Ohio Third Frontier Pre-Seed/Seed Plus Fund Capitalization Program (PFCP) CY2015

Evaluator's Final Report

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1 Executive Summary

The Pre-Seed/Seed Plus Fund Capitalization Program (PFCP) has been instrumental in establishing Ohio as a leader in supporting early-stage innovation. PFCP provides capital to professionally managed pre-seed and seed investment funds, in support of the Ohio Third Frontier (OTF) mission to create jobs and deliver other economic impacts in Ohio. Since 2006, the PFCP has helped attract and establish nearly a quarter of a billion dollars ($232 million in state funds awarded and cost share) in early-stage capital funds in Ohio. These Pre-Seed Funds have invested in 474 companies; of those, 304 companies have received a Pre-Seed Fund investment of at least $100,000. Those 304 companies received $144 million of total Pre-Seed Fund investment, which has led to the creation of 2,532 new jobs, $1.4 billion in follow-on equity, and $1.0 billion in product sales and revenue.

Typical recipients are not sufficiently mature to attract venture capital funds or other forms of commercial financing. PFCP is designed to catalyze creation of funds to support these companies. In 2015, the PFCP added a Seed Plus category designed to enable funds to better position portfolio companies to attract Series A investment as well as to allow funds to participate in Series A rounds, thereby enhancing returns and economic impacts to Ohio.

The applicant pool in 2015 saw increasing specialization of funds. Applicants include funds with a specific market and geographical focus areas and a fund dedicated to inclusion. This trend is viewed as a favorable dynamic, indicating an active, evolving ecosystem identifying and meeting emerging capital needs.

The review of 2015 PFCP applicants was performed by a team of independent evaluators with expertise spanning professional investment, entrepreneurship, economic development, and technology transfer. The team evaluated each applicant's proposed investment fund structure, industry focus, leadership teams, collaborators, relationships with follow-on funders, and future goals. Reviewers conducted written and oral interviews, as well as checked references provided by the applicants. Cost share commitments were scrutinized and validated.

Based on the review process, funding is recommended for 15 applicants. A total of $74,104,000 in funding is recommended, matched by $120,604,000, for a combined $194,708,000 in new funds. The recommended funds consist of $51,229,000 of Pre-Seed funds, matched by $51,229,000 of cost share, and $22,875,000 of Seed Plus funds, matched by $69,375,000 of cost share. Each of the applicants has been recommended funding based on their individual requests, plans, and documented cost share.

The 2015 PFCP has catalyzed the creation of nearly $200 million in new funds, and attracted new sources of capital from multiple key Ohio-based entities as well as from outside of Ohio. This year's program has generated innovative, specialized funds and has increased emphasis on inclusion among all funds. With these benefits, and impressive economic impact goals, the 2015 PFCP has the potential not only to further enhance Ohio's capital landscape, but also to raise Ohio's profile nationally.

2 Pre-Seed/Seed Plus Fund Capitalization Program Description

2.1 Purpose

The Pre-Seed/Seed Plus Fund Capitalization Program (PFCP) provides capital to professionally managed pre-seed and seed investment funds. These funds then provide capital to Ohio-based early-stage technology companies. PFCP is a key element of the Ohio Third Frontier effort to establish Ohio as a leader in entrepreneurship and innovation, and deliver jobs and other economic impacts to Ohio.

PFCP was created to catalyze and expand needed sources of capital for Ohio-based enterprises and entrepreneurs. PFCP has been instrumental in building a strong foundation of early-stage capital available to Ohio-based companies, thereby stimulating startup company formation and job creation in Ohio. PFCP has been highly successful in supporting the creation of multiple, diverse pre-seed investment funds in Ohio.

PFCP funds are matched by private funds in a ratio of 1:1 for pre-seed funds and 3:1 for Seed Plus funds. All funds must be invested in Ohio-based companies. Typical funding recipients are not sufficiently mature to attract venture capital funds or other forms of commercial financing. PFCP is designed to catalyze creation of funds to support these companies.

In 2015, Ohio Third Frontier created a new Seed Plus category of funding within the PFCP. Traditional pre-seed funds, including those supported by Ohio Third Frontier, are not designed to support companies in larger follow-on rounds of funding. Venture capital firms increasingly focus on larger investments and require increasing levels of market validation. The larger capital needs of high-growth, high-potential startups, combined with the shift in focus of VCs, has required many Ohio startup companies to assemble larger and more pre-seed and seed rounds before advancing to the next significant level of professional investment capital (a true Series A round). The Seed Plus category of funding is designed to allow each fund to participate directly in Seed Plus and early-stage Series A rounds as a material co-investor, thus enabling a company to achieve more milestones and market validation as well as ensuring a more attractive valuation. Seed Plus Funds are reserved for past recipients of pre-seed funding, and are designed to aid a company in achieving the necessary validation to secure Series A funding and continue their growth trajectories within Ohio.

2.2 Goals

The goals of the 2015 Pre-Seed/Seed Plus Fund Capitalization Program Calendar Years 2015 and 2016 program period are:

- 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 phases of commercialization;
- Create a 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 technology 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.

2.3 Pre-Seed and Seed Plus Project Requirements

Pre-Seed Funds must be matched 1:1 with private capital. Pre-Seed Fund proposals must request State funding in the range of $500,000 to $5 million that would result in a total Fund of $1 million to $10 million. The Pre-Seed project period shall be not more than 3 years. The State has issued guidelines expressing the expectation that a typical investment size for these funds should be consistent with the historical average total investment size of approximately $300,000. Larger investments may be considered on a case-by-case basis.

Seed Plus Funds must be matched 3:1 with private capital. Seed Plus Fund proposals must request State funding in the range of $2.5 million to $5 million that would result in a total Fund of $10 million to $20 million. The Seed Plus project period shall be not more than 5 years. The State has issued guidelines expressing the expectation that a typical total investment size for these funds should be approximately $750,000. Larger investments may be considered on a case-by-case basis.

Funds are required to invest all funds in Ohio-based companies. Budgets must be submitted that detail planned expenditures in direct investments in companies, due diligence, enhanced management services, and management fees. Planned expenditures in each cost category must be accompanied by the requisite cost match in each budget period submitted. Enhanced management fees are not permitted for Seed Plus funds. All cost share commitments must be properly documented.

3 Summary of Evaluation Results

In total, 20 proposals were received containing requests for nearly $80 million in state funds. Fourteen of the proposals were for Pre-Seed funds, one for a Seed Plus fund, and five for combined Pre-Seed and Seed Plus funds as detailed in Table 1

Funding is recommended for 15 applicants. A total of $73,579,000 in funding is recommended, matched by $119,579,000, for a total of $193,158,000 in new funds. The recommended funds consist of $50,579,000 of Pre-Seed funds, matched by $50,579,000 of cost share, and $23,000,000 of Seed Plus funds, matched by $69,000,000 of cost share. Each of the applicants has been recommended funding based on their individual requests, plans, and documented cost share.

3.1.1 Proposals Received

Table 1: Proposals Received and Funds Requested ($ millions)

Control Number	Applicant/Fund	Pre-Seed Request	Pre-Seed Cost Share	Seed Plus Request	Seed Plus Cost Share	Total Request	Total Cost Share	Grand Total
15-101	Queen City Angels First Fund V	$5.0	$5.0	-	-	$5.0	$5.0	$10.0
15-102	Launch Den Capital Fund	$3.0	$3.0	-	-	$3.0	$3.0	$6.0
15-104	Rev1 Fund	$5.0	$5.0	$3.0	$9.0	$8.0	$14.0	$22.0
15-105	Rev1 Life Sciences Fund	$2.75	$2.75	-	-	$2.75	$2.75	$5.50
15-106	OTAF Fund V/Rev1 Angel Fund	$2.50	$2.50	-	-	$2.50	$2.50	$5.0
15-108	OneCommunity Broadband Innovation Fund	$0.60	$0.60	-	-	$0.60	$0.60	$1.20
15-109	NCT Ventures Project #3	$5.0	$5.0	$5.0	$15.0	$10.0	$20.0	$30.0
15-110	Valley Growth Ventures	$3.0	$3.0	-	-	$3.0	$3.0	$6.0
15-111	CincyTech Fund IV	$5.0	$5.0	$5.0	$15.75	$10.0	$20.75	$30.75
15-112	North Coast Angels Fund IIIb	$1.65	$1.65	-	-	$1.65	$1.65	$3.30
15-113	North Coast Venture Fund	$1.25	$1.25	$2.375	$7.125	$3.625	$8.375	$12.0
15-114	Cleveland Clinic Ohio Bio Validation Fund VII Plus	$5.0	$5.0	$5.0	$15.00	$10.0	$20.0	$30.0
15-115	JumpStart NEXT Fund	-	-	$2.50	$7.50	$2.50	$7.50	$10.0
15-116	JumpStart Evergreen Fund	$5.0	$5.0	-	-	$5.0	$5.0	$10.0
15-117	JumpStart Tech Inclusion Fund	$5.0	$5.0	-	-	$5.0	$5.0	$10.0
15-118	IKOVE Startup Nursery Fund	$2.50	$2.50	-	-	$2.50	$2.50	$5.0
15-119	Akron Bioinvestments Fund II	$1.75	$1.75	-	-	$1.75	$1.75	$3.50
15-123	Mutual Capital Partners Fund III	$2.079	$2.079	-	-	$2.079	$2.079	$4.158
15-125	Northeast Ohio Student Venture Fund	$0.50	$0.50	-	-	$0.50	$0.50	$1.0
15-126	OCEAN Capital Fund II	$0.50	$0.50	-	-	$0.50	$0.50	$1.0
Totals		$57.079	$57.079	$22.875	$69.375	$79.954	$126.454	$206.408

3.1.2 Funding Recommendations

Funding is recommended for 15 applicants, totaling $74,104,000. Matched with $120,604,000 in cost share, this recommendation in total creates $194,710,000 of new capital funds in Ohio. Table 2 details the funding recommendations.

Table 2: PFCP Funding Recommendations ($ millions)

Control Number	Applicant/Fund	Funding Recommended	Cost Share Committed	Total
15-101	Queen City Angels First Fund V	$5.0	$5.0	$10.0
15-102	Launch Den Capital Fund	$3.0	$3.0	$6.0
15-104	Rev1 Fund	$8.0	$14.0	$22.0
15-105	Rev1 Life Sciences Fund	$2.75	$2.75	$5.50
15-106	OTAF Fund V/Rev1 Angel Fund	$2.50	$2.50	$5.0
15-109	NCT Ventures Project #3	$10.0	$20.0	$30.0
15-110	Valley Growth Ventures	$3.0	$3.0	$6.0
15-111	CincyTech Fund IV	$10.0	$20.75	$30.75
15-112	North Coast Angels Fund IIIb	$1.65	$1.65	$3.30
15-113	North Coast Venture Fund	$3.625	$8.375	$12.0
15-114	Cleveland Clinic Ohio Bio Validation Fund VII Plus	$10.0	$20.0	$30.0
15-115	JumpStart NEXT Fund	$2.50	$7.50	$10.0
15-116	JumpStart Evergreen Fund	$5.0	$5.0	$10.0
15-117	JumpStart Tech Inclusion Fund	$5.0	$5.0	$10.0
15-123	Mutual Capital Partners Fund III	$2.079	$2.079	$4.158
	TOTAL	**$74.104**	**$120.604**	**$194.708**

The merit evaluations of each applicant are presented in Table 3. *Note: Applicants who did not proceed to Stage 2 of the evaluation process were scored based solely on their original written submissions. Applicants who proceed to Stage 2 were given the opportunity to respond to Reviewer questions. The responses were considered in the final evaluation results.*

Table 3: Evaluation Results and Stack Ranking

Control Number	Fund Name	Overall	Alignment	Deal Flow	Team	Impact
15-116	JumpStart Evergreen Fund	↑	↑	↑	↑	↑
15-111	CincyTech Fund IV	↑	↑	↑	↗	↗
15-117	JumpStart Tech Inclusion Fund	↑	↑	↗	↑	↗
15-104	Rev1 Fund	↑	↗	↑	↑	↗
15-115	JumpStart NEXT Fund	↑	↑	↗	↑	↗
15-114	Ohio Bio Validation Fund VII Plus	↗	↗	↗	↑	↗
15-106	OTAF Fund V/Rev1 Angel Fund	↗	↗	↗	↑	↗
15-105	Rev1 Life Sciences Fund	↗	↗	→	↑	↗
15-102	LaunchDen Capital Fund	↗	↗	↗	↗	→
15-101	Queen City Angels First Fund V	↗	↗	→	↗	↗
15-109	NCT Project #3	↗	↗	→	↗	↗
15-123	MCPF Fund III	→	→	↗	↗	→
15-110	Valley Growth Ventures	→	↗	→	→	→
15-112	North Coast Angel Fund III b	→	→	↗	→	→
15-113	North Coast Venture Fund	→	→	↗	→	→
	Applicants Not Advancing to Stage 2					
15-119	Akron Bioinvestments Fund II	↘	→	→	↘	↘
15-108	OneCommunity Broadband Innovation Fund	↘	→	→	↘	↘
15-118	IKOVE Startup Nursery Fund	↘	↘	→	→	↘
15-125	Northeast Ohio Student Venture Fund	↘	↘	↘	↘	→
15-126	OCEAN Capital Fund II	↘	↘	↘	↘	↘

Criteria:

1. Proposed Fund Alignment with Goals and Objectives of the Program
2. Deal Flow, Fund Positioning for Follow-On Funding
3. Lead Applicant Team and Outreach
4. Complement to OTF and Impact of new Fund

Legend:

↑ – Excellent
↗ – Good
→ – Acceptable
↘ – Poor
↓ – Unacceptable

4 Discussion of Merit Criteria

Funding recommendations are based on the evaluation of each applicant according the established merit criteria and evaluation process, discussed below.

4.1 Recommended for Funding

4.1.1 Queen City Angels First Fund V [15-101]

Recommended State Funding	Cash Cost Share
$5,000,000	$5,000,000

Overall	Alignment	Deal Flow	Team	Impact
↗	↗	→	↗	↗

Queen City Angels First Fund V, proposed by the Queen City Angels, seeks to create a $10 Million pre-seed fund in Southwest Ohio. The cost share of $5 million will be provided by multiple members of the Queen City Angels (QCA) and by Interact for Health, a not-for-profit organization that awards grants for programs and activities that improve health in the greater Cincinnati area. QCA established four previous funds, titled Queen City Angels First Fund I, II, III and IV, respectively, which leveraged state funds to obtain $385 million in follow-on funding and create over 326 jobs in Ohio.

Queen City Angels First Fund V seeks investment opportunities in the Medical Technology and IT industries. The applicant will source deal flow from multiple partners, including Cincinnati Children's Hospital, local universities, a diverse network of accountants, lawyers and other VC firms, and strong ties with CincyTech. The applicant expects this fund to create at least 100 new Ohio jobs and $100 million in follow-on funding, and to generate sales of $40 million. The QCA Fund exhibits a continued diligent effort to recruit minorities and women as both entrepreneurs and investors for their funds, with 20% of their existing portfolio companies founded or led by women or minorities. Rural outreach continues to provide few opportunities for investment.

Queen City Angels brings an experienced management team and a proven, reliable, and effective process for raising and deploying capital. QCA is well-aligned with the focus areas of the PFCP, and has delivered consistent economic impacts. QCA is well-connected with deal flow sources and follow-on capital, and has successfully attracted significant (nearly $400 million) follow-on capital. **On this basis, funding is recommended for QCA First Fund V.**

QCA's rebranding effort was well-received by the review team. One concern is the lack of clear positioning of QCA relative to other funds in the region and the state, and the perception that QCA may have missed out on high quality deal flow in the region. The rebranding effort could help identify QCA's niche and focus in the region, to generate new, independent sources of deal flow and maximize the economic impacts generated from QCA's investment activities.

Proposed Fund Alignment with Goals and Objectives of the Program

QCA Fund V adds $10 million of professionally managed pre-seed investment capital to Ohio, targeting information technology and medical technology applications, in alignment with PFCP goals. Most of QCA's cost share comes from angel investors, who also contribute significant time (10,700 hours logged by angels in the previous QCA funds) helping investments succeed.

The projected investments and economic impacts align with past fund experience, including funding 15 companies that will create at least 100 new Ohio jobs, attract $100 million of follow-on funding and attain $40 million of sales during the plan period. The fund projects nearly half ($47 million) of follow-on investment will be sourced outside of Ohio (consistent with previous fund experience). While follow-on investment from the previous funds is strong at $385 million, job creation, a key focus of PFCP, is less of a focus of QCA. QCA claims just 326 jobs created in Ohio despite investing nearly $400 million.

Another strength of QCA is its consistent leadership over five funds: all have been raised and managed with the same fund manager. Considering also that QCA was the first angel group in Ohio, the reviewers tend to agree with the claim that, "...after thirteen years, Mr. Habbert probably has more experience operating Pre-Seed Funds than any other individual in Ohio." The QCA model has both an investor club, where individuals make investments into deals that they like, and also the Fund, with the state leverage.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. QCA has historically had access to sufficient deal flow, sourcing deals through a variety of partners including the OTF-funded CincyTech ESP and its partners, and academic institutions and research hospitals in the region (including Northern Kentucky). However, QCA lacked truly independent, unique sources of deal flow beyond those brought forth by its membership.

While the application (and Q&A response) did highlight the important role of the fund and the State's support of it in attracting angel investors to these high-risk investments, they did not clearly convey how QCA's strategy or target investment differs significantly from the other funds in the area. This may affect the quality of deal flow. While the deal flow is diverse, roughly half of the investments are with other angel groups throughout the state, which may indicate that QCA's value stems more from it being a source of capital rather than a source of deal flow. Lacking substantial independent deal flow sources, QCA might not see, or may have to compete with partners for the highest quality deals.

Follow-On Funding. QCA's relationships with venture capital firms, both in state and out-of-state, as well as partnership with the region's ESP, provide a strong ability to attract follow-on funding. Examples include River Cities Venture (QCA financial sponsor), Blue Chip (managing director is a member), and out-of-state funders of AssureRX, and Cintrifuse (local fund of fund investor of out-of-town venture capital funds).

Lead Applicant Team and Outreach

LA Team. The management at QCA is very experienced (Habbert, Shipley), with tight connections with statewide OTF-funded partners, who provide additional co-investment potential. In addition to the fund leadership, the QCA investment decision process is well-articulated, and led by QCA members. For an investment to be considered, a QCA member must be its champion, directing it through the process. QCA members participate on the screening committee, as well as on due diligence. The QCA members make the formal investment decision, as a proxy for a market-based decision. Usually a QCA member (typically the champion) joins the board of the investment. This process has proven reliable for QCA.

The relationship support from strategic partners and customers is not well substantiated, and appears to be *ad hoc*. QCA could benefit from a clearer, more substantial relationship with strategic partners, including market/customer access.

Outreach. QCA recently underwent a strategy refresh project. One of the outputs was the identification of a Diversity Strategy Pillar, which is focused on attracting both women and minorities to participate as either investors or entrepreneurs. As part of this diversity focus, QCA has developed strong ties with Bad Girl Ventures and the Minority Business Accelerator. Just under 1 in 10 QCA-funded companies are founded or led by women (above the national average); however, none are minority led. Rural outreach results are less impressive, but QCA is making laudable efforts. In the past, QCA had initiated a relationship with OSU Piketon to find rural based investors and entrepreneurs, though results were poor. QCA is assisting with the formation of an angel group in Ashland, Kentucky.

Complement to OTF and Impact of new Fund

QCA's strategic rebranding efforts are well received by the reviewers. QCA has embarked on a strategic planning process to reshape, re-engineer, and re-position the brand. The process has included a deep dive into the local and regional entrepreneurial ecosystems and in-depth stakeholder research (QCA members, sponsors, ecosystem players, and entrepreneurs). QCA has demonstrated learning from its previous funds that consumer products are not in their sweet spot, and they will not focus on these types of companies with this fund. This new focus was well-received by the reviewers.

Complement to OTF. QCA is a part of a highly functional and effective Southwest Ohio ecosystem. QCA is closely aligned with other angel groups throughout the state, which leads to deal flow exchanges and co-investor possibilities. Historically, about half of their investments are statewide through other angel groups, consistent with their stated geographical focus as an Ohio fund, not just the southwest region. Half of the QCA portfolio companies received funding from other Third Frontier award recipients as investors.

QCA works with the local ESP (CincyTech) for deal flow and company support (especially through their EIRs). QCA has co-invested in 11 companies with CincyTech. However, more deal flow comes from other sources, especially through QCA's own efforts (boot camp as an example). QCA works closely with Cintrifuse, a $55 million local fund of fund that invests in out-of-state VCs and encourages them to come to Cincinnati and also provides free services to entrepreneurs. QCA collaborates with HCDC (Hamilton County Development Company, Inc.), which promotes development through SBA loans and the Ohio Regional 166 Loan Program. QCA has strong relationships with the regional accelerators to help develop deal flow and support the entrepreneurial community (e.g. The Brandery, Ocean, Minority Business Accelerator, UpTech) and local universities.

Impact. Fund V will continue to play a key role in the Southwest Ohio funding pipeline, as have its predecessors. From the proposal, "[QCA] has made a huge difference in our community. Many of these companies would never have been started without this risk capital resource, which is a tribute to the State's vision of creating and implementing the Pre-Seed Fund concept."

The unique position and value proposition of QCA is unclear beyond their capital. QCA deploys effective support services to maximize the success and impacts of its investments. However, QCA did not effectively articulate uniqueness or synergies between themselves and the strong ESP program in the region. In some cases, groups appear to be 'competing' for investments, with evidence that QCA has lost out to groups like CincyTech. There is a role for all investors and economic development groups in the ecosystem, and as a part of QCA's rebranding, they may benefit from a clear articulation of their value and where they fit into the ecosystem beyond a source of capital.

4.1.2 LaunchDen Capital Fund [15-102]

Recommended State Funding	Cash Cost Share
$3,000,000	$3,000,000

Overall	Alignment	Deal Flow	Team	Integration and Impact
➚	➚	➚	➚	➔

LaunchDen Capital Fund, proposed by LaunchDen, LLC, seeks to create a new $6 million Pre-Seed fund in Akron. Cost share of $3 million will be provided by Randy Theken, founder of the Theken Family of Companies and recent founder of an Akron-based advanced manufacturing facility focused on additive manufacturing. LaunchDen envisions a model that in many ways resembles an incubator as much as a traditional pre-seed fund. This model leverages the resources and expertise of the Theken companies and their technical assets. The applicant will source deal flow from regional collaborators, management's existing network and other idea generators, and the fund's website.

LaunchDen Capital Fund is focused on OTF-targeted industries, specifically orthopedic medical devices and additive manufacturing. LaunchDen expects its investments will lead to $37.7 million in product sales over the first five years of the fund, and attract $10.74 million of follow-on funding and $54 million of returns over ten years. LaunchDen estimates an average portfolio company may receive $700,000 total investment, but the fund's average investment will be $300,000-$400,000 based on a strategy of making smaller initial investments followed by additional capital in those that meet market validation goals. As a new fund, LaunchDen has no historical data regarding inclusion efforts, but is seeking assistance from the local ESP to create an outreach plan for women and minority entrepreneurs.

Although LaunchDen does not mirror the traditional PFCP program structure, it does present a compelling value proposition for Ohio, with significant economic impact potential. **Funding is**

recommended based on this vision and impact, as well as the team's proven experience in starting, growing, and exiting orthopedic device businesses.

While the team is comparatively weak in direct fund management experience, the team has significant experience in operations and transactions. Specifically, Dr. Theken and his team founded four groups of orthopedic medical device companies. The spine companies brought 30+ products to market, employed 115 people, earned $65 million in revenues, and were eventually sold to Integra LifeSciences for $200 million. The management team is very active in bringing in new deal flow, particularly from outside of Ohio. LaunchDen also provides a unique capability of full-cycle launch enhancement services to its portfolio companies. The fund also may be able to retain manufacturing jobs in Ohio due to its integrated additive manufacturing capability at the LaunchDen campus.

Proposed Fund Alignment with Goals and Objectives of the Program

Operating as much like an incubator as a pre-seed fund, LaunchDen's program vision has greater focus on technical development and capabilities than any other applicant. The team also is composed of a different set of expertise than most other funds, aligned to the narrowly focused orthopedic targets of the fund. Although LaunchDen does match PFCP program goals and objectives, it offers a unique and different path to achieve these goals. The reviewers were convinced that the LaunchDen vision had strong merit.

This project will create a new $6 million pre-seed fund, focused on investments in the OTF-targeted industries (especially orthopedic and additive manufacturing companies) in the imaging, incubating or demonstrating phases. The project will fund eight new companies, with six to be attracted from outside Ohio. The project is expected to create 104 jobs, lead to $37.7 million in product sales over first five years of fund, and attract $10.74 million of follow-on funding and $54 million of returns over 10 years (9X to fund, 18X to state). The additive manufacturing capabilities may also lead to manufacturing jobs of the portfolio companies being retained in Ohio. The fund expects to review 300 investable opportunities per year (50 qualified deals), many from outside Ohio.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. Management expects to review 300 investment opportunities per year. A sizeable portion of the deal flow will be from management's networking out-of-state, which helps increase the likelihood of hitting deal flow targets with quality opportunities. Management expects 6 of 8 investments to come from out-of-state deal flow. The ability to source deal flow to support the fund was substantiated by Theken's strong network in the orthopedic space and established history of sourcing new technology into his family of companies.

Follow-On Funding. Randy Theken and his team have a proven track record of launching new products quickly and hitting the initial revenue target of $1 million. Accomplishing this milestone is critical to making young ventures highly investable and attractive to out-of-state capital. Management has strong relationships with investment banks, venture firms, strategic industry partners, and will leverage them on behalf of portfolio companies. The project expects that 60% of third party professional follow-on investments will be from investors from outside of Ohio.

Lead Applicant Team and Outreach

LA Team. Dr. Theken has a history of making smart investments in companies in the imagining, incubating and demonstrating phases of commercialization, especially in the focused area of orthopedic medical devices and additive manufacturing. His fund manager has deep financial and legal transaction experience. LaunchDen will also leverage industry experts who participate in the due diligence process. The team is engaged with Jumpstart for the deal flow tracking expertise.

Outreach. The team is engaged with Gloria Ware and her team at Jumpstart to ensure that women and minority entrepreneurs are aware of LaunchDen's opportunities. There is no discussion of a plan to manage an outreach effort for rural populations. However, the potential for additive manufacturing for the portfolio companies will help bring jobs to the region.

Complement to OTF and Impact of new Fund

Complement to OTF. LaunchDen could be an important new element of, and a strong complement to, the traditional pre-seed funds currently supported by OTF. Several novel elements of the LaunchDen approach could be adopted by other funds. The Lead Applicant has strong ties and collaborations with OTF funded groups, including the University of Akron Research Foundation, Akron ARCHAngels, Youngstown Business Incubator, America Makes, JumpStart, BioEnterprise, and the City of Akron and its Economic Development Teams. Management is developing relationships with Case Western Reserve University, MAGNET, and NCAF. The team is planning to leverage its relationships with venture capitalists, industry strategic partners, and other collaborators in order to bring in non-Ohio funding and acquirers. This may lead to funding for other investments in the region.

Impact. Perhaps the largest potential impact of the LaunchDen fund is to validate a hyper-focused fund with very specific investment criteria and intense support services. Other PFCP funds propose intensive services, but none has the narrow focus that enables the degree of service offerings of LaunchDen. If successful, this fund could spur additional investment and interest in focused funds.

The project will create a $6 million fund, focused on orthopedic medical device and additive manufacturing. LaunchDen will offer the expertise and funding to allow companies in these industries take a product through initial launch and attract funding, creating an ecosystem of significantly more orthopedic opportunities in Ohio.

4.1.3 Rev1 Fund [15-104]

Recommended State Funding	Cash Cost Share
$8,000,000	$14,000,000

Overall	Alignment	Deal Flow	Team	Impact
↗	↗	↑	↑	↗

Rev1 Fund I, proposed by Rev1 Ventures, seeks to create a $22 million combined Pre-Seed and Seed Plus fund in the Central Ohio region. The Pre-Seed Fund totals $10 million ($5 million from the state and $5 million in cost share). The Seed Plus fund totals $12 million ($3 million from the state and $9

million in cost share). The fund will be managed by Rev1 Ventures, the Central Ohio Entrepreneurial Signature Program. Rev1 currently manages $46.4 million in funds and has secured over $1 billion in follow-on and co-investments. Deal flow partners include Ohio-based local research institutions, including The Ohio State University, Nationwide Children's Hospital Research Institute, and the OhioHealth Research and Innovation Trust, as well as a cohesive, strong network of regional entrepreneurs. Rev1 maintains a process-driven pipeline of education and accelerator services that represent an additional, stable source of deal flow.

Rev1 Fund I will invest the funds in a variety of OTF-targeted industries, including software, IT, life sciences, additive manufacturing, alternative energy and other OTF-aligned sectors. The applicant expects to utilize both the Pre-Seed and Seed Plus funds make approximately 18 investments over 3 to 5 years that will result in $420 million in follow-on and co-investments, 350+ jobs, and $40 million in sales.

Rev1 has dedicated substantial effort to inclusion. Rev1's current portfolio boasts above-average inclusion figures, including 17% female and 22% minority-led portfolio companies. Rev1 partners with several economic development agencies and regional partners to facilitate rural outreach.

Funding is recommended for the Rev1 Fund because of its impressive community support, high quality deal flow and support services, and professional management team. The Rev1 Fund aligns with the vision of the PFCP, although its planned average investment size exposes the state to greater risk. Rev1's historical economic impacts are impressive, and support Rev1 Fund's projected economic impacts.

Proposed Fund Alignment with Goals and Objectives of the Program

The overall Rev1 vision is consistent with the idea of preparing companies for Series-A investment (via showing recurring revenue in software, pre-clinical or Phase I clinical for life sciences). The Pre-Seed and Seed Plus funds are intended to support companies in Incubation-Demonstrating phases of the Commercialization Framework (with some allowance for Market Entry in the Seed Plus fund). Supporting companies through Market Entry is consistent with PFCP goals of achieving validation necessary for future Series A investment.

Rev1's responses to reviewer questions demonstrated a thorough understanding of the role of the Pre-Seed versus Seed Plus funds, and the investments appropriate for each. Rev1 has demonstrated a clear understanding of the OTF Commercialization Framework and a description of company characteristics, risks, milestones, and the general objectives of funding at stages of the framework relevant to these funds. Rev1's proposed investments are slightly higher than the program guidelines, planning an average of $550,000 per pre-seed investment and $900,000 per seed plus investment. Rev1 has acknowledged and confirmed its intent to actively seek to syndicate deals to reduce the up-front risk to the State.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. Rev1 has demonstrated significant success in deal flow, leveraging the ESP and its regional ecosystem, which appears cohesive and strong. They cite surveys noting a rise from 22nd to

12th place in metropolitan area entrepreneurial activity. Rev1 hosts regular events and meets regularly with its collaborators, both of which appear to be a stable source of deal flow.

Rev1's ESP program maintains a process-driven pipeline of education and accelerator services that feeds into the funds (e.g., concept academy; legal, accounting, and necessary support services; Rev1 concept fund for the earliest stages of validation). Rev1 tallies 400-500 inquires per year, 150 entries in Concept Academy (per the Q&A), for 25 to 30 investments, with approximately 10 of the current 146 investments candidates for pre-seed funding. Eighteen unique investments were made in 2014, and twenty-five are projected for 2015. The time spent considering investments has also decreased, which may speak to higher quality deal flow. Substantive examples of companies that could be candidates for funding were provided.

Follow-On Funding. The Rev1 management team is experienced in raising and running numerous funds, and in growing companies that attract follow-on funding. Rev1 has demonstrated success in managing a diverse portfolio of companies, including securing exits and follow-on funding. Rev1 has demonstrated particular success with finding and recruiting management teams, which is particularly critical to supporting ventures with larger capital needs.

During Q&A, Rev1 detailed new Enhanced Management Services that integrate well with the ESP infrastructure including Concept and Team academy. Rev1 maintains regular interaction with principals in its portfolio companies, a 180-day action plan, hiring plan, and engagement with external expertise where needed. In addition, the CFO in Residence is engaged for a limited time, and marketing and public relations services are being formalized. Each of these programs serves to help Rev1 position companies for follow-on investment.

LA Team and Outreach

Lead Applicant Team. Rev1 has deep experience in managing early-stage funds, as evidenced by its five active funds currently under management. Rev1 has an experienced and diverse Board of Directors, including members from academia, banking, start-ups, and state organizations, including strong health science backgrounds. In addition to strong leadership, Rev1 provides a comprehensive set of support services that are in place to assist emerging companies (management recruitment, term sheet development, investor pitch coaching, etc.).

The Rev1 management team has considerable success in engaging key components of the local entrepreneurial ecosystem, including Collaborators, the Board of Directors, and investment community. Rev1 Fund is particularly commended for the substantial cost share commitment ($500,000 to $2 million each) secured from major regional organizations, including Nationwide Insurance, The Ohio State University, Cardinal Health, Community Gifts Foundation, Worthington Industries, Crane Investment Company, The Dispatch Printing Company, and State Automobile Mutual Insurance Co.

Rev1 has built a process-driven infrastructure and established that prior state investment has been well spent. These individuals are responsible for reviewing deal flow and making investment recommendations to the board, and appear to be performing at a high level in these duties.

Outreach. Rev1 outperforms the national average in inclusion, at 18% woman and 22% minority representation in current portfolio companies. The number of woman- and minority-founded companies exceed national averages by a factor of four, and deal flow seems to track these numbers.

Rev1 makes significant efforts to reach out to sources of woman-led companies. Actions include partnerships with and hosting events and meetings for X-Squared Angels, regularly speaking at or bringing speakers in from entities focused on female entrepreneurship, and female representation within the Rev1 board and team.

Rev1 also collaborates with multiple in-state organizations (Veteran's Entrepreneurship programs, Central Ohio Minority Business Development Council) to provide additional opportunities to identify and support woman- and minority-led businesses.

Rev1 also utilizes a list of regional partners and economic development agencies to facilitate rural outreach. Rev1 clearly has knowledge of and interaction with the broader region and potential sources of rural deal flow.

Complement to OTF and Impact of new Fund

Complement to OTF. As the current Central Ohio ESP, Rev1 is well-integrated into state run funding programs. Rev1 has experience in managing multiple OTF programs, including ESP and PFCP grants. Rev1 has a strong history of success in supporting and growing companies at various stages of development. The Rev1 Funds will be integrated into the ESP, which will provide a foundation for due diligence and support services. Rev1 is also well-integrated into the Ohio investment ecosystem. They often syndicate deals, and expect that all deals from the Rev1 Life Science fund will be syndicated.

Impact. Rev1 has set impressive goals including $420 million in investment, 350 jobs with average salary of $80,000/year, $40 million in revenue, and multiple exits. The applicant has both the track record ($46.4 million under current management) and historical performance to support and justify these goals (1,465 jobs created, approaching $1 billion in sales and follow-on investment, and 8 exits). Past fund cost share, deal flow, and investment projections have been met or exceeded. These numbers generally validate the deal flow anticipated as well as the ability to raise follow-on, Series A funding consistent with the PFCP vision.

Rev1's responses to reviewer questions describe prior Rev1 investments or ESP clients that have struggled in raising equity capital in the region, which is evidence of a need for additional capital in the region. These companies (e.g., Simple-Fill, Clarivoy) may have benefited from the additional regional capital provided by the Rev1 fund. Several of these companies may now be candidates for Seed Plus funding.

4.1.4 Rev1 Life Sciences Fund [15-105]

Recommended State Funding	Cash Cost Share
$2,750,000	$2,750,000

Overall	Alignment	Deal Flow	Team	Impact
↗	↗	→	↑	↗

Rev1 Life Sciences Fund, proposed by Rev1 Ventures, seeks to create a $5.5 million pre-seed fund in Central Ohio, with $2.5 million of the cost share coming from Nationwide Children's Hospital Research Institute (NCHRI), and the remaining $250,000 of cost share from Rev1. Rev1 Ventures currently manages $46.4 million in funds and has secured over $1 billion in follow-on and co-investments. The applicant will source all deal flow from NCHRI.

Rev 1 Life Sciences Fund will focus exclusively on life science technology, specifically in the areas of pharmaceutical, biological, and gene therapy technologies. The applicant expects to fund 4 to 6 investments over the five-year period of the fund, resulting in nearly $50 million in follow-on investments and the creation of 54 jobs. Rev 1 Ventures currently boasts historical numbers of 17% female and 22% minority-led portfolio companies, both of which are above industry average. Rev1 collaborates with several economic development agencies and regional partners to facilitate rural outreach.

Funding is recommended for the Rev1 Life Sciences Fund because of the value created by the collaboration with NCHRI to identify, capitalize, and spin out promising technologies developed at NCHRI. This fund addresses a demonstrated need for early-stage funding to support high-impact NCH life science spinouts. Rev1's high quality set of start-up services and funds management expertise serve to enhance likelihood of successful outcomes. Rev1 has a strong track record of success with past funds, having invested $28 million and created 1,465 jobs with an annual payroll of $65.4 million and average salary of $78,843.

The deep, high-quality portfolio of technology represents a strategic rationale for a fund focused on technology from a single provider, but there remain concerns about adequate deal flow. If deal flow proves less substantial than projected, it will serve to limit the economic impacts and other outcomes of this fund. Combined with the high level of funding anticipated per company, this serves to increase the risk to State funds embodied in this proposal.

Proposed Fund Alignment with Goals and Objectives of the Program

The Rev1 Life Sciences Fund focus on investing in life science companies spinning out of NCHRI aligns well with PFCP goals and objectives, and has attracted a significant new commitment of capital from NCH to support the fund. Rev1 and NCHRI have already established a partnership and created a protocol for working together to identify promising deals and promoting the creation and growth of NCHRI spinouts.

The fund's narrow focus represents a potential risk that the fund may not see sufficient quality deal flow to support its projected impacts. This risk is mitigated by the six potentially fundable opportunities that Rev1 and NCHRI have already identified as high priority candidates for consideration by the fund. Rev1 projects that three of these will be ready for funding in the first year of the fund.

Given the nature of life science firms' capital needs, Rev1 anticipates it may desire to exceed the funding level guidelines provided by the State. While this is reasonable given the needs of life science firms, it also represents a greater risk to the State. Rev1 has acknowledged and confirmed its intent to actively seek to syndicate deals to reduce the up-front risk to the State in any investments that exceed State guidelines.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. With NCHRI being a smaller research organization, deal flow may be a limitation of the fund. NCHRI is averaging 48 to 80 invention disclosures per year, which would represent a much smaller volume of deal candidates than is typical for other OTF-supported pre-seed funds. In addition, the incidence of start-up failure is more acute with life science companies, and may result in higher prevalence of companies that are not successful.

Despite this risk, the applicant provided satisfactory assurance that the deals from Children's will be sufficient for a successful fund. This was attributed to the following:

1. NCHRI invests internal resources in promising technologies to advance towards translation. With GMP facilities and other resources to facilitate translation, the technologies coming from NCHRI are more advanced and closer to commercialization.
2. Rev1 has identified six promising technologies, three of which appear ready for investment.
3. Through the partnership between Rev1 and NCHRI, Rev1 gets the first access to any technology from NCHRI. Rev1 works directly with the Technology Transfer Office and researchers. In addition, Rev1 has been managing NCH's Catalyst Fund, which provides early commercialization funding for researchers, allowing greater validation before formal fund due diligence begins.

Follow-On Funding. The management team of Rev1 is experienced in running funds of similar size and scale, and in growing companies that attract follow-on funding. In particular, life science companies encounter particular hardships in finding follow-on funding due to the length of time typically required to reach market. Rev1 has demonstrated success in growing life science companies, including addressing prerequisites for Series A funding, such as pre-clinical studies, toxicology studies, and/or human clinical studies. Rev1 has demonstrated particular success with finding and recruiting management teams. This is especially important in the life science industry, when management teams can be difficult to recruit, but are essential to receiving follow-on funding.

LA Team and Outreach

Lead Applicant Team. Rev1 has deep experience in managing early-stage funds, as evidenced by its five active funds currently under management. Rev1 has an experienced and diverse Board of Directors, including members from academia, banking, start-ups, and state organizations, including strong health science backgrounds. Tom Walker (CEO) of Rev1 was a founding member of the Angel Capital Association (ACA), which brings together 240+ angel groups and venture development organizations. He also has past experience raising and operating a captive fund, similar in structure to the proposed Life Sciences Fund.

In addition to strong leadership, Rev1 provides a comprehensive set of support services that are in place to assist emerging companies. Rev1's experience with proof-of-concept and pre-seed funds, as well as its wide range of services (management recruitment, term sheet development, investor pitch coaching, etc.), will be especially suited to the early-stage companies emerging from NCHRI.

The NCH technology commercialization office will play a strong role in the identification of quality leads and the investment of these funds in technologies. The environment at NCHRI is supportive of technology translation, which is evidenced by their investment in Good Manufacturing Practice (GMP) facilities and internal funding of translational and commercialization-enabling research and programs.

Outreach. Rev1 outperforms the national average in inclusion, at 18% woman and 22% minority representation in current portfolio companies. In addition to in-house outreach activities, Rev1 also collaborates with multiple in-state organizations (X-Squared, Veteran's Entrepreneurship programs, Central Ohio Minority Business Development Council) to provide additional opportunities to identify and support women/minority led businesses. Although the statistics are commendable, Rev1's outreach efforts appear more *ad hoc* rather than based on a strategic, formalized efforts to reach out to women and minorities. Rev1 can point to multiple facets of their ESP that support inclusion, and it is noted and encouraged that Rev1 closely monitors its progress toward its inclusion goals.

Complement to OTF and Impact of new Fund

Complement to OTF. As the current Central Ohio ESP, Rev1 is well-integrated into state run funding programs. Rev1 has experience in managing multiple OTF programs, including ESP and PFCP grants. Rev1 has a strong history of success in supporting and growing companies at various stages of development. The Rev1 Life Sciences funds will be integrated into the ESP, which will provide a foundation for due diligence and support services. Rev1 is also well-integrated into the Ohio investment ecosystem. They often syndicate deals, and expect that all deals from the Rev1 Life Science fund will be syndicated.

Impact. Life science companies have impacts according to a much different timeline than companies in other sectors (e.g., software). However, life science companies also can typically raise higher follow-on funding, providing local economic impacts prior to first sale. Rev1's projections seem reasonable and are based on experience in life science companies. (55 jobs, $141MM+ in follow on funding, no projected revenue). Rev1's experience in collecting and analyzing metrics is used to calculate their projections from this fund.

4.1.5 OTAF Fund V/Rev1 Angel Fund [15-106]

Recommended State Funding	Cash Cost Share
$2,500,000	$2,500,000

Overall	Alignment	Deal Flow	Team	Impact
↗	↗	↗	↑	↗

Ohio TechAngel Fund V (OTAF V), proposed by Rev1 Ventures, seeks to create a $5 million pre-seed fund in Central Ohio, with all of the cost share coming from private investments of fund members. OTAF is now tightly integrated into the Rev1 organization and services, and will benefit from Rev1 deal flow sources, including The Ohio State University, Nationwide Children's Hospital Research Institute, and the OhioHealth Research and Innovation Trust. OTAF's four prior funds (Ohio

TechAngel Funds I-IV) have created more than 1,100 jobs and over $850 million in follow-on investments.

Ohio TechAngel Fund V proposes a fund that will seek portfolio companies in the industries of medical technology, software, advanced materials, aero-propulsion power managements, fuel cells and energy storage, sensing and automation technologies, surveillance systems, and solar photovoltaics. The applicant anticipates an average $300,000 initial investment in 12 portfolio companies, with an additional $150,000 held in reserve for later-stage investment for 6 of those 12 companies.

Ohio TechAngel Fund V anticipates that the 12 portfolio companies will bring in $135 million in follow-on funding and $50 million in revenue over ten years, and create 300 jobs within five years. During review, OTAF revised down its funding request from $3 million ($6 million fund) to $2.5 million ($5 million fund). This reduced fund size may proportionally reduce the projected impacts of the fund.

Ohio TechAngel Fund V lacks distinct inclusion efforts beyond its relationship with Rev1 Ventures, which currently boasts 22% minority- and 17% woman-led portfolio companies.

Funding is recommended for the OTAF V because of the value created by the committed partnership with Rev1, the compelling angel-specific investment commitment outside the program, and the clear track record of the experienced Rev1 team in pre-seed investment. This fund addresses a need for early-stage funding to support small companies actively refining their business model and led by a strong founding management team. Concerns about the broad focus of OTAF were answered by the clear process and resources supplied by Rev1.

Proposed Fund Alignment with Goals and Objectives of the Program

The Ohio TechAngels Fund V is the outcome of merger between OTAF and Rev1 Ventures. OTAF will focus on finding, engaging, and managing Angels to the fund, while Rev1 will focus on deal flow, fund management, and follow-on funding. With its partnership with Rev1, OTAF V is well positioned to identify promising deals, grow companies, and deliver economic benefits to Ohio. Rev1 brings an impressive network and track record, significantly benefiting the fund.

OTAF proposes a fund that will seek portfolio companies in the industries of medical technology, software, advanced materials, aero-propulsion power managements, fuel cells and energy storage, sensing and automation technologies, surveillance systems, and solar photovoltaics. This broad investment space is aligned with OTF priorities, but places greater demands on the diligence and enhanced management services of the fund. Rev1 has an impressive suite of programs, processes, and resources to meet these demands.

In addition to the state-supported fund, OTAF V members are committing to make at least $100,000 of sidecar investments in OTAF V portfolio companies over a five-year time horizon. These investments supplement the state-supported fund.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. Deal flow will primarily be driven by Rev1, a strategy enabled by the merger of OTAF and Rev1. In addition, the merger allows the OTAF V management team and its members to concentrate on syndication of identified opportunities. OTAF V will use Rev1 due diligence processes such as Demo Day, Concept Academy, expert networks, and customer network to generate 75% of the deal flow while 25% to be sourced from OTAF members. Rev1 has a strong track record with concrete evidence to support sufficient deal flow for OTAF V fund.

Early involvement of the OTAF V investment committee in deal flow evaluation is a strength of the OTAF model. The committee thoroughly reviews the target investments to ensure companies meet the commercialization and geographic criteria of the fund before advancing the deals to formal consideration.

Follow-On Funding. OTAF will rely substantially on Rev1 for attracting follow-on funding. The Rev1 management team is experienced in growing companies that attract follow-on funding. Rev1 has demonstrated success in managing a diverse portfolio of companies, including securing exits and follow-on funding. Rev1 has demonstrated particular success with finding and recruiting management teams, which is particularly critical to attracting follow-on funds. OTAF members may leverage personal relationships to expand capital access, but these activities are not a part of a defined process.

OTAF V seeks to enhance its member-driven impact and follow-on capital by reducing the total of members while requesting higher dollar participation from members. This plan is intended to increase commitment and involvement of members, which in turn will help OTAF deliver better services to its portfolio. This in turn will help more effectively attract follow-on capital.

The CFO-in-Residence is a highly valuable component to prepare potential companies for Series A funding. For example, OTAF offers extensive financial modeling which validates the company's business model and also calibrates the size and type of funding required for the company to achieve its objectives.

Lead Applicant Team and Outreach

LA Team. Rev1 along with the OTAF Executive Committee together comprise a strong team to lead OTAF V. Rev1 provides experienced, professional fund managers, while OTAF's membership provides access to investors, business development, finance, leadership, and industry-specific expertise. OTAF and Rev1 (including predecessor entities) have managed pre-seed funds since 2000 with $46.4 million of funds under management and five active funds with $13.8 million available to invest as of June 30, 2015.

OTAF and Rev1 have deep experience in managing early-stage funds, as evidenced by its four prior funds. Tom Walker, CEO of Rev1, was a founding member of Angel Capital Association (ACA), which brings together 240+ angel groups and venture development organizations. Parker McDonald, OTAF's Managing Director, is an active angel investor who has funded more than 25 companies. He also serves as Treasurer of the Angel Capital Association's board.

In addition to strong leadership, Rev1 provides a comprehensive set of support services that are in place to assist emerging companies. Rev1' has deep experience with proof-of-concept and pre-seed funds, as well as a wide range of services (management recruitment, term sheet development, investor pitch coaching, etc.).

Outreach. OTAF depends on Rev1 for outreach to companies and minorities. Dedicated efforts by OTAF appear limited to member and advisory groups; OTAF claims 18% female representation of 285 total OTAF members, which will drive outreach efforts.

Rev1 outperforms the national average in inclusion, at 18% woman and 22% minority representation in current portfolio companies. The number of woman- and minority-founded companies exceed national averages by a factor of four, and deal flow seems to track these numbers. Rev1 makes significant efforts to reach out to sources of woman-led companies. Rev1 also collaborates with multiple in-state organizations (Veteran's Entrepreneurship programs, Central Ohio Minority Business Development Council) to provide additional opportunities to identify and support woman- and minority-led businesses. Rev1 utilizes regional partners and economic development agencies to facilitate rural outreach.

Complement to OTF and Impact of new Fund

Complement to OTF. Rev1 is well-integrated into the Ohio Third Frontier. The OTAF V fund will be integrated into with Rev1 ESP, which will provide a foundation for due diligence and support services. OTAF is a strong and well-integrated participant in the Ohio investment ecosystem. Rev1 is well connection with regional partners, industry, and sources of capital both within and outside of Ohio. Their specific focus on syndication of deals should allow for OTAF V success.

Impact. A broadly scoped pre-seed fund fulfills a strategic need for Central Ohio to move promising opportunities and companies forward. The member-driven component of OTAF also supplies a valuable facet to the fund and to the region.

The OTAF V and Rev1's program projections seem reasonable and appear to be based on prior experience of prior OTAF funds and Rev1 experiences. The Ohio TechAngel Fund V anticipates that its planned 12 portfolio companies will bring in $135 million in follow-on funding and $50 million in revenue over ten years, and create 300 jobs within five years. During review, OTAF reduced its funding request from $3 million to $2.5 million, which may proportionally reduce these projections. In either case, the impacts are impressive, and team and partners of OTAF Fund V are likely to achieve these targets.

4.1.6 NCT Ventures Fund II [15-109]

Recommended State Funding	Cash Cost Share
$10,000,000	$20,000,000

Overall	Alignment	Deal Flow	Team	Impact
↗	↗	→	↗	↗

NCT Ventures Fund II seeks additional funds to add $30 million combined Pre-Seed and Seed Plus to the applicant's existing fund in the Central Ohio region. The request consists of $10 million Pre-Seed fund ($5 million from the state and $5 million in cost share) and $20 million Seed Plus fund

($5 million from the state and $15 million in cost share). All $20 million in cost share will come from NCT Venture Fund II. Personal connections and industry partners/co-investors provide the bulk of the deal flow to NCT. NCT Ventures currently manages NCT Ventures Fund I, which has invested in six companies, which have created 39 jobs and over $10 million in revenue.

NCT Ventures Fund II primarily will seek portfolio companies that deal in software applications for business, as well as other state-promoted areas. The applicant expects to invest $8 million in eight Pre-Seed companies and $16 million in eight Seed Plus companies. These companies are expected to achieve revenues of $92.3 million during the project period. Over the life of the funds, management projects that 174 jobs will be created and $27 million of co- and follow-on funding will be raised, with approximately 33% of that follow-on funding coming from out-of-state.

The Lead Applicant is taking active steps to engage minority business networks and partners to improve diversity in its portfolio companies and investing partners.

Funding is recommended because of the Lead Applicant's fund management experience and strong investment returns. NCT Fund I was the recipient of an OTF grant ($1.5 million). The grant, plus matching cost share, was invested in six companies. One of those companies exited in 2014. Limited partners earned a 2.6X on their investment. The remaining five companies have created 39 jobs and generated over $10 million of revenue. A key driver of this success has been NCT's strategy of providing significant operational assistance to its portfolio companies. However, with a second OTF involvement in this fund, management will need to enhance its reporting mechanisms for financial and deal flow tracking purposes.

Proposed Fund Alignment with Goals and Objectives of the Program

NCT Ventures Fund II's goals and objectives are consistent with the PFCP. The fund adds $10 million of Pre-Seed and $20 million of Seed Plus funds to the State under experienced fund management who already have demonstrated returns through previous OTF support. The investment focus is on software applications in the imagining/incubating (Pre-Seed) and demonstrating/market entry (Seed Plus) stages. After expenses, $8 million will be invested in eight Pre-Seed companies and $16 million in eight Seed Plus ones. These companies are expected to achieve revenues of $92.3 million and 174 higher paying technology jobs over the five-year project period. Over the life of the funds, management projects that $27 million of co- and follow-on funding will be raised. No investments are projected to be attracted to Ohio; however, as the NCT brand grows, more opportunities may come from out-of-state.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. The personal connections and industry partners/co-investors have provided the bulk of the deal flow to NCT, and historically, NCT focused on its own green field opportunities. Reliance on these will lessen as management increases its regional and national profiles, leading to more opportunities from industry partners and co-investors. While fund management has been very engaged in the entrepreneurial community, strong ties are still developing with other regional and state supported funding groups, which should result in more shared deal flow.

Follow-On Funding. NCT's strategy to help its companies raise follow-on funding revolves around defined investment criteria, milestone investing, and strong EMS involvement with the portfolio company. Through the national connections of its principals, management expects that a third of the follow-on funding will be sourced from outside of Ohio. NCT has historically invested in companies that it will be able to fund without outside capital, should that funding not be available.

Lead Applicant Team and Outreach

LA Team. Principals Richard Langdale, William Frank, and Michael Butler bring extensive fund and operations management skills to their fund. Mr. Langdale and Mr. Frank have co-managed NCT Ventures Fund I for the past eight years, and each has more than twenty years' experience building and investing in companies. Prior to joining NCT, Mr. Butler was the President and Chief Distribution Officer of Nationwide Fund Distributors, where he was responsible for distribution of all Nationwide Funds. All three are very involved in the regional entrepreneurial eco-system and have extensive operating and/or board experience with start-up and early stage companies.

NCT's initial written proposal lacked significant detail and substantiation, but NCT was able to address reviewer concerns in subsequent interactions. This raised concerns among reviewers that NCT may struggle to meet increasingly stringent reporting and tracking requirements.

Outreach. While none of NCT's portfolio companies are woman- or minority-owned or majority-controlled, women and minorities have held management level positions at these companies. NCT has recognized the need for more diversity and has hired female and minority staff to help with the outreach and the commitment to increasing the number of women and minority investors and entrepreneurs. NCT did not present plans or goals addressing the state's desire for outreach to rural populations.

Complement to OTF and Impact of new Fund

Complement to OTF. NCT has historically operated somewhat independently of the OTF-supported fund network, owing to its strategy to closely hold and manage invested companies. NCT is developing ties with Rev 1 and OTAF (both are collaborators), as well as with Bizdom, Queen City Angels, JumpStart, Accelerant, CincyTech, Detroit Venture Partners, and The Brandery. While there is some cross-investment with these groups, it has been limited to date. NCT believes that deal flow and cross-investments from these partners (especially Rev1 and OTAF) will increase as relationships strengthen.

Impact. Because NCT's fund scope is statewide, it will help to address Ohio's overall capital shortfall for those companies at the Pre-Seed and Seed Plus investment level. With the investment from OTF and matching capital from private investors, NCT will make available a $10 million fund for Pre-Seed companies and a $20 million fund for Seed Plus companies. NCT's economic impact metrics are strong, and there is a high likelihood of continued success.

4.1.7 Valley Growth Ventures [15-110]

Recommended State Funding	Cash Cost Share
$3,000,000	$3,000,000

Overall	Alignment	Deal Flow	Team	Impact
→	↗	→	→	→

Valley Growth Ventures (VGV), proposed by Valley Growth Ventures, LLC, seeks to create a new $6 million pre-seed fund in Northeast Ohio. Valley Growth Ventures plans to collaborate with several partners, including JumpStart, Youngstown Business Incubator (YBI), Tech Belt Energy Innovation Center (TBEIC), and Mahoning Valley Economic Development (MVED). As a new fund, the applicant does not have an award history, however, Ernie Knight, VGV's Fund Manager, was a founding Managing Director for Nationwide Mutual Capital (NMC), where he delivered 2x cash-on-cash returns and several successful exits. YBI has seen several successful exists, with companies in its incubator creating 500 jobs and $300 million in sales revenue, and TBEIC has a track record of securing funding for its clients.

Valley Growth Ventures' partner organizations will provide much of the deal flow for the new fund, as will external collaborators such the JumpStart Entrepreneurial Network (JEN) and Great Lakes Innovation and Development Enterprise (GLIDE). The applicant will invest the funds in a variety of OTF-targeted industries, including software, energy, advanced materials, and sensing technologies. The applicant will leverage partners for minority and women outreach. YBI's current portfolio boasts above-average inclusion figures, including 38% woman- or minority-led portfolio companies.

Valley Growth Ventures expects an average investment size of $250,000 in approximately nine companies, reserving 150% of initial investment for later investment in its portfolio companies. The applicant anticipates these investments will result in 270 jobs, $140 million in sales and $22 million in follow-on investments in the first five years of the fund.

Valley Growth Ventures is a locally-supported fund that is well aligned with the PFCP vision and mission. With OTF funds, VGV has raised a new fund in Mahoning Valley, an area with a strong early-stage business climate and a clear capital need. VGV is almost a prototypical PFCP fund: the existence of VGV's fund was clearly catalyzed by PFCP, and VGV has aligned its fund, process, and investment thesis closely with PFCP guidelines. **For these reasons, VGV is recommended for funding.**

As a new fund with a relatively new investment team, VGV does face challenges to become a successful fund. The team lacks deep experience in pre-seed fund management, and the fund's goal to retain companies in Mahoning Valley may constrain volume and quality of deal flow, which could slow investment pace or reduce economic impacts for Ohio.

Proposed Fund Alignment with Goals and Objectives of the Program

The goal of the Valley Growth Ventures (VGV) Fund is to support early-stage companies in the 3-county area of the Mahoning Valley. The structure and vision for the VGV Fund align well with the PFCP. VGV principals are active in local and regional entrepreneurial networks and have demonstrated clear engagement in and commitment to the Mahoning Valley. The applicants present a clear case for the need for the fund, owing to a significant regional capital need and difficulty in retaining companies in the region. The fund's focus on software, energy, and advanced materials also aligns well will OTF technical focus areas. Although not the primary areas for OTF, energy and advanced materials are critical to the Mahoning valley and are considered key opportunities in the region.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. VGV plans to source deal flow from existing incubators, including The Tech Belt Energy Innovation Center (TBEIC) and Youngstown Business Incubator (YBI). YBI has served over 430 companies since 2009, with 60 currently housed in its incubator. TBEIC has provided assistance to 80 companies. In addition, VGV is a part of the JumpStart network. VGV also intends to reach out across the state of Ohio despite its preference for regional entities or those willing to relocate to the Mahoning Valley. Although VGV will have good access to local deals, JumpStart also serves the region, and it is unclear how VGV will position itself relative to the highest quality deal flow. Deal flow from outside of the region is less well quantified (essentially a series of "connections"). Considering the goal to retain companies in the Mahoning Valley, there is concern that VGV may struggle to attract high quality deal flow.

Follow On Funding. The applicant has demonstrated the capability to raise funds from out-of-state, particularly from neighboring Pennsylvania. VGV has substantiated its investor network with a range of names from regional and national venture capital funds, but often lacks a clear description, commitment or role around these relationships.

Enhanced Management Services, key to follow-on funding, are not well defined. VGV budgeted for, but provided little discussion around, the provision of services or how they will be used to prepare companies for follow-on funding. Each company is expected to receive EMS and be assigned an EIR. For investments outside of its region, VGV will coordinate with the regional ESP to evaluate providing services along with its own during the due diligence process.

LA Team and Outreach

Lead Applicant Team. The VGV team, including Principal Fund Manager Ernie Knight, TBEIC, YBI, and the Mahoning Valley Economic Development Company (MVEDC), is new to pre-seed investing, but does contain relevant experience. Mr. Knight has demonstrated significant success as a venture capital investor. His experience in creating and operating new funds will be essential to the success of this fund. YBI has international recognition as a technology incubator and several successful exits. TBEIC provides support to companies focused in the energy sector and maintains a large network of EIRs that will be available to support VCV. MVEDC, which will serve as a general supporter of the fund, has experience in managing loan funds and providing tracking and administrative support. With the exception of the fund manager, all collaborators are located in the Mahoning Valley. There is some concern that the fund manager will not be co-located with the rest of the team and likely the majority of the portfolio companies, especially considering the principal fund manager represents the team's primary fund management experience.

A reasonable and moderately detailed process for on-boarding companies, due diligence, and investment decision making was presented, but lacked concreteness. Deals are approved by an Investment Committee, but inconsistency in the responses from the original submission, written Question and Answer, and Oral Interviews indicates that this committee may not be well-defined.

VGV also does not have a standard investment agreement, but expects to invest via convertible debt or senior participating preferred equity.

Outreach. The collaborators provide substantive data on their ability to reach out to women and minority owned businesses, with both TBEIC and YBI having over 30% of their current portfolios owned by women or minorities. The team also provides examples of their continued efforts to reach these individuals (YBI's Women in Entrepreneurship program, though not well described, is one such example).

Complement to OTF and Impact of new Fund

Complement to OTF. This fund will serve an important niche in the funding ecosystem of Ohio. There is no fund of its kind in the Mahoning Valley region. With strong technology growth due to the expansion of the YBI and TCEIC, available capital in the region could help ensure that new companies stay. VGV partners (YBI especially) are well connected with, and integral contributors to, the regional entrepreneurial ecosystem. VGV's roles underscore the strong complement that VGV will be to the Ohio early-stage funding landscape.

Impact. The proposed creation of 180 jobs during the three-year program is a reasonable goal when compared to other submissions. VGV's long-term target of 270 jobs created is a reachable, albeit stretch goal. Because this is a new fund, with no previous metrics, the basis for these projections is difficult to substantiate.

VGV demonstrated strong familiarity with the local capital infrastructure and substantiated the impact that VGV will have in the region. The need for VGV was validated by VGV's observation that no focused sources of capital exist in the Mahoning Valley region (only, for instance, loan funds that require a cash match). More importantly, VGV's local fundraising further substantiates demand in the region for local fund. VGV has provided examples of local successful companies who had been turned down for other regional sources of capital. Upon submission of the application, only a small amount of the required cost share had been raised. VGV was able to meet the deadline for all commitments, from primarily local sources, indicating significant community support for the fund.

4.1.8 CincyTech Fund IV [15-111]

Recommended State Funding	Cash Cost Share
$10,000,000	$20,750,000

Overall	Alignment	Deal Flow	Team	Impact
↑	↑	↑	↗	↗

CincyTech Fund IV (CTF-IV), proposed by CincyTech, LLC, seeks to create a $30 million combined Pre-Seed and Seed Plus fund in the Southwest Ohio region, with a $10 million pre-seed fund ($5 million from the state and $5 million in cost share) and a $20 million Seed Plus fund ($5 million from the state and $15 million in cost share). The fund would be managed by CincyTech, LLC, the Southwest Ohio Entrepreneurial Signature Program. CincyTech currently manages three funds, CincyTech Funds I-III, which total $25 million in funds and have secured over $506 million in follow-on and co-investments for 59 companies. Management expects that 80% of Seed Plus funds will originate from CincyTech IV pre-seed companies, and 20% from earlier funds or external opportunities. Expected Deal flow partners include Cincinnati Children's Hospital, the University of Cincinnati, Cintrifuse, Ocean Accelerator, Hamilton County Business Center, and the Brandery Accelerator.

CincyTech Fund IV will invest the funds in a variety of OTF-targeted industries, including software (40%), medical-technology (40%), consumer digital (12%), and other OTF-aligned sectors (8%). The applicant expects to utilize both the Pre-Seed and Seed Plus funds to make approximately 42 investments over 3 to 5 years that will result in $220 million in follow-on and co-investments and over 600 jobs. CincyTech has a solid history of investing in women and minority founded or led portfolio companies, with 21% of their current portfolio meeting these criteria. Management will use this history to leverage its networks and reputation to identify more such companies.

CincyTech Fund IV is recommended for funding based on its experienced team with a strong track record of top-quartile performance. Since 2007, CincyTech has invested $25 million in 59 companies, 38 of which are still active and 17 of which are either backed by institutional venture capital funds or have exited. These companies have raised co- and follow- on investment totaling over $500 million, $231 million of which has come since January of 2014, representing a meaningful upward trend. Portfolio companies have generated cumulative revenue exceeding $200 million, and employed 760 people at an average wage of $76,129. Three companies have exited (two in CTF-I and 1 in CTF-II), and the total portfolio company valuation is now at $980 million. Leverage on the state's investment is 54:1.

CincyTech Fund IV presents compelling economic impact projections for its Fund IV. Pre-seed and Seed Plus investments are expected to attract more than $220 million of co- and follow-on funding, adding 600 jobs at an average wage of $75,000. The fund leverages ESP (CincyTech) resources, and has committed a high level of funds toward investments, meaning greater potential for impacts for the State of Ohio. The fund provides a diverse, quality set of services augmented by the greater ESP infrastructure. CincyTech Fund IV has demonstrated the ability to position its investments for follow-on funding. **For these reasons, funding is recommended for CincyTech Fund IV.**

Proposed Fund Alignment with Goals and Objectives of the Program

CincyTech Fund IV presents an experienced fund management team. CincyTech Funds I-III are on track to produce top quartile returns. CincyTech's portfolio companies are increasingly important to the region: in 2007, they represented 8% of total Southwest Ohio venture activity, increasing to 86% in 2014. This demonstrates the importance and impact of CincyTech activities for the region. This project adds another pre-seed and seed plus fund ($30 million total) to the region, further enhancing the potential impact on the region.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. CincyTech has strong relationships and deal flow from the University of Cincinnati, Children's Medical Center, The Brandery, Cintrifuse, and HCBC (all of which have established partnerships with CincyTech) and Ocean Accelerator, which add to their own deal flow numbers.

Deal flow numbers are robust and support the projected 25 pre-seed/12 seed plus investments. For full years 2012-2014 the LA has closed 7 to 10 investments per year, primarily in the targeted sectors. CincyTech reviews 35-60 qualified deals per year in the incubating and demonstrating phases. The Lead Applicant expects that 80% of seed plus funds will originate in CTF-IV portfolio companies, and 20% from earlier funds or external opportunities. Three high quality companies have been identified as potential targets for this fund.

Follow-On Funding. CincyTech's portfolio companies have raised $207 million of historical co- and follow-on funding from 45 venture firms, enabled by a clear focus on and process for helping the CEOs of the portfolio companies raise capital, often beginning these discussions before the initial funding.

CincyTech demonstrates a particular strength in attracting out-of-state capital. Based on its strong process and focus, CincyTech is likely to continue these results.

The applicant makes a case for a regional capital need, which has increased since 2006, as some funds have closed Southwest Ohio offices, and others have become fully invested.

Lead Applicant Team and Outreach

LA Team. CincyTech's list of key personnel is lengthy and relevant. All personnel have a combination of substantial fund management experience, startup management experience (often multiple), or regional experience via CincyTech. The management team is knowledgeable and experienced, both on the investment and operational sides. They have an excellent track record with exceptional returns and metrics.

The investment process (from due diligence to investment to portfolio management) is very defined, efficient, and consistent. Even during the due diligence phase, there is a focus on building a capital access plan. Enhanced management services are provided or directed by CincyTech.

The CincyTech investment processes includes substantive contact and assistance provided by CincyTech throughout the deal evaluation process and after investment. A strong history of collaboration with other OTF-supported entities is presented (e.g., 25% of deal flow comes from the Brandery). Enhanced Management Services are, in part, focused on building a support infrastructure locally.

Outreach. 21% of CincyTech's active portfolio companies are founded or led by women and minorities. CincyTech's representation of women and African American founded companies exceeds national averages by several multiples. CincyTech has a solid history of investing in women and minority founded/led portfolio companies (21%). Management will use this history to leverage its networks and reputation to identify more such companies. One weakness in CincyTech's outreach is in its lack of plan or focus on outreach to rural stakeholders.

Complement to OTF and Impact of new Fund

Complement to OTF. CincyTech is part of a diverse and collaborative network of OTF-supported entities. CincyTech is the regional ESP. Its funds have co-invested with every OTF-supported seed fund in Southwest Ohio, as well as with the Ohio Tech Angels Fund and Rev1 (Central Ohio), Accelerant (Dayton), and North Coast Angel Fund (Northwest Ohio). CincyTech actively shares deals and works on regional initiatives with The Brandery, HCBC and Cintrifuse, as well as Cincinnati Children's Hospital and the University of Cincinnati. CincyTech senior executives are active on the boards of a variety of other economic development groups. Fund IV is tightly integrated with the CincyTech ESP, allowing for efficient delivery of services.

Impact. The applicant makes a case for a regional capital gap, which has actually increased since 2006 as some funds have closed Southwest Ohio offices, and others have become fully invested. Although Southwest Ohio has an active investment community, it is primarily focused on later-stage investments. These funds, along with national funds investing in Southwest Ohio, often target Series B or later. The ten pre-seed and seed plus funds in the region are almost fully invested. CincyTech Fund IV also points to independent assessments indicating a capital gap, including a regional assessment in 2006 and a McKinsey study in 2011. The Cintrifuse Fund of Funds and prior seed plus stage funds have partially addressed this gap. Fund IV therefore becomes an important regional entity for investment at the critical Pre-Seed and Seed Plus stages.

4.1.9 North Coast Angel Fund III b [15-112]

Recommended State Funding	Cash Cost Share
$1,650,000	$1,650,000

Overall	Alignment	Deal Flow	Team	Impact
➔	➔	➚	➔	➔

North Coast Angel Fund IIIb, proposed by North Coast Angel Fund (NCAF), seeks to increase the existing Pre-Seed Fund III by $3.3 million to create an aggregate total $9.3 million fund. State funds of $1.65 million are requested, matched by $1.65 million in cost share from North Coast Angel Fund's members. The North Coast Angel Fund already manages two funds, North Coast Angel Funds I and II, and will continue to manage the expanded Fund III. Funds I and II have invested a cumulative $30 million in 39 companies, which have created 850 jobs, $300 million in follow-on and co-investments, and over $200 million in revenue.

NCAF was unable to document adequate cost share to support its original funding request of $2 million. For this reason, a lower amount of funds ($1.65 million) is being recommended based on the documented cost share provided.

Based on its original request for $2 million in State funds, the fully funded North Coast Angel Fund III projected to invest in 16 portfolio companies in the industries of software applications and medical technology. The applicant anticipates those companies will create 175 full-time jobs, $60 million in follow-on investments, and $19 million in revenue in the five years following the initial investment. Based on the available cost share, NCAF reduced its request to $1.65 million, matched by $1.65 million in cost share. Economic impact projections are expected to scale accordingly.

Management expects deal flow to come largely from the regional ESP, JumpStart, as well as from other local venture capital and angel organizations, and regional hospitals and universities, including BioEnterprise, the Cleveland Clinic, Case Western Reserve University, and the Central Ohio-based Ohio TechAngels Fund.

Funding for North Coast Angel Fund IIIb is recommended. NCAF IIIb is an extension on a currently operating fund that is closely integrated into the Northeast Ohio regional entrepreneurial ecosystem. The North Coast Angels brand is well-recognized, and is a draw for new deal flow to the region. Although NCAF has underperformed in some metrics, such as achieving fewer successful exits relative to comparable funds, it provided a narrative around imminent inflection points for several current investments.

Proposed Fund Alignment with Goals and Objectives of the Program

The overall vision, structure, and aims of NCAF align closely with the PFCP vision. NCAF will target software applications (B2B and healthcare IT) and medical technology, also well-aligned with PFCP goals. This is in line for the preferred parameters of Ohio Third Frontier preferences for Med Tech and software technology investments.

The target investments are well characterized and closely mirror PFCP guidelines, including companies addressing markets exceeding $500 million in size in 3 to 5 years and generating $50-$100 million in value in 5 to 8 years. NCAF additionally focuses on companies in the imagining and incubating phases with high growth potential and likely to attract Series A funding. NCAF has also demonstrated the ability to attract companies from outside Ohio, such as Great Lakes Pharmaceutical, Cervilenz, and ThesaVasc.

NCAF is well integrated into the Northeast Ohio entrepreneurial ecosystem, including with JumpStart, Bio Enterprise, and Cleveland Clinic. NC's deal flow comes primarily from other NE Ohio ESP entities; while reliable, ties to primary sources of deals are weak.

Originally proposed at $4 million, the smaller $3.3 million total fund being recommended will mean proportionally smaller impacts, and having potentially fewer investments may increase the risk exposure of the State.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. NCAF's good relationships with other NE Ohio deal flow sources and with other funds have enabled them to successfully identify, invest, and syndicate deals. NCAF has strong relationships with angel and venture capital firms in Ohio. NCAF leverages monthly Ohio angel group calls to build deal flow. While NCAF has demonstrated the ability to network in order to identify potential deals, its direct relationships with primary sources of deal flow are comparatively weak.

Follow-On Funding. NCAF has a good track record of securing follow-on funding. NCAF's member participation and sidecar model support this mission by providing market expertise, customer access, and operational support. While *ad hoc* in nature, NCAF clearly demonstrated a compelling volume of enhanced management services. The NCAF model includes a comparatively large number of members, which provides a larger pool of member resources to support invested companies, and a strong conduit to Series A investment. NCAF offered several impressive case studies validating its model and how it supports follow-on funding.

Lead Applicant Team and Outreach

LA Team. The lead applicant has successfully operated two pre-seed funds in the past, of similar size and complexity, and has begun a third (previously funded by OTF), making a strong case for additional funding for this leadership team. A critical part of the NCAF team is its members, whose commitment, active participation, and mentoring process are key elements of the NCAF model. The team has a well-articulated, quality plan to manage additional funds, and has well-documented ability to execute deals (active fund) as well as syndicate deals. NCAF is supported by a strong collection of collaborators to assist in deal flow, due diligence, and enhanced management. Regional resources in bioscience and healthcare lend diligence and enhanced management expertise. As noted earlier, the enhanced management services plan lacks detail, although it appears reasonable.

Outreach. NCAF has weak results to date securing minority and female led companies within its portfolio. Acknowledging shortcomings in its inclusion efforts, NCAF agreed during oral interviews that a more proactive approach was required. NCAF has recently expanded its efforts to improve its inclusion performance by collaborating with a consulting firm to evaluate NCAF's inclusion efforts and identify opportunities for improvement.

Complement to OTF and Impact of new Fund

Complement to OTF. NCAF's collaborative approach complements OTF. NCAF actively engages other funds, OTF-funded programs, and other entities. NCAF is among the most recognized brands in the Ohio funding landscape, and as such is an established member of the regional and the state entrepreneurial ecosystem. NCAF is integrated into the JumpStart network and well-connected with other Ohio Pre-Seed funds. NC's syndication success demonstrates alignment with the ecosystem.

Impact. NCAF provided differing sets of proposed impact figures, possibly due to different calculation methods for the total fund versus just the additional funds requested in this cycle. As part of the written Q&A and oral interviews, the topic was discussed and the team updated its figures, but questions about substantiation remained. It remains unclear if the proposed impacts are supported by past performance.

Scaling down NC's projected impacts from the initial proposal ($4 million) to the recommended funding level ($3.3 million), an impact of creating appoximately150 jobs is projected from the PFCP investment of $1.65 million. At $11,500 per job created, investment would be very cost effective.

NCAF has notably poor exit performance from its portfolio, although several potential future exits were highlighted. This raises concerns that NCAF, while successful at sustaining capital and operations, may have shortcomings in identifying and supporting high-potential companies.

4.1.10 North Coast Venture Fund [15-113]

Recommended State Funding	Cash Cost Share
$3,625,000	$8,375,000

Overall		Alignment	Deal Flow	Team	Impact
→		→	↗	→	→

North Coast Venture Fund (NCVF), proposed by North Coast Venture Fund, LP, seeks to create a $12 million combined pre-seed and Seed Plus fund in Northeast Ohio, with a $2.5 million pre-seed fund ($1,250,000 from the state and $1,250,000 in cost share) and a $9.5 million Seed Plus fund ($2.375 million from the state and $7.125 million in cost share). The cost share is provided by a number of private investors. While North Coast Venture Fund is a new fund, the management team brings experience from the North Coast Angel Funds I and II. NCAF Funds I and II have invested a cumulative $30 million in 39 companies, which have created 850 jobs, $300 million in follow-on and co-investments, and over $200 million in revenue.

North Coast Venture Fund expects to invest initially in eleven pre-seed companies over a three-year project period and eight Seed Plus companies over a five-year project period. From these investments, NCVF anticipates that the portfolio companies will receive $150 million in follow-on and co-investments and create over 200 jobs and $150 million in revenue (as scaled from originally proposed funding levels). The applicant will seek portfolio companies primarily in the areas of biotech and software for business and healthcare. Deal flow will come largely from the North Coast Angel Fund, as well as from regional partners such as JumpStart, BioEnterprise, the Cleveland Clinic and Case Western Reserve University.

North Coast Venture Fund is recommended for funding owing to North Coast's long history of managing and deploying state-supported seed funds, and its close integration with the Northeast Ohio regional entrepreneurial ecosystem. North Coast has one of the most recognizable brands in Ohio. North Coast's exit results lag behind other applicants, especially considering North Coast's long history of deploying funds. Because North Coast was unable to document adequate cost share to support its original funding request, a lower amount of funds is being recommended, which may proportionally lower NCVF's projected impacts. The lowered amount also places NCVF at the low end of fund size, both for pre-seed and seed plus components.

Proposed Fund Alignment with Goals and Objectives of the Program

The primary goal of NCVF is to support companies requiring larger funding amounts to prepare for later stage venture fund raising. North Coast is strongly integrated into the regional funding ecosystem, leveraging NEO partners for deal flow, due diligence, and enhanced management. These collaborations ensure efficiency and promote a collaborative environment in the region. North Coast has gained high brand awareness through their Angel Funds, which serves as an asset to the NCVF in attracting high quality sources of deal flow and raising funds. North Coast also has proven success in being able to attract and retain companies from out of state.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. The NCVF is reliant on deal flow from the existing North Coast Angel Funds. NCAF expects that approximately 75% of the portfolio will originate with a NCAF. Because these companies are very well known to North Coast, this also means that the risk associated with investing in these companies is also lower. NCVF also will tap deal flow through existing investor and funds networks (1818 since 2007). These close working relationships with other Angel funds in the state provide good visibility into seed plus level opportunities.

North Coast has well-defined and quantifiable company targets to identify the highest potential opportunities. Companies will have established management teams in place, be in the demonstrating or market entry phases, have an exit strategy defined within 3 to 5 years, and be on target to exceed $25 to $50 million in revenue within 3 to 5 years.

Follow-On Funding. The primary goal of the NCVF is to serve as a source of capital that will be key in advancing companies to the point at which they are ready for Series A funding. This capital will be used to scale up companies and increase revenues to a point at which VC investors will consider investment.

North Coast has a strong group of investors that continue to invest with them and are increasing their level of commitment. Often investors that entered the fund at the minimum $25,000 level have increased their investment to $100,000, $200,000 and up to $500,000. This provides evidence to the success of previous funds and the trust and commitment of their investors. Their model allows investors to make sidecar investments, which approximately 50% of investors have done, providing additional funding to portfolio companies.

LA Team and Outreach

Lead Applicant Team. The management team for North Coast has been operating since 2006, and in that time, the North Coast Angels have invested a total of $11 million in 39 companies. The North Coast model is based on NCAF investors integrating into its invested companies, serving as mentors, on company boards, and in other advisory capacities. A large and very impressive list of investors was provided to demonstrate the level of support and involvement of the investor team. This model provides additional resources to the portfolio companies, and additional sources of potential capital support as they grow.

Despite operating for nearly a decade, NCAF lacks a track record of successful exits. This performance raises questions about North Coast's ability to prepare companies for exit. Particularly with operating a later stage fund, their ability to grow companies to the point of significant follow-on funding and/or exit will be essential. In response, North Coast offered that several portfolio companies are nearing the point of successful exit.

Outreach. North Coast has underperformed in inclusion, although after prompting, they presented a multi-component plan that includes working with other state organizations (such as X-Squared Angels, JumpStart, Next Wave), recruiting women/minority investors, and bringing on consultants to help them improve their inclusion statistics.

Complement to OTF and Impact of new Fund

Complement to OTF. The North Coast Angels are well-integrated into the Ohio investment community and funding ecosystem to find high quality deals and co-invest with other funds. This is demonstrated by the high number of syndicated deals and the fact that they anticipate syndicating all deals for the NCVF.

During discussions with North Coast about its cost share documentation, North Coast wavered in its commitment to its proposed Seed Plus fund. The perceived greater difficulty in sourcing seed plus deal flow as well as North Coast's apparent preference for pre-seed funds concerned the reviewers. It is not clear that North Coast has a cohesive vision and commitment to the Seed Plus portion of this fund.

Impact. NCVF provided differing sets of proposed impact figures, possibly due comingling of NCAF and NCVF information. As part of the written Q&A and oral interviews, the topic was discussed and the team updated its figures, but questions about substantiation remained. It remains unclear if the proposed impacts are supported by past performance.

The combined NCVF will provide $12 million for investment in approximately 16 companies. Based on NCVF estimates, this fund is projected to create over 200 jobs and $100 million of follow on funding.

NCAF has notably poor exit performance from its portfolio, although several potential future exits were highlighted. This raises concerns that NCAF, while successful at sustaining capital and operations, may have shortcomings in identifying and supporting high-potential companies.

4.1.11 Ohio Bio Validation Fund VII Plus [15-114]

Recommended State Funding	Cash Cost Share
$10,000,000	$20,000,000

Overall		Alignment	Deal Flow	Team	Integration and Impact
↗		↗	↗	↑	↗

Ohio Bio Validation Fund VII Plus (OBVF), proposed by the Cleveland Clinic Foundation, seeks to create a $30 million combined Pre-Seed and Seed Plus fund in Northeast Ohio, with a $10 million Pre-Seed fund ($5 million from the state and $5 million in cost share) and a $20 million Seed Plus fund ($5 million from the state and $15 million in cost share). The Cleveland Clinic will provide all $20 million in cost share. Ohio Bio Validation Funds I through VI have had 18 of 28 portfolio companies secure a total of $184 million on follow-on financing.

Much of the Ohio Bio Validation Fund VII Plus deal flow will be provided by the Cleveland Clinic, with other opportunities furnished by OBVF collaborators such as ProMedica, Parker Hannifin, JumpStart and North Coast Angel Fund. The applicant is focused on investing into companies in the Information Technology, Medical Device, Diagnostic, and Therapeutics areas. OBVF anticipates investing in 18 pre-seed companies, resulting in $258 million in follow-on investments and 370 jobs created in seven years. The applicant expects to invest in 23 Seed Plus companies, which they anticipate will result in $350 million of follow-on and co-investments and the creation of 479 jobs over ten years.

OBVF has not demonstrated significant inclusion efforts, relying on general Cleveland Clinic diversity initiatives and on regional partners for talent attraction. That said, 14% of existing OBVF companies are led by minorities and 64% of OBVF companies have at least one female director.

Funding is recommended based on the strong deal flow source and successful execution of past investments by the OBVF team. OBVF has also taken steps to improve its integration into the Ohio ecosystem. OBVF can also improve significantly in its outreach and inclusion efforts. OBVF has committed 100% of budgeted funds to investments, funding its diligence and enhanced management services separately, which maximizes the value and impact of state funds.

Proposed Fund Alignment with Goals and Objectives of the Program

The Ohio Bio Validation Fund is focused on investing in companies in information technology, medical device, diagnostics, and therapeutics, which aligns with the PFCP, although the time frame and capital requirements of some technologies may exceed the focus and scope of PFCP. The long capital runway required for medical technology makes seed plus funding even more necessary to support follow-on investment. The rationale for the combined fund is clear and sensible.

OBVF is primarily focused on technology from the Cleveland Clinic, but also has engaged other partners for deal flow, diligence, and other services. OBVF is not as well integrated into the regional entrepreneurial ecosystem as other funds, but OBVF is taking steps to become more engaged with partners. The specific roles of partners could be clarified and greater commitment evidenced.

The investment targets and outcomes of both the pre-seed and seed plus components align with PFCP goals, but many medical technologies require larger amounts of capital than targeted by PFCP guidelines. Despite its more solitary approach, the goals and objectives of the Fund are well aligned with the PFCP.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. Although deal flow is primarily sourced from Cleveland Clinic, OBVF has expanded its scope to include opportunities from by OBVF collaborators ProMedica, Parker Hannifin, JumpStart and North Coast Angel Fund. Although captive funds traditionally have deal flow limitations, OBVF has demonstrated the Cleveland Clinic is a vibrant, consistent source of deals. Adding additional sources further serves to address this concern. The research and translation enterprise at the Clinic and its partners make deal flow a noted strength of this fund.

Follow-On Funding. OBVF's follow-on funding performance is among the best in the PFCP (18 of 28 raising additional funds, with series A, B, and C investments). OBVF's superior performance may be due to the powerful Cleveland Clinic brand as well as its associated industrial and investor participants in the fund and the Clinic's various advisory boards. Definition and scope detail was lacking to substantiate the support services and programming for companies that drive follow-on funding. The applicant provided minimal detail around support services like HR and finance, provided to 'majority-owned' companies.

Lead Applicant Team and Outreach

Lead Applicant. The OBVF team is focused, connected and has a good track record of investment. Partners are strong as well, including ESP partners. The broader Clinic provides portfolio companies access to HR, legal, finance and intellectual property support. The core OBVF team is supported by an array of partners contributing expertise (long-standing partners like Promedica & Parker Hannifin as well as new partners such as Lubrizol, COX), including deal flow, technical services (e.g. regulatory, clinical, etc.) as well as expertise through CC Research Services (device development, quantitative/data services). Explicit oversight and auditing is provided to portfolio companies from Ernst and Young.

The proposal includes clear fund management practices and plans, based on historically successful past fund management methods. OBVF presents a rational (if not detailed) approach, supported by appropriate expertise, especially around due diligence and enhanced management services.

Outreach. OBVF's parent Cleveland Clinic has many successful diversity initiatives, but OBVF lacks a similar focus or investment in inclusion. OBVF explains its portfolio companies are "hyper-focused" on their market targets, and that the pool of qualified minority talent is limited. This response falls well short of the bar set by PFCP. OBVF has begun some partnering efforts with JumpStart, BioEnterprise, as well as Venture for America, to improve inclusion performance. These efforts are welcome and should be expanded.

Complement to OTF and Impact of new Fund

Complement to OTF. OBVF is a strong element of the Ohio funding landscape, and is a high-impact fund for high-potential technology companies. The fund, along with its partner entities, has among the best direct industry and venture capital engagement. The fund is increasingly outward-looking, partnering more extensively with the regional ESP and other OTF-supported entities, which is a positive step in the fund's evolution.

Impact. The fund has multiple highly successful exits, has raised significant follow-on capital (23x), as well as high employment numbers and high salary ($97k average). The fund's modest sales goals compared with IT can be explained by the long time frame to revenue for medical devices and therapeutics. Based on past performance, the projected impacts of OBVF are likely to be very significant.

4.1.12 JumpStart NEXT Fund [15-115]

Recommended State Funding	Cash Cost Share
$2,500,000	$7,500,000

Overall	Alignment	Deal Flow	Team	Impact
↑	↑	↗	↑	↗

JumpStart NEXT Fund, proposed by JumpStart, Inc., seeks to create a $10 million Seed Plus fund in Northeast Ohio. JumpStart is seeking $2.5 million in state funding matched by $7.5 million in cost share provided by JumpStart, Inc. ($5.5 million) and Cuyahoga County ($2 million). The fund will be managed by JumpStart, Inc., the Northeast Ohio ESP.

JumpStart (JS) currently manages a portfolio of 76 companies and has invested $29.5 million in those companies. Because of those investments, the JumpStart portfolio companies have raised outside capital of over $676 million, created $452.7 million in revenues and 946 jobs. The applicant expects deal flow for the new fund to come from its current partners across the region, including: CincyTech, Rev1 Ventures, Allos Ventures, Mutual Capital Partners, Queen City Angels, BioEnterprise, North Coast Angel Fund, and the JumpStart Evergreen Fund.

JumpStart Next Fund plans to focus on businesses in the areas of software for business and healthcare, as well as medical technology. The applicant expects to invest in 12 to 14 companies over a three-year period, reserving 10% of the funds for follow-on investments. Ultimately, NEXT Fund anticipates that these 12 to 14 companies will receive $62 million in follow-on funding and create $92 million in revenues and 136 full time jobs.

One quarter of JumpStart's portfolio is woman- or minority-owned. This exceeds national averages and mirrors Northeast Ohio's population. Furthermore, Jumpstart has focused funds (Emerging Market Fund and PFCP-proposed Inclusion Fund) on underserved populations, and has started initiatives to focus on underserved areas within its core region (e.g., central Cleveland).

Funding is recommended for JumpStart's NEXT fund owing to its close alignment with PFCP Seed Plus program, JS's historically strong performance as a fund manager, and the clear vision and strategy for the NEXT fund. JS presents a compelling set of strategies, processes, and historical performance. The JS team is extremely qualified and has demonstrated fund management and administrative capabilities.

Proposed Fund Alignment with Goals and Objectives of the Program

The NEXT Fund vision is consistent with PFCP goals. NEXT will bring a new class of funds to NE Ohio, focused specifically on seed plus investments. NEXT Fund will focus on high growth and high salary companies in B2B Software, healthcare and health IT (all OTF focus areas) for companies in the incubating to demonstrating phases. JumpStart is the region's ESP and is well familiar with OTF and is well connected with other ESPs, funds, and deal flow sources in Ohio and beyond. JS also has established, reliable infrastructure to support operation of the fund. Also aligned with PFCP objectives, NEXT Fund will focus on incubation stage biotech companies and demonstration stage companies in other industries.

JS successfully differentiates NEXT from other regional funds. NEXT differentiates itself based on investing at a scale that is not generally available from other funds, as well as co-investing in larger funding rounds for high-value companies. NEXT will operate distinctly from the rest of JumpStart, and with its own diligence and investment process (NEXT fund is for-profit, whereas other JumpStart funds are not-for-profit).

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. The NEO region represents 55-65% of the state's deal flow, and JumpStart is the regional hub and clearinghouse for the region's deal flow. JS funds typically see 500 companies/year in the incubating and demonstrating phases, which result in about 80 investments. JS anticipates seeing about 60 raw deals, of which 15 will be considered qualified deals. Given the specialized nature of seed plus investments, and JS's focus on companies that can imminently exit, sourcing a sufficient number of deals may be challenging.

Follow-On Investments. The fund's focus on companies with a strategy to exit, as opposed to simply a next round of funding will maximize the potential for short term returns. That said, JS has a very strong record in the number and amount of follow-on investments for their pre-seed portfolio companies. Based on historical performance, JS anticipates NEXT fund portfolio companies to receive approximately $64 million in follow-on funding, with $40 million from out of state.

LA Team and Outreach

Lead Applicant Team. JumpStart is a well-recognized, successful fund manager. JumpStart maintains effective, well-defined fund management processes, and has generated significant follow-on funding, a high percentage of follow on funding, and multiple successful exits. JS claims an impact from all of their funds (as of June 2015) of $234 million, labor income of $86 million, tax impact of $28 million, and an employment impact of 1,385 direct, indirect and induced jobs.

The proposed team leading the NEXT fund is appropriate, extensive, and highly experienced. Key individuals are in place with deep financial, startup, and portfolio management expertise (e.g., Leach, Harris, Mackley) and proficiency in branding and marketing (e.g., Frantz, Schriner, Belk), which is key to deal flow and follow-on investment.

JS also maintains regional resources for deal flow management, database tracking, and in-person meetings to monitor progress and identify high performing companies, and therefore is well able to fulfill program tracking and reporting requirements.

Outreach. JumpStart is well-recognized as being a leader in attracting women and minority-led companies. They maintain explicit marketing campaigns and assign inclusion metrics to all of their staff members for each of their funds to ensure that these targets are being met. JS is also well-integrated with local and State organizations that support women and minority entrepreneurs. This approach has been successful to date, with 25% of their portfolio being represented by women and/or minorities.

Complement to OTF and Impact of new Fund

Complement to OTF. JumpStart is fully integrated into the Ohio funding ecosystem. JS operates the NEO ESP and several other funds sponsored by OTF. JS works collaboratively with other programs and organizations, as is evidenced by the high degree of syndication. NEXT Fund will serve as a strong complement to existing OTF programs, bringing a for-profit, higher-capacity fund to Northeast Ohio.

Impact. JumpStart emphasizes that capital in Ohio, including that available for co-investment, is a key part of keeping companies here. It is important to note that only six of the 76 companies that JumpStart has invested in have left Ohio. JumpStart's proposed impact metrics are relatively modest, but this difference may be due to methodology differences, and was not viewed as a major weakness.

JumpStart has applied a different methodology to projecting investments based on their experience with later stage companies from the Evergreen Fund, which might more closely approximate Seed Plus investment candidates. These increase NEXT projections around follow-on investment, product sales, and other numbers. Many of the NEXT investments are likely to be in Evergreen portfolio companies (35% as noted in the Q&A responses), so this seems like a reasonable projection.

4.1.13 JumpStart Evergreen Fund [15-116]

Recommended State Funding	Cash Cost Share
$5,000,000	$5,000,000

Overall		Alignment	Deal Flow	Team	Impact
↑		↑	↑	↑	↑

The JumpStart Evergreen Fund (JEF) seeks to add $10 million to its existing Evergreen fund in Northeast Ohio, with $5 million in funding from the state and $5 million in cost share being provided by JumpStart, Inc. ($1.5 million), Cuyahoga County ($2.5 million), The Cleveland Foundation ($500,000), HealthTech Corridor ($300,0000), and the City of Cleveland ($200,000). The JumpStart Evergreen fund continues to be managed by JumpStart, Inc., the lead entity for the OTF-supported ESP in Northeast Ohio. The JEF has been established for over ten years and in that time has provided intensive due diligence and mentoring to over 300 companies, and has made 113 investments in 76 companies for a total of $28.3 million invested. Twelve companies have achieved successful exits and JEF companies have raised $783 million in follow on funding. Of the 76 portfolio companies from the JEF, 30 of those were in women or minority led, or located in inner-city locations. JumpStart is recognized as a leader in outreach and inclusion statistics in their funds.

As the lead entity for the Northeast Ohio ESP, JumpStart will continue to provide the JEF with access to a robust pipeline of deal flow from across the region via JumpStart's 14 regional partners. The JEF plans to continue to focus on businesses in the sectors of software for business and healthcare, as well as medical technology. The JEF anticipates that the additional $10 million in the fund will allow for investments in approximately 20 new portfolio companies over three years. The applicant expects these 20 companies to secure $72 million in follow-on capital and generate $71.9 million in revenue and 207 new full-time jobs.

Funding is recommended for JEF owing to its strong alignment with the PFCP vision, its excellent leadership team through JumpStart, its strong past performance, and its good integration with and leverage of other OTF-supported programs. JEF has operated for over 10 years and has demonstrated significant economic impacts to the State of Ohio. By operating as a high velocity early-stage investor, the JEF is serving an important role in the Northeast Ohio (NEO) region to support companies at the early stages of the capital continuum. The fund's performance goals are based on an impressive performance record: the JEF has provided intensive due diligence and mentoring to over 300 companies, made 113 investments in 76 companies for a total of $28.3 million invested. Twelve companies have achieved successful exits and JEF companies have raised $783 million in follow-on funding.

Proposed Fund Alignment with Goals and Objectives of the Program

The JEF fund is a primary source of pre-seed funds and expertise in Northeast Ohio. The fund model operates under an evergreen model, where all proceeds from the fund are reinvested to support future startups. This model is attractive to the State owing to its aim to exist perpetually, continuing to deliver economic impacts to Ohio.

JumpStart presents a strong case for the ongoing need for funds designed to invest in high-potential startups that are too early-stage to raise other sources of capital. JumpStart presents a cohesive vision for how the JEF integrates with other regional funds, and is a key component in the regional pipeline of funding.

JEF leverages JumpStart's ESP in sourcing deal flow and providing initial due diligence. Offering enhanced management services is a key component to JEF operations, which help to ensure that entrepreneurs receive necessary support, coaching, and advice to achieve key milestones.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. JumpStart's leadership of the NEO ESP ensures it sees virtually all deal flow from the NEO region and state. From 2012 to 2014, JEF saw over 600 companies in the Incubating and Demonstrating stages. JumpStart anticipates reviewing 180 to 200 deals per quarter for the JEF over the three-year project period. Of these, approximately 50 are expected to be high quality deals, and 15 are anticipated to be qualified for additional due diligence for potential funding. The quality of JEF's deal flow is evidenced by the $683 million in follow-on funding raised by companies following JEF investment. Prior to investing, JumpStart enhances deal flow quality by working with high-potential companies, such as by providing coaching and other support needed to prior to a pre-seed investment.

Follow-On Funding. JumpStart is integrated into the both state and national funding ecosystem. JumpStart has an excellent track record of preparing pre-seed stage companies to receive follow-on investment, with 92% of the JEF portfolio companies receiving follow-on funding.

JumpStart has established processes for guiding portfolio companies to raise follow-on funding and achieve exit. JS believes that follow-on funding is dependent on building stable companies that are meeting milestones and showing progress towards commercialization. JumpStart's tranched investments in their portfolio companies ensures that these companies are meeting the targets that are essential to growing a company and preparing for follow-on funding.

LA Team and Outreach

Lead Applicant Team. JumpStart is a well-recognized, successful fund manager in the NEO region. The JEF has operated for over 10 years and has demonstrated a strong history of success, including significant follow-on funding, a high percentage of follow-on funding, and several successful exits. JEF is recognized nationally as one of the most active funds in the country for early-stage investments.

The JEF leadership team has extensive experience in managing the JEF, as well as other funds within JumpStart. The JEF team has established processes in place for identifying high quality deals that include evaluation and due diligence. Once invested, JS provides a diverse set of enhanced management and other support services. Particularly with pre-seed stage companies, such services are essential to maximize the chances of a successful exit.

Outreach. JumpStart is one of the highest performing fund managers in the state for minority and woman inclusion. JumpStart has a comprehensive approach to targeting minority/women owned companies that includes working with a wide variety of organizations across the region. Of the 113 investments from the JEF, 30 of those were in woman/minority led, or located in inner-city locations. It is noted that this statistic conflates the inner-city location of JumpStart with actual inclusion performance; statistics that more directly explore the causal impact of JS and JEF efforts would be well-received.

Complement to OTF and Impact of new Fund

Complement to OTF. JEF is highly integrated into the NEO region, and through JS is well connected with other OTF programs and other funds throughout the state. JumpStart envisions a continuum of Ohio-sourced funding, including submitting a Seed Plus proposal in this round of PFCP.

Impact. JumpStart sponsored a diligence report developed by Cleveland State University entitled "The 2014 Economic Impact of JumpStart Portfolio Companies and Client Companies" that provides details on the impact of JumpStart's investments to the economy of Ohio. This includes an output impact of $234 million, labor income of $86 million, tax impact of $28 million, and an employment impact of 1,385 direct, indirect and induced jobs. By 2020, the JEF is projected to produce 207 full time jobs, $72 million in follow-on funding, and $72 million in product sales. JumpStart's proposed impacts are based on this report, and appear reasonable based on historic date and the size of the fund.

4.1.14 JumpStart Tech Inclusion Fund [15-117]

Recommended State Funding	Cash Cost Share
$5,000,000	$5,000,000

Overall	Alignment	Deal Flow	Team	Impact
↑	↑	↗	↑	↗

JumpStart Inclusion and Diversity Tech Fund (IDTF), proposed by JumpStart, Inc., seeks to create a $10 million pre-seed fund in Northeast Ohio, with a vision of actively targeting women and minority-led companies that may have difficulty accessing quality funding otherwise. Cost share for the fund will be provided by the limited partners of JumpStart, Inc. ($4.95 million) and the Case Foundation ($50,000). As the leader of the Northeast Ohio ESP, JumpStart has developed a comprehensive plan for ensuring adequate deal flow for the fund. This includes primarily working with the NVCA and their diversity task force, and partner funds, to identify deal flow that would be a good fit for the fund.

To date, JumpStart's women or minority owned companies total 25 and have created 230 jobs, raised $179 million in follow-on funding, and generated $36 million in revenue. JumpStart's entire portfolio of companies has created 946 jobs and attracted over $655 million in follow-on funding. The JumpStart Inclusion and Diversity Tech Fund anticipates investments in 20 portfolio companies, and proposes to reach follow-on funding of $67 million, revenues of $76 million, and 205 jobs.

Funding is recommended for the JumpStart Inclusion fund. This fund represents a new type of fund to the PFCP program, with a specific focus on outreach and inclusion, rather than specific regions, industries, or investors. The Inclusion fund presents a novel and compelling addition to the PFCP program, and is a clear complement to OTF. The fund has the potential to raise the national profile of Ohio well beyond just the value of the capital raised.

The Inclusion fund's focus on women and minority-led companies that may otherwise have difficulty accessing quality funding, is both laudable and well-aligned with PFCP, OTF, and State priorities. JumpStart's historical success in managing funds and investments, as well as in attracting and growing successful woman- and minority-led companies provides a strong case for the potential success of the fund. The JumpStart Inclusion Fund is proposing strong impact metrics. Based on an estimated 20 portfolio companies, JumpStart proposes to reach follow on funding of $67 million, revenues of $76 million, and 205 for-profit jobs.

Proposed Fund Alignment with Goals and Objectives of the Program

The JumpStart inclusion fund benefits from the high quality infrastructure and process provided by JumpStart, and builds on the JumpStart foundation with an innovative new investment thesis and focus. JumpStart makes a strong case through a McKinsey report entitled "Why Diversity Matters" and other examples that presented the need for the fund. The report highlighted the disproportionate amount of funding going to Caucasian males (83%), compared to 2.7% for woman-led companies, and less than 1% founded or led by African Americans. In addition, evidence was provided to show that historically woman-led private firms achieve a 35% greater return on investments.

JumpStart is proposing a strong emphasis on relocating companies (2/3 of estimated portfolio) to Ohio. Although an aggressive target, JumpStart provided a strong plan to be executed by a top-notch marketing team that is prepared to actively market the fund nationally. JumpStart's close connection with the National Venture Capital Association (NVCA) and their Diversity Task Force will provide a significant source of deal flow to achieve this goal.

Deal Flow, Fund Positioning for Follow-On Funding

Any fund with a captive focus, whether it is from a single source of deals or a focus on a specific industry, region, or demographic, faces potential risks associated with quality and quantity of deal flow. To mitigate this risk, the Inclusion Fund will have both in-state and out-of-state sources of deal flow.

For in-state deal flow, the majority of the leads will likely come through JumpStart's role as the Northeast Ohio ESP. Through this role, JumpStart typically sees hundreds of deals per quarter. Their regional marketing campaigns and work with local HBCUs and organizations will ensure that they continue to see high quality deal flow from woman- and minority-led organizations from within Ohio.

For out-of-state deal flow, JumpStart has been actively involved with the NVCA Diversity Task Force. The NVCA is dedicated to improving inclusion statistics through its partner organizations. This is demonstrated by a significant increase in the percentage of NVCA board comprised of women and minorities, now 25%. JumpStart CEO Ray Leach was actively involved in helping to start up the Diversity Task Force and is highly integrated with partner organizations that also share this vision for increasing diversity. JumpStart already has a national reputation for finding high performing woman- and minority-led companies for investment. With continued marketing through the NVCA and partner organizations, and by being one of the only pre-seed funds targeted at women and minorities, JumpStart feels confident that they will see high quality deal flow from out-of-state.

The goal of relocating 2/3 of the fund portfolio from out of state is aggressive, but JumpStart makes a strong case for being able to attract and retain businesses from outside of Ohio. Ohio is well-recognized as having a very favorable environment for supporting new companies and providing funding for early stage companies. In addition, JumpStart takes a very active role in supporting these companies through enhanced management services, funding and exit coaching, and management recruitment.

JumpStart has established processes for guiding portfolio companies to raise follow-on funding and achieve exit. JS believes that follow-on funding is dependent on building stable companies that are meeting milestones and showing progress towards commercialization. JumpStart's tranched investments in their portfolio companies ensure that these companies are meeting the targets that are essential to growing a company and preparing for follow-on funding.

LA Team and Outreach

Lead Applicant Team. JumpStart is a well-recognized, successful fund manager in Northeast Ohio. JumpStart's Leadership team has developed and demonstrated processes that have generated good results including significant follow-on funding, a high percentage of follow-on funding, and several successful exits. This includes an output impact from all of their funds (as of June 2015) of $234 million, labor income of $86 million, tax impact of $28 million, and an employment impact of 1,385 direct, indirect and induced jobs. In addition, they have a strong focus on enhanced management, which is essential to companies, particularly those that are relocating from out of state. Ray Leach, CEO of JumpStart, is taking a very active role on the Executive Leadership committee of the Inclusion Diversity Tech Fund. His commitment to the Fund and the direct investment in match dollars shows JumpStart is committed ensuring the success of the fund. In addition, the Investment Committee members are knowledgeable and experienced and represent a strong woman and minority presence among the members.

Outreach. The sole purpose of the fund is to promote outreach to woman- and minority-led companies both in and outside of Ohio. The focus of this fund on outreach is ambitious, yet reasonable, considering JumpStart's success with recruiting woman- and minority-led businesses in their other programs. In addition, JumpStart CEO Ray Leach, while serving on the board of the NVCA, helped to spearhead the discussion around diversity among investment funds. Inclusion is integrated into everyday processes at JumpStart. As an example, each team member at JumpStart has inclusion metrics that are part of their evaluation criteria.

Complement to OTF and Impact of new Fund

Complement to OTF. The Inclusion fund presents a novel and compelling addition to the PFCP program, and is a clear complement to OTF. While all state-supported pre-seed funds have inclusion goals, this will be the first of its kind in Ohio to recruit solely woman- and minority-led companies. The fund will be a strong complement to the entrepreneurial support provided by Ohio. In addition, with approximately 13 companies recruited from out of state for this fund, there is significant potential to showcase Ohio's favorable inclusion and funding environment across the nation.

Impact. The primary impact of the Inclusion fund may be its focus and attention on minority and woman-led businesses, filling an important need in the region and state. By demonstrating that positive returns can be achieved from an inclusion focused fund, this fund may spur other funds in the state to increase inclusion efforts. This fund is also likely to bring positive recognition to Ohio and its funding infrastructure, including potentially attracting additional capital to the State.

The fund is projected to create 205 jobs from this investment (a $24,000 cost per job created), and reach follow on funding of $67 million, and revenues of $76 million.

4.1.15 Mutual Capital Partners Fund III [15-123]

Recommended State Funding	Cash Cost Share
$2,079,000	$2,079,000

Overall		Alignment	Deal Flow	Team	Impact
→		→	↗	↗	→

Mutual Capital Partners Fund III, LP, proposed by Mutual Capital Partners Fund (MCPF), seeks to add $4.158 million in PFCP-supported pre-seed funds to an overall $50 million fund in Northeast Ohio. The state-supported component includes $2.079 million of state funds with $2.079 million in cost share. Cost share will be provided by private investors in MCPF. MCPF currently manages two funds in Ohio, MCP Funds I and II. Together, these funds have invested $40.1 million in 12 companies, resulting in over $54 million in follow-on capital, the creation of 500 jobs, $142 million in revenue, and five successful exits. Fund II continues to invest in more companies.

MCPF appears to have a stable and consistent source of deal flow. They review approximately 150 companies per year from Ohio. Primary sources of these opportunities are the internal investor network (25%), broader networks (60%), and individual entrepreneurs and other contacts (15%). MCPF works closely with the Ohio investment ecosystem including JumpStart, Rev1, and CincyTech to identify the most promising leads.

In the first three years of the fund, Mutual Capital Partners Fund III expects to invest in 5 to 6 companies in the healthcare and technology sectors, and the applicant anticipates these investments will result in $32.5 million in follow-on investments, $97.5 million in revenue, and the creation of 440 jobs in 5 years. MCPF is primarily reliant on the ESPs to qualify deals for investment within Ohio and are reliant on them to advance promising woman- and minority-led companies.

Funding is recommended for Mutual Capital Partners (MCP) on the basis of their well-established investment process, effective execution, high percentage of funds dedicated to investments, and strong return track record. However, the MCP Fund III fund focus misaligns with key PFCP priorities, especially in the large investment size and small number of investments planned by MCP. In order to reduce the exposure and risk to the State, MCP is highly recommended to limit the amount of state funds proposed to any given company; individual investments will be approved on a case-by-case basis.

Proposed Fund Alignment with Goals and Objectives of the Program

Mutual Capital Partners (MCP) Fund III will be the third and largest fund generated by principals Bill Trainor and Wayne Wallace. The applicant presents a clear premise behind their funds, which is to target deals in the $2 million to $5 million gap that exists between angel/seed and later stage deals. Since 2005, MCP has demonstrated good success, with a 15.1% IRR to date on MCPF I. The applicant articulates a clear thesis that closely aligns with PFCP goals: average fund sizes have grown larger which has required larger investments in more mature companies.

The MCPF III is a blended fund targeted to be $50 million in total with $4.158 million designated for PFCP. The niche MCP has identified misaligns with PFCP in that its target investment size, $600,000 per company, exceeds the State's guidance ($300,000 per company). For this reason, the fund may have difficulty finding investments that match and will ultimately be approved by the State. With MPCF's comparatively small fund size, fewer companies will receive funding. The larger amount of State funds in each investment, combined with the small number of planned investments, makes this among the riskiest investments for PFCP. MCP counters that its focus and funding level will differentiate this fund from others in the region.

MCP presents several case studies from prior funds that demonstrate a high degree of alignment with OTF goals. For example, the case study for OrthoHelix shows several rounds of investment and co-investment, stage-appropriate hiring, talent attraction to Ohio, and a high degree of enhanced management services. The principals also present a good review of lessons learned from MCPF I investments, which seem reasonable and insightful and tend in the direction of OTF goals of co-investment, high growth companies and products.

Deal Flow, Fund Positioning for Follow-On Funding

Deal Flow. MCP appears to have a stable and consistent source of deal flow. MCP reviews about 450 companies per year, with approximately 150 from Ohio. The primary sources of deal flow are the internal investor network (25%), broader networks including OTF-supported partners (60%), and individual entrepreneurs and other contacts (15%). Starting in 2016, MCP will host regular open-door meetings for deal flow. The fact that much of their deal flow is from Ohio helps to alleviate concerns of embedding the state portion of the fund within a larger fund. The principals also get high quality deal flow by working closely with other Ohio funds to monitor companies as they progress and wait for the right time for investment. MCP invests primarily in syndicated deals.

Follow-On Funding. The MCP principals are actively involved in working with their portfolio companies to prepare them for additional funding and/or successful exits. They have experience in understanding the timing and infrastructure to optimize returns for the fund. The support they provide in recruitment, valuation, negotiations and other enhanced management services helps prepare their portfolio companies for follow-on funding. The principals also have demonstrated success in raising out-of-state capital. Although the majority of this is through previously existing connections, the degree of repeat investment and co-investment indicates that there is a strong amount of confidence in MCP to manage the fund appropriately to maximize returns.

LA Team and Outreach

Lead Applicant Team. The team is primarily comprised of two principals, Bill Trainor and Wayne Wallace, who have been operating investment funds in Ohio since 2005. Although a lean team, they have demonstrated success with previous funds which they strongly attribute to the way in which they become highly integrated with their portfolio companies. In addition, the team is also supported by Bill Cadogan, chairman for MCPF, who has significant experience growing companies and commits about 20% of his time.

MCP will complement their team with assistance from JumpStart and external entities. For instance, MCP will contract with JumpStart to provide tracking for state metrics. Given that they are a new fund for state investment, this should provide some assurance that they can meet new reporting requirements. MCP also has intern support and intends to build this with MCP III.

The proposal in general lacks process description, which is not unusual for a fund seeking state investment for the first time. MCP claims enhanced management services are critical, with case studies backing this claim, although the services appear to be *ad hoc* – they are neither systematized nor captured explicitly in the fund budget. The presents a risk that such services may not be consistently delivered. Services include recruiting (particularly important to MCP, and they note partnering with search firms), partnering, follow-on funding, best practices, and other value added services.

Outreach. In MCPF's current portfolio, two out of the twenty portfolio companies are women or minority led. Intentional inclusion efforts by MCP are minimal. MCP states it will work with other organizations, including the ESPs, to connect with minority and female entrepreneurs. This was confirmed in the Q&A where MCP is looking primarily to the ESPs for their inclusion strategy, as they are "required to promote diversity." A more proactive approach would be welcomed by PFCP.

Complement to OTF and Impact of new Fund

Complement to OTF. The fund is designed to provide the capital necessary to secure series A investment, which aligns well with PFCP objectives. Unlike many other state-supported funds, MCP is not a part of an existing ESP, but does rely on ESPs for deal flow and services, including partnering with JumpStart for reporting and other needs. Letters of Commitment help to substantiate interaction with state-funded entities/ESPs; GLIDE, BioEnterprise, CincyTech, and Jumpstart have provided some commitment to interact with MCPF.

Impact. MCP's investment size per company is larger than most Pre-Seed funds, which will mean fewer companies will receive funding. With fewer companies, and many of these proposed to be in the medical technology space, it increases the risk associated with the impact of this fund to the State. The proposed impacts for this fund are reasonable based on the size of the fund.

4.2 Not Recommended for Funding

4.2.1 Broadband Innovation Fund [15-108]

Recommended State Funding	Cash Cost Share
-0-	N/A

Overall		Alignment	Deal Flow	Team	Impact
↘		→	→	↘	↘

Broadband Innovation Fund (BIF), proposed by OneCommunity, seeks to create a $1.2 million pre-seed fund in Northeast Ohio, with a focus on big data, cyber security, healthcare IT, and hardware companies. OneCommunity is a not-for-profit organization founded to expand access to high-speed data in Northeast Ohio. The $600,000 cost share committed for the fund is provided by OneCommunity and The Cleveland Foundation. Deal flow for BIF is expected to come primarily from the personal network and connections of the founder of OneCommunity, Lev Gonick.

The Broadband Innovation Fund expects to invest approximately $30,000 to $50,000 each in up to 18 companies over a three-year period. In the first five years of the fund, BIF anticipates that these investments will lead to $10 million in follow-on capital and create 125 jobs. OneCommunity does not indicate any investment history of its own to illustrate successes or failures.

The BIF proposal articulates a compelling opportunity in big data, and the applicant team demonstrates good experience in this field. However, the proposal fund misaligns with PFCP objectives in key ways, particularly the early-stage and small investment size ($30,000 to $50,000 target compared with $300,000 state recommendation). The purpose of PFCP is to position companies to raise Series A capital; OneCommunity's vision and lower funding level does not align well with this objective. **For these reasons, funding for the BIF is not recommended.**

The Broadband Innovation Fund's projections on deal flow and economic impacts lack substantiation. The fund's sources of deal flow and capital are vague, referring generally to connections and the network of the fund manager. The proposal indicates that Enhanced Management Services are to be delivered, at least in part, by an advisory board, but no letters of commitment were submitted to back this plan. The applicant projects 70 applications per year, resulting in 24 companies in due diligence and 8 investments recommended, yet the proposal provides no basis for this projection. BIF's goal to raise $10 million in follow-on investment is not backed by substantive relationships that could drive this funding. BIF's "Investment Guidelines" are particularly aggressive for this early stage of funding, including 12-18 month go-to-market, and liquidity in 3 years. BIF will source deals from local sources of capital (e.g., JumpStart, Bizdom), many of which have their own interests in funding IT companies; BIF provided no narrative for how the fund will fit into and work with other sources of capital. The cost share commitment from The Cleveland Foundation also was problematic, in that it is a loan, not a cash commitment.

The Broadband Innovation Fund concept has potential, and could in the future be a strong candidate for PFCP funding. Big data is an important growth area with considerable recent VC investment ($3.6 billion in 2013). OneCommunity clearly explains how Ohio is uniquely positioned to provide high-speed data connectivity (via an existing network and its new 100 gigabit network in the Health Tech Corridor), thereby drawing a connection to regional strengths. The analogy to GigTank (an accelerator in Chattanooga, TN focused on ultra-high bandwidth business applications) is interesting in that GigTank was able to attract seven companies from out of the region in 2013.

4.2.2 IKOVE Startup Nursery Fund [15-118]

Recommended State Funding	Cash Cost Share
-0-	N/A

Overall	Alignment	Deal Flow	Team	Impact
↘	↘	→	↘	→

IKOVE Startup Nursery Fund, proposed by IKOVE Venture Partners, seeks to create a $5 million pre-seed fund in Central Ohio. The cost share of $2.5 million was committed by Proton Enterprises, an incubator from Florida. Deal flow for the fund is expected to come primarily from a relationship with The Ohio State University, as well as potential relationships with TEC Dayton, Otterbein University, and i-Corps.

Since January 2015, IKOVE Venture Partners has invested $150,000 in two companies, which have since received $975,000 in follow-on funding and created eight jobs. IKOVE expects its Startup Nursery Fund to invest in 15 to 20 companies over three years, and anticipates that within five years, those portfolio companies would receive $30.3 million in follow-on funding, and create $18.2 million in revenue and 137 jobs.

Funding is not recommended for IKOVE due to concerns about adequacy of deal flow, lack of detail on process, and lack of substantiation of projected economic impacts. A lengthy list of individuals involved with the fund was provided, but the proposal lacked narrative or letters of commitment that articulated a clear level of effort or commitment. It was also unclear who would be involved with funding decisions and day-to-day management. Much of the team is composed of technology experts with little or no customer or entrepreneurial expertise.

Deal flow was to be sourced primarily from a single university as well as from the personal network of one principal, which raises concerns about volume and quality of deal flow. The reviewers also had concerns about the feasibility and efficiency of sourcing of deal flow. The applicant mentions potential future sources of deal flow from other institutions, but these sources are not yet well-established. IKOVE does not discuss how it fits into the Central Ohio regional network of OTF-supported programs, and how its focus or process differs or integrates with existing programs. IKOVE describes receiving very early-stage support from Rev1, which suggests IKOVE investments are at a much earlier stage of validation than typical pre-seed fund investments. Projections of 100 technologies evaluated, with 30-40% of technologies evaluated advancing to internal evaluation, seem optimistic, which may undermine the validity of fund impact projections. The comparatively early-stage model introduces additional risks associated with technology transfer and leadership team attraction that may inhibit achievement of the fund's economic impact goals, without a compelling narrative around how IKOVE will address these barriers.

IKOVE's due diligence process is not well explained, only stating that the three principals must agree, but omitting decision process, criteria, and resolution steps. The use of student resources from Ohio State to validate market opportunities is appropriate for the earliest stages of due diligence, but for investments of the maturity expected for PFCP, this is considered a weaker approach compared with direct validation with customers or other industry-led evaluation methods.

The proposed economic impact metrics lack adequate substantiation, including job creation and attraction of follow-on capital from outside Ohio (for example, IKOVE projects 80% of its follow-on capital will come from out of State, but does not provide a basis or adequate relationships or track record of raising such funds).

4.2.3 Akron Bioinvestments Fund II [15-119]

Recommended State Funding	Cash Cost Share
-0-	N/A

Overall		Alignment	Deal Flow	Team	Impact
➘		➔	➔	➘	➘

Akron Bioinvestments Fund II (ABF II), proposed by Akron Development Corporation (ADC), seeks to create a $3.5 million biotechnology and life sciences fund in Northeast Ohio. Cost share commitments for the fund were provided by a variety of investors, including local government, medical centers, and private and non-profit groups. Collaborators include: Jumpstart, BioEnterprise, Akron Development Corporation, the Greater Akron Chamber of Commerce, North Coast Angel Fund, and Summit County, Ohio. The applicant anticipates deal flow from many of these partners and their networks.

Akron Bioinvestments Fund II is proposed to be the second fund established by ADC, with the first investing $1.45 million in 13 companies over three years. The first fund's portfolio companies generated $15 million in follow-on capital and created 40 jobs and $10 million in sales. ABF II anticipates investing in 16 companies over three years, with the goal of creating 125 jobs and revenues of $20 million, as well as securing $32 million in follow-on and co-investments in five years.

Although Fund II speaks to elements that align with PFCP objectives and regional needs, funding is not recommended due to the lack of specificity around leadership and process, and significant deficits related to articulation of goals, impacts, and administration. In particular, the proposal was unclear on how the fund would be managed: a management board was listed, but the personnel lacked clear fund management experience; no fund decision making process was detailed; and the proposal omitted letters of commitment from board members. The fund's projected economic impacts lacked a cohesive, realistic basis or narrative (for example, the projections were based on an assumption of all companies surviving). The submitted budget justification lacked substance, which further underscored the reviewers' concerns. The proposal likewise lacked a cohesive narrative or commitment around inclusion.

Although funding is not recommended for ABF in this round, the team's proposal embodies several strengths that could serve as a foundation for future funding requests. Adding $3.5 million of professionally managed capital could align well with PFCP goals, and the fund's areas of interest in life science, water, clean technology, and bio-agriculture, with specific focus on medical devices, wound care, and diagnostics, fit the PFCP. The fund's goal to attract 40% of follow-on funding from outside of Ohio, similar to ABF's historical record, is a strength. The fund is well positioned to source deal flow from regional entities such as the Akron Biomedical Corridor, the Global Business Accelerator International Tech Bridge Program, and the Global Water Alliance.

4.2.4 Northeast Ohio Student Venture Fund [15-125]

Recommended State Funding	Cash Cost Share
-0-	N/A

Overall		Alignment	Deal Flow	Team	Impact
↘		↘	↘	↘	→

NEOSVF II, proposed by Northeast Ohio Student Venture Fund (NEOSVF), seeks to create a $1 million pre-seed fund in Northeast Ohio, with $445,000 in cost share provided by the Burton P Morgan Foundation and the remainder provided by NEOSVF. NEOSVF is a non-profit, student-based organization that invests in technologies emerging from six universities in Northeast Ohio. Deal flow in the areas of advanced materials, software for business and healthcare, and medical technologies is expected to come from the local universities and other partner referrals.

NEOSVF I has invested $175,000 in seven companies since 2009, and those companies received over $1.9 million in follow-on investments and achieved two exits. With the new $1 million fund, the applicant anticipates investing in 15-17 companies over three years, which they expect to create 85 jobs and receive $4.25 million in follow-on capital in five years.

Funding is not recommended for NEOSVF due to concerns around its structure, goals, and alignment with PFCP. NEOSVF results are laudable given their relatively small scale and short history, and the proposal well articulates the need for very early stage capital. In addition, NEOSVF benefits from integration into the Northeast Ohio entrepreneurial ecosystem. However, significant misalignment with PFCP goals ultimately influenced the recommendation not to fund. NEOSVF's stated goal ("to provide start-up companies the ability to move successfully into their next stage of development while training Ohio students in the commercialization and company development processes") represents a target that is earlier in the commercialization framework than PFCP targets. Similarly, the investment size goals significantly deviate from the recommended guidelines, and are unlikely to substantively prepare recipients for Series A funding, a key goal of the PFCP.

In addition to program alignment mismatch, several elements of the proposal have an academic orientation. First, there is no focus on jobs to be created – it did not even appear as a metric in the abstract. The primary focus seemed to be creating young entrepreneurs and investors. A further example of this academic orientation is that the timing of the proposed process is designed around academic calendars, not investment quality or company needs.

The reviewers noted several additional shortcomings as well. Although NEOSVF stated an intention to become an evergreen fund, it lacked substantiation of the ability to achieve this goal. Sourcing of deal flow is *ad hoc*. The strategy for attracting out-of-state capital lacks a clear, convincing foundation. The team could benefit from a greater degree of fund management experience to guide future embodiments of this concept. The applicant's outreach discussion is entirely woman-centric, and lacks discussion of minority and rural outreach.

4.2.5 OCEAN Capital II [15-126]

Recommended State Funding	Cash Cost Share
-0-	N/A

Overall	Alignment	Deal Flow	Team	Impact
↘	↘	↘	↘	↘

OCEAN Capital II, proposed by OCEAN Capital, LLC, seeks to create a $1 million fund in Southwest Ohio, with $500,000 cost share being contributed by a number of private investors. OCEAN Capital operates OCEAN Accelerator in Cincinnati and plans to utilize the fund to invest in its next two classes of graduates from the accelerator, deploying the funds over just two years to businesses primarily in the area of software applications for business or consumers. Deal flow is expected to come from the OCEAN Accelerator, and that class will be established via deal flow from Cincy Tech, Hyde Park Ventures, Queen City Angels, Connetic Ventures, Allos Ventures, and Cintrifuse.

In early 2015, OCEAN Capital I invested $200,000 in ten companies and those investments have resulted in $660,000 in follow-on capital to date. OCEAN Capital II hopes to invest a total of $850,000 in 20 companies over two years, and anticipates an impact of 291 jobs in Ohio, as well as $47 million in revenues and $38 million in follow-on and co-investments made in the portfolio companies.

Several shortcomings led to funding not being recommended. Most notably, the target investment size and stage did not align with the PFCP program in size or stage of commercialization, which also limits the potential for economic impacts. Little detail was provided regarding fund operations, and economic impact projections lacked sufficient justification.

The applicant has demonstrated the ability to execute an accelerator program, including delivering early stage support to a cohort of companies, which can position companies to compete better for follow-on funding. The major strength of this proposal is its alignment with the OCEAN accelerator, but this also represents a weakness when comparing this program with PFCP priorities. The focus of the fund is earlier in the commercialization framework than is ideal for PFCP. OCEAN limits investments to no more than $50,000, which not only prevents the possibility of larger investments into high-potential opportunities, but also falls well below the PFCP recommended guidelines. Investments are likewise limited to graduates of the OCEAN accelerator, significantly attenuating deal flow potential.

The team lacks experienced fund managers, and little information on the proposed investment decision-making process was provided. The proposal likewise lacked specifics on processes for due diligence, enhanced management services, and fund management.

The impacts proposed, including job creation and follow-on investments, were ambitious, but lacked adequate justification. For example, Fund I has achieved 2-3x follow-on investments, but Fund II projects nearly 5x in the same time period. The rationale and justification for this increase was not well articulated.

Appendix 1: Evaluation Process and Criteria

UVG's main mission in reviewing Pre-Seed/Seed Plus proposals is to deliver well-vetted, substantiated funding recommendations to the Ohio Third Frontier Commission. The purpose of this review is to justify funding recommendations for individual applicants and to provide programmatic insight and recommendations about the PFCP as a whole to the Ohio Third Frontier Commission.

To support this mission, UVG has endeavored to perform a thoughtful, objective, and consistent assessment of each proposal. Proposals have been evaluated according to the PFCP RFP merit criteria, Ohio Development Services Agency (DSA) requirements, and overall OTF mission and objectives. UVG has placed special emphasis on confirming the alignment and integration of each applicant's vision, leadership, and key stakeholders. The review process included two stages:

Stage 1 involved an initial evaluation of the quality and compliance of each applicant's submission. The outcome of Stage 1 was a preliminary stack ranking of applicants, presented at the OTF Commission Retreat. The presentation to the Commission at that time included key questions to be addressed with applicants during Stage 2.

Stage 2 involved an in-depth review of each proposal. Stage 2 included in-person interaction with applicants to address critical questions. The outcome of Stage 2 was a complete set of funding recommendations, presented to the OTF Commission.

4.3 Evaluation Criteria

4.3.1 Proposed Fund Alignment with Goals and Objectives of the Program

Considerations Covered:

- Overall strategy and impact of fund;
- Fund focus and alignment with regional and state assets and priorities;
- Fund value proposition within the regional and state entrepreneurial ecosystem;
- Early-stage capital invested in Ohio technology-based companies in Imagining, Incubating or Demonstrating phases;
- Create a 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 technology jobs in Ohio;
- Build a pipeline of technology company deal flow to attract venture capital firms both within and outside of Ohio; and
- Collaboration with and leveraging of existing OTF-supported programs and resources.

4.3.2 Deal Flow, Fund Positioning for Follow-On Funding

Considerations Covered:

- Applicants' plan for developing and sustaining their targeted source of deal flow in Ohio, demonstrated in a quantified manner;

- Sufficiency and quality of deal flow relative to applicant's investment focus and size;
- Applicant's articulation of the need for a fund, and that current and anticipated needs for pre-seed and seed capital are not currently being adequately served by other sources of early-stage capital;
- Likelihood that the Fund will be well positioned to enable portfolio companies to raise additional capital (Series A and beyond);
- Amount and quality of services provided to support follow-on funding.

4.3.3 Lead Applicant Leadership Team and Outreach

Considerations Covered:

- Experience of the Lead Applicant, Collaborators, and key personnel with respect to successfully managing funds of comparable size, scope, and complexity; and
- Quality of plan to manage the PS/S+ Fund, including the investment and reporting/tracking processes.
- Quality of plan to actively pursue outreach activities to Ohio minority and rural populations as set forth in Ohio Revised Code 187.17.

4.3.4 Complementing Existing OTF Programs, and Impact of new Fund

Considerations Covered:

- Degree of collaboration with OTF-funded pre-seed funds, integration into ESPs and regional ecosystems, and other state-funded entrepreneurial programs and organizations, and sharing complementary missions;
- Evidence of need/demand for the proposed fund, and reasonableness of investment focus relative to stakeholders.
- Impact of OTF funds as evidenced by the magnitude, realism, and substantiation of the projected metrics;
- The current economic impact of previous related OTF awards, such as Ohio jobs, follow-on capital, product sales, out-of-state capital attracted to Ohio, and company success stories; and
- Reasonableness of budget, including amount of funds dedicated to investments, and sufficiency of funding for services to be provided.

APPENDIX 2: ABOUT URBAN VENTURE GROUP (UVG)

UVG Company Background

Urban Venture Group, Inc. (UVG) is a Columbus, Ohio, based consultancy. Founded in 1998, UVG principals are experienced technology entrepreneurs with over fifty years combined experience founding, funding, growing, and selling technology-based businesses in Ohio.

UVG principals have helped clients secure over $240 million in grant awards, built a three time Inc. 500-recognized firm, and evaluated over 200 technologies on behalf of clients. UVG principals have participated in both the buy and sell sides of private equity transactions.

Nature of UVG Business Activities

UVG provides consulting services focused on commercialization of early stage technologies. Our clients span energy, materials, medical, defense, and information industries. Our business focuses on market engagement and attraction and effective allocation of resources to advance commercialization.

UVG's principal business activities are organized into two lines: ***Innovation Services*** and ***Entrepreneurial Support Services***.

Innovation Services focus on the advancement of specific products or technologies, including:

- **Rapid Invention Screening** – High-throughput, market-centric screening of large portfolios.
- **Market Guided Research** – Market intelligence to guide market-focused technical research.
- **Concept Testing** – Guiding product development through direct interaction with customers, partners, or investors.

Entrepreneurial Support Services are focused on the advancement of an enterprise, including:

- **Commercialization Strategy** – Identifying paths to market, validating customer needs, planning and funding operations, and identifying exit strategies.
- **Grant Writing** – Grant writing, agency access, strategy for Federal, State, and other opportunities.
- **Venture Services** – Preparing a firm for capital investment, including business planning and strategy.
- **Sales Pipeline** – Coaching, training, and infrastructure to streamline, manage, and accelerate sales.

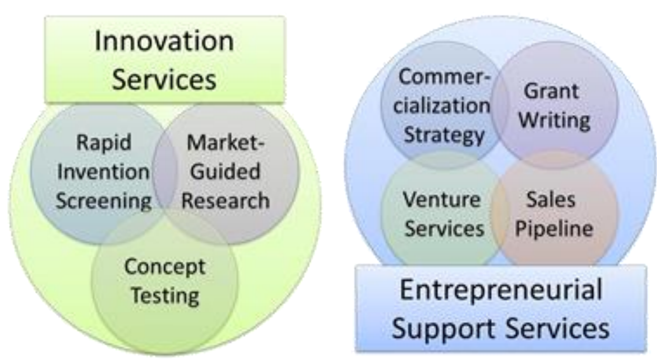

Figure 1: UVG Business Activities