

**Ohio**

**Third Frontier**

Innovation Creating Opportunity

# Commission Meeting

October 23, 2012

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# Agenda

10:00	Call to Order Approve 09/19/12 Minutes	Chair
10:05	Targeted Industry Attraction Program Honda of America Mfg., Inc.	Staff, JobsOhio
10:25	Entrepreneurial Signature Program TechColumbus	Applicant
11:15	Entrepreneurial Signature Program TechGROWTH Ohio	Applicant
12:05	Break	
12:15	2013 Program Plan and Budget	Staff
12:45	Other Business	All
12:50	Adjourn	

# Targeted Industry Attraction Program

**HONDA** Honda of America Mfg., Inc.

**Honda of America Mfg., Inc.**

# Targeted Industry Attraction Program

## Purpose of the Project

- Restore and resurface the existing 7.5 mile high-speed test track at the Transportation Research Center
- Retain and attract vehicle testing at higher rates of speed as required more frequently by many of Transportation Research Center Inc.'s (TRC Inc.) customers, including Honda, other automotive manufacturers, and the federal government
- Allow Honda and other OEMs to be able to test high-speed vehicles at this Ohio proving ground including the supercar segment, such as the forthcoming Acura NSX
- Increase Ohio's reputation as a national leader in automotive manufacturing and testing innovation

# Targeted Industry Attraction Program

- **Total Project Cost:** \$16,000,000
  - 65% of total project cost will be expended on contracts with Ohio suppliers
  - \$10,000,000 in cash contribution from Honda of America
- **Job Commitment:** 360 retained jobs, with over \$14,000,000 in payroll/year

# Targeted Industry Attraction Program

## *Funding Recommendation*

Targeted Industry Attraction funding of \$3,000,000 to Honda of America Mfg., Inc. for costs associated with the restoration and resurfacing of an existing high-speed test track located in East Liberty, Logan County, Ohio

Funding is contingent upon:

- Honda's commitment of \$10 million
- Transportation Research Center Inc.'s commitment to retain 360 existing, full-time equivalent jobs

# 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
<b>OTF Total</b>	<b>\$9,329,952</b>

# 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
<b>OTF Total</b>	<b>\$24,831,234</b>	<b>\$7,689,772</b>	<b>\$10,660,390</b>	<b>\$43,181,396</b>

## Funding Awarded CY 2013-2014

Organization	Total Funding
CincyTech	\$5,500,000
Dayton ESP*	\$4,000,000
JumpStart	\$12,000,000
Rocket Ventures*	\$2,000,000
TechColumbus	TBD
TechGROWTH	TBD
<b>OTF Total So Far</b>	<b>\$23,500,000</b>

\* Conditional awards

# Entrepreneurial Signature Program



TechColumbus

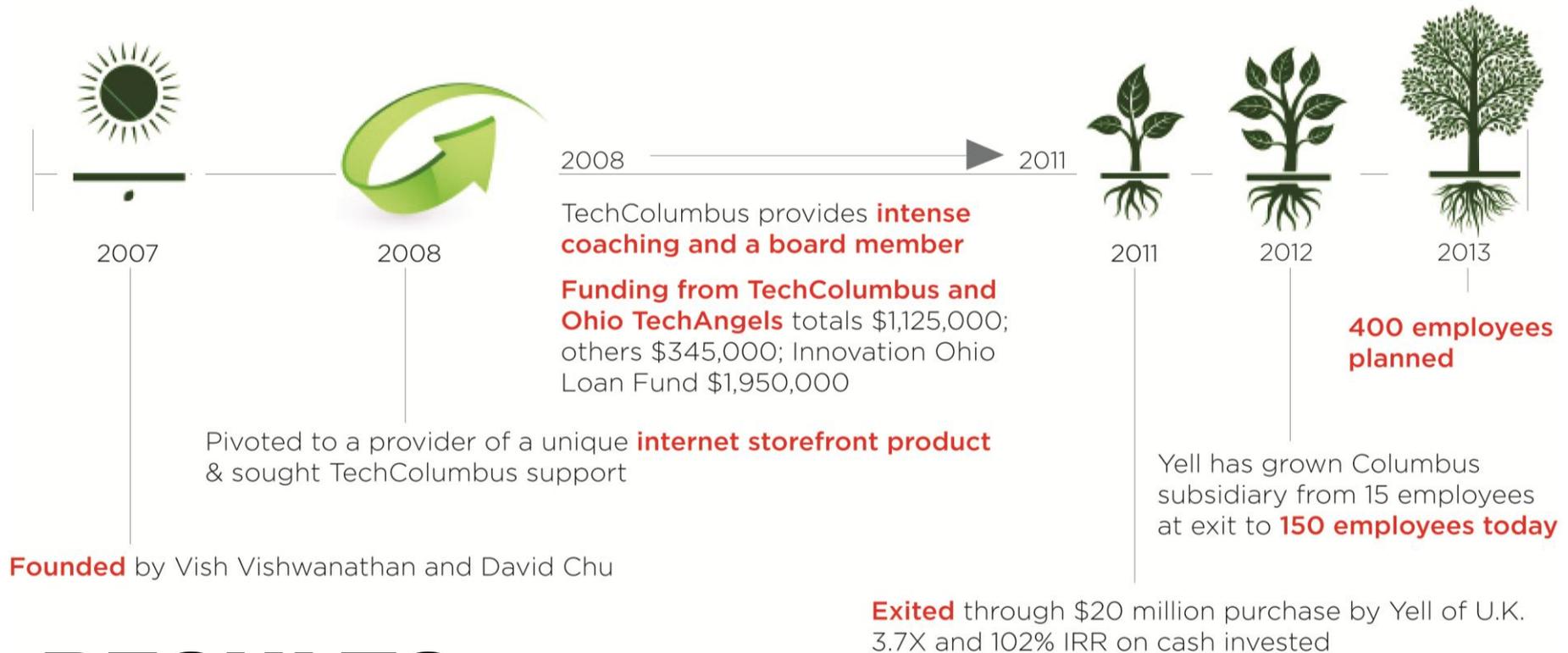


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OHIO THIRD FRONTIER  
COMMISSION PRESENTATION  
OCTOBER 23, 2012



# znode<sup>®</sup> Success Story



## RESULTS

- 1** New, large employer in Columbus
- 2** Wealth created for original founders, employees and investors
- 3** TechColumbus re-investing proceeds in evergreen Pre-Seed fund.

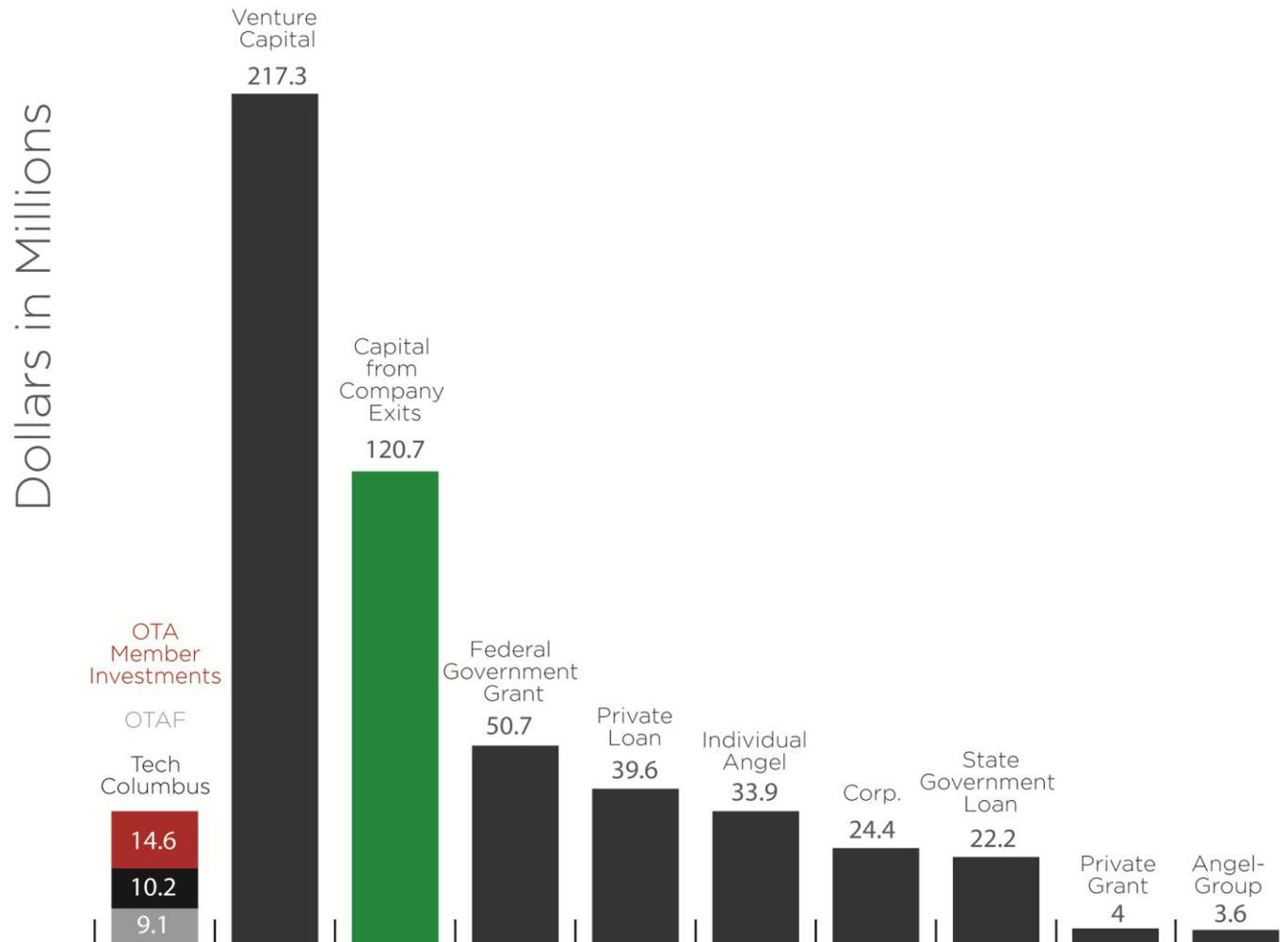
# EXITS TOTALING \$120 MILLION SO FAR

 CLEARSALEING	 HTP <i>Improving the Business of Healthcare</i>	 SageQuest
Exit 2011	Exit 2009	Exit 2010

## DEALS MAKING GREAT PROGRESS

 cardiox	 CallCopy®	 HCD HEALTH CARE DATAWORKS	 Nanofiber SOLUTIONS
Recent \$8MM B round. Going to market in Europe this month.	Recent \$6.5 MM A round. 100 employees.	High growth OSU spin-out	First Successful Artificial Trachea Implant

# Client Company Investments by Source



# Portfolio Company Venture Capital Investors



**38** INVESTMENTS IN **16** VENTURES

## INVESTOR - CITY (# OF INVESTMENTS)

### OHIO INVESTORS

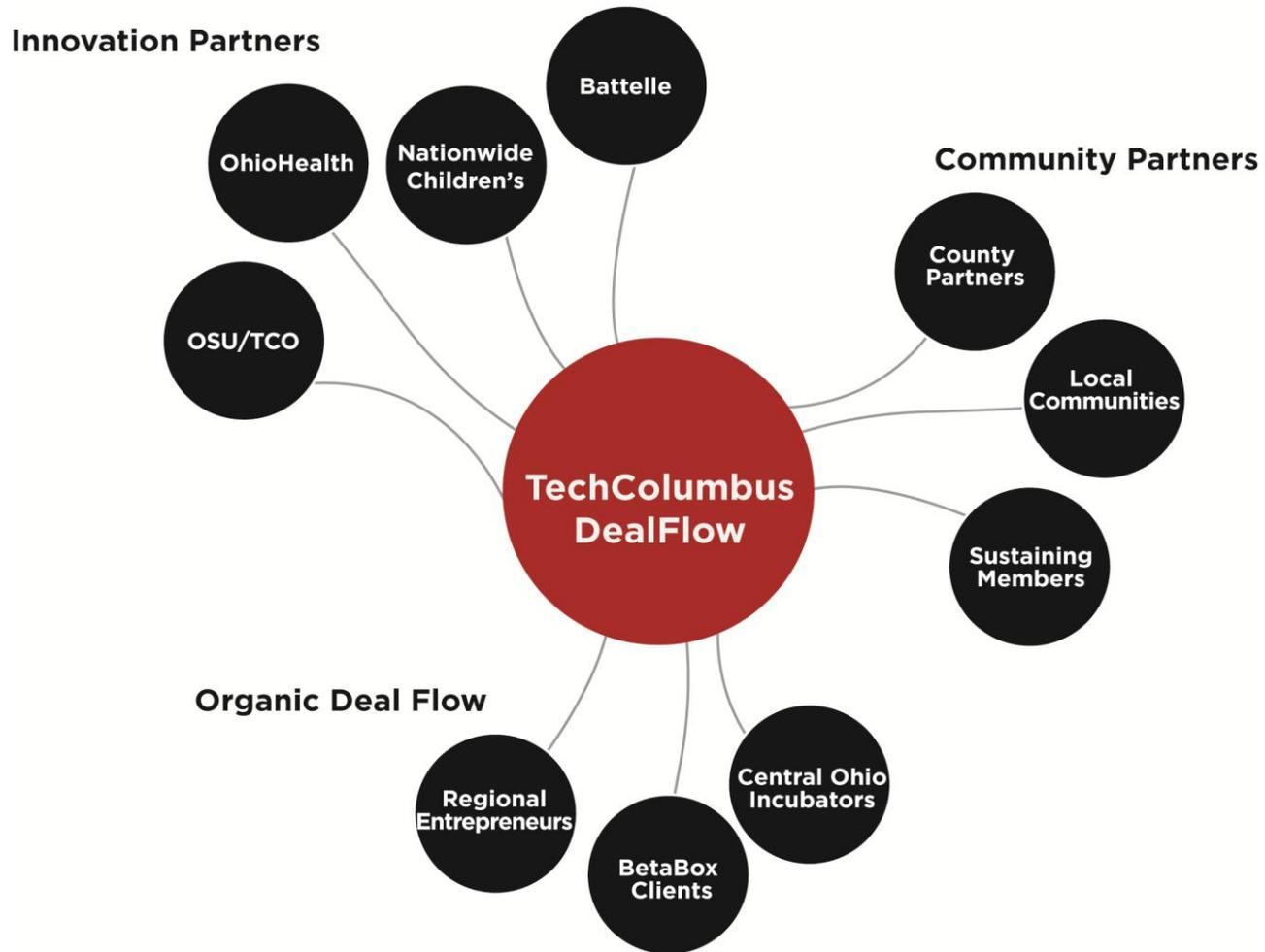
- A) Allos Ventures - Cincinnati (1)
- B) Blue Chip Venture Co - Cincinnati (2)
- C) Charter Life Sciences - Cincinnati (2)
- D) Early Stage Partners - Cleveland (3)
- E) Glengary - Beachwood (5)
- F) NCT Ventures - Columbus (4)
- G) Reservoir Venture Partners - Worthington (5)
- H) Triathlon Medical Ventures - Cincinnati (1)

### NON-OHIO

- I) Alafi Capital - San Francisco (1)
- J) Broadline Capital - New York (1)

- K) Capital Midwest Fund - Milwaukee (1)
- L) Claremont Creek Ventures - Oakland (1)
- M) Fletcher Spaght - Boston (1)
- N) Four Rivers Group - San Francisco (1)
- O) Hopewell Ventures - Chicago (1)
- P) jVen Capital - Potomac, MD (1)
- Q) Lifeline Ventures - Farmington Hills (1)
- R) Plymouth Management Company - Ann Arbor (2)
- S) Portal Capital - Tualatin (1)
- T) RiverVest Venture Partners - St Louis (1)
- U) Sequoia Capital - Menlo Park (1)
- V) Independence Equity - Northbrook (1)

# Sources of Deal Flow



# TechColumbus Proposal

## CASE 1: CONTINUITY

1. Service Enhancements
2. In-kind Service Provider Network

CY13 and CY14 Grant Request: \$5.9MM

### VENTURE ACCELERATION

- » Team based service delivery
- » Targeted talent enhancements
  - » (e.g. CFO in residence)
- » Leverage TechColumbus Membership Business
  - » In-kind service providers
  - » Talent recruitment for startups
  - » CEO network forums
- » Student entrepreneur fellowship

### ACCESS TO CAPITAL

- » New angel group growth
- » Expansion of individual angel network
- » Strategic SBIR/STTR services
- » Creation of regional seed fund

## CASE 2: CONTINUITY PLUS

1. Increased Concept Funding

CY13 and CY14 Grant Request: \$0.5MM

### ACCESS TO CAPITAL

- » Increase in concept funding \$1MM over two years

# TechColumbus Proposal

## CASE 3: INNOVATION GATEWAY

Grant Request: \$1.3 MM CY13 and CY14



TECHNOLOGY  
**Commercialization**  
AND **Knowledge** TRANSFER

A program designed with The Ohio State University's Technology Commercialization and Knowledge Transfer (TCO) to increase the number and quality of commercializable ideas from Central Ohio's innovation centers

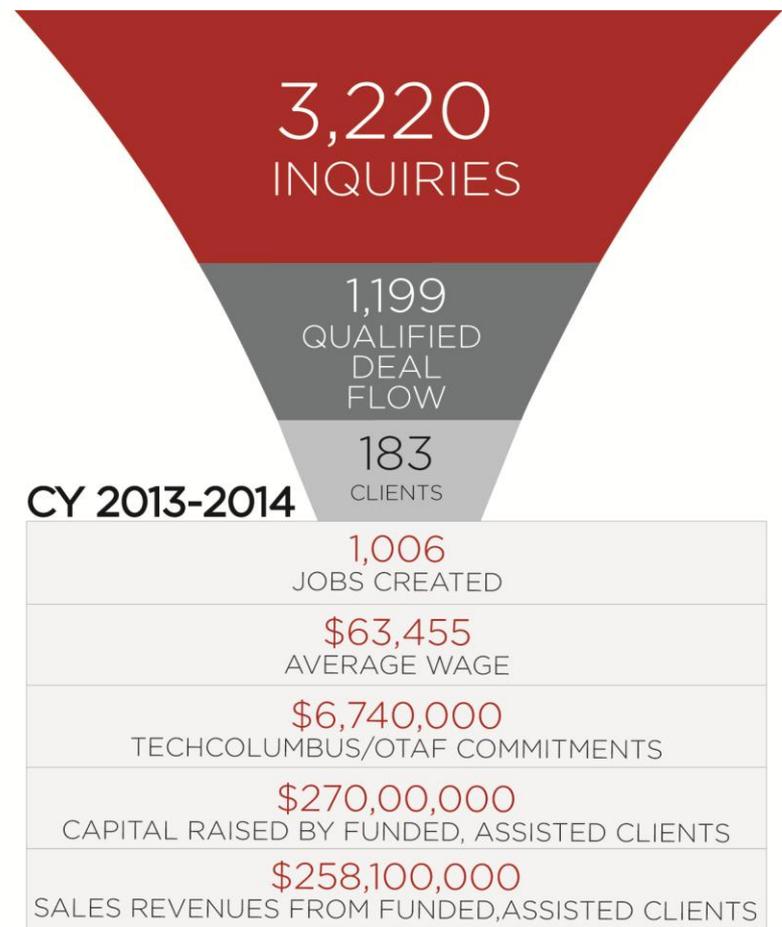
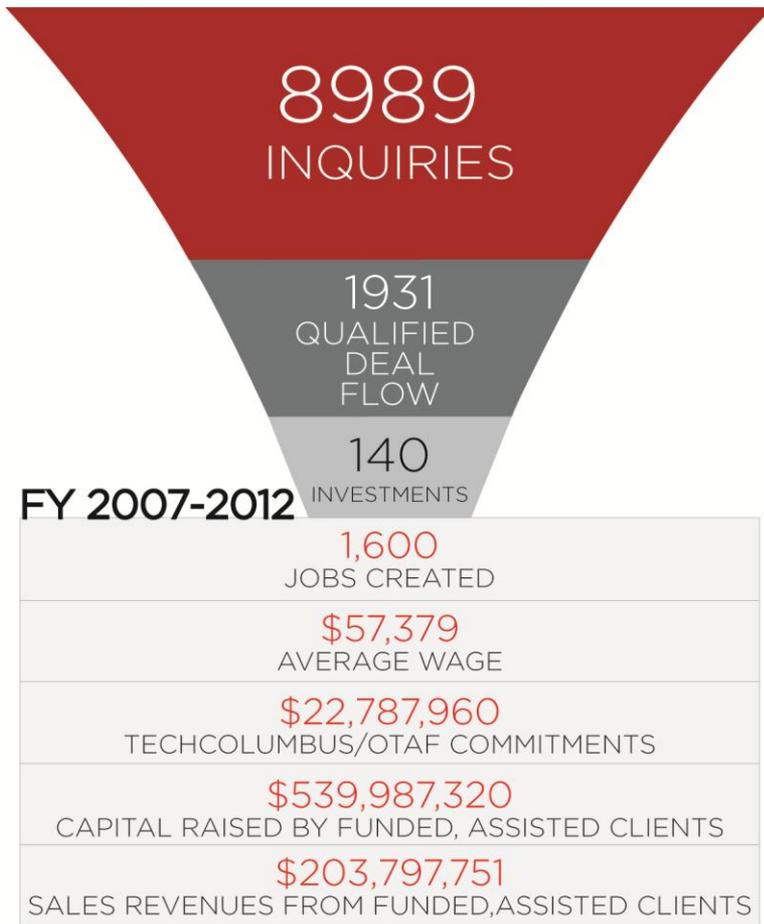
### NEEDS

- » Conducting very early market assessment and customer validation
- » Turning disclosure into Concepts
- » Creating prototypes for customer validation
- » Securing non-dilutive capital to fund development

### RESOURCES REQUESTED

- » 2 FTE ideation lab director & design lead
- » 1 FTE software prototyping manager
- » 2 FTE programmers
- » 2 FTE grant writers
- » 1 FTE tech assessment lead
- » 2 FTE market/customer validation

# Impact



\*Based on case 3 and new UIAF and Pre-seed funds

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# Lessons Learned

- **Focus on Quality over Quantity**
  - Deliver capital and venture acceleration more efficiently to better deals
  - Enhance staffing and skills with relevant industry experience
  - Targeted support networks vs. community events
- **Strong Portfolio and Client Relationship Management Builds Solid Companies**
  - Director training
  - Exit roadmaps and strategic partner recruitment
  - Team based delivery model
  - Engagement letter to manage expectations on both sides
  - Provide quick, candid feedback
- **TechColumbus Succeeds by Focusing on the Entrepreneur**
  - Partner with Columbus2020! on First Customer and Venture Capital Attraction
  - Leverage business membership to fuel company sales and recruit talent
  - Sense of urgency to close the capital gap at the seed stage
  - Significant community involvement over that extended in the past
  - Streamlined entrepreneur support systems

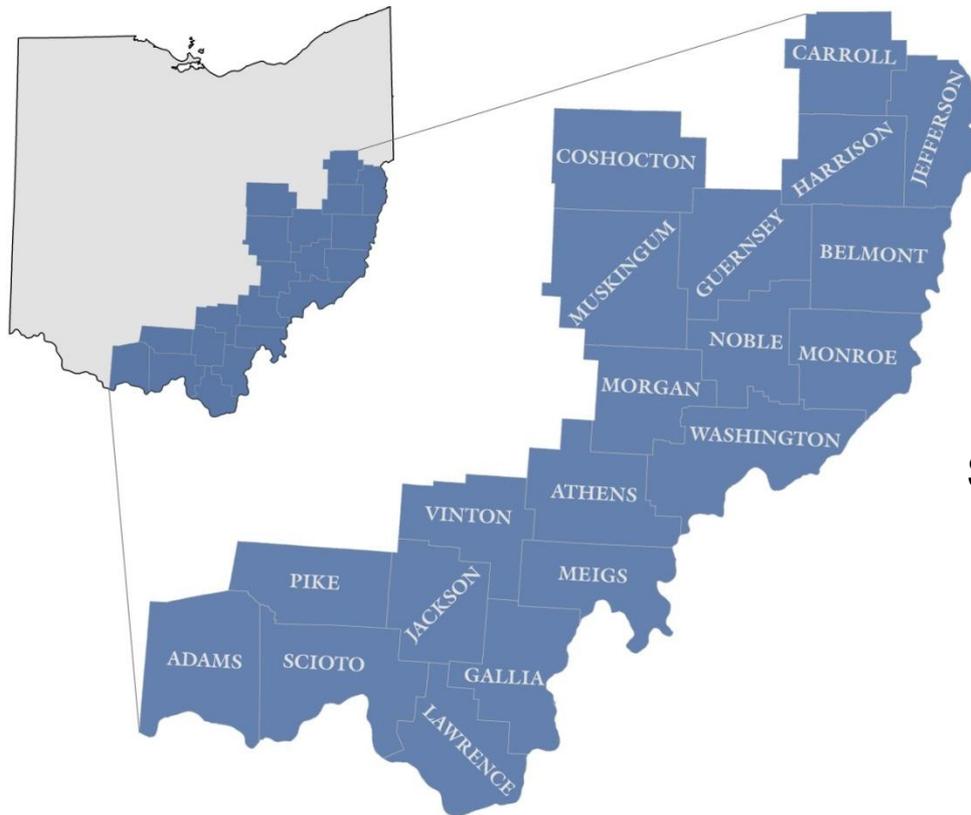
# Entrepreneurial Signature Program



## TechGROWTH Ohio

# TechGROWTH OHIO

## Southeast Ohio's Entrepreneur Signature Program



University Sponsored  
Venture Development Organization  
with Venture Capital Management

Services coupled with Capital Access

Build and Grow Focus



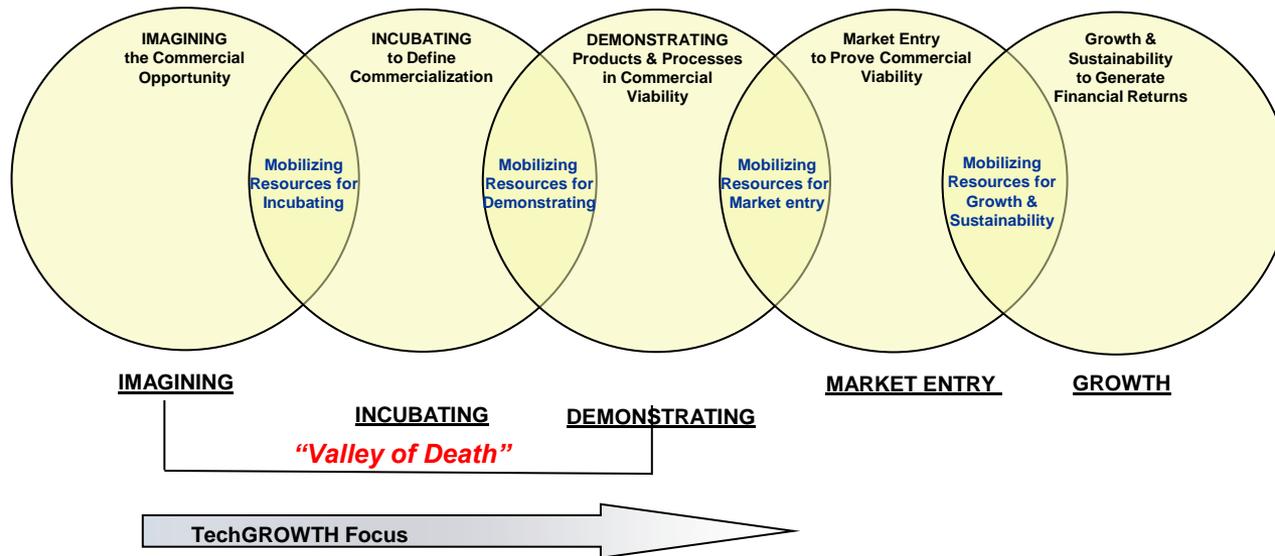
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# Current Operations

*We're in the business of helping early-stage technology companies acquire resources to accelerate commercialization.*

## Phases of Development



**EIR Services - GROWTH Grants - Pre-Seed Investments - Post-Investment Service**



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# Regional Partners

- ❑ Ohio University
  - Voinovich School of Leadership and Public Affairs
  - Center for Entrepreneurship
  - Technology Transfer Office
  - Edison Biotechnology Institute
  - Innovation Center
- ❑ Woodland Venture Management
- ❑ OSU South Centers
- ❑ East Central Ohio Tech Angel Fund
- ❑ Muskingum County Business Incubator
- ❑ WesBanco, Inc.



# Transformative Impact

2007

2012

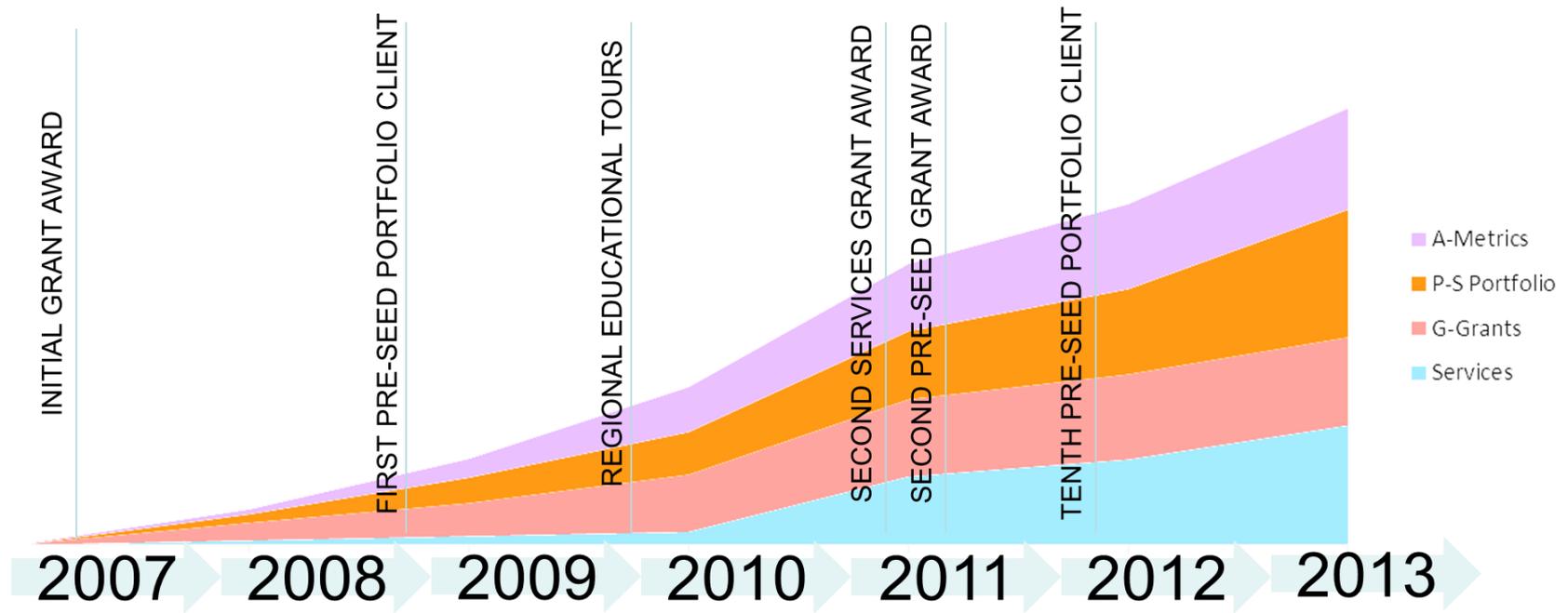
<b>Collaborating Partners</b>	2	10
<b>PreSeed Funds</b>	0	2
<b>Angel Funds</b>	0	1
<b>Venture Funds</b>	2	3
<b>Portfolio Companies</b>	1	10
<b>Client Companies</b>	40	109
<b>University StartUp Clients</b>	3	75



TechGROWTH Ohio

Ohio Third Frontier

# Impact Timeline



TechGROWTH Ohio

Ohio Third Frontier

# TechGROWTH Dashboard

<b>Inquiries</b>	5688
<b>Qualified Deal Flow</b>	561
<b>Active Clients</b>	109
<b>Portfolio Companies</b>	10
<b>A-Metrics</b>	\$110.5M
<b>Leverage Ratio</b>	10.2x
<b>Direct Jobs</b>	184

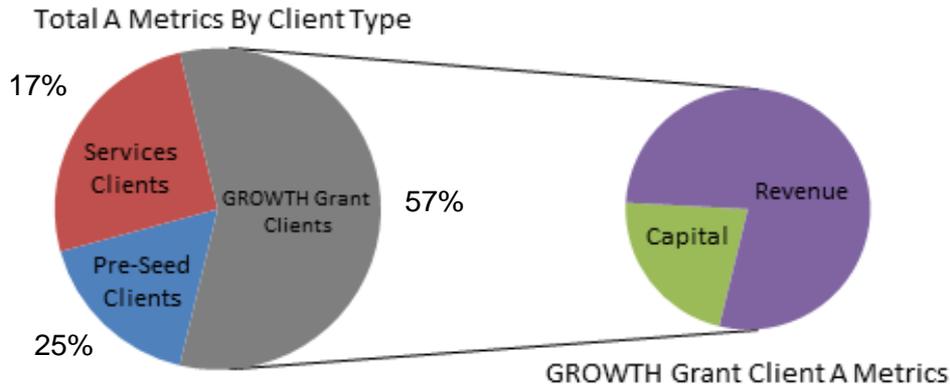
GROWTH Grants: \$25K average to 84 companies  
Pre-Seed Investments: \$261K average in 10 companies  
Co & Follow-On Investment: \$1.8M in 4 companies

Tech Area	Energy	Adv Materials	Biosciences	IT	ICE	Universal
Client	57	2	78	85	8	179
GG	14	2	15	20	1	28
Portfolio	3	0	3	2	0	2



# A-Metrics Performance

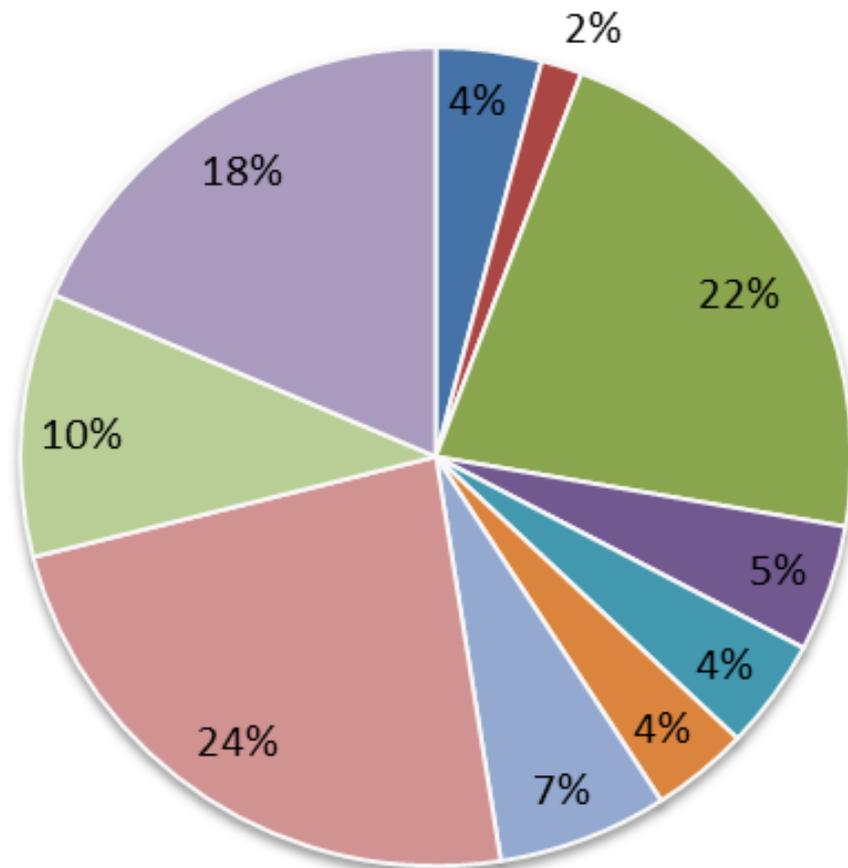
## A Metrics Distribution



	Total	% of Total
<b>Equity</b>	\$7,586,373	6.87 %
<b>Grants</b>	\$13,053,365	11.82 %
<b>Loans</b>	\$7,413,957	6.71 %
<b>In-Kind</b>	\$303,744	0.27 %
<b>Sales</b>	\$78,081,321	70.68 %
<b>Licensing Revenue</b>	\$4,033,200	3.65 %
<b>Total</b>	\$110,471,960	100.00 %



# Distribution: GROWTH Grants



- Capital Access Verification
- Company Formation
- EIRs
- IP Protection
- Legal Services
- Management Recruitment
- Manufacturing Design
- Marketing & Sales
- Prototype Development
- Technology Validation



# Proposal:

## CONTINUITY

- ❑ Deal Flow Generation
- ❑ EIR Service Delivery Model
- ❑ GROWTH Grants
- ❑ Investment-Readiness & Capital Access
- ❑ Post-Investment Services

ASK:

\$3M in state funding with 1:1 match

## ENHANCED CAPACITY

- ❑ Expand Collaborators & Strengthen Geographic Footprint
- ❑ EIR Expertise in Digital Media and Natural Gas Technologies
- ❑ Build Network from Region's Alumni to Recruit more mentors, C-Level talent and angel investors



# THANK YOU!

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Ohio University  
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TechGROWTH Ohio

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# **Ohio Third Frontier CY 2013 Program Plan & Budget**

**For Discussion Purposes**

# OTF Financial Resources

All OTF program funding from a single source,  
Third Frontier Research and Development Fund  
(voter-approved bonds)

FY 12	FY 13	FY 14	FY 15
\$225 M	\$175 M	\$175 M	\$175 M

FY12 carryover expected to be approximately \$61 M  
Funds available would therefore be \$236 M

# Operational Values

- Faster ROI
- Leverage Strengths
- Alignment with JobsOhio
- Rigorous Metrics
- Flexibility
- Sustainability



# Program Area Priorities

- Flexibility
- 3-5 Years
- National Excellence
- Large, Game-Changing Investments
- Technology Focus Areas
- Market Clusters
- Talent
- University & Research Centers
- Early & Later Stage Capital
- Marketing



# Technology Focus Areas

- Advanced Materials
- Aero propulsion Power Management
- Fuel Cells and Energy Storage
- Solar Photovoltaics
- Medical Technology
- Software Applications for Business and Healthcare
- Sensing and Automation Technologies
- Situational Awareness and Surveillance Systems
- Agribusiness and Food Processing\*
- Shale\*



# Market Clusters

- Biomedical (pediatrics, neuromodulation)
- Information Technology (data management)
- Unmanned Aerial Vehicles
- Consumer Products\*



# Budget By Functional Area

**\$236.0 million total**

Area	Funding	Percent
Capital & Talent	\$43.0 M	18%
Innovation	\$50.1M	21%
Commercialization	\$77.0 M	33%
Research	\$8.0 M	3%
Marketing	\$1.0 M	1%
Reserve	\$56.9 M	24%



# Capital and Talent



**\$43 M - 18% of total budget**

Status	Program	Budget
Expand	Pre-Seed Fund Capitalization	\$20M
Refund/Start	Commercial Acceleration Loan Fund	\$20M
Refund	Third Frontier Internship Program	\$3M
Eliminate	<del>Growth Fund</del>	N/A
Eliminate	<del>Micro Loan Fund</del>	N/A
Total		\$43M



# Innovation



**\$45.1 M - 19% of budget**

Status	Program	Budget
Refund	Industrial R&D Center Program	\$20M
Refund	ONE Fund	\$1M
New	Technology Asset Grants	\$15M
None Needed	Entrepreneurial Signature Program	N/A
None Needed	Open Innovation Incentive	N/A
Fulfill Comm.	JobsOhio Network	\$9.1
Refund	Targeted Industry Attraction	\$5.0
Total		\$50.1M



# Commercialization

**\$77 M - 33% of budget**

Status	Program	Budget
New	Technology Commercialization Centers	\$50M
Refund	Innovation Platform Program	\$24M
Refund	Technology Validation & Start-up	\$3M
Total		\$77M



# Other

**\$65.9 M - 28% of budget**



Status	Program	Budget	Percent
Earmark	Research	\$8M	3%
New	Marketing and Communications	\$1M	1%
N/A	Reserve	\$56.9M	24%
Total		\$65.9M	28%

# CY 2013 Budget Summary - \$236M

Capital & Talent (\$43M)	Pre-Seed Fund	20.0
	Commercial Acceleration Loan Fund	20.0
	Third Frontier Internship	3.0
Innovation (\$50.1M)	Industrial R&D Center	20.0
	ONE Fund	1.0
	Technology Asset Grants	15.0
	JobsOhio Network	9.1
	Targeted Industry Attraction	5.0
Commercialization (\$77M)	Tech Commercialization Centers	50.0
	Innovation Platform	24.0
	Tech Validation & Start-Up	3.0
Research	Research Incentive	8.0
Marketing		1.0
Reserve		56.9

# Other Business

**Next  
Third Frontier Commission  
Meeting**

**November 14, 2012**