ohio Department of Development Third Frontier Initiative, which generously provides funding in support of the Rocket Ventures Program.



Accelerated Outcomes



More Resources



Seamless Continuum



Sustainability

Other Business

**Next
Third Frontier Commission
Meeting**

October 17, 2012