



Third Frontier
Innovation Creating Opportunity

Pre-Seed Fund Capitalization Program

**FY 2011 Bidders Conference
September 15, 2010**

Agenda

- **Welcome and Introductions**
- **Ohio Third Frontier**
- **Commercialization Framework**
- **Pre-Seed Fund Capitalization (OTFPFC)**
- **Q & A**
- **Closing Remarks**

Ohio Third Frontier

Background

- The Ohio Third Frontier was initiated in February 2002 and, with a commitment of \$2 billion, is the state's largest-ever economic development initiative
- Ohio's investment has leveraged over \$4.7 billion in additional investments from the private sector and federal government
- Program investments have helped to create 682 new companies, more than 9,500 new jobs

Ohio Third Frontier

Vision

To establish, in targeted areas of technology, regional and statewide clusters of excellence that sustain our global competitive advantage in company and product formation, job creation and economic growth.

Ohio Third Frontier

Objectives

Guided by a focus on Ohio research and industrial strengths:

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

Ohio Third Frontier

Focus Areas

Based on a 2002 study by Battelle and revised by the Ohio Third Frontier Commission in 2008, the Ohio Third Frontier embraces five technology focus areas:

Biomedical
Advanced/Alternative Energy
Instruments, Controls, Electronics
Advanced Materials
Advanced Propulsion

Ohio Third Frontier - Investment Highlights

- Statewide Entrepreneurial Signature Program (ESP) established and organized around 6 regional networks
- More than 50 pre-seed and seed funds capitalized
- 13 Wright Centers of Innovation (including one Mega-Center) established
- Endowments for 26 Ohio Research Scholars
- More than 80 advanced energy projects supporting the growth of the fuel cell and photovoltaic clusters
- 3,000 STEM interns placed in over 700 companies

Ohio Third Frontier FY2011 Programs

Research Commercialization Programs

- Wright Projects Program
- R & D Center Attraction

RFP TBR
Continuous RFP

Entrepreneurial Programs

- - Pre-Seed Capitalization Program

RFP open

Cluster Development Programs

- Advanced Materials Program
- Sensors Program
- Advanced Energy Program
- Fuel Cell Program
- Photovoltaic Program
- Medical Imaging Program
- Biomedical Program
- Targeted Industry Attraction Grants

RFP TBR
RFP TBR
RFP closed
RFP closed
RFP closed
RFP TBR
RFP TBR
Continuous RFP

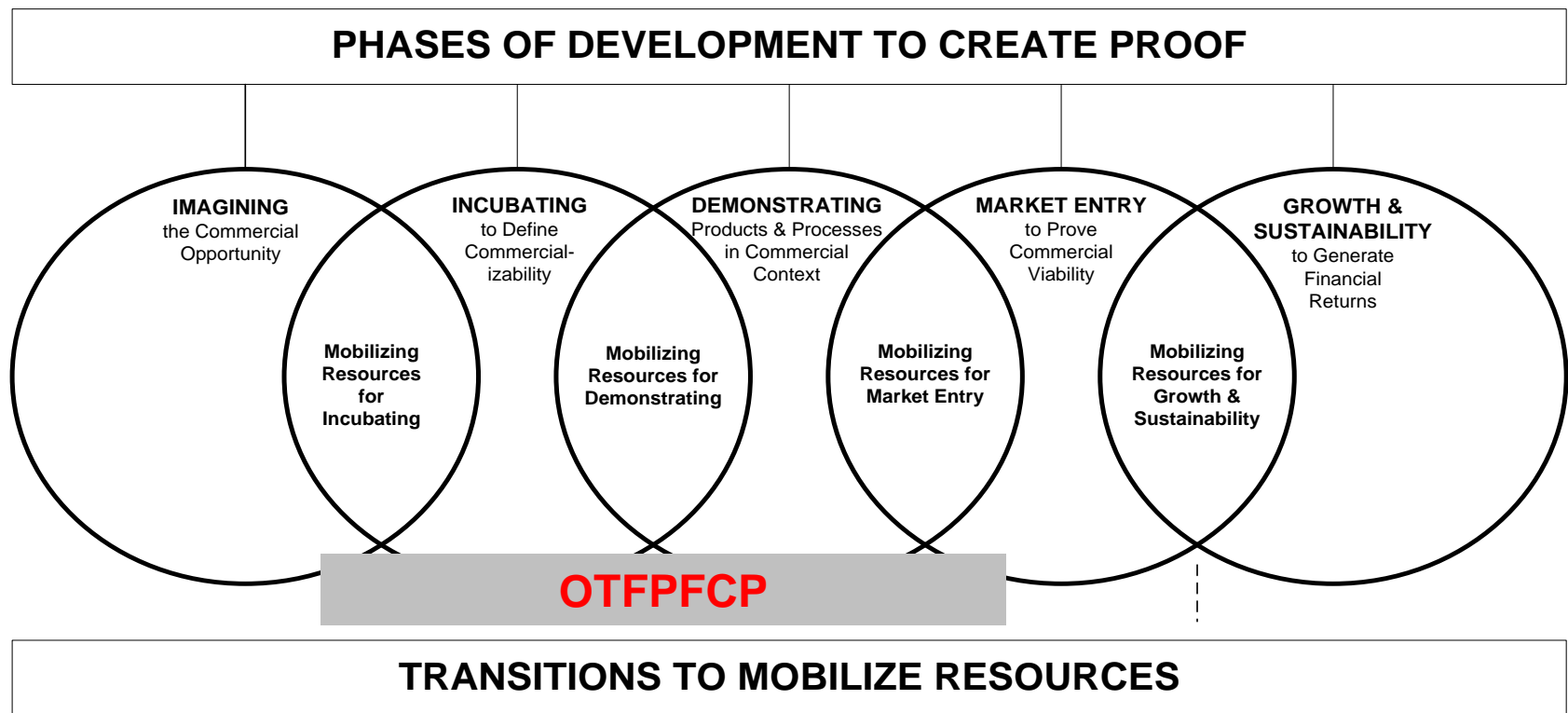
Talent

- Third Frontier Internship Program

Continuous RFP
TBR = To Be Released

Commercialization Framework

THE PROCESS OF TECHNOLOGY COMMERCIALIZATION



Adapted from Jolly, Vijay K., *Commercializing New Technologies. Getting from Mind to Market*. Harvard Business Press, 2007.

Executive Order 2010-09S

No Grant Funds or Required Match/Cost Share May be Spent Offshore

- Governor Ted Strickland issued Executive Order 2010-09S “Banning the Expenditures of Public Funds for Offshore Services” on August 6, 2010.
- The Executive Order prohibits the use of any funds within the control of an executive agency to purchase services which will be provided outside of the United States. The Executive Order became effective on August 6, 2010, requiring all agency compliance beginning on that date.

Ohio Third Frontier Pre-Seed Capitalization Program

Fiscal Year 2011

Program Purpose

- 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 its' existing portfolio companies in addition to new early stage technology companies.

Program Goal and Objectives

- To increase the amount of early stage capital being invested in technology-based start-up Ohio companies in the Imagining, Incubating or Demonstrating phases of commercialization;
- To create a risk capital climate that supports the development, retention and attraction of investable technology companies; and
- Build a pipeline of technology company deal flow that increasingly attracts the resources of venture capital firms both within and outside of Ohio.

Eligible Purposes

The OTF will fund grant proposals that are structured to:

- Invest in the following technology areas: Biomedical, Advanced/Alternative Energy, Instruments-Controls-Electronics, Advanced Materials, and Advanced Propulsion;
- Invest either in new opportunities or provide follow-on funding to existing portfolio companies that need additional financing; and
- Invest in existing Ohio companies or in companies that will relocate to Ohio as a condition of the investment.

Eligible Lead Applicants

- Eligible Lead Applicants are for-profit or not-for-profit organizations 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.

Funding

- Development anticipates awarding up to \$10 million through the FY11 OTFPFCP to eligible Lead Applicants;
- The Lead Applicant's plan must be based on a grant in the range of \$500,000 - \$2 million;
- The Lead Applicant may use up to 10% of Grant Funds awarded for Due Diligence;
- The Lead Applicant may use up to 10% of Grant Funds awarded for Enhanced Management Services;

Cost Share

- The Lead Applicant must meet or exceed the Cost Share requirement of \$1 of Cost Share for every \$1 of Grant Funds;
- At the time of proposal submission the Lead Applicant may submit current or future Cost Share; and
- The Lead Applicant must present to Development proof of current access to Cost Share at time of Grant Agreement execution.

Escrow Agreement

- Within 90 days of the beginning of the Project Period, all Pre-Seed Fund Grantees must select an escrow agent who is a public depository;
- Grantees must sign an escrow agreement in a form provided by Development; and
- Grantees may then receive an initial advance payment of up to 15% of the total grant award. Subsequent payments shall be made following the receipt of a written request and are subject to approval of performance reports.

Proposal Evaluation Criteria

The following criteria have been identified in Section 4.2 as having the highest relevance to and weighting for the OTFPFCP:

- The 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;
- The experience of the Lead Applicant and Collaborators in the successful management of funds of comparable size, scope, and complexity;
- The economic impact of the requested Grant Funds as evidenced by the magnitude of projected A and B Metrics or reported A and B Metrics from past OTF Grants; and
- The ability of the Lead Applicant to integrate their activities with other state-funded programs and regional ESPs.

Review Process

Administrative Review

- Conducted by Development staff
- Receive and process proposals to screen Proposals for compliance with the objective content requirements defined in this RFP.
- Forward to external evaluators for technical review

Technical Review

- Conducted by external evaluators
- First-stage review to determine which proposals meet the charge of RFP.
- Passing proposals move to the second-stage review in which applicants address questions submitted to Development by the evaluator.

Timeline

August 23, 2010

RFP Released

September 24, 2010

LOIs due by 2:00 p.m.

October 22, 2010

Proposals due by 2:00 p.m.

October – December 2010

Review Process

Approximately January 2011 *Award Announcements*

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

RFP Modifications & Clarifications

- From time to time, it may be necessary to modify or clarify portions of the RFPs, 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. The document will have an explanation of any changes.
- It is your responsibility to be aware of any RFP modifications and to ensure that your proposal conforms with any such modifications

Policy & Administrative Questions

- All questions **must be submitted via e-mail**
- The e-mail should be addressed to:
OTFPFCP2011@development.ohio.gov
- ***“OTFPFCP Q&A” must appear in the subject line***
- Frequently asked questions will be posted on the Third Frontier web site: www.thirdfrontier.com

Major Changes from FY10 RFP

- There is no requirement for Lead Applicants to have been a previous fund manager under a grant to the Ohio Third Frontier; and
- Proposals will not be accepted that will provide both investment capital and entrepreneurial services.
- Compliance with Executive Order 2010-09S

Key Points

- New & Existing Funds are Eligible
- Funding range \$500,000 - \$2 million
- Minimum Cost Share is 1:1
- Lead Applicants may submit multiple proposals

Key Points

- At least one Collaborator is required for each proposal
- Relationship with regional ESP is required
- Letters of Intent due: September 24, 2011
- Email address: OTFPFCP2011@development.ohio.gov

Key Points

- Mandatory compliance with EO 2010-09S
- Include completed copies of the “Standard Affirmation and Disclosure Form for Grants” with your proposal
- A copy of the form is posted on the Third Frontier website
- The Executive Order is available at:
www.governor.ohio.gov/Default.aspx?tabid=1495

Questions?