



Development
Services Agency



Third Frontier

Innovation Creating Opportunity

Pre-Seed Fund Capitalization Program

FY2012

Proposal Evaluation Report

Prepared by Invantage Group

December 2012



INVANTAGE GROUP

Innovative strategies for your advantage.

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Introduction

The Ohio Third Frontier (OTF) program was established to grow regional and statewide clusters of excellence, in targeted areas of technology, which sustains Ohio's global competitive advantage in company and product formation, job creation and economic growth. To increase the availability of early-stage investment capital, the Ohio Third Frontier has created the Pre-Seed Fund Capitalization program. Over the past several years, the program has successfully expanded the number of professionally managed, pre-seed investment funds to support promising start-up technology companies.

Ohio Third Frontier

Vision & Objectives

The Ohio Third Frontier program was established to grow regional and statewide clusters of excellence in targeted areas of technology. All OTF Programs share a common goal — to promote technology-based economic development within Ohio by funding activities which move technology from idea to market. With this goal as a centerpiece, program development and spending are guided by the following targeted outcomes:

- Increase high quality research which has commercial relevance to Ohio-based companies;
- Expand access of investment capital to create, grow, and attract technology-based enterprises;
- Nurture entrepreneurial management talent supported by organized services and networking;
- Address the technical needs of companies pursuing new products and production processes; and
- Contribute to the expansion of a technologically proficient workforce.

Pre-Seed Fund Capitalization Program

Program Purpose

The Ohio Third Frontier FY2012 Pre-Seed Fund Capitalization Program (PFCP) is a part of an on-going initiative to provide support to Ohio entrepreneurs. To that end, PFCP was created to increase the availability of risk capital at all stages of company development. The goals of the program are to:

- 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 risk capital climate which supports the development, retention, and attraction of investable technology companies 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.

Fund Expectations

The Third Frontier anticipates awarding up to \$25 million through the FY2012 Pre-Seed Fund Capitalization Program. Funding will be in the form of a non-recourse loan in an amount up to \$3 million. The Lead Applicant's plan should include the following expectations and requirements:

- Seek funding in the range of \$500,000 - \$3 million;
- Meet or exceed a 1:1 cash Cost Share commitment ratio;

- Plan to invest the capital within a maximum of three years; and
- May use up to 10% of funds awarded for Due Diligence and up to 10% of funds awarded for Enhanced Management Services, but these expenses must be matched on a 1:1 basis with cost share funds.

External Evaluators

In order to ensure a fair and thorough evaluation process, the Ohio Department of Development (“Development”) has engaged Invantage Group to provide expert, independent evaluation of the Pre-Seed Fund proposals for this program. Invantage Group is an experienced team of business strategy and finance professionals with significant experience in early-stage venture development and technology commercialization.

By understanding market development, critical metrics, technical requirements, and customer-centric strategies, Invantage Group assists clients in optimizing market entry and growth opportunities. A fundamental part of our business plan development and funding experience has focused on market entry and commercialization. The review team for this project has extensive experience with technology-based companies at all phases of commercialization and venture development.

Mr. Ted Bernard

Mr. Bernard has extensive experience in analyzing markets and consumer behavior in order to develop market entry and growth strategies, including a deep understanding of venture development and how public policy impacts private capital formation.

Mr. Bill Tanner

Mr. Tanner brings broad based experience in business strategy, corporate finance, venture capital and business valuation, having served as a CFO and advisor to a range of entrepreneurs and both public and private companies.

Mr. Ken Leachman

Mr. Leachman provides accounting and financial management services to organizations in a variety of industries, particularly assisting with commercialization efforts for early stage companies.

Proposal Evaluation Scope and Criteria

The purpose, goals, and evaluation criteria contained in the program RFP were considered in determining the quality of proposals for funding. In addition to the primary OTF goal to promote technology-based economic development within Ohio, the most important evaluation criteria include the following:

- Alignment with the purpose, goals, objectives, eligibility, funding, and cost share requirements as detailed in Sections 2 and 3 of the RFP.
- Demonstrated evidence to address the evaluation criteria defined in Section 4 of the RFP.
 - Degree to which the Lead Applicant is able to define a substantial source of targeted deal flow, unmet need, or need for additional capital funding;
 - Experience of the Lead Applicant and Collaborators in the successful management of pre-seed funds of comparable size, scope, and complexity;
 - Prior successful pre-seed fund experience as evidenced by the magnitude of reported metrics; and
 - Ability to integrate activities with other state-funded programs and regional ESPs.

The amount of funds budgeted by Development for this program was not a proposal evaluation criterion and did not impact the review team's evaluation.

Evaluation Process

Prior to any technical review, the Development staff received and processed proposals, conducting an initial administrative screening review to ensure that submitted Proposals comply with the objective content requirements defined in the RFP. Once the administrative review was finalized, eligible proposals were forwarded to the external evaluation team for review.

Invantage Group developed a proprietary, multi-stage evaluation process to provide a thorough analysis of the initial RFP response and to gain additional insights from follow-up direct interviews with fund management. The following outlines the evaluation development and implementation process.

- Discussed primary program goals and evaluation criteria objectives with stakeholders at Development to ensure a thorough understanding and alignment.
- Developed an evaluation paradigm in accordance with the RFP criteria and program goals.
 - Created evaluation criteria with scoring ranges and point weighting. In recognition that various components have differential impacts, the evaluation process does not utilize a fixed set of equal weights, rather varying weights are assigned based on relative importance.
 - Defined six primary evaluation categories based on the most significant program criteria in the RFP.
 - *Opportunity*
Assess the Lead Applicant's focus, plans, and expectations based on the quality and specificity of information provided. This section focused on the ability to define an ideal opportunity within the identified Third Frontier targets, and then identify and generate relevant high quality deal flow to achieve the expected outcomes.
 - *Operations*
Evaluate the Lead Applicant's relevant organizational design, experience, relevance, and capabilities to manage a successful pre-seed fund. This section focused on the ability to secure available resources and to define an investment process which includes appropriate due diligence reviews and enhanced management services.
 - *Relevant Success and Track Record*
Gauge the Lead Applicant's relevant experience and success with similar technology-oriented pre-seed investment funds. This section included a review of management's discussion and analysis of previous fund experience, explanations of material successes and failures, as well as a detailed assessment of all prior pre-seed fund investments.
 - *Projected Economic Impact*
Assess the realism and magnitude of the projected economic impact of the proposed fund based on prior relevant experience and the ability to leverage all available resources.
 - *Experience and Qualifications*
Evaluate the relevant experience and qualifications of the individuals or entities primarily responsible for the management of the proposed pre-seed fund.

- *Budget*
Review and weigh the Lead Applicant’s a detailed budget, forecast, and related commentary. This section ensured that the prosed cost share funding sources met program requirements, available resources were reasonable to support the described plans, and the underlying assumptions provided reasonable support for the projected activities.
- Assigned two independent reviewers per proposal.
 - Conducted a thorough conflict of interest review to avoid potential conflicts.
- Reviewed proposals using a two-stage process.
 - Stage One reviews
 - Conducted a thorough reading of assigned proposals by each evaluator.
 - Reviewed each proposal using the pre-defined evaluation matrix.
 - Independent assessment of preliminary findings and supporting commentary.
 - Preliminary discussion by the evaluator pair to reach consensus.
 - Evaluation team discussion to ensure consistent application of criteria.
 - Recommended to Development which proposals were deemed to merit Stage-2review.
 - Stage Two reviews
 - Identified gaps in information and develop questions to applicants addressing these areas.
 - The applicants provided direct responses to the questions, but no other supplemental information was permitted by Development.
 - Direct interviews with selected applicants to review their proposals and additional responses.
 - Detailed review of both the initial proposal and additional information provided.
 - Evaluator reviews to reach consensus assessments, including supporting information.
 - Finalized funding recommendations to Development.
 - Prepared materials for the Third Frontier Commission (“TFC”).

Overview of General Findings

Proposal Evaluation Summary

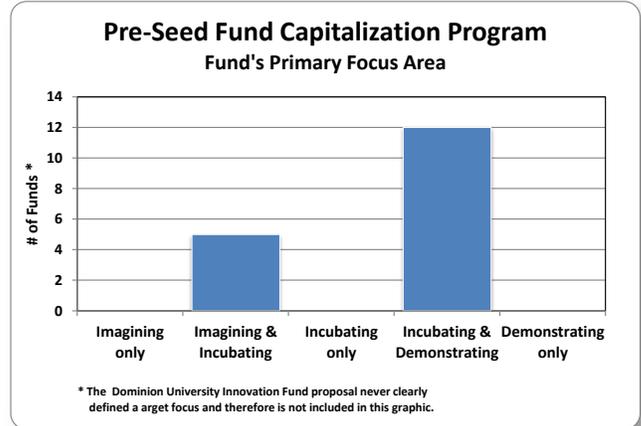
The review teams evaluated and scored eighteen (18) Pre-Seed Fund proposals. After completing the Stage-1 evaluation process and sharing recommendations with Development, twelve (12) proposals were accepted into the competitive range for further review. Based on the deeper evaluations conducted during the Stage-2 review process, the review team has offered a recommendation on nine (9) proposals which have sufficiently met the program criteria for consideration of funding. Cumulatively, the nine recommended funds are requesting \$24 MM in OTF funding.

Summary of Pre-Seed Fund Proposal Evaluations

Proposals received	18
Recommended for Stage 2	12
Recommended for funding	9
Recommended funding amount	\$24 MM

Primary Fund Focus Area

The Pre-Seed Fund Capitalization Program is specifically designed to increase the availability of risk capital at the earliest stages of company development. While many funds mention a willingness to invest across the spectrum of early-stage commercialization, a review of pipeline opportunities and past investment experience provides a clearer view of the primary focus. Not surprisingly, given the risks involved in pre-seed investing, more funds show a focus on the latter phases of early-stage commercialization. A few of the funds did mention other forms of available early-stage capital, such as ESP “imagining” grants, which aids potential quality deal flow to pre-seed funds.



Recommended Funds

Proposals were assessed using the information provided by the applicants and evaluated against standards based on the degree to which they provided credible support to meet the criteria and goals set forth in the program RFP. In addition to the quantitative metrics already described, the evaluators also reviewed many qualitative aspects of each applicant. The following table provides an “at-a-glance” summary of the evaluation findings.

Sorted by Proposal # within each section					Evaluation Categories and Relative Weighting						
Proposal #	Lead Applicant	Funds Req'd	Region	Fund's Primary Focus Area	15%	15%	20%	15%	25%	10%	100%
					Opportunity	Operations	Relevant Track Record	Economic Impact	Experience & Qualifications	Budget	Total
Stage 2 Evaluation: Recommended Funds											
12-501	Cleveland Clinic	\$3,000,000	NE	Imagining/Incubating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-502	Queen City Angels	\$3,000,000	SW	Incubating/Demonstrating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-505	Ohio University and TechGROWTH Fund	\$1,875,000	SE	Incubating/Demonstrating	Strong	Strong	Moderate	Strong	Strong	Strong	Strong
12-511	Case Western Reserve University	\$3,000,000	NE	Imagining/Incubating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-512	TechColumbus	\$2,000,000	Central	Incubating/Demonstrating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-514	Cincinnati USA Regional Chamber/Cincy Tech	\$3,000,000	SW	Incubating/Demonstrating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-516	Ohio TechAngel Fund IV, LLC	\$3,000,000	Central	Incubating/Demonstrating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-520	Lorain County Community Foundation	\$2,125,000	NE	Imagining/Incubating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
12-526	JumpStart Inc.	\$3,000,000	NE	Incubating/Demonstrating	Strong	Strong	Strong	Strong	Strong	Strong	Strong
Stage 2 Evaluation: Non-recommended Funds											
12-500	Impact Angel Fund, LLC	\$1,400,000	SE	Incubating/Demonstrating	Weak	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
12-517	BioMotiv	\$3,000,000	NE	Imagining/Incubating	Moderate	Moderate	Weak	Moderate	Moderate	Moderate	Moderate
12-527	Emerging Market Fund, LLC	\$3,000,000	NE	Incubating/Demonstrating	Strong	Moderate	Weak	Moderate	Moderate	Moderate	Moderate
Stage 1 Evaluation: Non-recommended Funds											
12-504	Development Projects, Inc.	\$2,325,000	WC	Incubating/Demonstrating	Weak	Moderate	Weak	Weak	Moderate	Strong	Weak
12-507	Dominion University Innovation Fund I, LP	\$3,000,000	Central	N/A	Weak	Weak	Weak	Weak	Weak	Weak	Weak
12-519	NCAF Parallel Fund I, LLC	\$3,000,000	NE	Incubating/Demonstrating	Weak	Moderate	Weak	Weak	Moderate	Moderate	Weak
12-521	The Med-Innovation Fund	\$1,500,000	NW	Incubating/Demonstrating	Weak	Moderate	Weak	Moderate	Moderate	Moderate	Weak
12-524	Euclid Ventures LLC	\$3,000,000	NE	Incubating/Demonstrating	Weak	Moderate	Weak	Weak	Moderate	Moderate	Weak
12-525	Bizdom U Fund	\$675,000	NE	Imagining/Incubating	Weak	Moderate	Weak	Weak	Weak	Moderate	Weak

Evaluation Definitions

- Strong supporting evidence
- Moderate supporting evidence
- Weak supporting evidence

Please refer to the following sections for review summaries and specific information relating to each of the proposals evaluated.



Invantage Group thanks the Ohio Development Services Agency and the Ohio Third Frontier Commission for the opportunity to review these proposals and to provide our recommendations. It is hoped that the evaluation process provides helpful insights and directions to assist Development and the Pre-Seed program in the successful development of a world-class entrepreneurial ecosystem.

This analysis and report was prepared by:
Invantage Group
New Albany, Ohio 43054
United States of America
Ted Bernard, Managing Principal

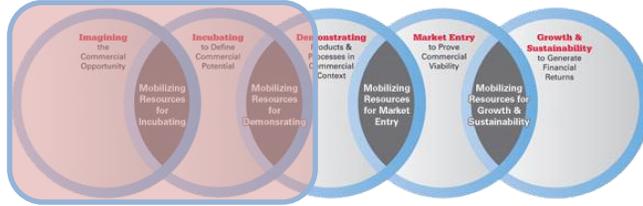
For more information or to obtain additional copies of this report, contact Invantage Group at info@invantagegroup.com.

Pre-Seed Fund Capitalization Program FY12

Recommended Funds Evaluation Summaries

(In order of Proposal #)

Primary Fund Focus Area



Proposal Evaluation Summary

Ohio BioValidation Fund V
Cleveland Clinic Foundation

Summary

Proposal #:	12-501
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,300,000
Cost share committed:*	\$3,300,000

*Commitment data as of 11/16/2012

Fund Overview

The Ohio BioValidation Fund V (OBVF) is designed to build on the success of the Cleveland Clinic’s prior pre-seed funds. The long-term vision of the OBVF program is to create a self-sustaining capital pool which will help to secure the Clinic’s and Ohio’s position as an internationally recognized leader in healthcare innovation.

OBVF intends to continue investing exclusively in early pre-seed stage companies of the imaging and incubating phases. The Fund will focus on opportunities in northern Ohio and which have a strong affiliation with the Clinic, its funding partner ProMedica, or its extensive network of Innovation Alliance partners. (The Innovation Alliance is comprised of large hospital systems and selected universities which have contracted the Clinic to run or support innovation and commercialization systems.)

Fund Opportunity

With Cleveland Clinic Innovations (CCI) having direct access to an abundant volume of physicians and researchers, many early stage ideas receive the benefit of direct exposure to point-of-delivery patient care experiences. OBVF-V will focus exclusively on companies which are developing applications in the medical technology industry, including the healthcare information technology, services, medical device,

biopharmaceutical, diagnostic, imaging, and regenerative medicine sectors. Investment will range from \$250k to \$500k, with funds typically used to conduct proof-generating activities in order to advance to the next phase of commercialization.

Given the Clinic’s significant direct, clinical patient connections (3.7 MM patient visits and 80k surgeries annually), there is strong evidence of high quality, on-going deal flow unique to them which may not be as easily captured by other funds. With over 275 deal opportunities per year generated by the Clinic alone, and an additional 75 opportunities from collaborator partners ProMedica and Parker Hannifin Corporation, there is ample evidence presented to support the target of 13 Fund investments within two years.

Fund Operations

There is a well-established investment process which provides a rigorous and comprehensive system for managing deal flow in a timely manner. Each opportunity is assigned to an OBVF team member for evaluation and logged into Knowledge Sharing Systems (KSS) TechTracS, a leading technology commercialization project management software application.

The due diligence process is well-defined with clear steps, expert review, and expected outcomes based on historical

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Northeast Region



Proposal Evaluation Summary (Continued)

Ohio BioValidation Fund V *Cleveland Clinic Foundation*

experience. The Clinic will cover due diligence costs and provide management, oversight, and resources, thus no state funds are allocated to due diligence services.

Once funding decisions have been made, the Clinic and collaborators have internal access to resources and connections to partner resources. Services provided by personnel employed by CCI help to ensure that a robust business creation environment is present for stage-appropriate companies. On-going enhanced management services (EMS) will be available through an extensive network of EIRs, IAB (Industrial Advisory Board) members, and clinical and technical leaders.

OBVF portfolio companies are supported by CCI's 70 person staff and other experts in the Clinic. CCI resources are used to aid portfolio companies in developing strategy, assessing markets, accessing capital, creating and meeting development milestones, and other key topics. Many of the portfolio companies are housed in CCI's accelerator building (along with the CCI team) and receive frequent interaction.

Relevant Track Record

The Cleveland Clinic has a strong record of business and job creation over the past decade, including prior Ohio BioValidation Funds. Since 2002, the Clinic has spun-off 51 new companies, created 402 direct jobs with an average salary of nearly \$102k, and raised more than \$619 MM in equity financing based on their inventions and patents.

Investments from OBVF-IV have been slower than anticipated, with a current balance of \$3 MM left to invest. Two recent investments and several opportunities in late stages of review

indicate that the Fund will be fully invested by 2013:Q1. In all, the four prior OBVF portfolios have invested nearly \$8 MM in 17 companies (16 companies are still active) which have attracted over \$140 MM in co- and follow-on investments (generating a 36:1 leverage ratio on state funds).

Projected Economic Impact

The Funds utilize six primary measures of economic impact (companies, jobs, wages, other funding, venture-backed companies, & venture investments) and three supporting metrics (income, new products, and patents). The Funds have a favorable history and the focus on biomedical technology commercialization aids the formation of high-value products.

The planned 13 investments are projected to generate over 300 high salaried jobs and attract over \$100 MM in follow-on investments. These significant outcomes are well supported from past experience.

Experience & Qualifications

The OBVF-V Fund principals and staff have considerable experience in the target fields and applicable phases of commercialization. The five primary leaders have a combined 160 years of medical technology commercialization experience. Growing collaborative relationships with ProMedica, Parker Hannifin, and Foundation Medical Partners have proven to be beneficial in providing resources and developing prototypes for several companies.

Budget

The cost share commitment is firm, though there is some ambiguity to allow for flexibility in how the collaborators will fund certain efforts. The Clinic has committed to matching the state funds requested with \$3 MM in cash cost share. ProMedica has committed \$1 MM in cash

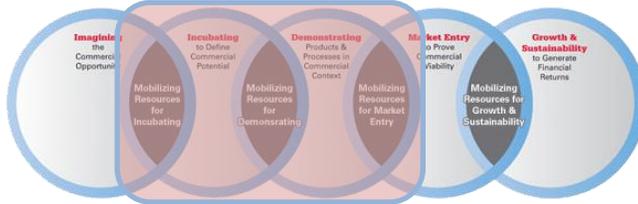
cost share, though the combination may vary. Together, the combined level of cash cost share between the Clinic and ProMedica will be at least \$3.3 MM (ProMedica funds might supplant some Clinic funds) and the cost share could possibly be as high as \$4 MM.

The budget was reasonable and well outlined. The Clinic will provide all due diligence and enhanced management services through employees of Cleveland Clinic Innovations with no direct cost to the fund.

Recommendation

Consistent with past Ohio BioValidation Funds, the Clinic intends to invest in proprietary deals which are initiated at the Clinic or in collaboration from a network of partners. With the ability to generate a very robust deal flow that has been properly vetted by the Clinic staff, the evaluators believe that OBVF-V will be in a position to invest in high quality deal flow. Growing partnerships illustrate collaboration opportunities being created. With one of the highest quality responses to the request for proposal, it is recommended that the OBVF-V be approved for funding.

Primary Fund Focus Area



Proposal Evaluation Summary

QCA First Fund IV *Queen City Angels*

Summary

Proposal #:	12-502
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,000,000
Cost share committed:*	\$2,790,000

*Commitment data as of 11/16/2012

Fund Overview

Founded in 2000, Queen City Angels (QCA) is a regional investment group which currently has 49 members. These active, individual investors have so far invested over \$30 million dollars into 54 different companies. The Fund's members include experienced angel investors with extensive start-up and general business experience. They actively participate in all aspects of the investment process and provide valuable mentoring to portfolio companies. The for-profit fund focuses its investment activities across the pre-seed development phases throughout the southwestern Ohio region.

Fund Opportunity

The QCA First Fund targets early stage opportunities, though historically they have invested predominantly in incubating or later stage companies. The Fund prefers to cast a very wide net in an attempt to be opportunistic. In the past, they have invested in a few Market Entry stage companies, which would not be appropriate for this program. The bulk of past investments have been in IT and medical technology sectors, though the Fund may invest in "other technologies where there is an exceptional opportunity for financial return and job growth."

The Fund expects to invest in 15 companies within three years. Initial investments are expected to range from \$50k to \$300k and follow-on investments may be made as the company matures,

but no company will receive an investment of more than 15% of the Fund's investable assets.

QCA has a lengthy history of identifying potential deal flow and participating in numerous investment rounds. Aside from group members, QCA maintains active connections with area entrepreneurial support groups, accelerators, law firms, accounting agencies, banks, and other groups which can provide access to deal flow. QCA is well-known in the region which enhances its access to deal flow. Recently, QCA has actively recruited investors with life science experience specifically to assist with evaluating these types of opportunities.

Fund Operations

QCA is a committed capital angel fund. Although not as formal a structure as funds from a defined organization, QCA does have a defined set of operating procedures. The investment process relies on a fund member or small team of members for initial investigation and screening.

Due diligence relies on a mixture of member resources (at no charge to the Fund) and other kindred organizations, CincyTech and C-Cap in particular. QCA believes that they can further improve investment results with a more extensive due diligence process. As the effort and volume increases, QCA recognizes the limitations on overly relying on members

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Southwest Region



Proposal Evaluation Summary (Continued)

QCA First Fund IV *Queen City Angels*

for these services. In response, they plan to increase their engagement of C-Cap to provide professional due diligence assistance. C-Cap, a regional resource hub designed to link entrepreneurs with angel investors and the other resources, lost its previous funding source, requiring QCA to budget approximately 3% of funds to underwrite due diligence expenses.

Similar to due diligence, enhanced management services (EMS) will come from a mixture of member resources (at no charge to the Fund) and C-Cap. One or more Fund members will be assigned to each company. EMS activities will focus on providing portfolio companies with financial expertise and business mentoring. QCA anticipates utilizing 2% of funds on EMS activities.

Relevant Track Record

Since 2003, QCA has formed three funds, each with the same investment objectives. The three prior funds have each achieved fund targets for investments and A-metrics. There have been 35 company investments, which have created a total of 254 jobs at an average salary of \$76k.

A significant portion of portfolio companies are still active (28 out of 35) and have generated over \$160 MM in co- and follow-on investments and a strong leverage ratio on state funds. As an angel investment group, it is typical for members to make separate follow-on investments in portfolio companies. To date, QCA members have invested \$8.1 MM in follow-on investments in portfolio companies.

There has been one exit and another portfolio company appears ready for a major investment. The best portfolio results appear to be coming in life sciences, advanced manufacturing, and

advanced materials. Fund management shared several primary lessons learned from their investment experiences and how it has impacted their processes.

Projected Economic Impact

The prior QCA funds have created or retained jobs with high average salaries. The goal for Fund-IV is to invest in 15 new companies, with an expected outcome of attracting \$100 MM in follow-on investments (a 33:1 leverage ratio of state funds) and creating 150 new jobs at a \$76k average salary. The projections are aggressive, but appear to be reasonable given past portfolio investments. Since 2003, QCA has invested \$7 MM and portfolio companies have generated \$160 MM in follow-on investment (a strong 41:1 leverage ratio of state funds).

In addition to the purely economic impact, successful outcomes breed opportunities to enhance the overall ecosystem. As a well-established and active technology investment fund, QCA has become a nationally-recognized angel group. The QCA First Funds have allowed the group to invest in significant opportunities, gain attention from leading VC groups, and to attract new members. QCA believes that the ability to attract significant follow-on capital and resources will have a positive impact on the state's reputation in the investment community.

Experience & Qualifications

The QCA First Fund IV will be managed by two experienced angel investors. Both of the Fund leaders have extensive relevant experience in leading the prior three QCA funds, as well as active involvement in a variety of local, regional, and national angel investing organizations.

Beyond investing experience, both of the Fund leaders have over a decade of

experience working with start-up companies and significant experience operating and growing start-ups.

Budget

This proposal requests a grant of \$3 MM for a total budget of \$6 MM. Of the total budget, \$5.47 MM will be used for approved investment awards, with the remaining \$530k used to support due diligence and EMS efforts.

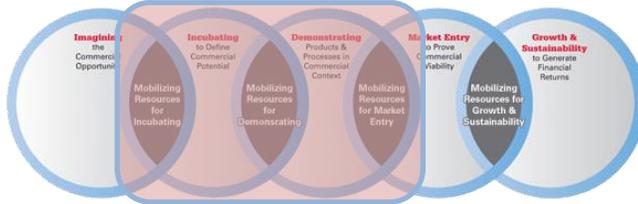
In addition, the operating budget includes a management expense of just over 1% to cover organizational expenses, such as legal and accounting fees.

Of the required \$3 MM cost share match, only \$2.79 MM has been committed. QCA intentionally proposes to hold out \$250k for future member investors. In order to attain the full \$3 MM state commitment, they will need to demonstrate full current cash commitment. QCA plans to have existing members make the commitment, which can be replaced with new member commitments at a later date.

Recommendation

Consistent with past QCA funds, the First Fund IV intends to lead investments in incubating stage technology companies in the southwestern Ohio region. The organizations historical track record of managing Third Frontier Pre-seed Funds is solid in terms of leverage ratio and active investment companies. QCA has demonstrated the ability to identify a strong, on-going deal flow and invest in high quality opportunities. It is recommended that the QCA First Fund IV be funded.

Primary Fund Focus Area



Proposal Evaluation Summary
TechGROWTH Pre-Seed Fund III
Ohio University

Summary

Proposal #:	12-505
OTF Fund History:	Existing
Funds request:	\$1,875,000
Cost share:	\$1,875,000
Cost share committed:*	\$1,875,000

*Commitment data as of 11/16/2012

Fund Overview

Ohio University is the natural leader in the southeast Ohio region, serving as a hub of regional networks, technology innovation, and regional economic development. The TechGROWTH Pre-Seed Fund III (TGF) will be backed by Ohio University and managed by the Fund Investment Committee in collaboration with Woodland Venture Management. TGF-III's investment focus is on early-stage companies with a connection to the 20-county region served by the southeast ESP TechGROWTH Ohio (TGO).

Fund Opportunity

TGF-III will typically use convertible debt instruments for investment in the \$250k to \$350k range, reserving an additional \$50k to \$100k for runway extension as needed. TGF-III aims to be an active, engaged investor with board representation and enhanced services to monitor resource use, ensure milestone achievement, and prepare portfolio companies for the next funding round.

The Fund intends to make investments in 7-9 new portfolio companies. Targeted opportunities will be in regionally strategic technology appropriate clusters of advanced/alternative energy, biomedical, or sensor technology sectors. About half of the investments are expected to come from the successful commercialization efforts of OU faculty or student research and innovations.

Deal flow is typically generated by OU or identified through TechGROWTH's professional staff and its network of partners and collaborators throughout the region. About 40% of the existing investment portfolio comes from OU spin-outs or have strong affiliation with OU research and this source of deal flow is expected to accelerate. Qualified deal flow in the southeast region is not currently well served by other sources of early-stage capital. Of prior regional funds, TGF-I is fully vested, TGF-II is near capacity, and ECOTAF's portfolio is complete.

The Fund actively "mines" for deal flow opportunities through TGO's close collaboration with OU's Technology Transfer Office, the Edison Biotechnology Institute, the Center for Entrepreneurship at OU, and the cross-college University Business Development Committee. Additionally, OU-affiliated researchers have been able to spin-in research from other universities through licensing agreements to new companies formed at OU with TGO's assistance.

Fund Operations

The TGF investment methodology follows a clearly defined 5-stage process which goes from opportunity identification through qualifications, investment decisions, tracking, and portfolio company oversight.

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Yellow
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Southeast Region



Proposal Evaluation Summary (Continued)

TechGROWTH Pre-Seed Fund III

Ohio University

TGF plans to use up to 10% of the total funds to perform necessary due diligence on investment candidates.

The sources of diligence services are twofold: (a) TGF-III will contract with TGO for certain diligence services in areas of sector experience and expertise, and TGO will provide these services at cost (accounting for them separately from its own Third Frontier funding); and (b) TGF-III will also contract with other independent service providers for diligence services and deal structuring in areas requiring specialized knowledge or experience. Due Diligence teams will be led by senior professionals with experience and skills related to effective diligence, in general, and to specific client industries when applicable.

Similarly, the Fund plans to use up to 10% of funds to deliver enhanced management services (EMS) to portfolio companies. EMS for TGF will be handled by two sources. First, TGF will contract with TGO for Board representation services and other fund-raising efforts on behalf of portfolio companies. Second, TGF will also contract with other independent service providers for areas requiring special knowledge, skills, or contacts, especially in the area of follow-on funding. TGF's venture collaborators, Woodland Venture Management, Dominion Ventures, and the Investment Committee, are anticipated to be the prime resources.

Relevant Track Record

Prior issues relating to a lack of infrastructure in the region and changes in personnel at the Ohio University technology transfer office which resulted in a slow start for the first pre-seed fund have been previously documented. Over the past several years the pre-seed fund, working with OU and the regional ESP, has dramatically strengthened the

relationships and created an infrastructure which has resulted in increased deal flow and pace of investment for the pre-seed fund.

TGF-I, a \$3 MM pre-seed fund, is fully invested. Six of the seven portfolio companies are still active and moving forward with commercialization efforts, including three companies generating revenue and five companies having attracted considerable co- or follow-on investments. The first exit occurred in August 2012 by calling a convertible note according to the defined terms. The portfolio company had achieved reasonable market penetration and was unlikely to require additional investment capital. Note repayment resulted in a 1.6X return to the Fund.

TGF-II, a \$2 MM pre-seed fund, is nearly 60% committed. Upcoming investments will fully invest the Fund and are expected to be completed in the coming months.

Together, the two prior funds have generated over \$110 MM in total Level-A metrics, including \$82 MM in revenue, \$9 MM in co- and follow-on investments, and \$13 MM in grants. While the investment leverage ratio of state funds is relatively low compared to other pre-seed funds (4.5:1), the strong revenue generation and job creation (55 direct jobs) by portfolio companies is promising.

Projected Economic Impact

On the basis of the track record demonstrated by the two predecessor funds, TGF-III expects to make investments in 7 – 9 new companies, create 15 new jobs, and achieve a 7:1 leverage ratio for co- and follow-on investments. These expectations are reasonable short-term impacts based on past fund performance.

In addition to the purely economic impact, successful outcomes breed opportunities to leverage other resources. Ohio University expects to successfully win additional non-state funding in support of its efforts to provide intensive operational assistance for early-stage technology companies and increase access to capital for technology companies in the region.

Experience & Qualifications

The Fund will be managed through an investment committee in collaboration with Woodland Venture Management, an experienced venture capital firm. The Fund leaders and external advisors are all highly experienced with technology commercialization and have extensive industry contacts.

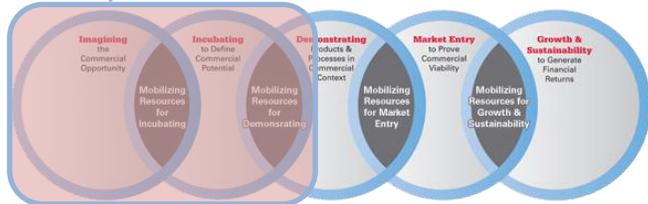
Budget

This proposal requests \$1.875 MM for a total budget of \$3.750 MM. The entire cost share commitment is firm from Ohio University. Of the total budget, \$3 MM will be used for approved investment awards, with the remaining funds for due diligence and EMS efforts. A portion of these funds will be designated to hire a full-time Venture Associate responsible for leading due diligence efforts, organizing EMS efforts, and managing portfolio company reporting requirements.

Recommendation

The TechGROWTH Pre-Seed Fund-III fits with the intent of the program by focusing on pre-seed companies in targeted technologies in the southeast region. TGF has submitted a well-documented proposal, acknowledged some lessons learned in its operations in order to improve fund activity, and has satisfied the requirements of the Ohio Third Frontier RFP to qualify as recommended for funding.

Primary Fund Focus Area



Proposal Evaluation Summary

Case Technology University Hospital Ventures Fund Case Western Reserve University

Summary

Proposal #:	12-511
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,300,000
Cost share committed:*	\$3,000,000

*Commitment data as of 11/16/2012

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Fund Overview

Case Western Reserve University (CWRU) and University Hospitals Case Medical Center (UHCMC) have partnered to establish a new \$6 MM pre-seed fund. The goals and objectives of this not-for-profit fund will be to provide a new professionally-managed, pre-seed fund that will capitalize on the partner institutions' immense investment and emerging activities in medical technology, business software, advanced materials, fuel cell and energy storage.

Fund Opportunity

The two partner institutions each bring significant resources and technology innovation. UHCMC contains some of the most prestigious medical centers of excellence in the country and the world. CWRU is one of the nation's top research universities with an endowment of more than \$1.4 billion that supports about 100 designated academic and research centers that collectively receive nearly \$400 MM in external research awards annually. In 2010, they collectively reported 216 invention disclosures, \$14.3 MM in revenue generated by spin-offs, and 5 new companies created. Together, UHCMC and CWRU form the largest biomedical research center within the state of Ohio.

The objective of the CTUHV Fund is to provide pre-seed support to early-stage, growth-oriented ventures with a focus on commercializing intellectual property

created or refined within either of the partner institutions. The Fund will invest in early-stage technology companies which have a substantial presence in or can establish a meaningful impact on the Cleveland Health-Tech Corridor, or have proprietary technologies in one of several targeted sectors (medical technology, software applications, advanced materials, fuel cells, and energy storage).

CTUHV expects substantial deal flow from the commercialization of research emanating from the partner institutions and (to a lesser extent) the recruitment of targeted vehicles to the region based on relationships with the institutions and their affiliates.

The Fund will benefit from substantial deal flow through the already strong technology commercialization operations of the partner institutions, as well as their significant investments in infrastructure to support discovery and accelerate translational development. In the last several years, for example, CWRU's School of Medicine has added two chief translational officer positions and the Department of Biomedical Engineering is one of only nine schools selected by the Coulter Foundation for a Translational Research Partnership award.

Fund Operations

CTUHV will utilize standard convertible-debt instruments to make investments in the \$300k to \$500k range, with smaller

Northeast Region



Proposal Evaluation Summary (Continued)

Case Technology University Hospital Ventures Fund

Case Western Reserve University

allocations reserved for both proof-of-concept investments (\$50k to \$100k) and bridge investments (averaging \$125k) for runway extension to additional capital or revenue as needed.

CTUHV developed its investment process based on an analysis of best-practices from across the investment and academic communities, particularly as related to the funding of pre-seed stage companies and technology validation activities. There is a six-phase process with go/no-go decision points at each phase in order to substantiate the value of the opportunity.

CTUHV will rely on a strong partnership with JumpStart to manage the due diligence process and enhanced management services (EMS). A timeline for due diligence completion and the composition of the team will be determined by the Fund. While outsourcing due diligence to JumpStart, the Fund management team leads the overall process, which includes the addition of subject matter experts from various partnerships. Due diligence teams typically consist of investment analysts, an investment officer, and Venture Partners (EIRs). The total cost of due diligence will not exceed 5% of the invested capital for a given investment.

EMS includes working with portfolio companies over time to enable them to hit critical milestones. These activities are typically conducted by Venture Partners, which are typically entrepreneurs or executives with an average of 25 years of experience across relevant industries. CTUHV will conduct quarterly briefings with current and potential portfolio companies on a range of business development topics, including funding and contracting strategies, business development opportunities, and financing strategies.

Relevant Track Record

The CTUHV is substantially a new fund, though there is a connection to the Case Technology Ventures (CVT) Fund, which was created in 2003. CVT invested \$1.73 MM in eight companies over an eight year timeframe (2003-2010). The slow investment history was limited, not by deal flow, but by CWRU's ability to invest for a five-year period from 2006 – 2011 due to financial constraints.

CVT typically invested \$250k per company in mostly incubating stage opportunities. Despite the slow pace, CTV has shown some success. Six of the eight portfolio investments are still active and almost all of them have attracted solid follow-on investment. Overall, the portfolio has attracted \$93 MM in co- and follow-on investment for a 54:1 leverage on the original investments. Five of the six active firms have taken their technology into human clinical studies

Projected Economic Impact

Development of the CTUHV Fund is designed to further encourage technology commercialization between the two institutional partners. Each partner is a billion dollar organization with a growing focus on global technology-based economic development initiatives. The Fund anticipates making 12 early-stage investments which should produce a number of positive economic impacts during the first three years of the Fund's operations, including 54 jobs created with an average salary of \$90k, and a new product pipeline of 20 development projects. The forecasted 15:1 leverage ratio on the initial investments is in line with previous outcomes from CTV Fund.

In addition, CTUHV plans to actively engage other members of the region's angel and early-stage investment

community by presenting syndication opportunities on 6-8 of the portfolio companies. These efforts are well aligned with other regional activities, in particular with the Cleveland Health-Tech Corridor. Increasing the number of positive outcomes in healthcare technology commercialization will continue to enhance the region's ecosystem and national visibility to attract federal, corporate, and philanthropic funding.

Experience & Qualifications

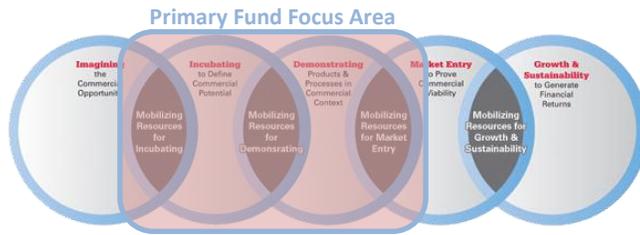
The Fund will be led by an experienced team of commercialization professionals and augmented by qualified early-stage capital investment advisors who bring experience commercializing research findings and building high-tech start-ups. In particular, the Fund manager and four permanent investment committee members have significant experience in medical and other technology fields. These leaders are well placed within the two partner institutions in order to find and access potential deal flow.

Budget

The cost share commitment is firm, with \$1.0 MM investment by UHCMC and a \$2 MM investment by CWRU. CTUHV will budget 10% for due diligence and EMS. UHCMC and CWRU employees serving on the Investment Committee or the Board will serve for free.

Recommendation

The partnership between CWRU and UHCMC to establish a new pre-seed fund creates strong prospects to leverage opportunities generated by the partners and to build on the Cleveland Health-Tech Corridor. Past outcomes from the CVT Fund have been positive and the financial issues which interrupted that fund have been resolved. Approval of funding is recommended for the CTUHV program.



Proposal Evaluation Summary

TechColumbus Pre-Seed V *TechColumbus*

Summary

Proposal #:	12-512
OTF Fund History:	Existing
Funds request:	\$2,000,000
Cost share:	\$2,000,000
Cost share committed:*	\$2,000,000

*Commitment data as of 11/16/2012

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Central Region



Fund Overview

TechColumbus is a not-for-profit organization formed in 2005 and is the grantee for the Central Ohio ESP. TechColumbus manages and provides reporting for 15 Ohio Department of Development Grants for the Ohio Third Frontier, Technology Action Fund, and Edison Incubator programs.

TechColumbus currently manages ten Third Frontier supported pre-seed funds representing \$26 MM in early-stage investments, including management of the Co-Investment Fund and the Ohio TechAngel Funds. TechColumbus' Pre-Seed Fund IV is the only TechColumbus fund still actively making investments and is expected to be fully committed by March of 2013.

Fund Opportunity

The ideal opportunity for Fund-V is a central Ohio based company in the imagining, incubating, or demonstrating phase of development in one of the Third Frontier targeted industries, with special regional emphasis on medical technology, advanced materials, software, and fuel cells and energy storage. The ideal opportunity CEO will be someone viewed as "fundable" by next round investors, and have a diverse and dedicated team who appear capable of optimizing the opportunity to a liquidity event within five to seven years.

There is ample evidence of historical deal flow across both the targeted sectors and phases. TechColumbus has built strong collaborations with regional technology institutions, including Nationwide Children's Hospital, Battelle, OhioHealth, and most recently with The Ohio State University Technology Commercialization Office, which has committed \$500k of cost share to Fund-V. Management expects that deal flow from these collaborations will increase from 5% to 25% of opportunities over the next several years as more emphasis is focused on collaborators than in the past.

Fund Operations

TechColumbus has developed and refined a thorough investment process with several stages. All leads are qualified based on a pre-defined set of criteria. An assessment committee determines if the opportunity will go to the next stage of due diligence. Upon completion of diligence, the company is coached and prepared for presentation to the Investment Committee. The Investment Committee makes all final decisions. The Investment Committee includes seasoned early-stage investors, venture capitalists, and business community leaders, as well as the TechColumbus investment team.

The Fund has budgeted 10% of capital for due diligence, which includes services of domain experts and the cost of TechColumbus professional staff time allocated to due diligence. The Fund has

Proposal Evaluation Summary (Continued)

TechColumbus Pre-Seed V *TechColumbus*

also budgeted 10% of capital for Enhanced Management Services, including the use of consulting contracts to engage the services of domain experts and advisors and to cover the costs of professional investment staff and consultants allocated to the management of Fund-V portfolio companies. If Due Diligence and Enhanced Management Services do not require the full 10% allocation, then the savings will be used to make additional investments.

There have been changes in leadership at TechColumbus over the past year, and the new CEO and his senior team have significant experience in technology commercialization, seed stage investing, and venture capital. They have begun implementing a new investment management process which will be more team oriented than in the past, and they intend to focus more on quality versus quantity of opportunities.

Relevant Track Record

TechColumbus, and its predecessor organizations, has managed pre-seed funds for 13 years and currently manages nine active Third Frontier supported funds representing \$12 MM in grants and \$25 MM in total capital, including three Ohio Tech Angel for-profit funds. Considering just the five TechColumbus not-for-profit pre-seed funds, 36 investments totaling \$8 MM has been invested in 22 companies, with one successful exit and 17 active companies remaining in the portfolio.

The one successful exit generated a return on invested capital of over 5x, and returned approximately 70% of the total capital of the two TechColumbus funds that invested in the company (Fund-I and ESP Direct). TechColumbus is reinvesting \$1.475 MM of the returns from this successful exit as cost share for Fund-V.

Early-stage investing is widely recognized as high risk and it is not uncommon to have more ventures fail than succeed. A few large successes can often offset the failures.

Of the 22 company investments across all five Pre-Seed funds, 14 have received follow-on investment totaling \$46 MM, for a leverage ratio on State funds of 8.6:1. This is lower than many of TechColumbus' peers in the pre-seed program, and in part reflects their high concentration of investments in the imagining and incubating phase.

Projected Economic Impact

Fund-V expects to invest in six to ten companies with an average investment of \$300k to \$500k. Fund-V projects total follow-on financing of \$41.5 MM, or a 20:1 leverage ratio on State funds. This appears high in relation to the historical average of 8.6:1, but is not out of line with the better performing pre-seed funds. Fund-V also projects 103 jobs with an average salary of \$62k.

Fund-V is complementary to the advancement of regional priorities set forth by the Columbus 2020! organization. Fund-V will support the creation of viable companies from enhanced collaboration with The Ohio State University Technology Commercialization Office, OhioHealth's Research and Innovation Institute, Nationwide Children's Hospital, and Battelle Memorial Institute. A stated goal of the new leadership at TechColumbus is to significantly increase the quality deal flow these collaborators.

Experience & Qualifications

TechColumbus has managed pre-seed funds for many years, including both not-for-profit funds and the for-profit funds of the Ohio Tech Angels. TechColumbus has

strong local support and runs a large and successful membership advocacy organization that includes over 700 member companies. The TechColumbus Board of Directors is comprised of leaders in the local business community, including CEO's and other C-level executives from TechColumbus' collaborators.

All investment decisions are made by the Investment Committee, which is comprised of local angel investors, venture capitalists and business community leaders, along with the TechColumbus investment team. The Investment Committee brings private sector judgment to the TechColumbus investment process.

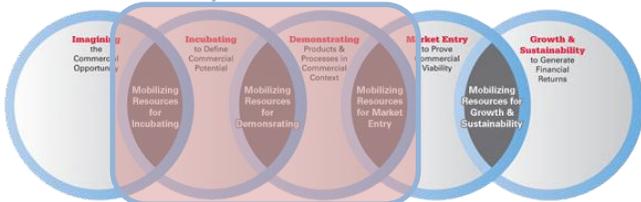
Budget

The cost share of \$2.0 MM is all committed, with \$500k of cost share from The Ohio State University Technology Commercialization Office, \$25k from the City of Gahanna, and \$1.475 MM by TechColumbus, including reinvestment of the returns from a successful exit in 2011. Committed cost share meets the 1:1 requirement.

Recommendation

TechColumbus has a lengthy track record of managing pre-seed investments, and has realized a successful portfolio exit. Although the organization has undergone recent leadership changes, the evaluators believe new management will bring a fresh perspective to move the organization forward and build on the collaborations with the regional technology community. It is recommended that TechColumbus Fund-V be funded.

Primary Fund Focus Area



Proposal Evaluation Summary

CincyTech Fund III
Cincinnati USA Regional Chamber

Summary

Proposal #:	12-514
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,050,000
Cost share committed:*	\$3,050,000

*Commitment data as of 11/16/2012

Fund Overview

CincyTech is a public-private venture development organization focused on accelerating the growth of high potential technology startups in southwest Ohio. CincyTech, a division of the Cincinnati USA Regional Chamber, is a partnership between the Chamber, the University of Cincinnati and the Cincinnati Children’s Hospital Medical Center. The intended investment focus of CincyTech Fund III (CTF-III) will be IT, bioscience, and advanced manufacturing opportunities in the early stages of the commercial development process.

CTF-III is a pre-seed fund fully integrated within the CincyTech organization, the southwest region ESP. The Fund is designed to continue the work of the previous two funds which have also received Ohio Third Frontier funding. Both CTF-I and CTF-II are fully invested and committed, creating the need for a new fund to address the limited pre-seed capital available in the region for early stage opportunities.

Fund Opportunity

CTF-III intends to invest in 15 companies with an investment of up to \$500k in any one company. The investment is typically structured as a convertible note with a conversion ceiling, discount, and interest rate consistent with the market.

The ideal opportunity is an IT, bioscience, or advanced manufacturing or materials

company in the imagining, incubating, or demonstrating stage of development, have a novel concept or technology, and has a market opportunity of \$250 MM per year. Although the proposal indicates an interest across all stages of the commercialization framework, CincyTech more often uses ESP Imaging Grants for very early stage concepts and utilizes pre-seed investments for latter stage opportunities.

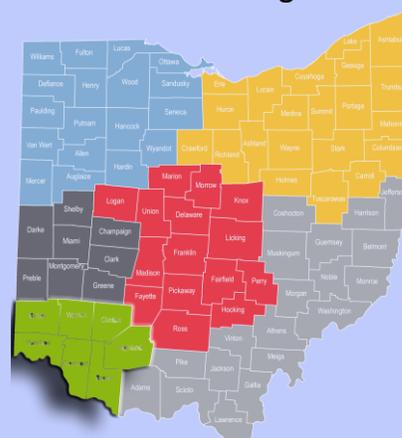
Deal flow for CTF-III appears to be solid. Since 2007, CincyTech has received over 3,000 inquiries with 906 being deemed qualified within their targeting parameters and 40 companies ultimately closing on an investment (4.4% of qualified deals). Deal flow is heavily weighted in the IT (59%) and bioscience (28%) sectors.

The distribution of qualified deal flow has changed over the past several years, shifting considerably towards the latter stages (incubating and demonstrating). Recent years have shown improvements in deal flow which are attributed to deeper relationships with the University of Cincinnati (UC) and Cincinnati Children’s Medical Center (CCMC) and an expanding network of entrepreneurs, corporations, and investors. The relationships with UC and CCMC now account for approximately 10% of approved investments. In addition, over one-third of companies receiving

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Southwest Region



Proposal Evaluation Summary (Continued)

CincyTech Fund III *Cincinnati USA Regional Chamber*

Imaging Grants eventually received CTF investments.

Fund Operations

CincyTech uses a well-defined investment process that moves a potential target from the initial application stage through the post-investment management stage. An analyst is assigned to review the opportunity to ensure that it meets the primary criteria. If the opportunity continues to show promise, then additional ESP services are provided and formal due diligence begins. A significant portion of the deal flow does go through the ESP for support services to help those companies progress to an investment readiness stage.

As opportunities progress to a formal due diligence phase, activities typically focus directly on technical and scientific validation, as well as the usual legal and background screening. Technical research is frequently led by a CincyTech employee with either bioscience or IT expertise, or outside resources as needed.

Similarly, it is anticipated that CincyTech employees will provide the bulk of Enhanced Management Services (EMS) to CTF-III portfolio funds. EMS is narrowly defined to include board representation to provide guidance in the areas of resource introductions, governance, growth planning, investor relations, and exit planning. As the CTF portfolios grow, internal CincyTech resource will likely become challenged and additional resources will need to be identified.

Relevant Track Record

With five years of experience, CTF-I and II have invested in 40 companies. Most of the portfolio companies have received additional investments, generating a total of \$127 MM in co- and follow-on capital,

for a 20:1 leverage ratio on state funds. CTF-I has invested \$10.2 MM and has realized \$2.6 MM in returned capital. CTF-II has invested \$3.6 MM, though it is less than two years since its initial investment and is yet to realize a return.

With 35 of the 40 companies still active, the portfolio has created 338 jobs at a \$74k average salary. CTF-I has succeeded in bringing new regional investors to the table, including high net worth investors who normally prefer to invest outside of organized groups. These individuals are both a source of deal flow and also provide post investment assistance. CTF-I has been able to attract approximately \$2 MM from out-of-state investors.

Projected Economic Impact

Based upon the prior experience with CTF-I and CTF-II, the new fund is projected to invest in 15 companies which will attract an additional \$60 MM of co- and follow-on investment (20:1 leverage ratio on State funds). Portfolio companies of CTF-III are expected to generate 120 jobs at an average wage of \$64k. Based upon their prior experience, these projections seem reasonable. CTF portfolios will enable CincyTech to be well positioned to leverage new programs and other sources of capital in the region.

Experience & Qualifications

The leadership team at CincyTech and CTF-III has relevant experience in venture investing, fund operations, due diligence, and pre-seed and seed stage investments. CincyTech is supported by research institutions, corporations, foundations and civic organizations in southwest Ohio.

CincyTech is governed by an executive committee which includes the retired president and CEO of CCMC, as well as the

heads of the Cincinnati USA Regional Chamber and the University of Cincinnati.

Budget

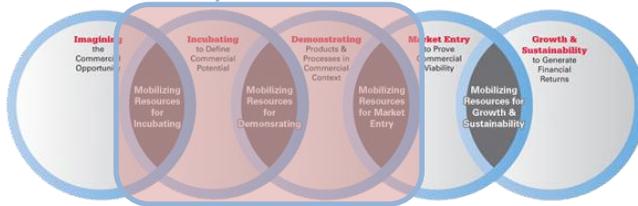
The Fund plans to use up to 10% of funds to cover expenses for due diligence and enhanced management services, although Fund management expects overall costs to be less than the 20% cumulative cap. These funds will be used to cover professional staff expenses.

The cost share is fully committed and many of the investors in the Fund have domain expertise in IT, bioscience, and manufacturing. In addition, many are interested in assisting with the opportunity vetting process and advising or serving on boards of the portfolio companies.

Recommendation

As investment activity in the Southwest Ohio region has increased from \$45 MM in 2007 to \$70 MM in 2011, so too has the investment activity of the CincyTech funds. In 2007, the CincyTech funds represented 8% of the total venture activity and by 2011 that amount had increased to 70%. In addition to the jobs created and revenue generated, the pre-seed funds' activity has helped to increase Ohio's investment profile to out-of-state investors. Based on strong portfolio performance and the experienced management team, CTF-III meets program criteria and is recommended for funding.

Primary Fund Focus Area



Proposal Evaluation Summary

Ohio Tech Angel Fund IV *Ohio Tech Angels*

Summary

Proposal #:	12-516
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,150,000
Cost share committed:*	\$3,150,000

*Commitment data as of 11/16/2012

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Central Region



Fund Overview

The Ohio Tech Angel Fund IV (OTAF-IV) is a for-profit, member funded angel investment fund with a focus on incubating and demonstrating phase technology companies. Since 2004 the Ohio Tech Angels organization has grown from 50 to 282 members across its first three funds. The addition of OTAF-IV will make the group the largest angel network in the United States.

The OTAF-IV offering was fully subscribed above the \$3 million target in less than three weeks. OTAF-IV expanded the angel group to 330 members, including 50 women, 27 non-Ohio members from 12 states, and one international member. The Fund will continue to focus on leading opportunities in the central Ohio region.

Fund Opportunity

The ideal opportunity for OTAF-IV is a central Ohio based company in the incubating or demonstrating phase of development in one of the TFC targeted industries. The company's CEO will be viewed as "fundable" by the next round of potential investors, and have a diverse and dedicated team who appear capable of optimizing the opportunity to a liquidity event within five years. Historically 70% of OTAF's investments have been in the health care and information technology sectors.

OTAF's historical deal flow is well documented and tracked by phase. Over the past eight years, OTAF has reviewed 1,931 opportunities, of which 187 (10%) were deemed qualified, and made 41 investments in 37 companies (2% of opportunities).

Over the years, OTAF has built strong collaborations with Nationwide Children's Hospital, Battelle, OhioHealth, and The Ohio State University Technology Commercialization Office. Fund management services are provided by TechColumbus, who is also a consistent source of deal flow.

Fund Operations

There is a well-defined, multi-step investment process led by the Fund Manager and includes active participation by Fund members. Fund members, many of whom have a history as successful entrepreneurs, bring significant real-world experience in evaluating and monitoring investments.

In addition, OTAF has developed, documented, and tested an extensive range of educational tools to train its members on subjects such as due diligence methods and how to be an effective board member.

The due diligence process is well-defined and clearly documented in OTAF's Due Diligence manual. Once an opportunity has received an affirmative majority vote

Proposal Evaluation Summary (Continued)

Ohio Tech Angel Fund IV

Ohio Tech Angels

of the members to proceed, the opportunity is vetted by a Due Diligence Team comprised of OTAF-IV's Manager and/or Director, plus a minimum of three OTAF members. OTAF-IV has budgeted 10% for due diligence expenses to cover the cost of subject matter experts when needed.

The Due Diligence Team reviews its findings and recommendations with the membership. If the majority vote of the membership is affirmative to move forward with an investment, the Due Diligence Team will close the investment, often syndicating the deal. Members are strongly encouraged to make "sidecar" investments alongside the Fund. To manage and support its investments, OTAF provides an experienced and OTAF-trained Board member or Board observer.

The TechColumbus staff frequently provides OTAF portfolio companies with enhanced management services, such as marketing, management, technical, and commercialization assistance. The investment team at TechColumbus will serve as the OTAF-IV fiduciary agent, Fund manager, and transaction manager. They will also provide all required fund reporting to the State of Ohio.

Relevant Track Record

The Fund management's review of its track record was among the best detailed discussion of prior experience and fund history. Though most of the discussion contained substantial trade secret information, the relevant track record and lessons learned are impressive.

OTAF funds have invested \$9.4 MM in 37 companies which have attracted over \$241 MM in co- and follow-on investments (generating a strong 43:1 leverage ratio on State funds). Overall,

the three prior funds have generated a total of \$433 MM of level-A Metrics.

There have already been four successful exits among OTAF's 37 portfolio company investments and another 24 companies remain active in the portfolio. Successful exits have allowed OTAF-I and OTAF -II to make significant distributions their members.

Projected Economic Impact

OTAF-IV expects to invest in 14 companies with an average investment of \$300k – \$400k. OTAF-IV projects total follow-on investment in its 14 investments will total \$130 MM, for a leverage ratio on State funds of 43:1, which is consistent with its historical performance. Fund management projects a total of 251 jobs retained or created with an average salary of \$62k. All projections are in line with past fund experience.

With the formation of OTAF-IV, the Ohio Tech Angels organization will become the largest angel investor group in the United States with 330 members. The first OTAF fund in 2004 had 50 members. Sidecar investments by members provide a significant source of leverage, and the ability to attract resources beyond the Third Frontier funding period is evidenced by the significant membership growth over the last eight years.

Aside from successful investing activities and organizing angel networks, their professionalism, tools, and successes bring positive attention to the region and help to attract outside capital sources.

Experience & Qualifications

The core investment team at OTAF and TechColumbus has been together since the beginning. The Fund Manager is chairman emeritus of the Angel Capital Association

and has personally invested in over 50 ventures.

The members of OTAF-IV, who are the cost-share providers, provide a significant additional source of talent and capital to support OTAF-IV companies. The team has also proven successful in attracting later-stage capital to its investments as 21 venture capital firms have invested in 15 of the OTAF portfolio companies.

Budget

The cost share of \$3.15 MM is 100% committed by membership subscriptions for 105 membership units at \$30,000 each. Committed cost share exceeds the 1:1 requirement.

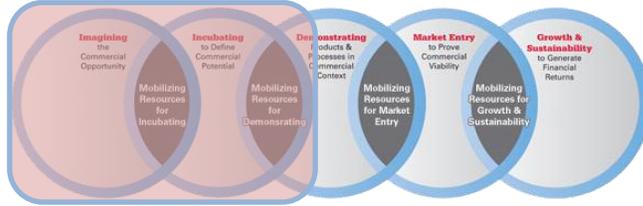
OTAF-IV has budgeted 10% of funds for both due diligence and enhanced management services.

Recommendation

Consistent with past OTAF funds, OTAF-IV intends to lead investments in incubating and demonstrating stage technology companies in the central Ohio region. The organization's historical track record of managing Third Frontier Pre-seed Funds is one of the best in terms of successful exits, and the organizations historical follow-on investment leverage ratio of 43:1 is impressive.

The group has demonstrated the ability to identify and serve a high quality, on-going deal flow which is not being adequately served by other funds. It is recommended that OTAF-IV be funded.

Primary Fund Focus Area



Proposal Evaluation Summary

Northeast Ohio Innovation Fund
Lorain County Community College Foundation

Summary

Proposal #:	12-520
OTF Fund History:	Existing
Funds request:	\$2,125,000
Cost share:	\$2,125,000
Cost share committed:*	\$1,625,000

*Commitment data as of 11/16/2012

Fund Overview

The Northeast Ohio Innovation Fund (IF), a not-for-profit fund, seeks additional funding to continue its mission which originally launched in 2007. The Fund identifies and invests in opportunities located or willing to locate within the 21-county northeast Ohio region which are at an early stage of development. The Fund sees its role within the region's funding continuum as a focus on the very earliest stages of commercialization (imagining and incubating).

The Fund does not make awards to opportunities that have already received funding from a "later stage fund" in the regional network. Many times, the Fund is the first investment into a company outside of the entrepreneur's personal assets. The IF has a unique educational perspective, requiring portfolio companies to provide "quality entrepreneurship experiential learning opportunities for students and/or faculty of the IF higher education partners."

Fund Opportunity

The IF seeks to fill the funding gap at the entry stage of development and engage the higher education system to accelerate opportunities. The Fund maintains a clear set of criteria (revenue of \$20 MM to \$50 MM within 10 years, \$100 MM market potential, etc.) and focuses on early-stage opportunities in targeted sectors (advanced energy, advanced materials, advanced propulsion, ICE, & biomedical).

The Fund permits awards to IT opportunities if they are connected to one or more of the core target industries.

The Fund has two award types, "A-awards" (grants up to \$25k) to prove technology concepts and "B-Awards" (up to \$100k) for proof of business concept. IF does not realize any financial returns from A-awards (they are grants), rather the return is the fulfillment of educational opportunities and the progression of the company. B-awards are expected to be repaid within three to six years, usually from follow-on funding.

The Fund has a solid history of deal flow from several of the major regional players (JumpStart, university partners, BioEnterprise, etc.). In addition, GLIDE, located on LCCC's campus, identifies ample opportunities as one of 12 Edison Technology Incubators.

The Fund has budgeted \$300k of grants per quarter in order to maintain program continuity, even though the quality of deal flow would support a great number of quarterly grants.

About 15-20% of quarterly deal flow comes from non-winners in prior rounds. This helps entrepreneurs to pivot, improve, or recognize that the original idea was not good enough. Additional funding for IF will help to increase the amount of funds awarded quarterly (up to \$600k).

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Northeast Region



Proposal Evaluation Summary (Continued)

Northeast Ohio Innovation Fund

Lorain County Community College Foundation

Fund Operations

The Fund has a well-defined 6-step process which is repeated quarterly to manage everything from lead qualification to due diligence and investing decisions. Each step has a clear process with a set of tools and reports. The partners and collaborators play key roles, providing expert resources for the process. The B-grants require the entrepreneur to provide \$100k of matching funds from other sources. This creates valuable market experience and validation both for the idea and the entrepreneur. To date, only one B-award applicant has failed to raise the matching funds.

The Fund uses a variety of means to capture information, including web-based tools and administrative support. They are connected to JEN and utilize JumpStart's CRM system.

Historically, LCCCF and GLIDE have provided due diligence support as an in-kind contribution. They plan for this to continue, but expect to hire a fund support manager to oversee and assist the process. The proposal seeks to use 10% of the grant award for due diligence (to support the manager position), but use 100% of cost share funds for investments. However, the RFP states that any OTF funds used for due diligence must be matched 1:1 with cost share.

No program funds are requested for enhanced management services (EMS). The Fund is built upon partner collaboration and all partners provide expertise and resources for EMS. Portfolio companies are required to meet with GLIDE and designated partners (based on specific areas of need) and this has proven to be a successful model in aiding companies.

Relevant Track Record

Since inception in 2007, the LCCCF has seen a 60/40 split between applications for A-level and B-level opportunities, respectively. The Fund has managed four funding rounds, making 99 awards (\$5.725 MM) to 83 companies. From those awards, portfolio companies have secured \$4.4 MM in co-investments and \$67 MM in follow-on funding. While there are some large follow-on investments, there is a broad range of portfolio companies receiving significant investments (overall 51 of 71 companies in rounds I, II, & III have received follow-on funding; round IV is too new).

Each funding round has shown a timely use of funds and strong outcomes, achieving a 28:1 leverage ratio from the first three funds. As an extra benefit, portfolio companies have created over 150 internships for college students at partnering institutions.

Projected Economic Impact

The Fund expects to make 60 A-level awards (\$25k average) in late imagining opportunities and 24 B-level awards (\$100k average) in incubating opportunities. Funds are expected to be fully invested within three years, a pace consistent with the history of the IF.

The IF projects that 80 jobs with a \$50k average salary and 80 internships with educational opportunities will be created from this round of funding. The Fund expects portfolio companies to attract \$30 MM in follow-on investments.

A new initiative in this proposal is using the \$125k of cost share from the University of Akron to pilot the Northeast Ohio Student Venture Fund as a potential complimentary component of the Fund's A Grant Awards. This element is expected to capitalize 10

companies with \$25k awards and is expected to generate \$1.5 MM in co- and follow-on investments.

Experience & Qualifications

The Fund's primary management team has successful business experience and has worked well with very early stage pre-seed ventures. In addition, the Innovation Fund Committee of the LCCC Foundation is comprised of regional serial entrepreneurs, investors, resource providers, and educational leaders in order to provide private sector judgments to funding and strategic decisions for the Fund.

Budget

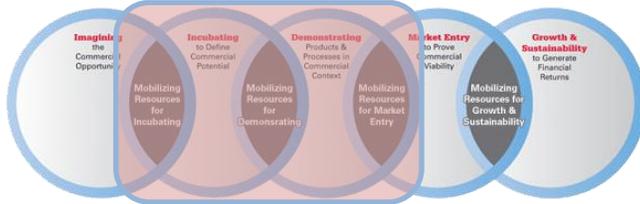
This proposal requests a grant of \$2.125 MM for a total budget of \$4.25 MM. Of the total budget, \$4.05 MM will be used for approved investment awards, with \$200k used to support due diligence efforts. No funds are required to support enhanced management services since providing in-kind support for EMS is a requirement of all fund collaborators.

Only 76% of the cost share commitment is firm, though there is a reasonable expectation that the remaining funds will become available from existing partners extending their support.

Recommendation

The Innovation Fund has a unique deal flow, uses a sound investment process, provides interesting entrepreneurial educational opportunities, and generates a solid track record. The Fund has shown its ability to meet program goals and the Fund plays an important role as an early funder within the regional ecosystem, providing high quality opportunities to later stage funds. With a well-documented proposal and demonstrated success, the Innovation Fund is recommended for additional funding.

Primary Fund Focus Area



Proposal Evaluation Summary

JumpStart Evergreen Continuation Proposal 2012 *JumpStart Inc.*

Summary

Proposal #:	12-526
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,000,000
Cost share committed:*	\$950,000

*Commitment data as of 11/16/2012

Fund Overview

JumpStart Inc. is a non-profit venture development organization formed in 2004 to help high-potential technology-based imagining and incubating phase companies located in Northeast Ohio be better prepared to access available equity capital sources. JumpStart has become a nationally recognized non-profit organization which has invested \$24.5 MM via the JumpStart Evergreen Fund (JEF) into its 65 portfolio companies.

JEF was originally designed to be the first institutional money invested in a young firm. The Fund is prepared to take the risks associated with this role and attempts to mitigate those risks with the investment rigor of a for-profit investor, along with providing enhanced management services (EMS) to portfolio companies in order to create technology innovation clusters and jobs. The proposal seeks to create additional funding for the existing JEF. It is JumpStart's intent that JEF will eventually become self-sustaining, as all profits and distributions are to be re-invested.

Fund Opportunity

Though originally created to address opportunities in the earliest phases of the commercialization framework, as the regional investment ecosystem has seen the emergence of other imagining stage funds, JEF has shifted its focus more towards the incubating and demonstrating stages of development.

JEF investments will range from \$300k to \$600k, typically in the form of convertible debt, and is designed for high potential startups which are unable or are not yet ready for private institutional capital.

The growth and visibility of new early stage pre-seed funds has helped to increase the volume of qualified incubating and demonstrating stage opportunities. During each of the past three years, over 500 area incubating and demonstrating stage companies have sought investment capital. While not all of these opportunities meet JEF's investment criteria, there are indications that there is a robust deal flow.

Many companies at this stage will typically have had exposure to the ESP process and have received enhanced management services. Overall, JEF averages 288 phase-appropriate inquiries, with about 60 inquiries per year as qualified investment candidates.

Fund Operations

There is a well-established investment process which provides a rigorous and comprehensive system for managing deal flow in a timely manner. Each opportunity proceeds through a five stage process of Advise, Apply, Assist, Pre-Close, and Accelerate.

The process begins with evaluating leads against investment criteria and moves through evaluation, assistance, and

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Green
Relevant Track Record	Green
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Green

Northeast Region



Proposal Evaluation Summary (Continued)

JumpStart Evergreen Continuation Proposal 2012

JumpStart Inc.

investment decision stages. Leads can be dropped out at every decision point along the way. The Fund management team has extensive history, including private sector experience, and several steps incorporate external "subject matter expert" input, as needed. JEF has a very detailed tracking system and does an excellent job tracking opportunity progress and portfolio company metrics.

Specific elements of the due diligence process are led by professional staff with appropriate experience and often includes consulting from "subject matter experts" and potential customers for particular technology areas. At the conclusion of the due diligence process, a brief Investment Recommendation Memo is presented to the Investment Panel. The Investment Panel, made up of a subset of the JumpStart team who has participated in the process, has the option to agree or disagree with the recommendations presented.

Once a company has received investment from JumpStart, it is assigned a Venture Partner who works closely with the entrepreneur to provide intensive mentoring and advisory services. The enhanced management services are an important component to driving company success, as the entrepreneur and Venture Partner work together to identify and achieve milestones that meet the company's and JEF's goals.

Relevant Track Record

JEF has been recognized as one of the most active investors in the region for technology-based companies in the early stages of development. JEF has been in existence for eight years and is well integrated with the ESP resources, allowing the Fund to provide entrepreneurs with significant counsel on their ideas. JEF has invested \$24.5 MM

through 98 investments in 65 companies. JEF has a strong diversity track record with 30 of the 65 portfolio companies being led by women or minorities, or are located in inner-city locations. Since 2004, JEF has created 528 direct jobs with an average salary of \$74k, raised more than \$251 MM in outside investment, and generated \$153 MM in cumulative revenues.

The Fund expects to be fully invested by the end of 2012. The JEF portfolio has seen one exit and five companies of the portfolio companies have repaid their note either in full or in part. Since JEF's original focus was on very early stage opportunities, it is not surprising that they have seen only one exit as the national average exit timeframes are around 8 years for strategic acquisition or 10 years for IPO. The average age of JEF portfolio companies is only 4 years.

Projected Economic Impact

The Funds utilize five primary measures of economic impact (job creation, personal wealth/salaries, new sales of products, talent recruitment, and receipt of new public or private funding).

The Fund plans to make investments in 16 companies, with the expectation of a 15% failure rate based on historical experience. That results in 13-14 new companies, which are projected to generate 500 high salaried jobs and approximately \$50 MM in follow-on investments (a 17:1 leverage ratio on State funds) and cumulative revenues of \$320 MM. These significant outcomes are well supported from past experience.

Experience & Qualifications

JumpStart Inc is a nationally recognized non-profit organization providing resources to high potential early-stage companies. The principals of the

proposed fund all serve in leadership capacities at JumpStart. The leadership and staff have experience in a variety of areas directly relevant to this initiative. The nine individuals that will be leading JEF have significant experience not only with JEF, but also with many other early stage ventures.

Budget

JEF plans to utilize 10% of funds for each of due diligence and enhanced management services. These funds will be used cover staff expenses, as well as contracted services when specific subject matter experts are engaged.

Although JumpStart has demonstrated its ability to attract matching funds from both public and private sources for previous funds, its cash match commitments for the current proposal is only 32% firm. JumpStart has a successful history with funding and maintains an extensive collaborator network, which indicates that it is likely they will secure the remainder of the match funds, but it is an important caution to note.

Recommendation

Consistent with past JumpStart Evergreen fund requests, JEF intends to invest in high potential startup firms. The proposal is for a continuation of JEF which has a solid track record, as well as being backed by an experienced team with a successful track record.

The ability to generate and vet a very robust deal flow provides for many opportunities. This proposal rates favorably and is recommended for funding.

**Pre-Seed Fund
Capitalization Program
FY12**

**Stage 2
Non-Recommended Funds
Evaluation Summaries**

(In order of Proposal #)

Proposal Evaluation Summary (Continued)

Impact Angel Fund *Impact Angel Fund, LLC*

Fund Operations

IAF is a spin-out group which plans to utilize investment processes from ECOTAF and Ohio Tech Angels Fund (OTAF). Fund leaders recognize that the OTAF commercialization model does not translate directly to rural settings. To address the differences, the IAF process will deviate from the OTAF model by using a heavy reliance on local groups comprised of three or more fund members located in a single county.

The reliance on small, local groups, versus a centralized group, makes sense, but it is unclear what process will be available to coordinate, guide, and coach activities across the sub-groups. This could create inequities within the overall area as some local groups are more or less qualified to perform their tasks.

The due diligence process will utilize materials from OTAF. The process will be managed by a combination of local members and periodically engaging an ESP for specialized assistance. There is no clear training for local members or process definition for when to engage outside resources. There is also a reference to the Rural Acceleration Model, but that described model is focused more on assisting the commercialization process and does not specifically address due diligence.

The overall due diligence process appears to be very long, with phase 1 (preliminary review and business plan development) alone taking 6 - 9 months. Therefore, the whole process could take 10 months or more to complete.

EMS relies on the knowledge of fund members or outsourcing to an ESP when necessary. There's inadequate information about the qualifications of

fund members in order to assess their ability to provide EMS services. "Lead angels" are identified in some of the counties. These are people with reasonable business experience, though not necessarily technology, start-up, or entrepreneurial experience.

Relevant Track Record

The IAF manager has relevant experience with angel funds, pre-seed capital, and institutional venture capital. The proposal makes a valiant effort to provide several real examples, but review of the track record is hampered due to limitations on data access and limited applicability to IAF's specific model. Nonetheless, the record of similar funds with common targets and fund leaders does provide some support.

ECOTAF is the most directly relevant experience. While it has taken over three years for the Fund to make its final investment, all seven investments are still active and some of the older investments have achieved co- and follow-on investment. One portfolio company has a Letter of Intent for acquisition and fund members should receive approximately 50% of their investment unit cost.

Projected Economic Impact

There is an expectation to invest in 5-6 companies within two years, which is somewhat faster than the ECOTAF experience (7 investments in over 3 years). The expected \$20 MM – \$40 MM in follow-on investment seems high given the existing ECOTAF experience which has started to generate solid follow-on funding, but has seen \$10 MM in funding so far. The proposed activities are well aligned with overall regional goals and would help to fill a gap in the funding continuum, but the lack of clarity and connection between initial deal flow and the defined opportunity

raises concerns about achieving high quality investments within such a short timeframe.

Experience & Qualifications

IAF will be led by a fund manager with early-stage, technology-based investment experience. The Fund will have an advisory committee led by a retired executive from a major corporation, though his start-up experience is more limited.

Budget

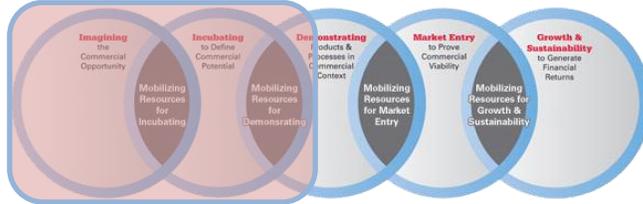
This proposal requests a grant of \$1.4 MM for a total budget of \$2.8 MM. Of the proposed budget, 15% of the funds are earmarked for management fees, fund expenses, due diligence, and EMS efforts.

IAF is a committed capital angel fund which has secured half of the cost share commitment. Proposal updates on fundraising indicated some additional funding intent has been received, but while fundraising efforts continue, there is no strong indication of being able to raise all of the additional funds soon.

Recommendation

The targeted region is very rural and remains on the distant edge of two ESP regions, so it would likely benefit from greater direct investment efforts. IAF fits with the intent of the program by focusing on pre-seed technology companies in an underserved region. While there is relevant experience, significant angel investing interest, and potential for success, the proposal would benefit from additional refinement in several areas before being recommended for funding. Improvements in fund operations, refinement of deal flow sources, and greater collaboration with regional ESP resources would help. In the meantime, we cannot recommend this fund until these areas are addressed.

Primary Fund Focus Area



Proposal Evaluation Summary

BioMotiv Development Fund *BioMotiv*

Fund Overview

BioMotiv, LLC, located in Cleveland, is a new, for-profit therapeutic development accelerator focused on transforming breakthrough discoveries into medicines. It is the for-profit component of The Harrington Project for Discovery and Development, a national initiative centered at University Hospitals.

Launched in 2012, BioMotiv seeks to accelerate discoveries from research institutions into medicines by aligning capital and collaborations. The BioMotiv Development Fund is designed to source therapeutic technologies nationwide from research institutions, disease foundations, government laboratories, and biopharmaceutical companies.

BioMotiv has been created as a therapeutic development accelerator to aid in the commercialization process of breakthrough drug discoveries.

Fund Opportunity

The Fund's ideal therapeutic opportunity will be at the imagining and incubating stages of development, with the majority at the incubating stage (defined as near the pre-clinical development stage in drug development terminology). The primary source of opportunities for investment will be research institutions and biopharmaceutical investment firms. These opportunity sources are mostly from outside of Ohio (84% of all opportunities). Therefore, BioMotiv will

create an Ohio-based company around technologies it licenses from these sources.

The acquired technologies will be ready for translation into commercial-oriented drug development as they advance into pre-clinical and early clinical stages. The Fund intends to invest in 18 opportunities with an initial investment of \$250k to form the company, secure its initial IP, hire 1 or 2 individuals, conduct critical technology development and validation tasks, secure additional IP, and secure non-dilutive funding from sources such as disease foundations and federal government funds.

For companies which meet specified success milestones, BioMotiv will make a second fund investment of \$750k. With the second funding round, the portfolio company will work to advance the company's product to the demonstrating stage. In addition, funds will be spent on development tasks such as pre-clinical studies, further IP portfolio development and the pursuit of additional non-dilutive funding.

With a goal of reviewing 100 qualified leads per year, the plan provides extensive details about sourcing opportunities through relationships and networks. There is an extensive list of immediate deal flow sources and management's network of relationships does lend credence to their claims of

Summary

Proposal #:	12-517
OTF Fund History:	New
Funds request:	\$3,000,000
Cost share:	\$6,000,000
Cost share committed:*	\$6,000,000

*Commitment data as of 11/16/2012

Evaluation

Category	Status
Fund Opportunity	Yellow
Fund Operations	Yellow
Relevant Track Record	Red
Projected Economic Impact	Red
Experience & Qualifications	Green
Fund Budget	Green

Northeast Region



Proposal Evaluation Summary (Continued)

BioMotiv Development Fund

BioMotiv

adequate deal flow to support their investment hypothesis, though no historical or future deal flow data is available to evaluate.

Fund Operations

Opportunities will be initially assessed by the BioMotiv team with a focus on the technology, market opportunity, fit with the portfolio, financing and development profile, potential follow-on funding and interests to strategic partners (i.e. exit potential). Promising opportunities will be assigned a project lead from the BioMotiv team to manage the due diligence process for investment consideration by the Fund.

The first level of due diligence will provide a detailed assessment on a variety of areas, including status of development, IP status, market opportunity, competition, regulatory pathway and opportunities for follow-on funding. Projects that are found to be compelling will be put through a second level of due diligence, including an evaluation by BioMotiv's scientific advisory board. The primary goal of the due diligence is to answer the critical questions using the initial investment to determine what additional information would be needed to substantiate the decision for the second investment.

All investment decisions for amounts greater than \$100k are made by the BioMotiv Board of Managers. BioMotiv will provide enhanced management services to portfolio companies, including initial company formation, management team recruitment, project planning, and development and support for the pursuit of follow-on funding. The proposed process appears sound, but the unique nature of the intended investment plan makes it a bit more difficult to assess the potential success of the operations.

Relevant Track Record

BioMotiv is a new entity, though the leadership does have relevant early stage commercialization and investment (including fund management) experience. The breadth of experience and network contacts by the Fund principals is valuable. The Fund principals have experience in early-stage life science pre-seed funds, though the prior fund histories do not appear to follow the same investment process as the proposed Fund. The assumptions of this Fund are difficult to evaluate and substantiate.

With the absence of a prior direct fund experience, the proposal does not include specific information about past successes. When queried, management was able to provide some very high-level information about only one other comparable fund model, though no detailed information.

Projected Economic Impact

The Fund intends to create 18 companies in Ohio which will create 120 jobs and generate \$227 MM in follow-on funding. It is unclear how BioMotiv's investments will achieve the projected level of direct employment. The plan states hiring only 1 - 2 people initially, with the expectation of outsourcing most of the work. Even after a later round of investment, management expects portfolio companies to rely on the BioMotiv network of advisors, rather than invest in growing internal teams.

The anticipated exit strategy is a license of the portfolio company's technology or an outright acquisition. Given the expected exit strategy and lack of strong roots to the local community, there is reason to question how likely it is that portfolio companies will remain in Ohio and fulfill a primary goal of the pre-seed capitalization program by creating sustainable long term jobs in Ohio.

Experience & Qualifications

The BioMotiv management team has considerable experience in biomedical and life sciences. The management team will rely on this experience to draw upon a network of industry consultants to support its full-time staff. BioMotiv has established a scientific advisory board to provide the company with strategic advice on projects, emerging trends, and potential opportunities for collaborators and partnerships.

Budget

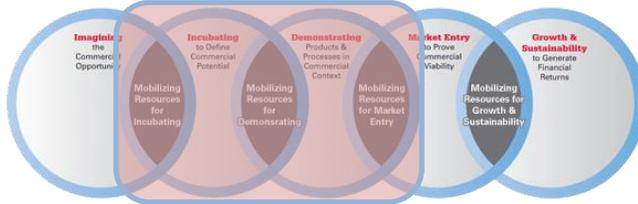
BioMotiv plans to invest all funds into the portfolio companies and does not plan to use any of the funds for either due diligence or enhanced management services. The \$6 MM cash cost share with a 2:1 match is fully committed from BioMotiv, via its relationship and funding from University Hospitals.

Recommendation

The Fund as designed by BioMotiv appears to address the funding needs that many in the bioscience industry face, the often referenced "valley of death." While the focus and concept may have merits, several serious concerns exist about how well the Fund aligns with some primary goals of the Ohio Third Frontier.

The proposed Fund's investment process does not have many, if any, similarly designed peers which can validate significant success with the proposed resources for therapeutic technologies. More importantly, the proposed process and exit strategy does not provide for a clear likelihood that portfolio companies will maintain or grow within the region – one of the program's primary criteria. Given these concerns, the evaluators cannot recommend funding for the BioMotiv Development Fund.

Primary Fund Focus Area



Proposal Evaluation Summary

Emerging Market Fund LLC
Emerging Market Fund LLC

Fund Overview

Like virtually all early-stage business opportunities, minority, women, and inner-city based businesses suffer from a shortage of available capital. Their challenges are compounded in many ways, resulting in a significantly underserved, yet potentially promising market. The Emerging Market Fund (EMF) is a for-profit fund aimed to address the shortfall in funding resources for female and minority-led opportunities.

EMF was originally created in 2008 with \$500k from an Ohio Third Frontier grant and \$250k matching support from National City Bank (now PNC). The Fund's launch was initially delayed due to an attempt to expand the Fund significantly based on institutional investor interest in a fund size exceeding \$10 MM. After numerous efforts to raise additional funding failed, the decision was ultimately made to return the Fund to the original size and structure as initially approved by Third Frontier.

Fund Opportunity

The EMF's focus is to create a dedicated pool of early stage capital specifically targeted to minority and women-owned technology based businesses, with an emphasis on businesses physically located in lower income census tracts. There is significant deal flow volume of target opportunities showing up in the JumpStart ESP and pre-seed fund, which helps to validate the potential opportunity.

The primary sources of deal flow will come from each of the ESPs across the state and a network of strategic partners. An additional network of over 30 organizational partners includes minority assistance groups which provide services to minority entrepreneurs, including The Presidents' Council, The Northern Ohio Minority Supplier Diversity Council, and the Urban League of Greater Cleveland, among others.

EMF will invest in demonstrating stage companies throughout the entire state and specifically intends to focus on opportunities where a beta test or initial pilot with a reputable customer has been completed and the company is within 90 days of generating revenue.

The Fund will target firms which have the potential to sell to large companies who have stated diversity objectives for their supply chain partners and proactively seek minority and women-owned supply chain partners.

Fund Operations

EMF is integrally connected to existing JumpStart operations. JumpStart is the Fund's General Partner and the Managing Director of EMF also serves as the Chief Economic Inclusion Officer for JumpStart.

The EMF investment process follows the same multi-step process used by the JumpStart Evergreen Fund, though there will likely be some variances due to the differences in focus stage. The deal flow assessment process is run by the ESP staff

Summary

Proposal #:	12-527
OTF Fund History:	Existing
Funds request:	\$3,000,000
Cost share:	\$3,000,000
Cost share committed:*	\$0

*Commitment data as of 11/16/2012

Evaluation

Category	Status
Fund Opportunity	Green
Fund Operations	Yellow
Relevant Track Record	Red
Projected Economic Impact	Green
Experience & Qualifications	Green
Fund Budget	Yellow

Northeast Region



Proposal Evaluation Summary (Continued)

Emerging Market Fund LLC *Emerging Market Fund LLC*

and presented to the Fund's Managing Director. All investment decisions are made by an independent Investment Committee. The Investment Committee is comprised of experienced venture capitalists, business leaders, and successful entrepreneurs.

JumpStart will provide all back office support for the Fund. EMF has allocated 7.7% of funds for due diligence and 7.7% of funds for enhanced management services. These funds will cover EMF and JumpStart staff costs allocated to these Fund activities. Utilizing the some staff for multiple initiatives raises some concerns about resource availability.

Relevant Track Record

The EMF received its first Third Frontier grant of \$500k in 2008. However, it was not until December 2011 that EMF had its first close, securing cost share commitments totaling \$700k from PNC Bank, the Ohio Capital Fund, and various angels.

Though there are reasons for the lengthy delays in initiating the Fund's activities, as of September 2012, the Fund had yet to make an investment. The lengthy delay in initiating operations and deploying funds raises some concerns about the Fund management's ability to define a focused strategy and utilize available resources.

EMF has recently started or completed diligence on six opportunities and approved three for investment. As of late October 2012, the Fund had yet to close its first investment. Therefore, no historical or comparable track record was available for evaluation.

Projected Economic Impact

The EMF anticipates a total capital raise of \$7.5 MM, although no firm cost share

commitments had been obtained as of the grant submission. Fund management projects that the Fund will invest an average of \$300k to \$500k in 12 companies. They project 120 jobs in three years and over 2,000 jobs in 10 years with an average salary of \$65k.

EMF projects follow-on investment of \$30 MM in three years and \$850 MM over ten years. There is no historical track record available to evaluate these projections. Fund management makes the argument that the initiative's success will raise the region's profile and potentially attract additional capital.

Experience & Qualifications

The EMF Managing Director has served as JumpStart's Chief Economic Inclusion Officer and has been directly involved in JumpStart's operations for the past seven years, but has never managed an early-stage investment fund. The balance of the Fund management team has relevant experience with early stage companies and technology commercialization, and the Investment Committee is very experienced in early-stage investing and technology commercialization. The Fund's infrastructure will be provided by the JumpStart organization, which has a track record managing pre-seed funds.

Budget

The Fund proposal indicates a list of likely cost share collaborators, though none of the cost share for this proposal has been committed. Although there are letters of support from potential cost share collaborators, it is difficult to call these commitments since only one out of eight specifies an amount under consideration.

Each of the potential cost share collaborators does have a history of cost share commitment to JumpStart, but it is

impossible to evaluate the status and likely timeliness required to close the considerable sums required.

Recommendation

The evaluators believe this proposal has merits on many levels; however, the lack of any committed cost share, the significant delays in initiating the Fund's activities, and the lack of any investment track record associated with the original 2008 grant, makes it difficult to recommend funding this proposal at this time.

While we cannot recommend funding, the evaluators recommend that the EMF continues recent efforts to deploy its first grant in order to prove out their model and show that they can identify opportunities which fit their criteria, negotiate investment terms, and close the deal. Once accomplished, EMF will be in a much stronger position to request State support in subsequent Pre-Seed Capitalization Program rounds.

**Pre-Seed Fund
Capitalization Program
FY12**

**Stage 1
Non-Recommended Funds
Evaluation Summaries**

(In order of Proposal #)

Proposal Evaluation Summary

Proposals Not Recommended from the Stage 1 Evaluation

Dayton Region Signature Fund II

Lead Applicant: Development Projects, Inc

PFCP 12-504

The Dayton Region Signature Fund II (DRSF II) requested \$2.325 MM to continue pre-seed technology investments by the Dayton Development Coalition, Inc. (acting by and through its affiliate Development Projects, Inc.). DRSF II was geographically focused to invest in technology companies which are either located in the Dayton Region or willing to relocate. The proposal response lacked detail specificity in several areas, including a lack of clear targeting, and deal flow sources. Very few details were presented regarding technology profiles which would fit within the purpose of the proposed fund. Explanations of the Fund's operations lacked the level of investment process detail and sophistication shown by better proposals, for example, containing only generic references to due diligence and enhanced management services. The prior fund has made 42 investments with only 8 attracting any follow-on investments for a relatively low leverage ratio. Overall, the proposal lacked sufficient details to support the projected outcomes and could not be recommended for further evaluation.

Ohio State University Tech Seed Fund

Lead Applicant: Dominion University Innovation Fund I, LP

PFCP 12-507

The Ohio State University Tech Seed Fund requested \$3MM to form a new pre-seed fund. The lead applicant is Dominion University Innovation Fund, a \$35MM+ pre-seed Fund cosponsored by OSU and Ohio University. Dominion is providing 100% of the \$3MM of cost share. The Fund intends to focus on technology commercialization opportunities spawned from OSU research laboratories. The application provides some interesting insights into the opportunities for commercializing university-based research via venture development, as well as Dominion's strategy for doing so. However, the application did not respond to several of the critical elements outlined in the RFP. Given the lack of relevant information, the evaluators were unable to assess the proposed fund on many of the most critical program elements. As a result, the proposal scored poorly in the stage 1 review process.

NCAF Parallel Fund I

Lead Applicant: NCAF Parallel Fund I, LLC

PFCP 12-519

The NCAF Parallel Fund (Parallel) requested \$3MM grant to form a for-profit fund. Approximately 55% of the \$3MM of cost share is current cost share and the remainder is unidentified future cost share. The Fund's stated purpose is to complement existing NCAF Funds by investing solely in follow-on rounds of existing and future NCAF portfolio companies. NCAF II, the most recent Fund, does not expect to be fully invested for another 12 – 18 months, therefore, the Parallel Fund planned to co-invest with NCAF II on all

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of its future investments. The proposal argued that regional pre-seed funds must step in to fill a void, essentially moving upstream from pre-seed to early stage venture capital. One of the highly weighted criteria for acceptance into the Pre-Seed program outlined in the RFP is evidence of a high quality deal flow not adequately being served by others. The stated target deal flow is already being served by NCAF and the Fund's primary purpose appeared to be a desire to make additional investments in existing opportunities. The proposal indicated that the Fund's investors intended to be passive, but the proposed investment process did not adequately protect the interests of "passive" investors as cross-over follow-on funding has the potential for conflicts of interest. Further, the proposed Fund fails to demonstrate how it would generate significant incremental Level-A metrics beyond what the prior NCAF funds contribute. For these reasons the evaluators felt the program did not adequately fit the purpose and objectives of the program.

The Med-Innovation Fund

Lead Applicant: The Med-Innovation Fund, LLC
PFCP 12-521

The Med-Innovation Fund is a proposed joint creation of the University of Toledo (UT) and ProMedica Health System (ProMedica). The Fund requested \$1.5 MM to establish Northwest Ohio's first nonprofit evergreen fund as an enduring source of capital for current and future innovations in medical technology and healthcare-related software applications. While the proposal indicated some clarity of industry targeting, it lacked specificity for ideal investments, exits, and expected outcomes. Due diligence responsibilities will be handled by the Fund manager and compensation will come from a management fee and success incentive. The investment process relies on the experience of one particular manager. While the Fund manager's business experience is significant, the proposal contained few details about how the investment process worked and did not provide any support for prior relevant fund experience. In addition, the Fund proposed to provide the Fund manager with both an annual management fee as well as a 20% bonus incentive for returns. The proposal was less well developed than many of the other funds and did not merit further review in the evaluation process.

Euclid Ventures

Lead Applicant: Euclid Ventures, LLC
PFCP 12-524

The Euclid Ventures (EV) proposal is a well written request for \$3MM to create a new for-profit Fund. The \$3 MM cost share is 100% committed from Universal Equities, an investment company located in Ft. Lauderdale, FL. The Fund's stated purpose is *"to serve the documented unmet need for Series A capital, principally investing alongside other venture firms and sophisticated angel investors. EV is being created to fill the investment opportunity gap that exists after pre-seed and seed stage investments have been made"* by regional pre-seed funds. The Fund described a proposed target which would be a follow-on

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fund to existing portfolio investments. The deal flow that EV is targeting has already been served by the regional pre-seed funds. A critical program criteria outlined in the RFP is evidence of a high quality deal flow not adequately being served by others and Euclid fails to meet this criteria. Furthermore, EV's targeted phase of development appears to be beyond the imaging, incubating, and demonstrating phases which are the focus of the Pre-Seed program, and more in line with early stage venture capital. For these reasons, the evaluators felt the program did not adequately fit the purpose and objectives of the program.

Bizdom U Cleveland Fund: Pre- Seed Capitalization Program

Lead Applicant: Bizdom U Fund

PFCP 12-525

The Bizdom U Cleveland Fund requested \$675k to create a fund and affiliated accelerator to focus on early-stage technology businesses. The Fund is proposed and managed by the Quicken Loans Family of Companies. Rock Gaming, a Quicken Loans company, provided a firm commitment for \$735k in cash cost share. The Fund would provide \$10k per company and \$5k per founder (up to 3 founders) for a maximum award of \$25k. The Fund plans to find and/or attract businesses to the city of Cleveland. While they plan to invest in technology businesses, with an emphasis on software and web technologies, the Fund does not limit itself to particular sectors. The Fund currently experiences 70 applications per quarter, though no details were provided about deal flow sources, partners, quality, stages, or sectors. The due diligence and enhanced management services are led by team members, uses workshops, training, and mentoring by team members and guest speakers. The submitted proposal could have benefited from greater detail in several areas and a better presentation of information, but the underlying concept has several intriguing components and feels better suited as an accelerator program. The evaluators believe that the proposed concept did not adequately meet the pre-seed fund program criteria, but could be better suited for the ONE Fund program.