Ohio | Development Services Agency

Ohio | Third Frontier
Innovation Creating Opportunity

Pre-Seed Fund

Capitalization Program

2014

Proposal Evaluation Report

Prepared by Invantage Group
June 2014

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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:

- Improve the capacity of Ohio's entrepreneurial ecosystem to deliver services and attract capital;
- Increase the technical capabilities and business competencies of Ohio value chains; and
- Cultivate a highly collaborative and innovative environment.

Pre-Seed Fund Capitalization Program

Program Purpose

The Ohio Third Frontier 2014 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 will award funding in the form of a non-recourse loan. Award recipients are required to invest one hundred percent of Ohio Third Frontier funds and matching private capital in Ohio technology-based companies that are primarily in the Imagining, Incubating, or Demonstrating phases of commercialization.

The Lead Applicant's plan must meet 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;
- Invest the capital within a maximum of three years;

- 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; and
- Invest in Ohio technology-based companies that are primarily in the Imagining, Incubating, or Demonstrating phases of commercialization.

External Evaluators

In order to ensure a fair and thorough evaluation process, the Ohio Development Services Agency ("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

Invantage Group developed a proprietary, multi-stage evaluation process to provide a thorough analysis of the initial RFP responses 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 proposed 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 evaluators 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 developed 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

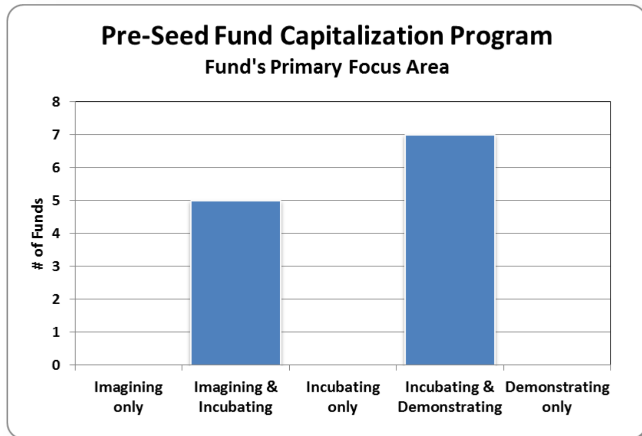
The review teams evaluated and scored twelve (12) Pre-Seed Fund proposals. After completing the Stage-1 evaluation process and sharing recommendations with Development, eleven (11) proposals were accepted into the competitive range for further review.† Based on the deeper evaluations conducted during the Stage-2 review process, the review team has offered a recommendation on ten (10) proposals which have sufficiently met the program criteria for consideration of funding. Cumulatively, the ten recommended funds are requesting $26 MM in Ohio Third Frontier funding.

Summary of Pre-Seed Fund Proposal Evaluations	
Proposals received	12
Recommended for Stage 2	11†
Recommended for funding	10
Recommended funding amount	$26 MM

†One (1) proposal was withdrawn by the applicant.

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 the ideal opportunity description, 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. The table below provides an "at-a-glance" summary, though important definition distinctions should be noted. While the evaluation process is extensive, some applicants are simply better at expressing fundamental details. The best proposals included clear and compelling information ("green") to support their propositions and plans. Other proposals contained sound arguments, but were not as strong in providing supporting evidence ("yellow").

Overall recommendations are based on a preponderance of supporting information and the potential for positive impacts on the entrepreneurial ecosystem. Two fund proposals, Impact Angel Fund and Regional Growth Partnership, demonstrated interesting opportunities and contained a variety of solid components, but also contained some elements which may take longer to develop or require stronger oversight (as noted in the fund evaluation summaries). The evaluation team felt that in each case, the overall strength and potential benefits of these funds outweighed any lesser concerns, therefore they ultimately merited recommendations.

Sorted by Proposal # within each section

						Evaluation Categories and Relative Weighting						
						20%	15%	20%	15%	25%	5%	100%
LOI #	Lead Applicant	Funds Req'd	Region	Fund's Primary Focus Area	Fund History	Opportunity	Operations	Relevant Track Record	Economic Impact	Experience & Qualifications	Budget	Total
Recommended Funds												
14-100	Impact Angel Fund, LLC	$1,000,000	Northeast	Incubating/Demonstrating	New Fund							
14-101	East Central Ohio Tech Angel Fund II, LLC	$1,375,000	Southeast	Incubating/Demonstrating	Previous Fund							
14-102	Development Projects, Inc.	$3,000,000	West Central	Incubating/Demonstrating	Previous Fund							
14-104	Cincinnati Children's Hospital Medical Center	$3,000,000	Southwest	Imagining/Incubating	Previous Fund							
14-105	Cleveland Clinic Foundation	$3,000,000	Northeast	Imagining/Incubating	Previous Fund							
14-106	Regional Growth Partnership	$3,000,000	Northwest	Incubating/Demonstrating	Previous Fund							
14-110	North Coast Angel Fund III	$3,000,000	Northeast	Incubating/Demonstrating	Previous Fund							
14-114	NCT Ventures Fund II, L.P.	$3,000,000	Central	Imagining/Incubating	Previous Fund							
14-117	Bizdom Fund	$2,812,500	Northeast	Incubating/Demonstrating	New Fund							
14-118	Lorain County Community College Foundation	$3,000,000	Northeast	Imagining/Incubating	Previous Fund							
Withdrawn from Consideration												
14-103	Queen City Angels	$1,000,000	Southwest	Incubating/Demonstrating	Previous Fund							
Non-recommended Funds												
14-107	OneCommunity	$1,500,000	Northeast	Imagining/Incubating	New Fund							

Evaluation Definitions	
(green)	Strong supporting evidence
(yellow)	Moderate supporting evidence
(red)	Weak supporting evidence

Please refer to the following sections for more detailed fund summaries and specific evaluation information.

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:
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Pre-Seed Fund

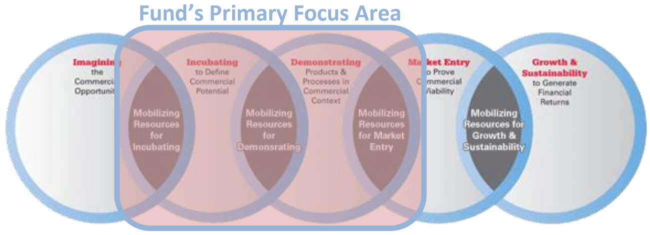
Capitalization Program

2014

Evaluation Summaries for Recommended Fund Proposals

(In order of Proposal #)

Fund's Primary Focus Area



Proposal Evaluation Summary

Impact Angel Fund, LLC

Impact Angel Fund

Summary

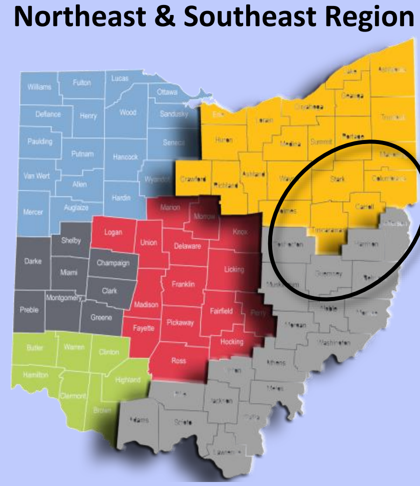
Proposal #:	14-100
OTF Fund History:	New
Funds requested:	$1,000,000
Cost share proposed:	$1,000,000
Cost share committed:*	$875,000

*Commitment data as of 5/2/2014

Evaluation

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

Northeast & Southeast Region



Fund Overview

The Impact Angel Fund (IAF) is a newly formed pre-seed capital fund targeting underserved early-stage technology-based companies in the mid- and east-central Ohio region. IAF is a spin-out from the East Central Ohio Tech Angel Fund I (ECOTAF) group and looks to extend the prior experience of ECOTAF members as part of the IAF start-up team.

Fund Opportunity

IAF identifies a clearly defined "targeted investment area" in eastern Ohio. The majority of the nine-county targeted area, with the exception of Stark County, is located in the Appalachian Region and classified as either "transitional" or economically "at risk." Significant weight is placed on the ECOTAF experience, especially a sub-group known as the Tusc Angels. One member of this group has taken a leadership role in forming the IAF and will serve as Fund Manager.

The Fund is working to develop a regional network of educational and economic development partners – including the Stark Development Board (SDB), regional SBDCs, and Tuscarawas Port Authority. The region has developed solid collaborator networks to identify and develop early stage deal flow, which has mostly focused on advanced materials, software applications, and emerging shale gas technologies.

Deal flow within the target area has been slow to develop, but appears to be improving. There have been increased ESP efforts to grow qualified deal flow, though the target area is on the outer edges of the two regional ESPs.

One of the most promising deal flow sources could come from collaborative efforts of the SDB. Over the past three years, they have identified qualified early-stage technology deal flow of around 100 prospects per year within the target area. Additionally, in the past two years, two microfinance programs have begun operating in the targeted area (Innovation Fund and Canton Entrepreneur Launch) and IAF could fill a gap by providing follow-on funding to these very early stage funding sources.

The proposal refers to a few sources as evidence of quality opportunities, though only one existing pipeline prospect remains viable. References to deal flow sources and a belief that microfinance groups are identifying deal flow not being accessed by other sources is not unreasonable, but no strong quantification or qualification of deal flow is available.

IAF did provide some additional information about deal flow history over the past couple of years. While the quality of deal flow is not immediately ascertainable, the data show some reasonable potential to find the goal of five deals over the next three years.

The evidence of emerging quality deal flow and the argument for likely future

Proposal Evaluation Summary (Continued)
Impact Angel Fund, LLC
Impact Angel Fund I

deal flow opportunities are still evolving and the goal of investing in a relatively underserved region is compelling, though the extent of the opportunity is difficult to gauge at this point.

Fund Operations

IAF plans to utilize investment processes from ECOTAF and Ohio Tech Angels Fund (OTAF). Fund leaders recognize a need to customize the commercialization model to a rural setting. ECOTAF partnered with TechGROWTH to create the Rural Acceleration Model™ as a commercialization development process better suited to the region. TechGROWTH and JumpStart have been using this model for the past three years and will manage processes for IAF in their respective counties.

The model places strong emphasis on recruitment of an investor "champion," early engagement of industry or subject matter experts to provide consulting services and positioning strategies to prepare prospects for pre-seed fund investment. The model has shown some success, with the strongest example from the ECOTAF portfolio being the successful growth and exit of Arkovi.

The primary components of the investment process are: 1) monthly investment screening meetings, 2) a presentation to full membership before due diligence, 3) investment due diligence, 4) due diligence team presentation, and 5) portfolio monitoring.

The due diligence process will require at least three IAF members to participate and will utilize materials from the well documented OTAF process manual. IAF members will work closely with ESP resources to ensure early involvement throughout the entire process.

Both the due diligence and enhanced management services will be managed by a combination of local members and periodically engaging specialized assistance. A lead IAF member works with the appropriate ESP to develop a scope of work for any required assistance and also aids in the identification and selection of the appropriate resource. In addition, IAF will utilize JumpStart's salesforce.com tools for tracking and reporting purposes.

Relevant Track Record

The IAF fund manager has relevant experience with angel funds and through his involvement with ECOTAF. Additionally, an Advisory Board comprised of the fund advisor, and representatives from both JumpStart and TechGROWTH (ESPs for the overlapping area) will advise the fund manager. The proposal makes an effort to provide several examples, but review of the track record was hampered by limitations on data access and applicability of the examples provided to IAF's specific model.

ECOTAF is the most directly relevant experience for both the fund leadership and model. While it has taken over three years for the Fund to become fully invested, all six investments are active and several of the older investments have achieved co- and follow-on investment. Two portfolio companies have been acquired, which has returned 80% of fund members' investment unit cost.

Projected Economic Impact

IAF expects to invest $1.65MM in five companies. Projected outcomes for co-/follow-on investment ($25 MM), jobs (60), and revenue ($17 MM) are aggressive best case scenarios, which will require a few strong successes, but are loosely based on the actual outcomes generated by the ECOTAF portfolio. The area does not have a well-established entrepreneurial or risk-capital ecosystem, so it is difficult to estimate how quickly it will be able to develop or expand, though ECOTAF and IAF can be valuable starting points which align with regional goals.

Experience & Qualifications

IAF will be led by a fund manager with early-stage, technology-based investment experience. The Fund's founding members and leadership team have relevant business and entrepreneurial experience.

Budget

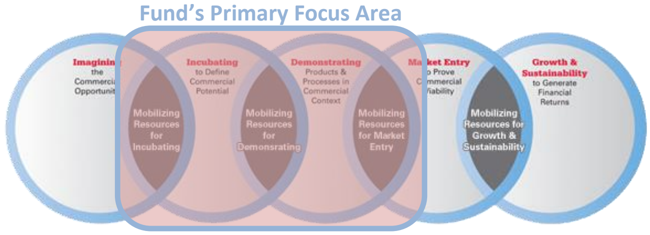
IAF is a committed capital angel fund which has secured 28 investors for a total of $875k in cash cost share commitment. Fund leadership is working to secure additional investors, but no additional timing information was available. This proposal seeks to create a $2MM fund with 15% budgeted for management fees, fund expenses, due diligence, and enhanced management services efforts.

Recommendation

IAF fits with the program intent by focusing on pre-seed technology companies in an underserved region. There is a belief that the regional culture makes it hard to generate activity and high quality resources in the absence of local connections. Gaining commitment from area accredited investors is a strong signal of resources and intent.

IAF previously submitted a proposal for the FY12 pre-seed fund program. While the region could benefit from greater direct investment, that proposal needed improvement in fund operations, deal flow sources, and regional ESP collaboration. IAF management has worked to address these concerns, showing improved regional support networks, greater deal flow, and scalable operations. While still a relatively immature regional entrepreneurial ecosystem, the potential for furthering this underserved region makes IAF an opportunity worthy of recommendation.

Fund's Primary Focus Area



Proposal Evaluation Summary

East Central Ohio Tech Angel Fund II, LLC

East Central Ohio Tech Angel Fund II

Fund Overview

The East Central Ohio Tech Angel Fund II (ECOTAF-II) is a follow-on fund to ECOTAF-I and will partner with the southeast ESP TechGROWTH as its primary region-wide deal flow partner. ECOTAF-II's investment focus is on early-stage companies, primarily at the Imagining, Incubating and, to a lesser extent, Early Demonstrating phases.

Fund Opportunity

Targeted opportunities will be primarily in a six county region within TechGROWTH's 20 county area in advanced materials related to several areas of focus. While the fund notes an interest in Imagining through early-Demonstrating stage opportunities, the ideal opportunity is a multi-application platform technology beyond the imagination phased of development.

Several pipeline opportunities already exist and the majority of deal flow is generated from Ohio University, which has five colleges that produce research and innovations from faculty and students with near-term commercial potential and TechGROWTH which serves as the hub for regional deal flow generators such as Muskingum County Business incubator and OSU South Centers. Qualified deal flow in the southeast region is not currently well served by other sources of early-stage capital. Prior regional funds TGF-I & II, as well as ECOTAF-I, are fully invested.

The Fund actively "mines" for deal flow opportunities through TechGROWTH'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 TechGROWTH's assistance.

The Fund intends to make six investments in new portfolio companies. ECOTAF-II 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. ECOTAF-II 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.

Fund Operations

The ECOTAF-II investment methodology follows a clearly defined 5-stage process which goes from opportunity identification through qualifications, investment decisions, tracking, and portfolio company oversight. The investment process requires an ECOTAF member to take a lead role and at least three other members to be part of the due diligence team in order for an opportunity to progress.

Summary

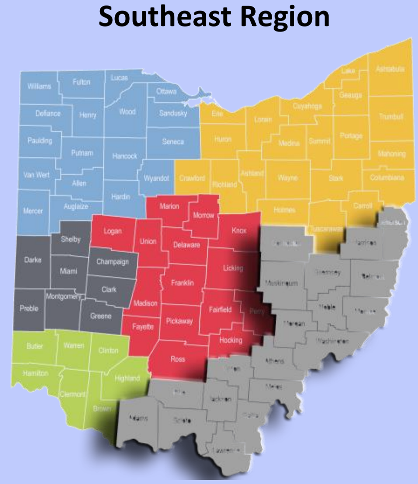
Proposal #:	14-101
OTF Fund History:	Previous
Funds requested:	$1,375,000
Cost share proposed:	$1,375,000
Cost share committed:*	$875,000[1]

*Commitment data as of 5/2/2014

Evaluation

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

Southeast Region



Proposal Evaluation Summary (Continued)

East Central Ohio Tech Angel Fund

East Central Ohio Tech Angel Fund II

ECOTAF-II will contract with independent service providers and subject matter experts to assist with both due diligence and enhanced management services. Due Diligence teams will be led by a senior group member with experience and skills in effective diligence, and aided by others with specific prospect opportunity industry experience, when applicable.

Each ECOTAF-II portfolio company will have a fund board member who will work with the Fund Manager and TechGROWTH to develop an appropriate scope of work for any EMS assistance required and will assist in locating and selecting the appropriate resources.

ECOTAF-II plans to use up to 15% of the total funds for due diligence, enhanced management services, and management fees over the life of the fund.

Relevant Track Record

ECOTAF-I is fully invested with $2.2MM committed in six companies. Two of the six portfolio companies have achieved successful exits through acquisition. The remaining four portfolio companies are performing well and valued at cost or above. The portfolio companies have achieved co-investments of $8.6MM and follow-on investments of $16.5MM, as well as generating aggregate revenue of $16.7MM.

One of the portfolio companies is in due diligence with a venture fund to lead a $10MM Series A round. Of the two exits, one provided a 3.3x return and the other a 4.6x return. Sixty jobs have been created at an average salary of $40k, which is 1.6x the average salary in the region.

Projected Economic Impact

On the basis of the track record demonstrated by ECOTAF-I, ECOTAF-II expects to make investments in six new companies, create 100-150 new jobs, and achieve in excess of a 20:1 leverage ratio for co- and follow-on investments. These expectations are reasonable based on past fund performance.

In addition to the purely economic impact, successful outcomes breed opportunities to leverage other resources. The partnership of ECOTAF-II and TechGROWTH provides Local Development Districts with implementation strategies for their goals of increased entrepreneurship and job creation through start up enterprises. This partnership supplements the attraction, expansion and retention goals of traditional economic development with the missing link to entrepreneurism. ECOTAF-II also fills an identified gap in the funding continuum between TechGROWTH pre-seed funds and larger angel or venture capital funds.

The area does not have a well-established entrepreneurial or risk-capital ecosystem, so it's hard to know how quickly it will be able to develop or expand, but ECOTAF and similar efforts can be valuable starting points. Federal entities, such as The Appalachian Regional Commission and the Economic Development Administration have previously provided funding to development efforts in the region and would most likely continue to fund or even grow funding with additional early stage capital funding efforts.

Experience & Qualifications

The Fund's two lead players, Mark Butterworth and John Glazer, have lengthy experience with early stage companies and early stage risk capital. Mr. Glazer's role with TechGROWTH has been positive and it has improved its ability to serve and grow the entrepreneurial ecosystem of the Southeast region. They have served over 475 "clients" and achieved a 12:1 leverage ratio of external dollars to state dollars.

Mr. Butterworth is an experienced fund manager with 17 years of early stage investing. The Fund leaders and external advisors are all reasonably experienced with technology commercialization and have extensive industry contacts.

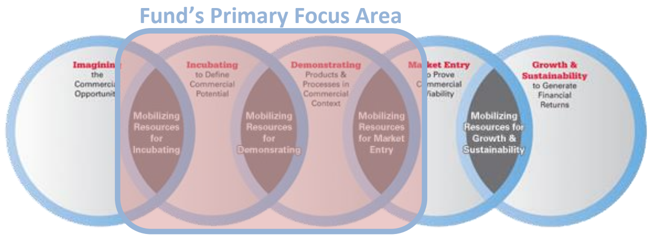
Budget

This proposal requests $1.375MM for a total budget of $2.750MM. Current cost share commitments total $875k (though one commitment letter was missing) and a plan for securing the remaining cost share goal was discussed.[1] If unable to increase their cash cost share ECOTAF-II indicated the Fund will likely need to eliminate one investment. Of the total planned budget, $2.3MM will be used for investment, with the remaining 15% of funds for, due diligence, enhanced management services, and management fees.

Recommendation

The ECOTAF-II fund fits with the intent of the program by focusing on companies in the early stage commercialization phases of the targeted technologies in the southeast region. ECOTAF-II has submitted a reasonably well-documented proposal, acknowledged some valuable 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.

[1] ECOTAF-II submitted a revised cost share commitment budget form of $900k. The revised form was received after the deadline and did not include any updated commitment letters. Nonetheless, the change is minor and does not materially impact the analysis, so it is not reflected in this evaluation report.



Proposal Evaluation Summary

Development Projects, Inc.

Accelerant Fund I

Summary

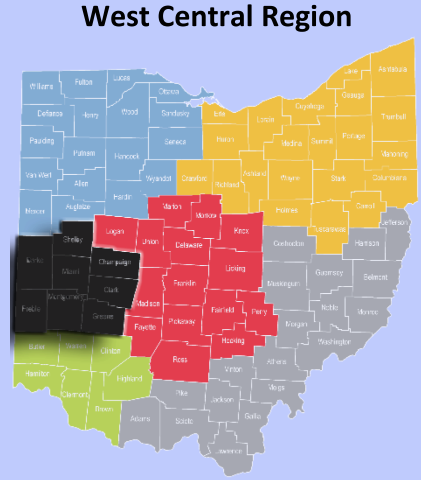
Proposal #:	**14-102**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$5,815,000**
Cost share committed:*	**$5,815,000**

*Commitment data as of 5/2/2014

Evaluation

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

West Central Region



Fund Overview

Development Projects, Inc. (DPI) is a non-profit economic development organization formed in 1995 to help high-potential technology-based companies located in region. DPI is an affiliate of the Dayton Development Coalition, Inc., which has served as the manager of the Dayton Region Signature Fund (DRSF) and two prior traditional venture funds, Miami Valley Venture Fund L.P. (MVVF) in 1997 and Miami Valley Venture Fund II, L.P (MVVF II) in 2001.

The Accelerant Fund I (AFI) can be seen as a successor to DRSF, which was created in 2007 by the initial funding of the regional Entrepreneurial Signature Program (see the section Relevant Track Record for a discussion of DRSF's performance history).

AFI seeks to aid the regional economic development by providing pre-seed funding of technology innovation to capitalize on key intellectual assets of the area. No other local entities currently exist to lead a syndicate of investors and support the development of new technology start-ups.

Fund Opportunity

The organization has taken a new, proactive approach to addressing previous concerns about improving the collaborator network and identifying improved deal flow opportunities. Past strategies have relied on an assumed abundance of opportunities from the vast Air Force and Department of Defense activities in the region. Although Accelerant continues to try to work with and support any new start-ups from these sources, they have come to understand the constraints and do not expect a large amount of qualified deal flow or future investments from these sources.

Instead, management has developed a multi-step process, which includes building broader community support through improved branding and public relations, re-educating the community about the ESP's role, providing greater transparency and visibility throughout the region, creating significant regional involvement in events, and becoming the expert commercialization evaluation source for area research entities.

These efforts over the past year have helped to create a stronger network and a significant increase in qualified deal flow. It appears that most of the newly identified deal flow was unknown and not being served elsewhere.

For example, in the second half of 2013 over 120 qualified deals were identified and 15 opportunities are currently in due diligence. With increased deal flow, fund management has seen a definitive shift in the type of opportunities arising within the region. In the past, many opportunities were in Advanced Manufacturing, Materials, and Sensors. Recently, more opportunities are found in the IT and Bioscience industry sectors.

Proposal Evaluation Summary (Continued)

Development Projects, Inc.

Accelerant Fund I

Fund Operations

The proposal outlines a fairly rigorous investment identification and qualification process. Once an opportunity is identified as qualified, it is assigned to an analyst or EIR for initial due diligence review. The best opportunities get presented to the full team, which requires a unanimous vote to be labeled a "prime qualified" opportunity and move into deep due diligence. To expand opportunities, AFI will collaborate with ESP funded "Imagining Grants" to seek assistance for companies addressing crucial needs. After due diligence, opportunities are presented to a 7-member independent board which represents the investor groups and makes final investment decisions.

Due diligence and Enhanced Management Services will be primarily provided by AFI Investment Managers, especially EIRs, but outside resources will be utilized when needed for specific skills. To measure the impact of the Enhanced Management Services provided, semiannual reporting on portfolio company status and valuations will be submitted to the Limited Partners (LPs).

The fund does not plan to use any state funds for either due diligence or enhanced management services. AFI plans to raise additional funds from the LPs to cover these expenses, though it is unclear at this point how much will be raised.

The new fund management team is well qualified and deeply committed, but may be stretched thin in order to handle all current and planned activities.

Relevant Track Record

The predecessor fund (DRSF) has made investments in 34 companies through tranches spread over time. Four companies have been written off, and twenty-four active companies remain. Aggregate investment was $11.1MM, with the portfolio and returns to-date valued at $13MM.

The DRSF portfolio has attracted $22MM in co-/follow-on investment, which indicates a very low leverage ratio. Six companies have successfully exited the fund returning $2.9MM in cash, though mostly from portfolio companies repaying notes and interest. AFI has revised the terms of the DRSF Debt Agreement to be more favorable to follow-on investors and increase potential returns from equity conversion.

Projected Economic Impact

AFI plans to invest in 22 companies over the three year investment horizon. The typical AFI investment size will range from $100,000 to $500,000, via 2 to 4 tranches based on risk management milestones.

DRSF has a very limited history of attracting additional investment capital or generating strong returns, though that may have been primarily influenced by prior management practices and poor deal structure. AFI will require co-investment as an indication of opportunity value and investment risk sharing. Accelerant plans to attract co-investors, sidecar investors, and follow-on investment through more aggressive relationship development with other investment entities and using investment structures which are more attractive to follow-on investment.

DRSF has seen a few early portfolio companies achieve solid success in revenue and employment growth, although overall returns to the Fund have been limited.

The fund forecasts a reasonable 37x follow-on investment leverage and $172MM total A-metrics (65% follow-on investment & 35% revenue). The projected A-metrics are reasonable if the fund can identify an adequate volume of high quality deal flow. Significant changes in investment structure and portfolio company support are all good steps, but the potential efficacy is difficult to assess since they are all untested in this region.

Experience & Qualifications

The AFI management team is all new. Joel Ivers, the general manager, has significant leadership experience in several early-stage companies and has either led or been a part of pre-seed funding.

The other members of the fund leadership team are experienced with investing in early-stage companies and bring relevant industry experience within the segment.

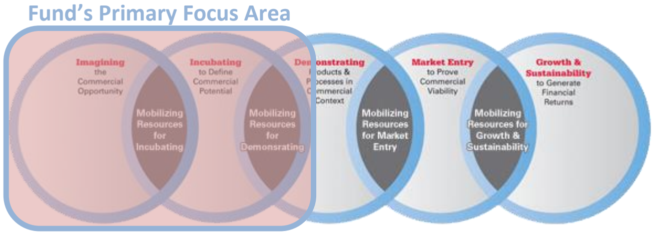
Budget

The single greatest indicator of renewed community support for the recent changes in management and operations can be seen by a strong $5.8MM in current cost share commitments – over 5x greater than their 2012 proposal. The funding comes from a variety of sources, including institutions, corporations, and individuals, as well as representing both public and private sectors. No State funds will be used for due diligence, enhanced management services, or management fees, which will be contributed from additional funding commitments.

Recommendation

The quality of the new management team, smart changes in investment structure, significant improvements in the regional collaborator network, and strong financial support from the community provide a solid case for overcoming past problems. While some open questions remain, the proposed Fund merits recommendation.

Fund's Primary Focus Area



Proposal Evaluation Summary

Cincinnati Children's Hospital Medical Center

Tomorrow Fund III

Fund Overview

Cincinnati Children's Hospital Medical Center (CCHMC) is seeking to develop an additional pre-seed fund to focus on early stage biomedical company opportunities based on Cincinnati Children's discoveries with high commercial potential. The Tomorrow Fund III (Fund-III) is an extension of the original Funds, which similarly focused on early stage opportunities.

CCHMC established the original Tomorrow Fund I in 2005, which gained TFC funding in 2007, and Tomorrow Fund II which was funded in 2011. Both Funds focus on early stage commercial opportunities prior to Series A investments.

Fund Opportunity

Fund-III will focus on Ohio-based companies created around CCHMC discovered and owned biomedical intellectual property. Fund-III expects to invest from $100k - $500k in eight new companies and expects to generate $111MM in A-metrics and create/retain 241 jobs with an average salary of $109k.

Investments can be in any of the early stage phases, though past Funds have focused on imagining and incubating phase opportunities. The Fund expects to syndicate with other pre-seed funds, angel groups, high net worth individuals and strategic investors.

The region has extensive biomedical activity with more than 220 businesses involved in laboratory services, clinical trials, and research. Despite the typical commercialization challenges of life science initiatives, CCHMC emphasizes they do not wish to shy away from this focus. Ongoing discussions regarding investment and technology development includes representatives from the life science investment community such as CincyTech, Triathlon Medical Ventures, Charter Life Sciences, Draper Triangle, Fort Washington Capital Partners, and Blue Chip Venture Company.

In FY 2013, CCHMC expended over $337MM on research, a 7% increase over the previous fiscal year. Since Fund-I was created in 2005, CCHMC's Center for Technology Commercialization ("CTC") has become more proactive in working with clinicians and has seen a nearly 10x increase in submission of invention disclosures. Fund-II has $2.8MM in existing funds, but CCHMC has built a considerable pipeline of invention disclosures in the therapeutics, diagnostics, medical devices and medical IT/software categories. Fund management expects existing funds to be invested within 12 months. The development plan is to invest in a select number of commercially viable technologies and nurture them closely.

Given the long cycle times and capital intensive nature of life science opportunities, it is unlikely that the region would have much (if any) life science investment in the absence of this Fund.

Summary

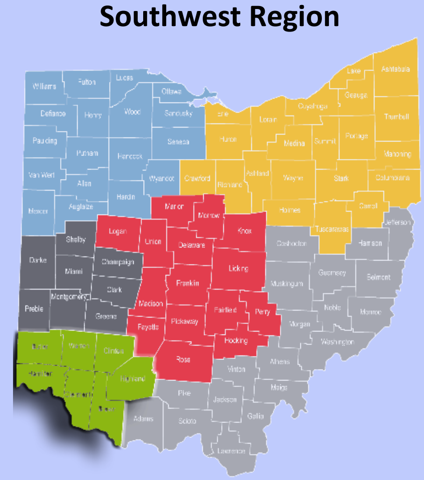
Proposal #:	**14-104**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$3,000,000**
Cost share committed:*	**$3,000,000**

*Commitment data as of 5/2/2014

Evaluation

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

Southwest Region



Proposal Evaluation Summary (Continued)
Cincinnati Children's Hospital Medical Center
Tomorrow Fund III

Fund Operations

Invention disclosures to CTC routinely go through an assessment process (covering technology status, potential as a start-up opportunity, interest of the lead scientist to actively participate, and the appropriate commercialization phase) to determine the appropriateness of due diligence efforts which are conducted by CincyTech.

Promising opportunities may receive other program support or funds (e.g. Innovation Fund grants which are a CCHMC program supporting promising early-stage projects with up to $200k) to validate or advance the technology for future funding. The Investment Panel (consisting of CCHMC and CincyTech executives) review each investment opportunity to determine the desired course of action. CCHMC and CincyTech maintain independent investment committees, requiring both entities to approve each investment by the Fund.

The fund will outsource all due diligence to CincyTech, who will cover the expense as part of their normal operations. The Investment Panel, CincyTech, and leadership within CCHMC will provide Enhanced Management Services with funding coming from outside of the investment Fund-III.

CCHMC has been a past OTF funding participant and has experience with tracking and reporting, but tracking appears to be in spreadsheets, which may work fine for the limited portfolio size, but the Fund should consider stronger tools as the program grows.

Relevant Track Record

Since the inception 2005, CCHMC Funds have invested $4.8MM in seven start-up biomedical companies. Portfolio companies have attracted over $45MM in follow-on investments and generated nearly $45MM in revenue. Portfolio companies have created 201 jobs at an average annual wage over $109k.

The Fund's strategy is to focus resources and funding on a limited number of high potential, commercially viable opportunities, instead of funding a larger range of opportunities with various prospects. All seven portfolio companies are active and have received external follow-on funding, though one big success, AssureX, accounts for 83% of all follow-on investment attraction.

Projected Economic Impact

Fund-III is projected to invest in eight new companies and attract $54MM in additional investment capital and generate nearly $55MM in revenue. These A-metrics are within line with existing portfolio performance. The development of A-metrics forecasted are relatively conservative and reflect lifecycle timing typical of life science commercialization.

The Tomorrow Funds have helped CCHMC to leverage other funding sources that support the institution. Over the past several years, there has been a steady increase in total research expenditures, including NIH and other biomedical industry sources. The Funds have aided CCHMC's ability to increase research and development spending, resulting in the attraction of additional external funding sources.

Experience & Qualifications

The Fund management team has extensive experience across the spectrum of biomedical commercialization, from identification and assessment of early stage discoveries, to creation and funding of a company to advance the technology, and through market entry.

The investment committee is mostly comprised of hospital executives (with both medical and business backgrounds) and CincyTech executives. Many of the CCHMC executives have experience with medical research and technology commercialization efforts, but not necessarily in pre-seed investing. Thus the partnership with CincyTech, and other regional venture capital firms, brings valuable complementary skills to the decision-making process.

Budget

The budget projections are based on an assumed $250k average investment. Recognizing the longer maturation period for biomedical commercialization, the budget assumes that each investment takes and average of five years to see any financial return.

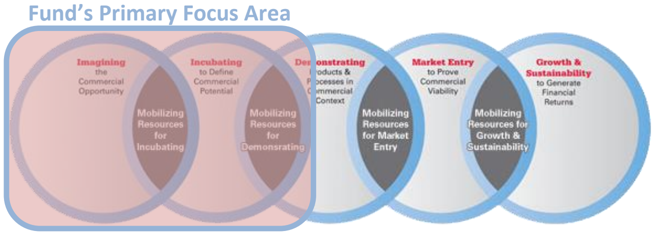
All due diligence and enhanced management services will be provided internally or by CincyTech. None of the proposed $6MM in funds will be spent on these services, leaving the entire capital available for investments.

Recommendation

CCHMC understands the critical nature of funding and support for each step in the commercialization process. Their application of resources, funding, and access, indicates a commitment to growing potential biomedical opportunities successfully. Increases in research funding have helped to strengthen quality deal flow in order to generate more investable opportunities, but the Fund strategy will continue to focus on deep nurturing of select opportunities over a large volume.

With the opportunity for both the creation and nurturing of pre-seed biomedical concepts, the review team recommends this proposal for funding.

Fund's Primary Focus Area



Proposal Evaluation Summary

Cleveland Clinic Foundation

Ohio BioValidation Fund VI

Summary

Proposal #:	**14-105**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$3,000,000**
Cost share committed:*	**$3,000,000**

*Commitment data as of 5/2/2014

Evaluation

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

Northeast Region

Fund Overview

The Ohio BioValidation Fund VI (OBVF-VI) is designed to build on the success of the Cleveland Clinic's prior Ohio Third Frontier supported 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 in the imagining and incubating phases. The fund will focus on opportunities in northern Ohio and which have a strong affiliation with the Clinic itself or its extensive network of Innovation Alliance partners. (The Innovation Alliance is a growing network of large hospital systems and selected universities which have contracted the Clinic to implement and manage innovation and commercialization operations for partnering organizations.

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-VI will focus exclusively on companies which are developing technologies in the medical technology industry, including healthcare information technology, services, medical device, biopharmaceutical, diagnostic, imaging, and regenerative medicine sectors.

Information Technology and service companies will be priority investment areas given the direction of the healthcare industry and the chance for an exit within 3-5 years of company formation, compared to other medical sectors which could take up to 10 years. The fund has a stated effort to increase the percentage of investment in companies which do not require extensive FDA testing. Investments will range from $250,000 to $500,000, with funds typically used to conduct proof-generating activities in order to advance to the next phase of commercialization.

There is strong evidence of high quality, on-going deal flow unique to the Clinic to support the target of 15 investments by OBVF-VI. The Clinic alone generates about 300 potential deal opportunities per year, and a growing collaborator network provides an additional 200 opportunities annually. Over the last 10 years, CCI has enabled the launch of 66 companies, including 25 from Third Frontier supported funds, which have generated over $800 million in equity financing and created hundreds of jobs in the State.

Fund Operations

CCI has developed a well-established investment process which provides a rigorous and comprehensive system for managing deal flow in a timely manner.

Proposal Evaluation Summary (Continued)
Cleveland Clinic Foundation
BioValidation Fund VI

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

Once funding decisions have been made, the Clinic and collaborators have strong 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 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 areas. Many of the portfolio companies are housed in CCI's accelerator building, along with the CCI team, allowing frequent interaction between support staff and the portfolio companies.

OBVF-VI companies will have access to Cleveland Clinic research services, including the Lerner Research Institute and its 23 Research Cores, which include imaging, genomics, proteomics, polymers, computing, and biological resources, and the Clinic's IT services including its 100-person Quantitative Health Sciences department.

Relevant Track Record

The Clinic has a strong record of business and job creation over the past decade, including prior OBVF Funds. Since 2002, the Clinic has spun-off 66 new companies, created over 500 direct jobs with an average salary of $102k, and its portfolio companies have raised more than $800MM in equity financing. Since 2005, the first four OBVF Funds have invested $11MM in 25 companies. These companies have created over 300 jobs with an average salary of $97k, and have received more than $100MM in follow-on financing.

Funding for OBVF Fund V, capitalized at $10MM, with $5MM in Third Frontier funding and $5MM of cost share match from the Cleveland Clinic, was delayed due to legal issues related to changes in the pre-seed fund program structure. The issues appear to have been resolved and the agreement is expected to be completed promptly. Due to the delays in launching OBVF-V, CCI has a significant pipeline of investment opportunities. Six investments for OBVF-V have already been approved for investment and there are 14 opportunities in the pipeline.

Projected Economic Impact

OBVF-VI's target is to invest in 15 new companies. These investments are projected to generate over 300 high salaried jobs and generate $184 MM of A-metrics. The projected economic impact is consistent with OBVF's historical performance.

The Regional Economic Competitiveness Strategy (RECS) is seeking to accelerate the growth of target emerging industries, growing and fostering the region's entrepreneurial environment and strengthening the innovation, research and commercialization capacity and effectiveness. OBVF-VI fits well with all of these priorities and past portfolio companies have attracted significant additional investment capital and other funding sources, such as SBIR/STTR and parallel programs at the National Institutes of Health, Department of Defense, and the Department of Energy.

Experience & Qualifications

The OBVF-VI will be managed by fundamentally the same key personnel and management team as previous OBVF funds. The five primary leaders have a combined 160 years of medical technology commercialization experience, operations, fund raising, as well as proven successes in early stage companies.

Budget

The Clinic has committed to matching the state funds requested with $3MM in cash cost share. All budget forms are in order. All funds will be utilized for direct investment in early stage biomedical companies. No state funds are being budgeted to support due diligence or enhanced management services.

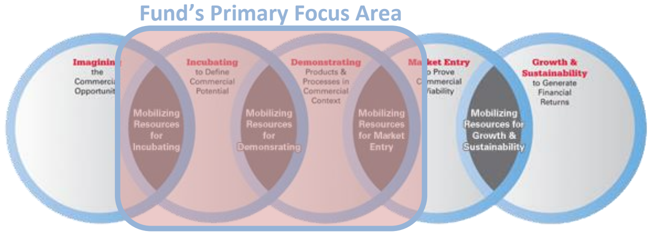
Recommendation

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-VI will be in a position to invest in high quality deal flow. With one of the highest quality responses to the request for proposal, it is recommended that the OBVF VI be approved for funding.

Ohio Third Frontier
Innovation Creating Opportunity

Pre-Seed Fund Capitalization Program
2014

Fund's Primary Focus Area



Proposal Evaluation Summary

Regional Growth Partnership

Rocket Venture Fund II

Fund Overview

Regional Growth Partnership (RGP) is a privately led nonprofit organization, founded in 1994, to serve as Northwest Ohio's lead economic development organization. The Rocket Venture Fund II (RVF-II) is a joint collaboration between RGP and Rocket Ventures to be a successor fund to RVF-I, created in 2007 by the initial funding of the regional Entrepreneurial Signature Program.

RVF-II will have an investment focus on promising early-stage companies in the 18 county region served by the regional ESP, Rocket Ventures (RV). RVF-II will focus on providing early stage capital to companies in the incubating and demonstrating phases of commercialization in a few primary clusters, with particular focus on regional technology companies within the medical technologies and software applications sectors (and secondary focus on energy, advanced materials and sensing/automation technologies).

Fund Opportunity

The fund expects to focus on incubating and demonstrating phase companies, rather than imagining opportunities which may take more commercialization cycle time. RVF-II plans to use either preferred equity or convertible debt to structure investments of $250k-$750k.

To improve raw and qualified deal flow, RV appears to have responded to past evaluator comments to develop a more comprehensive regional network. While many local economic development groups, SBDCs, and community banks may provide only a few opportunities each, "casting a wider net" should help to improve visibility throughout the region. The inclusion of ProMedica, the premier healthcare network in the region, is a significant addition to the collaborator network and could bring a boost to qualified deal flow. Although ProMedica is engaged in the Cleveland Clinic's Innovation Alliance, ProMedica is committed to keeping innovations in the NW Ohio region and has indicated a clear commitment to RV via significant cash cost share and service collaboration. This should allow RVF-II to be involved with qualified ProMedica deal flow.

Since 2011, qualified deal flow has nearly tripled in volume. Although RVF-I still has remaining funds available, it expects to be fully invested by mid-2014, leaving a reasonable deal flow pipeline for RVF-II. During the past few months, the Fund has been actively vetting 21 qualified leads and has the capacity to continue to build a pipeline. In addition, to avoid conflict, RVF-I and RVF-II will have different investors and investment committees, so any Fund I companies seeking funding from Fund II will need to stand on their own merit.

Fund Operations

The Fund Manager will collaborate with Rocket Ventures during the investment review and preparation process to discuss

Summary

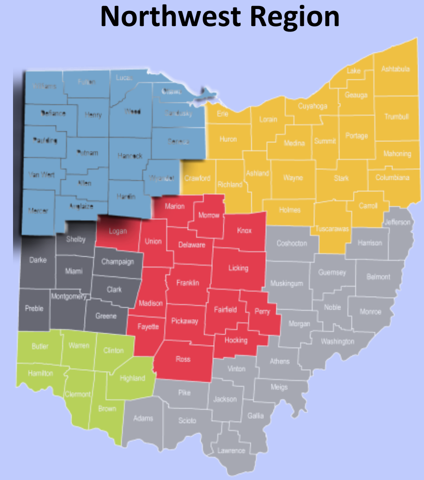
Proposal #:	14-106
OTF Fund History:	Previous
Funds requested:	$3,000,000
Cost share proposed:	$3,000,000
Cost share committed:*	$2,450,000

*Commitment data as of 5/2/2014

Evaluation

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

Northwest Region



Proposal Evaluation Summary (Continued)
Regional Growth Partnership
Rocket Venture Fund II

prospective investments. The Fund Manager will be directly involved with leading company interactions and due diligence. Details on the due diligence procedures, checklists, standards and structures appear to be fairly standard and have been developed from the Fund Manager's personal experiences over 20 years of early-stage investing.

The regional ESP and fund manager will handle due diligence services and will seek additional technical assistance when required for some specialized need. Fund Management expects to maintain regular contact with portfolio companies and will determine the need for enhanced management services, typically to be delivered by either fund management, Rocket Ventures EIRs, or other partners in the Fund's stakeholder network. The plan indicates that 10% of funds have been budgeted for both due diligence and enhanced management services.

RV and the Fund Manager will collaborate to collect and track accurate data for metrics reporting requirements. Metrics will be self-reported by the portfolio companies, then checked against the portfolio companies' quarterly financial statements and audited or reviewed year-end statements. During the proposal evaluation process, evaluators had frequent difficulty getting data to match across various reports, with several reports using different data and including or excluding certain portfolio company names. As the legacy fund has grown and the new fund prepares to launch, fund management is urged to upgrade tracking tools, similar to the salesforce.com tools widely used for other pre-seed funds.

Relevant Track Record

RVF-I has been slow to develop and produce outcomes. Fund management has admitted that the "portfolio hasn't grown as quickly as expected." The Fund has made 20 investments totaling $9.7MM in mostly incubating or demonstrating stage companies since 2008, though it has shown relatively minimal outcomes.

Through 2013, three portfolio companies have ceased operations and there are no financial exits. The portfolio has generated total A-metrics over $87MM and 140 jobs created or retained. A significant portion of A-metrics come from one company which received a concurrent investment of $33MM and has since experienced significant financial difficulties. Despite this one large concurrent investment, the overall A-metrics leverage ratio of 8.9x is relatively small compared to peers.

In 2012, the Fund changed its strategy to invest more in less capital intensive businesses, draw additional capital partners into the deals earlier, ensure that company management lead additional fundraising efforts, and add outside management/directors earlier. These changes should improve near-term A-metrics and the Fund has been gaining some momentum in generating A-metrics over the past two years.

Projected Economic Impact

Fund Management forecasts a modest $120MM of overall A-metrics (25x leverage ratio), with most of it coming from company revenues and $16MM from follow-on investment (3x leverage ratio).

With the shift in investment strategy to less capital intensive and quicker investment lifecycle businesses, RVF-II expects as many as seven exits within the ten year Fund time horizon, out of the 11 total investments. The investment strategy shift should expand opportunities with the potential for shorter investment cycles. While the overall A-metrics and the project exit revenues are modest, the number of exits seem to be a fairly aggressive forecast in the absence of a comparable track record.

Experience & Qualifications

The fund manager, Bob Savage, has ample experience in both early-stage companies and investing. For the past 15 years, he has primarily focused on developing management and financing strategies for early-stage and high tech companies. He is widely known throughout the area and has relationships with most of the pre-seed and venture capital funds which operate in the Great Lakes region. The rest of the management team has appropriate experiences in order to assist with fund operations.

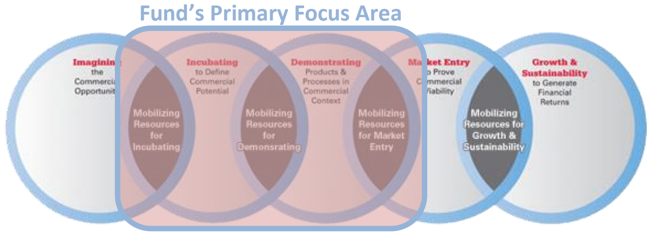
Budget

Rocket Ventures has been able to generate some regional support, providing cost share commitment letters for $2.45MM in funding. Though at this time these "technically" do not fulfill the complete definition of firm cost share commitments. The RFP allows only limited contingencies and each of these commitments include other, albeit minor contingencies. There are potential commitments for the remaining $550k in cost share funds, though not all include specific funding amounts.

Recommendation

Recent changes in organizational structure and investment strategy improve operations and performance. RVF-I has not had great success, but a pre-seed fund is important to the region. An expanded collaborator network, revised investment strategy, and more active portfolio oversight should bring improved results. Although some areas of caution exist, and the fund needs to secure its cost share commitment, the potential regional benefits outweigh and this pre-seed fund is recommended.

Fund's Primary Focus Area



Proposal Evaluation Summary

North Coast Angel Fund III, LLC

North Coast Angel Fund III

Fund Overview

North Coast Angel Fund III (NCAF-III) is a for-profit, angel investment fund. NCAF-III is a new legal entity, but the management team and many of the member investors and collaborators are the same as the two prior NCAF funds (established in 2006 and 2010). The group structure is designed to be a catalyst for engaging private investors in the activities of identifying, evaluating, investing in, and supporting promising early-stage technology companies.

Fund Opportunity

NCAF-III's primary focus will be incubating and early demonstrating stage companies in the NE Ohio region. Although there is a range of potential sectors, due to the challenging later-stage funding environment and uncertainties in the life science sector, the fund will seek to place more focus on non-life science and capital efficient opportunities (e.g. information technology).

The Fund plans to invest in 15 companies ($250k each and $100k follow-on for up to two-thirds of the portfolio). They also expect $15MM of member sidecar investments.

NCAF-I and II have created strong visibility across the region and the state. The funds have engaged with over 200 raw deal flow opportunities per year in several recent years. Deal flow comes from a variety of sources, including collaboration with other angel/VC entities, regional economic development organizations, research universities and hospitals, and regional events. Fund members have directly identified 5 of the 35 past investments and about 67% of investments are done as co-investments with other Ohio-based angel funds.

Fund Operations

The investment process includes extensive membership involvement, with additional subject matter experts (SMEs) used as needed. NCAF has a fairly well defined investment process which has been used successfully for the prior two funds.

The detailed process includes the following steps:

- High-level screening of opportunities;
- Monthly Investment Screening Committee meetings to select presentation candidates;
- Monthly membership meetings to select companies for in-depth due diligence and to identify due diligence teams;
- Member-led due diligence team augmented with technical SMEs, when needed; and
- Develop deal structures, company oversight, and board membership representation.

NCAF seeks to build a membership with targeted skills and backgrounds in order to make the investment and enhanced management service (EMS) processes more impactful. EMS is provided through the direct participation of Fund

Summary

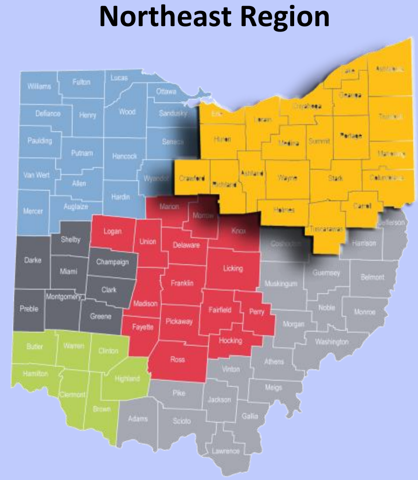
Proposal #:	**14-110**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$3,000,000**
Cost share committed:*	**$1,425,000**

*Commitment data as of 5/2/2014

Evaluation

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

Northeast Region



Proposal Evaluation Summary (Continued)

North Coast Angel Fund III, LLC

North Coast Angel Fund III

management, individual NCAF members, and NCAF collaborators.

NCAF-III has budgeted the allowable 10% of funds each for due diligence and enhanced management services, which is consistent with the management fee that the Fund pays on members' capital. These fees cover a variety of Fund expenses, including Fund management salaries and external SMEs.

Processes are in place to collect the required tracking data and NCAF reports deal flow and metrics quarterly. NCAF III will continue to leverage the JumpStart Salesforce system to capture metrics of portfolio companies and will conduct semi-annual portfolio company surveys.

Relevant Track Record

The deal flow history and due diligence funnel shows good volume, stage-appropriate opportunities, and process control. NCAF-I & II have made direct investments in 35 early-stage Ohio companies and have made 29 follow-on investments in 23 of these companies.

In addition, portfolio companies have raised over $200MM in follow-on investments from 33 venture capital funds and strategic investors.

Membership has been active with co-investments and the prior funds have successfully led many joint/cooperative investments. Over 75 N CAF members have augmented their NCAF fund investment with one or more direct investments in portfolio companies.

The average NCAF portfolio company attracted 8 member sidecar investors, who together committed an average of over $200,000 in the initial investment round. Sidecar investments in subsequent rounds more than doubled initial Fund investments. Combining initial and subsequent sidecars, the average NCAF portfolio company received over $425k in sidecar investments.

NCAF-II is approximately 80% invested and has three deals in due diligence, it is expected to be fully invested during 2014.

To date, NCAF-I & II have invested $10.2MM in 35 portfolio companies (28 are still operational, 1 exit, and 6 ceased operations). Portfolio companies employ over 500 people generating over $40MM in annual payrolls.

Overall, the two funds have achieved $356MM in A-metrics with members providing $17MM of sidecar investments, approximately $250MM from follow-on investments (VCs, angels, and strategic partners), and over $100MM in portfolio company revenue. The A-metrics represent a strong 56x leverage of State matching funds.

Projected Economic Impact

Historically, NCAF-I &II has led 19 of 35 investments, demonstrating an ability to mobilize early-stage capital. NCAF-III plans to invest in 15 incubating or demonstrating companies which will attract $180MM in co-/follow-on investment and generate 350 jobs at an average salary greater than $80k.

These projections are in-line with prior Fund outcomes. Nearly one third of NCAF's initial investments are related to the healthcare sector, which has a growing importance to the region.

Experience & Qualifications

The management team of Todd Federman (executive director), Clay Rankin (executive committee member, co-founder), and Barbara Morgan (investment associate) have shown success with the previous funds and all appear to have good, relevant experience. Mr. Rankin was previously the director, but has moved to lead the executive committee.

Budget

NCAF does a fairly comprehensive job of applying historical metrics and budget items to forecast outcomes and expenses in line with past experience.

NCAF-III focuses member recruitment efforts on assembling a high quality investor group with the necessary industry and functional experience to augment the group. The Fund has raised approximately 50% of the cost share goal and will continue membership development efforts. Fund management has indicated that the pace of fundraising is in-line with the experience of Fund-I & II.

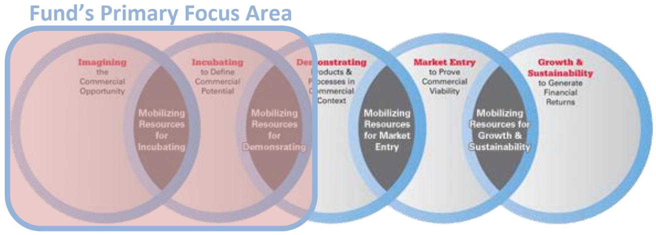
Given NCAF's history of achieving the full cost share commitment within a few months of award notification, Fund management is optimistic they can achieve the goal. If the Fund does not reach its goal, Fund management expects that it will reduce some investment amounts.

Recommendation

NCAF has a solid record of both identifying new opportunities and collaborating on early-stage investments with other funds. Based upon results of NCAF-I & II, and the quality of the current Fund proposal, it is recommended that NCAF-III be funded.

NCAF-III will need to obtain the remaining cash cost share commitment in order to receive full funding.

Fund's Primary Focus Area



Proposal Evaluation Summary

NCT Ventures Fund II, L.P.

NCT Ventures Fund II

Fund Overview

NCT Ventures Fund II (NCT-II) is a follow up to NCT Ventures Fund I (NCT-I). NCT Ventures provided $1.5MM in matching cost share for the state-sponsored portion of NCT-I, but also raised additional capital for a significantly larger overall investment fund. NCT-I, formed in 2008, invested $20MM in 12 companies in Ohio and the Midwest.

The three Fund principals have significant start-up and early-stage investment experience, and intend to follow their strategy of hands-on, value-added investing in early stage disruptive marketing and logistics technology companies to produce superior long term returns for their investors.

Fund Opportunity

The primary source of deal flow for the Fund is the principals' existing network from over 20 years of doing early-stage investing in Ohio and the Midwest region. NCT Ventures reviews approximately 300 opportunities per year which primarily come from the principals' long-standing relationships with entrepreneurs, investors, attorneys and other community and business leaders.

The principals also have strong institutional ties to The Ohio State University Fisher College of Business Center for Entrepreneurship and TechColumbus.

NCT-II plans to invest in approximately 12 companies, with an initial investment of $250k to $500k. NCT-II will pursue and invest in new opportunities and not merely provide follow-on investment to existing portfolio companies.

While the Funds are separate, the principals plan to continue their methodology of tranche investment funding to incentivize the portfolio companies to achieve milestone targets in order to receive subsequent rounds of financing and limit the downside loss potential for the Fund.

The ideal opportunities for NCT-II are Ohio-based technology companies with disruptive marketing and logistics technologies. The fund prefers to target technologies of greatest familiarity, such as marketing, logistics and technology-based opportunities which apply the Third Frontier target sectors, though the fund will invest in any good opportunity which falls within the target sectors. The Fund seeks "disruptive" technologies which can have dramatic impacts on industries.

NCT prefers to be the first institutional investor in an early stage company. Deal structure will be convertible debt and equity with a target initial investment size of $250k-$500k.

Fund Operations

NCT's investment process is thorough and time tested. The primary components of the investment process have been

Summary

Proposal #:	**14-114**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$3,000,000**
Cost share committed:*	**$3,000,000**

*Commitment data as of 5/2/2014

Evaluation

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

Central Region

Proposal Evaluation Summary (Continued)

NCT Ventures Fund II, L.P.

NCT Ventures Fund II

developed by the principals over 20 years of early-stage investing. The principals have learned through years of building and investing in companies that the quality of the management team and founders is the most critical factor in a company's success.

Accordingly the due diligence process focuses significant attention on the capabilities, quality, experience and ethics of the management team. The due diligence process also focuses significant resources on understanding the market and competitive dynamics of each potential investment.

After the due diligence process is completed and acceptable terms have been negotiated with management, the unanimous written approval by the three principals is required for an investment to be completed.

NCT has allocated the maximum 10% of project funds for due diligence and the maximum 10% for enhanced management services. These costs are consistent with the management fee which is paid by the private investors to the Fund manager.

Relevant Track Record

The principals have significant experience in start-up company operations and investing. However, the most recent relevant track record is that of NCT-I, which was formed in 2008 and has invested $20MM in 12 companies.

To date there have been two successful exits and no write-offs. NCT-I companies have generated $57MM in A-metrics, and NCT-I companies that received state funding created or retained 55 jobs at an average salary of $67k.

Projected Economic Impact

NCT did not provide detailed A-metrics projections of the economic impact of the proposed Fund. Instead, the proposal provides an overview of the successes to date in NCT-I and commentary outlining about how NCT-II will follow a similar path to success.

Fund management strongly expects that the economic impact of NCT-II will be at least as beneficial as NCT-I, which had a 38x A-metrics leverage ratio on State matching funds.

In terms of success metrics, NCT-I has achieve one of the better records of successful exits to date of any Third Frontier supported pre-seed fund.

NCT strongly prefers to be the first institutional investor in early-stage opportunities. They have the funding to make their own additional investments and do not always seek external co- or follow-on investors before achieving an exit strategy.

Although A-metrics from NCT-I have been solid, it is difficult for the evaluation team to quantify the full projected A-metrics and related benefits for NCT-II. Given the experience and qualifications of the Fund principals, it is not unreasonable to expect that NCT-II will have solid beneficial economic impact on the State.

Experience & Qualifications

The Fund principals have managed NCT-I since 2008. Two of the principals have significant experience in founding and building successful technology companies prior to forming NCT Ventures, and the third principal has 20 years of experience in the financial services industry as a senior executive.

The managing principal of the Fund was involved in forming the Center for Entrepreneurship at The Ohio State University, helped develop the entrepreneurship curriculum at the OSU Fisher College of Business, and has taught entrepreneurship courses at OSU. He is also a four-time finalist for Inc. Magazines "Entrepreneur of the Year" award.

Budget

NCT Ventures II L.P. has closed on $12MM in Limited Partner commitments, of which $3MM will be used for cash cost share commitments for the Third Frontier portion of the project.

NCT-II has budgeted the permitted 20% of funds to cover due diligence, enhanced management services, and management expenses. The remaining $4.8MM is expected to be invested in 12 new companies over a three year period. All budget forms have been properly prepared and 100% of the cost share commitment is firm.

Recommendation

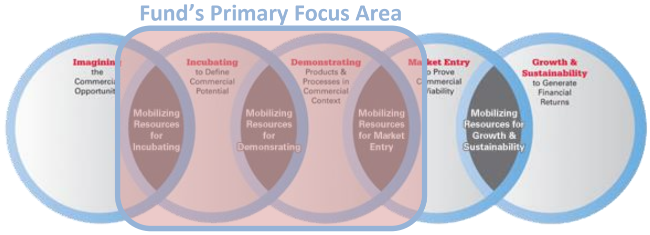
NCT Ventures has an experienced management team with successful track records as entrepreneurs and investors in early-stage technology investments. The managers all have strong ties to the State and region.

The leadership team has demonstrated with NCT-I the ability to generate quality deal flow and nurture strong outcomes, as evidenced by two successful exits to date. Given the experience and track record of the Fund principals, and their work with NCT-I, it is recommended that NCT-II be approved for funding.

Ohio Third Frontier
Innovation Creating Opportunity

Pre-Seed Fund Capitalization Program 2014

Fund's Primary Focus Area



Proposal Evaluation Summary

Bizdom Fund

Bizdom Cleveland Pre-Seed Fund

Summary

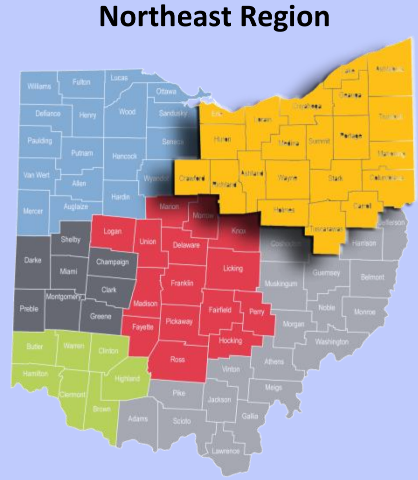
Proposal #:	**14-117**
OTF Fund History:	**New**
Funds requested:	**$2,812,500**
Cost share proposed:	**$2,812,500**
Cost share committed:*	**$2,812,500**

*Commitment data as of 5/2/2014

Evaluation

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

Northeast Region



Fund Overview

The Bizdom Cleveland Pre-Seed Fund (BCPS) was created by Dan Gilbert to help provide the support and resources necessary for aspiring entrepreneurs to grow their businesses in Cleveland and is an offshoot of the Bizdom Accelerator and the Bizdom Fund.

BCPS will focus its investments on early stage companies in the incubating or demonstrating phases in Northeast Ohio. Although not exclusively focused on Bizdom Accelerator graduates, the Fund sees itself filling a gap in the commercialization continuum by helping early-stage companies with investment funds.

BCPS will have special regional emphasis on software and web technologies designed for business and healthcare. BCPS will leverage the resources and contacts of the 110+ companies in the Quicken Loans Family of Companies (FOC) nationwide, particularly the twelve that are operating in Cleveland.

Fund Opportunity

BCPS provides a sound analysis of potential deal flow sources, including Bizdom Accelerator graduates, national marketing and media efforts, Quicken Loans FOC, and regional collaborators. While some of this deal flow could be served by other pre-seed players in this mid-phase (incubating & demonstrating) of commercialization, it is highly that additional opportunities can easily be served. Bizdom believes that it uncovers, or jointly supports, significant early stage deal flow from the Bizdom Accelerator, PR efforts, and other internal sources.

BCPS expects 75 inquiries per year from qualified candidates, primarily through the Bizdom Accelerator, its national marketing efforts, the FOC, and its collaborators. The Bizdom Accelerator has accepted 27 businesses since its inception in early 2013. Six graduates of the Bizdom Accelerator are seen as prime pipeline opportunities and are anticipated to immediately pursue funding from BCPS.

In addition, BCPS anticipates receiving an average of 33 qualified investment candidates from the FOC with about one-third of these opportunities coming from Detroit Venture Partners (an FOC member), and an additional 15 opportunities from the JumpStart network.

BCPS will utilize a standard convertible debt instrument to make investments in approximately 25 companies over a three-year period. Investments are expected in the range of $125k to $300k. Portfolio businesses will use the investment to position the company to attract venture capital funds or other forms of investment financing. The ideal opportunity will be companies with a market opportunity of $250MM and a CEO that is viewed as "fundable" by next round investors.

Proposal Evaluation Summary (Continued)

Bizdom Fund

Bizdom Cleveland Pre-Seed Fund

Fund Operations

BCPS follows a clearly defined process which goes from opportunity identification through qualifications, decision making, and the management of portfolio companies. The BCPS Fund Manager reports to a 9-member Bizdom Fund board and is responsible for quarterly update presentations regarding portfolio companies.

Due diligence will be performed by the Deal Team Leader, the Fund Manager, Administrative Team Leader and FOC members as required. The FOC members that are utilized will bring broad industry expertise to the due diligence process.

Enhanced management services will include business coaching and the ability to network with the FOC. Business coaching includes monthly strategy sessions with coaches coordinated by the Administrative Leader. Coaches will assist founders with sales, strategy, finance and technology.

Bizdom and the FOC have a committed network of more than 300 coaches. In addition to the monthly coaching sessions, businesses will receive coaching on key components of compelling investor presentations in an effort to attract the next round of funding.

Relevant Track Record

BCPS is a new fund and as such does not have a specific track record. However, the Bizdom Accelerator and Bizdom Fund have been making investments up to $25k for business in the imagining phase of development. In addition, there will be a close working relationship with Detroit Venture Partners and Rockbridge, both later stage venture capital collaborators and members of the FOC.

Since January 2012, the Bizdom Accelerator and Bizdom Fund have invested $940k in 46 companies located in inner-city locations with 24 businesses being led by women or minorities. Five companies have received services in exchange for equity.

The combined entities have created 112 direct jobs with an average salary of $46k. Overall, since 2012, portfolio companies have generated over $7.5MM in A-metrics, having raised $3.9MM in total follow-on investment and $3.6MM in revenue.

These companies have attracted investments from 15 venture capital companies and angel investors. The A-metrics represent a reasonably strong leverage for such a short timeframe on very early-stage companies

Projected Economic Impact

BCPS anticipates making 25 investments over a three year period creating a projected 242 jobs with an average salary of $45k and cumulative revenues of $6.2MM. Over the life of the fund, it is projected to achieve an 18:1 leverage on State funds.

The Bizdom Accelerator has a successful track record of attracting business and talent to Ohio, attracting five businesses and eight founders from outside Ohio to relocate to Cleveland. BCPS anticipates attracting an additional 5 businesses to relocate to Ohio.

Dan Gilbert and the members of the Quicken Loans FOC have been a major influence in the Cleveland regional economy by assisting in the transition from what was primarily a manufacturing economy, to a more technology driven economy.

New, innovative businesses not only create jobs for Cleveland residents, but they also introduce the region to the team members from outside the region in an effort to strengthen Cleveland's urban core.

Experience & Qualifications

The Fund manager has over 20 years of experience managing investment funds or operating early stage technology businesses. In addition, within the FOC, exist the venture capital firms, Rockbridge Growth Equity and Detroit Venture Partners. Management from these two organizations are not only Bizdom Fund board members, but also will be relied upon to provide guidance and services, as needed.

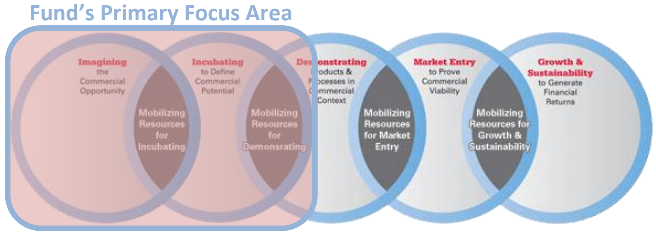
Budget

This proposal requests $2.813MM for a total budget of $5.625MM. Current cost share commitments of $2.813MM is firm. Of the total budget, $4.5MM will be used for approved investments with the remaining funds to be used for due diligence and enhanced management services.

Recommendation

BCPS fits with the intent of the program by focusing on companies in the incubating and demonstrating phases of targeted technologies in the northeast region. BCPS has submitted a well-documented response to the RFP and has satisfied the requirements of the Ohio Third Frontier to qualify as recommended for funding.

Fund's Primary Focus Area



Proposal Evaluation Summary

Lorain County Community College Foundation

Northeast Ohio Innovation Fund

Summary

Proposal #:	**14-118**
OTF Fund History:	**Previous**
Funds requested:	**$3,000,000**
Cost share proposed:	**$3,000,000**
Cost share committed:*	**$3,000,000**

*Commitment data as of 5/2/2014

Evaluation

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

Northwest Region

Fund Overview

The Innovation Fund (IF), a not-for-profit fund, seeks additional funding to continue its mission which launched in 2007. The Fund identifies and invests in opportunities located or willing to locate within the 21-county Northeast Ohio region. The Fund sees its role as having a special 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. The Fund is often the first investment into a company outside of the entrepreneur's personal assets. A unique educational objective requires each award recipient to provide a hands-on entrepreneurial internship for a student from one of the IF higher education partners.

Fund Opportunity

The Fund maintains a clear set of criteria for investable opportunities 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.

There are two award types, "A-Awards" (up to $25k) to prove technology concepts and "B-Awards" (up to $100k) for proof of business concept. A-Awards are grants and IF does not realize any financial returns from A-Awards. B-Awards are expected to be repaid if the venture is successful and are typically repaid from follow-on funding. To date approximately 80% of B-Awards have been repaid.

The Fund has a solid history of fundable deal flow from its regional partners (JumpStart, Cleveland State University, Northeast Ohio Medical University, Stark State College, Youngstown State University and Youngstown Business Incubator). In addition, GLIDE, located on LCCC's campus, identifies ample opportunities as one of 12 Edison Technology Incubators. The IF receives over 200 inquiries per quarter and has reviewed 884 deals, which are defined as a completed application in which the company meets the targeted size, location and technology sectors.

The Fund grants awards on a quarterly basis and has historically budgeted $300k of awards per quarter (three to six awards). The Fund reviews between 30 and 50 deal opportunities per quarter, with generally 7 to 12 opportunities deemed fundable and three to five opportunities awarded. Management believes it has the resources and quality deal flow to support doubling the number of awards each quarter and plans to increase the quarterly budget to $600k (five to ten awards) with more funding.

Fund Operations

The Fund has a well-defined 6-step process which is repeated quarterly to

Proposal Evaluation Summary (Continued)
Lorain County Community College Foundation
Northeast Ohio Innovation Fund

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 IF vetting process is supported by two committees comprised of individuals who are serial entrepreneurs, investors, educational leaders, and resource providers to ensure an effective due diligence and investment process. The Screening Committee's evaluation process narrows the number of quarterly deals that advance to the Innovation Fund Committee of the LCCC Foundation, which makes all final investment decisions.

B-Awards require the entrepreneur to provide matching funds from other sources. This creates valuable market experience and validation both for the idea and the entrepreneur. In the past seven years only three B Award recipients were unable to obtain 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. The Fund is built upon partner collaboration and all partners provide expertise and resources for enhanced management services (EMS), however, they may rely on third party consultants and contractors to support specialized needs for some portfolio 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 Pre-Seed Fund Capitalization Program (PFCP) funding rounds, making 140 awards ($7.6MM) to 117 companies. From those awards, portfolio companies have secured $145MM in co-/follow-on funding. There is a broad range of companies in the portfolio that have received follow-on funding.

Each funding round has shown a timely use of funds and strong outcomes, achieving a 39:1 leverage ratio from the first four funds. In addition, the portfolio companies have created over 165 internships for college students at partnering institutions.

Similar to other not-for-profit funds which received OTF support during the FY2012 PFCP, funding had not yet been released by early 2014 due to on-going loan agreement negotiations. Legal issues are expected to be resolved soon and the funds released for use. If this current request for funding is approved, the IF will have in excess of $10MM in dry powder for investment and Fund expenses. Fund management firmly believes it has sufficient quality deal flow to double the historical investment pace, resulting in a deployment FY2012 program funds within 12 months of release. Funding from this current round will be fully invested within three years.

Projected Economic Impact

The Fund expects to make 60 A-Awards in late-imagining opportunities and 24 B-Awards in incubating opportunities. IF projects 84 jobs with a $50k average salary and 84 internships with educational opportunities will be created from this round of funding. The Fund expects portfolio companies to attract $45MM in follow-on investments. The projected economic impact appears reasonable in light of IF's historical performance.

Experience & Qualifications

The IF has assembled a solid team by leveraging resources throughout the region. The Fund's core management team members have successful business experience and have worked with early stage ventures. The Innovation Fund Committee is comprised of regional serial entrepreneurs, investors, resource providers, and educational leaders in order to make funding and strategic decisions for the Fund.

Budget

Committed cost share of $1.2MM is from the LCCC Foundation. The original proposal indicates remaining cost share will come from the B-Award matching funds. However, DAS has determined that the matching B-Award funds do not qualify as committed cost share. Fund management has indicated the LCCC Foundation will provide the remaining $1.8MM of cost share commitment, but this will need to be secured before program agreements can be finalized.

Of the $6MM budget, 20% has been allocated to due diligence and EMS. Historically, LCCCF and GLIDE have provided due diligence support as an in-kind contribution. They plan for this to continue, but as deal flow has expanded and the portfolio has grown, there is a need for more dedicated resources to manage the fund. Some funds designated for due diligence will be specifically used to support an Innovation Fund manager for the grant period. Existing in-kind resources provided for administration and due diligence will continue to be provided by the respective entities.

Recommendation

IF plays an important role as an early funder within the regional ecosystem, providing high quality opportunities to later stage funds. The IF has a strong deal flow, a sound review process, strong management and solid performance as measured by A-metrics. The IF has shown its ability to meet program goals and is recommended for additional funding.

Non-Recommended Fund Proposals

OneCommunity Broadband Innovation Fund

Lead Applicant: OneCommunity

PFCP 14-107

The OneCommunity Broadband Innovation Fund requested $1.5MM to invest in early-stage businesses focused on information technology related products and services. The Fund's vision is to invest seed capital of $25k-$50k in start-up (imagining stage) ventures with a focus on advanced digital capabilities and the effective use of technology to build a national hub within the Northeast Ohio region. The Fund expected to give significant consideration to opportunities which utilize high capacity broadband services for the delivery, distribution, or development of products or services in the healthcare, education, and government sectors. While the Fund's proposal provided a clear technology sector focus, it contained several areas with less than clear commentary which limited the impact of its proposal. More challenging, the application did not fully cover several of the critical elements outlined in the RFP. Given the lack of relevant information and track record, the evaluators were unable to assess the proposed fund on many of the most critical program elements. As a result, the proposal scored poorly and is not recommended.

Withdrawn Fund Proposals

QCA First Fund IV Extension

Lead Applicant: Queen City Angels

PFCP 14-103

QCA First Fund IV was awarded $3MM in the Pre-Seed Fund Capitalization Program FY2012 funding round. The award amount was increased, along with several other Funds, to $4MM prior to the award contract being finalized. The Fund was planning to seek an additional $1MM of funding along with an equal cost share match. The proposed additional $2MM would be invested without any anticipated incremental Fund expense. During the evaluation process, QCA FF-IV indicated that even stronger than anticipated deal flow was allowing the Fund to accelerate investments from the existing capital base. Therefore, QCA decided to withdraw the current application, focus on existing fund investments, and begin planning for a future QCA First Fund V.