



**Development
Services Agency**

John R. Kasich, Governor

David Goodman, Director



Third Frontier
Innovation Creating Opportunity

www.OhioThirdFrontier.com

Pre-Seed Fund Capitalization Program

CY 2014 Bidders' Conference
January 29, 2014

Agenda

- Welcome and Introductions
- Office of Technology Investments
- Technology Support Ecosystem
- Pre-Seed Fund Capitalization Program (PFCP)
- Q & A

Office of Technology Investments

- Edison Centers
- Ohio Manufacturing Extension Partnership (Ohio MEP)
- Ohio Capital Fund and the OVCA
- Ohio Third Frontier

The Technology Support Ecosystem



Development
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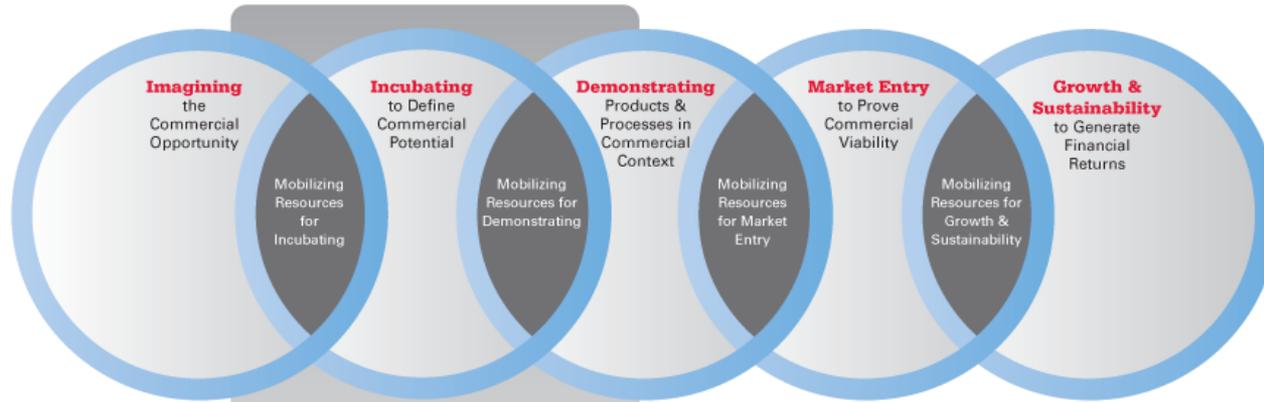
Commercialization

Objectives:

1. Increase the number and quality of technologies from Ohio universities/research institutions that are licensed to Ohio companies and improve upon their viability
2. Leverage nationally recognized Ohio university/research institution technology platforms in the acceleration of late-stage technologies, the creation of new companies and the attraction of investment capital to support them
3. Spur the development and commercialization of industry-relevant and company-directed late-stage technologies, new products and new product innovations

Commercialization

Technology Commercialization Framework



Valley of Death

Technology Commercialization Center Program

- Offers \$10M–\$25M to large, highly-focused technology centers
- Business/investor expertise and funds
- Extensive pipeline and deal flow for late-stage technology

Technology Validation & Start-up Fund

- Small grants up to \$50,000 for universities
- Validates a licensable technology
- Up to \$100,000 for startups licensing university technology

Industrial Research and Development Center Program

- Offers up to \$5M to attract large corporate or federal R&D centers
- Conducts industry directed R&D to commercialize technology

Technology Asset Grant Program

- Offers up to \$5M
- 2 or more Ohio companies lead a project
- Funds specialized technology equipment to develop products

Innovation Platform Program

- Grants up to \$3M
- University-based platforms
- 2 or more companies actively use to develop new products

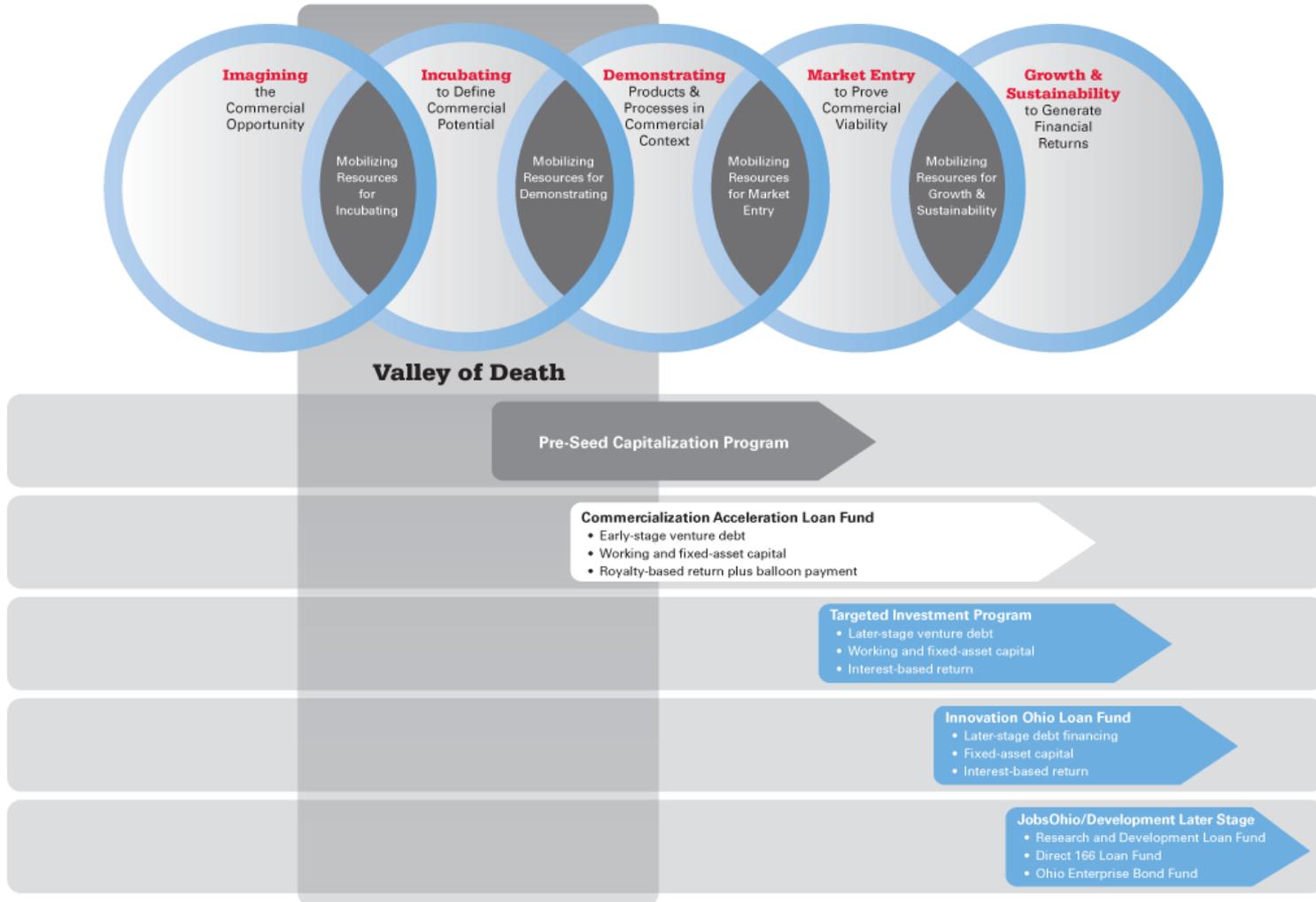
Capital

Objectives:

1. Fill a gap in the capital continuum by increasing the amount of early-stage capital and loan financing available to young Ohio technology companies
2. Help companies bridge the gap to sufficiently mature in order to attract venture capital funds or other forms of commercial financing
3. Increase the number of professionally managed pre-seed funds investing throughout Ohio; attract or retain top fund management talent
4. Create a risk capital climate that supports the development, retention and attraction of investable technology companies in Ohio

Capital

Technology Commercialization Framework



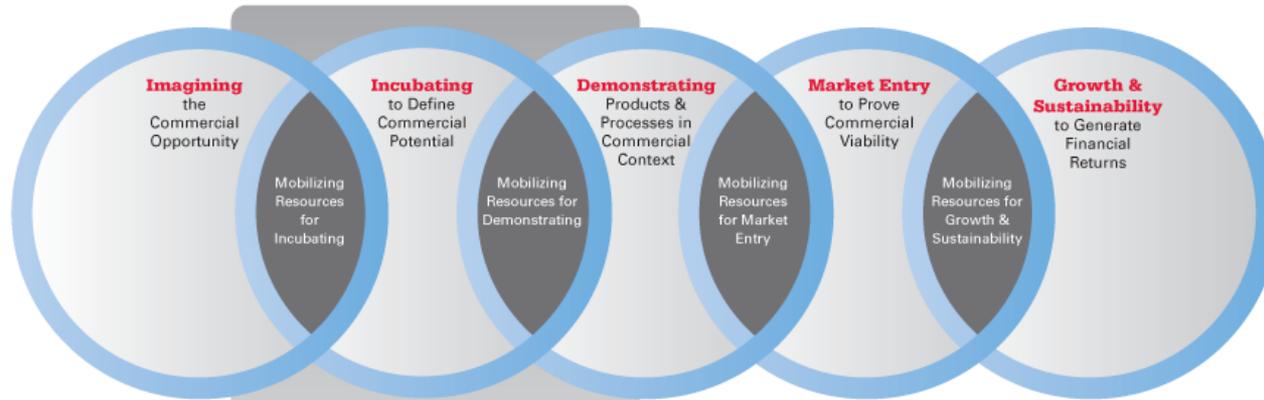
Innovation and Entrepreneurship

Objectives:

1. Foster a vibrant entrepreneurial ecosystem in Ohio that increases the number of quality technology start-ups
2. Improve the likelihood of success and accelerate the growth of young Ohio technology companies by providing high-value coaching, resources and connections to entrepreneurs
3. Increase the capital invested in Ohio technology companies; attract or retain top entrepreneurial talent in Ohio
4. Promote entrepreneurial successes and generate buzz about entrepreneurship in Ohio

Innovation and Entrepreneurship

Technology Commercialization Framework



Valley of Death

ONE Fund (Accelerators)

- Intensive mentorship during "boot camps"
- Business concept development and fast adjustments
- Access to customers and investors

Entrepreneurial Signature Program

- Entrepreneurial assistance
- Access to customers and investors
- Entrepreneurs-in-Residence

Incubation Program

- Entrepreneurial assistance
- Access to customers and investors
- Cost-competitive facilities

Pre-Seed Fund Capitalization Program

- Investment capital
- Marketing to third-party investors
- Recruitment of talent and Board of Directors

Pre-seed Fund Capitalization Program

CY 2014

Program Goals

- 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 commercialization phases;
- Create a risk capital climate that 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

Program Objectives

- Provide investment capital to new Pre-Seed Funds that will provide capital to early-stage technology companies; and
- Provide investment capital to proven existing Pre-Seed Funds and/or to the management teams of existing Pre-Seed Funds that will provide capital to early-stage technology companies

Eligible Purposes

Funds must be structured to:

- Invest in key technology focus areas (Advanced Materials; Aero propulsion Power Management; Fuel Cells and Energy Storage; Medical Technology; Software Applications for business and healthcare; Sensing and Automation Technologies; Situational Awareness and Surveillance Systems; Solar Photovoltaics);
- Invest in new opportunities;
- Invest in existing Ohio companies or in companies that will relocate to Ohio as a condition of the investment; and
- Have a formal relationship(s) with ESPs, previous Third Frontier funded Pre-Seed Funds, or other organizations in connection with the commercialization of technology-based opportunities in the Imagining, Incubating, or Demonstrating commercialization phases (relationship(s) must be evidenced by deal sharing, services exchanged, and/or established processes for resource commitments to joint opportunities)

Eligible Lead Applicants

- For-profit or not-for-profit Funds based in Ohio or with a Principal Place of Business in Ohio
- Lead Applicants may be new or existing Funds
- Lead Applicants may submit more than one proposal
- Lead Applicants must be willing and able to enter into a non-recourse loan agreement with the State of Ohio

Funding

- Development anticipates awarding up to \$20 million in the form of non-recourse loans
- Lead Applicant's plan must be based on a proposal in the range of \$500,000 – \$3 million
- Lead Applicant may use up to 10% of Ohio Third Frontier funds awarded for Due Diligence
- Lead Applicant may use up to 10% of Ohio Third Frontier funds awarded for Enhanced Management Services

Cost Share

- Lead Applicant must meet or exceed Cost Share requirement of \$1 Cost Share for every \$1 Ohio Third Frontier funds
- Lead Applicant may submit Current or Future Cost Share Commitments at time of Proposal submission (however, all Cost Share must be in the form of a Current Commitment prior to signing Agreement with Development)
- Before investment authorization, grantee must present to Development proof that Cost Share in an amount dictated by the Cost Share ratio contained in the Proposal is also being invested

Budget Forms

- **BF1: Total Budget Plan**

Used to present the Lead Applicant's requested State funds and committed Cost Share, by year and by specific line item category.

- **BF2: Pre-Seed Fund Projections**

Used to show the key financial and operating projections for the life of the Pre-Seed Fund, from inception through liquidation of all investments and distributions to investors.

- **BF3: Source of Cost Share**

Used to report the sources of all Cost Share from the Lead Applicant and all Collaborators.

State Distribution

- In for-profit funds, Ohio and the Fund will share equally in the return until both are made whole
 - Up to 1X, 50% of returns to each
 - From 1X to 2X, 100% of returns to the Fund
 - From 2X and beyond, 50% of returns to each
- Funds with a private capital match of more than 1:1, Ohio receives its returns in amount proportionate to its % in the Fund
- In not-for-profit evergreen Funds, Ohio's profit would return to the Fund with the profit due any other investor

Proposal Evaluation Criteria

The following criteria have been identified in Section 4 as having the highest relevance to and weighting for the PFCP:

- Alignment of the Proposal with the Program's purpose, goals, objectives, eligibility, funding, and Cost Share requirements of RFP
- Quality of the responses to the RFP requirements as outlined in The Opportunity, Operations, Success and Track Record, Projected Economic Impacts and Regional Priorities, Experience and Qualifications, and Budget
- Performance, if applicable, of prior Ohio Third Frontier grants
- Compliance with the RFP's administrative requirements

Proposal Evaluation Criteria

Emphasis on specific elements in the Proposal narrative:

- Degree of Lead Applicant's demonstration in a quantitative manner that Ohio deal-flow is substantial and not currently being adequately served by other early-stage capital sources
- Degree of Lead Applicant's demonstration of ability to manage Pre-Seed Fund, including investment and reporting processes
- Experience of Lead Applicant, Collaborators, and key personnel with respect to successfully managing funds of comparable size, scope, and complexity
- Degree of Lead Applicant's demonstration of ability to integrate activities with the ESPs and other state-funded programs and organizations sharing complimentary missions
- Degree to which Ohio Third Frontier funds will be impactful as evidenced by magnitude and realism of projected A and B Metrics

Proposal Evaluation Criteria

Emphasis on performance measures of prior Ohio Third Frontier grants:

- Current economic impact of previous related Ohio Third Frontier grant(s) as measured by A and B Metrics
- Lead Applicant and Collaborators ability to develop and support qualified deal flow
- Degree of Lead Applicant's demonstration of the need for additional capital funding given previous state investments and the resources remaining that will be applied to the needs of the community and/or geography that is intended to be served

Review Process

Administrative Review

- Conducted by Ohio Third Frontier Commission staff
- Receive, process and screen proposals for administrative compliance
- Forward to external evaluator for technical review

Technical Review

- Conducted by external evaluator
- First-stage review – determine which proposals meet the charge of the RFP; passing proposals move to review's second-stage
- Second-stage review – address questions submitted to Development by the external evaluator; interview with the external evaluator

Timeline

December 20, 2013

RFP Released

February 6, 2014

LOIs due by 2:00 p.m.

March 5, 2014

Proposals due by 2:00 p.m.

March-June 2014

Review Process

Approximately June 2014

Award Announcements

**Be sure to use the current version of the RFP and application /
budget forms**

RFP Modifications and Clarifications

- From time to time, it may be necessary to modify or clarify portions of the RFP, as well as the forms. In that event, we will post a document titled “RFP Modifications and Clarifications” to the RFP page for the particular program on the Third Frontier website.
- It is your responsibility to be aware of any RFP modifications and to ensure that your proposal conforms with any such modifications.

Questions and Answers and Communications

- All questions must be submitted via email to:

PFCP@development.ohio.gov

“Pre-Seed Fund Capitalization Program Q&A” must appear in the subject line

- Frequently asked questions will be posted on the Third Frontier web site: www.thirdfrontier.com
- Lead Applicants, Collaborators and/or others acting on their behalf **are to be aware of all prohibited contact** in Section IV of the RFP’s *Appendix A – RFP Process, Awards Process, and Mandatory Compliance*.
- If a Lead Applicant, Collaborator and/or others acting on their behalf makes prohibited contact, **Development in its discretion may subject the Proposal to elimination from the RFP process.**

Things to Avoid

- Late Proposals
- Requesting more than Award limit
- Ignoring page limitations
- Claiming proprietary information
- Appending material
- Support letters not specifically requested
- Missing letters of collaboration
- Incorrect or missing budget forms

Questions?

PFCP@development.ohio.gov

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