

Utilizing Early-Stage Capital to Create New Companies and New Jobs

By Steve Weathers, CEcD

STARTING NEW VENTURES IN YOUR REGION

Your region has lost most of its base manufacturing jobs, unemployment is at historic highs, state and local deficits continue to rise, local elected officials talk more and more about raising taxes, and your local banks are not lending money. The public and private sectors, as well as the community, are looking to you as an economic development professional to lead them out of this downward economic spiral. This article focuses on a strategy in Northwest Ohio that combines the traditional tools of economic development with the financial resources of an early-stage venture capital fund to create a unique economic model that creates new companies and more importantly new employment opportunities.

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INTERNATIONAL
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utilizing early-stage CAPITAL TO CREATE NEW COMPANIES AND NEW JOBS

By Steve Weathers, CECd

Your region has lost a majority of its manufacturing jobs, unemployment is at historic highs, state and local deficits continue to rise, local elected officials talk more and more about raising taxes, and banks are not lending money to the existing companies in your region. And, if that is not enough, the community is looking to you, as the economic development professional, to come up with strategies that will stop the downward spiral, create new jobs, generate new tax revenue, and elevate the local and regional economy.

This article focuses on one such region, Northwest Ohio, which has suffered through all of these maladies and how one organization, the *Regional Growth Partnership* (www.rgp.org), took a leadership role in creating a vision and roadmap to a more prosperous economy. One where new companies are being formed, new jobs are being created, and new investment capital is being attracted.

As professionals in the field of economic development, we know the strategies and tactics utilized in economic development are forever changing and evolving to meet the demands and opportunities experienced by each of our regions and communities. In Northwest Ohio, we have had to make many changes and adjustments over the years in an effort to stem the tide of jobs lost in the automotive sector and create pathways for our community to create new jobs and opportunities. One such effort led by the Regional Growth Partnership (RGP) was the creation of the *Launch* program and the formation of an early-stage venture capital fund, *Rocket Ventures*.



Dr. Xunming Deng, CEO and co-founder, Xunlight, displays the company's lightweight, flexible solar module.

Northwest Ohio has a long history of entrepreneurship and the creation of new ventures and companies. This part of the country has manufactured products of all types, many of which all of us use in our daily lives. Manufacturing is very much a part of the economic fabric that makes up the Midwest and Northwest Ohio. But, with the ever changing and competitive global economy, like other parts of the country, a large portion of this manufacturing has moved to lower cost locations along with the related jobs. This has created a gap in the region's ability to provide good paying, high quality jobs for

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(He served as president & CEO of the Regional Growth Partnership in Toledo, from September 2005 until October 2010. He started Rocket Ventures in 2006 and also served as its president & managing partner.)

STARTING NEW VENTURES IN YOUR REGION

Your region has lost most of its base manufacturing jobs, unemployment is at historic highs, state and local deficits continue to rise, local elected officials talk more and more about raising taxes, and your local banks are not lending money. The public and private sectors, as well as the community, are looking to you as an economic development professional to lead them out of this downward economic spiral. This article focuses on a strategy in Northwest Ohio that combines the traditional tools of economic development with the financial resources of an early-stage venture capital fund to create a unique economic model that creates new companies and more importantly new employment opportunities.

its citizens. It has also resulted in an ever shrinking tax base from which to fund basic services, such as police, fire, schools, and infrastructure.

With such disruption and crisis in the region, the community's business leaders saw the necessity to create new opportunities, try new strategies, take on new risk, and move in directions that they might not have otherwise considered. This regional crisis, affecting all aspects of our community, was the primary driving force for the Regional Growth Partnership's board of directors to evaluate its role in regional economic development and take on a new direction.

CREATING A REVOLUTIONARY MODEL FOR ECONOMIC DEVELOPMENT

The Regional Growth Partnership, started in 1994, like a majority of economic development organizations around the country, as a public/private funded partnership. In an effort to address the economic crisis Northwest Ohio faced in 2005, the private sector took a leadership role in transitioning the organization into a *privately funded organization*. While the transition was difficult and at times may have seemed impossible, this privately funded structure provided the organization with a freedom to operate without the encumbrances sometime imposed by local elected officials and the limitations of their jurisdictional boundaries, which can sometime impede the economic development process. It also allowed the organization the ability to try new strategies and take on new risk, which until that time, had never been tried in Northwest Ohio.

In 2005, the organization took the first steps in creating the new Regional Growth Partnership. Forgoing the support of local tax dollars, it secured operational funding solely from the private sector and recruited a new president & CEO to lead this effort. With the private sector funding secured from 62 member companies located in the region and a new CEO on board, the next task was to create a completely new model for economic development. Over the period of 2006 and 2007, staffing was increased from the initial nine staff to a complement of 22. Staff members were added to the team as the organization grew into its new mission of creating new innovative, job creating companies for the region.

In 2006, the organization laid the foundation to create an economic model, which in addition to the traditional role of marketing the region, attracting new business op-

In 2005, the organization took the first steps in creating the new Regional Growth Partnership. Forgoing the support of local tax dollars, it secured operational funding solely from the private sector and recruited a new president & CEO to lead this effort.

A PROFILE OF NORTHWEST OHIO

Northwest Ohio is defined by 18 counties located in the Northwest part of the state, bordering both Michigan and Indiana. The largest city in the region is Toledo, with a population of approximately 300,000. The population within the MSA is around 750,000. The largest industry by employment and investment is the automotive industry, with both Fiat/Chrysler and General Motors plants located in Toledo. The region is also home to hundreds of automotive industry suppliers and to a large number of logistics companies, moving primarily automotive parts and supplies. In the last 10 years it has also grown new jobs related to the solar industry, with current employment levels around 6,000. Located on the western tip of Lake Erie, one of the region's greatest assets is access to the world's largest supply of fresh water.

portunities, and collaborating with other organizations to retain existing business, it expanded its role to start and invest in new start-up technology-based companies. In starting the Launch program and the Rocket Ventures Investment Fund, the Regional Growth Partnership created a unique economic development organization. For the first time in the economic development history of Northwest Ohio, it now had a regional economic development organization that owned and operated an early-stage investment venture fund. The RGP now had the capability to not only plan, create, and start new venture companies, but to also take an investment stake in these new start-up opportunities.

In laying out its new strategic direction, the Regional Growth Partnership adopted the commercialization framework utilized by the Ohio Department of Development and the state of Ohio's Third Frontier program. This framework outlines a five-phase development process broken down into the following segments: imagining, incubating, demonstrating, market entry and finally, growth & sustainability. These phases and terms are a broadly accepted model of how technology moves from laboratory bench research through various stages and into the marketplace.

The ultimate utility of the framework is an understanding of the gaps that hinder or even stifle the commercialization process. Any new company and especially technology-based companies are at their highest level of risk during the incubating and demonstrating phases of development, commonly called the "Valley of Death."

The Launch program and the Rocket Ventures fund work with start-up companies in three primary stages of commercialization – *imagining, incubating, and demonstrating*. The "imagining" phase is considered just that, someone with an idea or concept. It may or may not be down on paper; this is considered to be the earliest stage of development. The "incubating" phase is typically identified by a start-up company's need to locate in some



Aquablok general manager and chief operating officer John Collins has developed a patented bentonite-based composite barrier technology for use in a variety of underwater remediation applications.

type of business space, be it office, laboratory, or manufacturing space. A company is considered to be in the “demonstrating” phase when it is ready to demonstrate its technology, typically through the development of prototypes and early stage products. This is a critical phase because it will demonstrate whether or not the company’s product can actually be produced and brought to large scale production.

ENGAGING THE BROADER COMMUNITY

This new model for economic development also provided a platform from which to engage more of the community stakeholders in the success of the region. In order to broaden regional engagement, the Regional Growth Partnership created a 42-member board of directors, representing the business community, the region’s leading academic institutions, and community partners in economic development.

To complement the leadership board, the organization also created two separate boards of directors, one to provide oversight for the Rocket Ventures Investment Fund, and a second board to provide oversight for the management services and grants awarded to new start-up companies. Although Rocket Ventures is run by the Regional Growth Partnership, the Rocket Ventures boards operate under different philosophies and missions. The Regional Growth Partnership board is driven by a regional economic development mission and priorities, while the two boards of Rocket Ventures are driven by a “return-on-capital” invested by the fund in individual start-up companies. Members of the Rocket Ventures investment and management services boards include local business leaders, members from the region’s universities and com-

munity colleges, as well as economic development partners from throughout Northwest Ohio. In total more than 50 local leaders and partners provide oversight and governance.

This new model for regional economic development has also led to greater collaboration among a variety of partners, including the institutions of higher learning in the region, the public sector, other community and business non-profit organizations, as well as a number of community groups.

LAUNCHING A NEW BUSINESS – CONCEPT TO MARKETPLACE

In today’s competitive business environment, entrepreneurs with high power ideas need a place to turn for help. In response, the Regional Growth Partnership created *Launch* (www.rgplaunch.org), a technology-based business incubation program exclusively designed for entrepreneurs and start-up companies. Launch is the first place to go in Northwest Ohio to receive critical business assistance support during the early stages of commercialization. Launch helps entrepreneurs by introducing their revolutionary, world-class technology to the marketplace.

Over the past five years, the economic impact of this program has been the start-up of more than 70 new technology-based innovative companies, creating hundreds of new high-paying jobs. The companies supported by the Launch program have attracted more than \$50 million in research and investment capital to the region over the past few years.

Launch is a virtual business incubation program, a business planning resource for technology-based start-up companies that are commercializing significant intellectual property for revolutionary technologies. The mission of this program is to prepare technology-based start-up companies for funding, including sales revenue, grants, and investment and to graduate funded companies that are sustainable. It literally takes the idea of an

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entrepreneur from the concept or “back of a napkin phase” to a fully developed business plan and perhaps even an early state prototype of the product. Launch works in the earliest stages of a company’s formation, the *imaging* and *incubating* phases of development, as described earlier.

The program is funded through two sources of capital, one of which is the state of Ohio’s Thomas Edison Program, which provides 50 percent of the operating capital. This is matched on a \$1-to-\$1 basis by the Regional

Growth Partnership's private capital. In addition, the program also attracts in-kind services from various professional fields, such as legal, accounting, and consulting. In total the program operates with a budget, including the in-kind services, of approximately \$1 million.

As the program was developed, it was important to focus on certain industry sectors, or clusters, so financial and human resources could be dedicated to those industries that provided the best options for company and job growth in Northwest Ohio. After much evaluation it was agreed that the program would focus on the following industry sectors: alternative energy, biomedical or life sciences, advanced manufacturing, and logistics technologies.

While there is a focus on specific industry sectors, the program will assist and support technology sectors other than those listed here, if they meet certain criteria such as having a patented technology or innovation and are located in Northwest Ohio. To fulfill this mission, Launch provides comprehensive commercialization assistance to successively build the credibility of its clients through milestone attainment and funding outcomes. Business incubation is a process of continuous credibility building to leverage resources for commercialization transition. To this end, Launch provides directly and through its partners and contractual service providers a broad scope of services.

The services provided by the program are free of charge to its clients. Specifically, the program will provide business plan development, financial planning, evaluation and management of intellectual property, and most importantly introductions and links to potential funding sources for new start-up businesses. Once the Launch program takes on a client, it works with that cli-

ent on an almost daily basis to move the entrepreneur forward in creating a new company.

Over the past few years, the program has assisted many early-stage companies in reaching critical milestones through the development of business plans, marketing analysis and research, connections to sources of funding, intellectual property management, and technology validation. The Launch team has also successfully managed several grant proposals on behalf of client companies, resulting in over \$40 million in awards to its clients over the past few years.

Companies in this program also receive business coaching by highly-skilled members of the team. In addition, companies are carefully matched with an extensive network of consultants, experts, service providers, and interns who provide invaluable assistance.

Launch has documented over \$50 million in economic impacts to Northwest Ohio through its client companies' reported sales revenue, grant income, and investment in just the past few years. New jobs being created with the support of the program pay on average an annual salary of more than \$56,000. This is just the beginning of the total economic impact that is realized as these start-up companies continue to grow and add wealth in the region.

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As part of its program, Launch also hosts *TechConnect* networking forums where entrepreneurs can benefit from meeting people with similar interests and ideas, other small business owners, and representatives from the financial sector and service providers. This highly successful event now draws over 300 tech-minded people from around Northwest Ohio, as well as other parts of Ohio, Michigan, and Indiana.

Partnering with Rocket Ventures, the Toledo Regional Chamber of Commerce, the University of Toledo, Bowling Green State University, Owens Community College, and others, Launch sponsors *Entrepreneurial Boot Camps* and educational workshops specifically tailored to the needs of new technology companies.

The program has had many successes over the past few years; the most notable is the solar panel manufacturing company, Xunlight (www.xunlight.com). Xunlight started as many companies do, with an entrepreneur's idea for a company, but no real plan in place. Through the support of Launch, Xunlight was able to complete its business plan and better position itself to begin raising investment capital. Today, Xunlight is nationally recognized as one of the world's fastest growing flexible solar companies, having raised over \$50 million and employing more than 120 people.

XUNLIGHT - TAKING SOLAR ENERGY RESEARCH FROM THE LAB BENCH TO THE MARKET PLACE

Xunlight (pronounced "sunlight") is an excellent example of a company that went through the Launch program at the Regional Growth Partnership (RGP) and on to being one of the first investments of Rocket Ventures. The founder of Xunlight and his wife first approached RGP's Launch program with nothing more than a scientific paper and believed their idea could be transformed into a viable company. With professional support from the Launch program, Xunlight was born. As its need for capital grew, Rocket Ventures stepped in and provided needed capital early on, and helped the company to raise additional investment capital. The company now employs more than 120 people manufacturing and selling flexible solar panels throughout the world. Xunlight is recognized as one of the world's leading flexible solar panel manufacturers.



Praveen Paripati is president of SuGanit Systems, a start-up alternative energy company developing technologies for the sustainable and cost-competitive production of cellulosic ethanol and useful bionewable byproducts.

Providing a platform for start-up company incubation

As stated earlier, the program is not a physical incubator and does not subsidize leasable space for facilities for its clients. However, it does provide clients no-cost meeting facilities, as well as access to workstations and meeting rooms with internet access. There is a recognized need of start-up companies to have temporary work space and meeting rooms in a professional environment outfitted with the necessary business services and amenities.

In order to accommodate the physical space needs of its clients from throughout the region, Launch has partnered with three physical incubators in the region. For the southern end of the region, the program partners with an incubator that provides quality office space, as well as warehousing and light manufacturing space. For the northern and central part of the region, Launch partners with a mixed-use incubation facility located in the downtown area of Toledo. It has also set up a partnership with universities in the region to locate start-up technology-based companies with specific incubators the universities have established to support lab-based sciences, such as biotechnology, alternative energy, information technologies, advanced manufacturing, and composite materials sciences.

Business Services –

A key to starting a company and succeeding

The program builds the credibility of its clients by providing a breadth of business development services, all of which constitute its comprehensive business planning process. The business planning is not merely the exercise of producing a business plan document. It is a highly iterative, continuous business planning process which is holistic and permits the entrepreneur to completely envisage the business venture before commencing. The Launch team breaks down the process into eight specific steps, as follows:

Concept Development

Concept development begins with an initial proof-of-principal, where evidence and theory suggest technical and commercial feasibility. Business counseling is provided at this early stage to assist the development of a business concept that is characterized by a marketable, commercially-viable product or service based on the technology.

Technology Characterization

We have created and utilize five tests for technology characterization. The purpose is to ascertain the relative competitiveness of the technology and business to achieve sustainable technology-based economic development.

Five tests for technology characterization

1. *Defensibility* – Is the technology defensible, meaning “protected?” This is characterized by intellectual property protection, a provisional patent or copyright, although trade secrets occasionally are eligible. Patents and intellectual property are an underlying value and primary asset of any technology-based company, be it a start-up or a more established company. As such, companies will go to great lengths to defend their patents from infringement.
2. *Direct Competition* – Does the technology have little or no direct competition? Direct competition is defined as a very similar product or service that confers a very similar benefit. Intellectual property protection can deter copycats, and the nature of the technology should position the enterprise to have little direct competition.
3. *Indirect Competition* – Every technology has indirect competition, such as a typewriter with the personal computer's word processing software or desktop printer. Indirect competition is defined as a different product or service that confers a very similar or even greater benefit. Although every company has indirect competition, revolutionary technology represents the greatest advancements in the field, leapfrogging lesser indirect competition.
4. *Sustainability* – Technology can be the primary driver that renders a sustainable business enterprise. Is the technology sufficiently advanced so as to have additional development potential and a reasonably long lifecycle? This is the major benefit of technology-based economic development strategies.
5. *Impact* – Is the technology a disruptive and core platform technology, conferring some kind of disruptive, life-altering, or breakthrough effect?

There is a recognized need of start-up companies to have temporary work space and meeting rooms in a professional environment outfitted with the necessary business services and amenities.

Company Financing

The Launch program generates financial projections and performs financial modeling activities that include cost and pricing models to determine early-on how clients can realistically be financed. Various options exist for start-up companies, including, but not limited to, bootstrapping, angel investors, conventional loans, and venture funding. The program also works with clients to apply for various grants, such as SBIR or other federal and state grants, which may be applicable to developing a company's platform technology.

Market Research

The typical business plan contains only market research of a baseline market. Such information is insufficient to build a business case for viability and sustainability, especially when it comes to raising funds in a competitive investment environment. Market data must be credible, prove the existence of a market space for the company, and profile existing direct competitors.

Marketing & Sales

Identifying and defining customers and end-users of a product or service is paramount to the success of any company. Further research is also necessary to identify the customers' decision making process and key decision makers and influencers within a targeted potential customer population. Creating a strategy to build these relations should be a top priority. The better understanding a company has of its customers' needs, the better positioned it is to service those needs.

Intellectual Property

As stated earlier, intellectual property is the foundation and real value of a technology-based company. Engaging the appropriate legal assistance in negotiating licenses for technology, as well as protecting the intellectual property, is a fundamental step to building value in the company.

Demonstration & Validation

A company's ability to demonstrate and validate its technology builds tangible credibility in the market place and will support efforts to raise capital. Early demonstration can take the form of proof-of-concept, while later demonstration can take the form of working prototypes. Also critical is the ability to enlist third parties to validate technical and commercial viability. Third party, arm's length relationships assure independent validation and build credibility.

Milestones & Progress

Lastly, companies should establish specific milestones which are measurable, timely, and easily defended with substantial evidence. Typically, a company might produce quarterly progress reports, highlighting the milestones that have been met, as well as those that have yet to be achieved. These reports should also discuss, in brief, the estimated resources needed to achieve the

milestones. Achieving major milestones should fulfill longer range commercialization strategies and goals for a successful company.

Progress requirements are less well defined and may include such items as a fully developed business plan, additional filings for protection of intellectual property, development of a commercialization strategy, product or service demonstration and validation, achieving a first financing, or better yet, securing a first customer or a first sale.

ROCKET VENTURES...

CREATING A HIGHER LEVEL OF PERFORMANCE

As stated previously, Northwest Ohio has been largely dependent upon the manufacturing sector as the key driver of the regional economy, with the automotive industry as the largest component. For more than a decade the automotive industry has become increasingly fragmented with increasing competition, as well as outsourcing of components to off-shore manufacturers. Overall, the industry has lacked the ability to keep pace with innovation which is taking place in other areas of technology development, placing the region's large Fortune companies in survival mode versus a growth/innovation mode.

The regional leaders of Northwest Ohio came together and agreed that the region must compete globally and



Branam Oral Health Technologies is a medical device company offering a robust line of products that provide an innovative approach to the prevention of early childhood tooth decay and the development of proper jaw and tooth formation. Here, Dr. Stephen Branam shows a patented orthodontic pacifier, a far safer alternative to the traditional pacifier.

The Launch program generates financial projections and performs financial modeling activities that include cost and pricing models to determine early-on how clients can realistically be financed.

that diversity of the economic base and capitalizing on the latest innovation are critical to the long-term competitiveness of the region. A robust technology-based economy must have diverse sources of innovation. In order to meet this ever growing challenge, the Regional Growth Partnership took the leadership role in creating the region's first ever venture capital fund, Rocket Ventures, focused on early-stage, pre-seed investments, technology sector opportunities.

The overarching goal of Rocket Ventures is to create an enduring culture of technology-based economic development in Northwest Ohio's 18-county region. Rocket Ventures serves as an active agent for increasing the quantity and quality of innovative, technology-based deal flow in the region.

Rocket Ventures was created as a for-profit venture fund, operated by the Regional Growth Partnership, with a mission of capitalizing on opportunities to commercialize new innovative technologies through the creation of new technology-based companies in Northwest Ohio. The fund supports initiatives that create new jobs and wealth, and have a positive and lasting economic impact on Northwest Ohio and the state's economy.

The funding for Rocket Ventures comes from two sources, the private sector and the state of Ohio's Third Frontier program. The Regional Growth Partnership raised \$7.5 million in private investment as a match to a \$15 million grant from the Third Frontier program. This provided the initial \$22.5 million in funding for Rocket Ventures.

These funds supported the creation of a \$13.5 million investment fund for the sole purpose of investing directly into start-up ventures. In addition, \$9 million

was used to hire the Rocket Ventures staff and provide services and support to the start-up companies and local entrepreneurs.

The purpose of the fund is to inject or invest, as well as attract early stage pre-seed capital into new start-up companies, and to provide related services to the region's emerging high-tech development sectors in order to promote technology-based economic development. The fund aids in the commercialization, advancement, and acceleration of pre-seed stage companies' products and/or services.

Goals and Objectives

The overarching goal of Rocket Ventures is to create an enduring culture of technology-based economic development in Northwest Ohio's 18-county region. Rocket Ventures serves as an active agent for increasing the quantity and quality of innovative, technology-based deal flow in the region. Although the fund serves primarily new start-up and small entrepreneurial companies, it also takes into consideration and supports the region's existing small tech-based companies with revenues of less than \$5 million or fewer than 30 employees.

In order to measure whether or not Rocket Ventures was having an impact on the region, the leadership of the fund established specific objectives and outcomes to be achieved over the first three years of the fund's life:

1. Start, create, and expand 100 pre-seed stage technology-based companies, primarily in signature areas of alternative energy, biotechnology, and advanced manufacturing and materials.
2. Invest in 20 new start-up tech-based companies.
3. Provide 30 grants in \$50,000 increments to start new companies.
4. Create 1,000 new high value jobs in the region, with salaries significantly above the region's current average salary.
5. Generate \$25 million in new co-investment and follow-on capital.
6. Increase sales of the new companies by more than \$5 million.

ROCKET VENTURES INVESTMENT FUND – WHERE DOES THE CAPITAL COME FROM? AND, WHO MAKES THE INVESTMENT DECISIONS?

The Rocket Ventures Investment Fund is comprised of both private and public funds. The private sector invested \$7.5 million and through the state of Ohio's Third Frontier program a grant of \$15 million was awarded to the fund, creating a \$22.5 million venture capital and support services fund. There are 22 private sector investors in the fund, comprised of regional banks, insurance companies, law firms, construction companies, as well as a few high net-worth individuals.

The first steps in making an investment decision are taken by the Rocket Ventures management team performing an in-depth analysis as well as complete due diligence on an investment opportunity. When this is complete, the team then provides the private sector investors in the fund with a presentation and recommendation on a potential investment. Unlike a traditional venture capital fund, where "limited partners" make all the investment decisions, Rocket Ventures is structured so that the private sector investors determine which companies receive investment capital.

To date, Rocket Ventures has started and supported the start-up of 80 new technology-based companies in Northwest Ohio. It has invested approximately \$6 million in 11 companies, which comprises its current investment portfolio. And in regards to new job creation, more than 700 new high-paying jobs have been created over the past three years. In addition, approximately \$100 million in additional investment and research capital has been attracted to the region.

Quantitative & Qualitative Standards

The fund provides companies with a portfolio of services that includes preparation of due diligence, technology validation, and strategic business planning and accounting. The fund works in partnership with companies to establish agreed upon services required by the company and specific milestones in order to measure progress and maximize results.

The fund also supports companies in raising investment funds by acting as a conduit to other investment groups throughout the region, state, and the Midwest. In

Having multiple investors in any one round of investment is also important and although the fund can be a sole investor in any company, it looks to build a syndicate of co-investors for all investment opportunities. Typically the fund will look to raise co-investment funds from other regional venture capital funds, angel investors or other non-traditional sources of investment capital.

order for a start-up company to have the best chance of success, it must have a realistic ability to attract follow-on funding from private investment sources, be it angel investors or professionally managed venture funds.

Having a well balanced investment portfolio is also critical to give the fund the greatest chance of success and the potential to create a legacy of investment capital in the region. In order to create a balanced investment portfolio, the Rocket Ventures board created investment guidelines: investments in individual companies will range between \$250,000-\$750,000, and no more than 20 percent of the fund will be invested in any one company or industry sector.

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Evaluating the Opportunity

Early in the establishment of Rocket Ventures, it was determined that the fund, in order to have the greatest impact on the region as well as continued success, should focus on specific industry sectors and establish investment criteria. The fund targets technology sectors that are prevalent in and/or compatible to the Northwest Ohio region, including but not limited to the following: alternative energy, advanced manufacturing & materials, biomedical, instruments, controls & electronics.

Beyond these tech sectors, the fund will also consider technology sectors which offer unique investment opportunities that will also provide higher economic value to the region. Every company that strives to receive funding must reside or establish significant facilities located in Northwest Ohio, thereby providing the region with the advantage of growing new jobs, increasing the tax base, and fostering new innovation.

Investments are made in companies that show the potential to reach \$30-\$50 million in revenue within a five- to seven-year period. Each investment in a company is made in a phased approach with pre-negotiated and agreed upon milestones that must be met in order for additional funds to be released to the company.

As a for-profit venture fund, a discussion which occurs very early on with each potential company is the subject of and exit from the investment. In other words, what are the potential strategies that will allow the Rocket Ventures fund to recoup its investment capital with a pre-determined margin of profit? A majority of companies in the fund's

portfolio are expected to exit within a five- to seven-year period. These exits are generally expected to occur through a strategic acquisition by firms in a similar industry or through possible future investment rounds by larger venture investors.

Investment criteria include, but are not limited to the following:

- The start-up must be considered to be in the imagining, incubating or demonstrating phase.
- The company must be located within the 18-county Northwest Ohio service area of Rocket Ventures.
- It must have less than \$5 million in current revenues and 30 or fewer employees.
- The company must be scalable to annual revenues of \$30-\$50 million within five years.
- The technology being developed must be patented or be patentable and be owned by the company or the founders of the company.
- There needs to be a clear exit strategy.

CONCLUSION – TANGIBLE AND MEASURABLE BENEFITS TO THE REGION

In the past two years, significant progress has been made in enhancing and cultivating an entrepreneurial environment for the region. These efforts have distinguished Northwest Ohio as a progressive and innovative region that is successfully transitioning its economy from one of rust belt stagnation to one that is growing, more diverse, and globally competitive.

The Regional Growth Partnership's technology-based economic development efforts through its Launch program and its venture fund, Rocket Ventures, have achieved significant milestones and results, such as:

- 70 new technology-based companies have been started in Northwest Ohio,
- 600+ new direct high-paying quality jobs have been created by the new start-up companies,

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distinguished Northwest Ohio as a progressive and innovative region that is successfully transitioning its economy from one of rust belt stagnation to one that is growing, more diverse, and globally competitive.

- \$80 million of new capital from outside the region has been invested in the region in its new tech-based companies,
- 32 start-up grants, totaling more than \$1.4 million, have been awarded, and
- \$100 million in overall economic impact has been achieved.

These achievements, while just a start, have proven that in the Midwest, a region that has been devastated by the global and national economic downturn, innovation, technology-based companies, new job creation, increases in the tax base, and overall economic prosperity can be achieved with a collaborative effort and a vision to go beyond the conventional wisdom of the past and a belief in a better future! 🌐

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HIRING?

Seek a Certified Economic Developer (CEcD).

As an employer, you can be assured that the Certified Economic Developers you hire will be well-connected and well-informed of innovative strategies and industry trends. Select your next employee from among the best candidates – add “CEcD preferred” to your next job posting!

Working on staff development? Encourage your staff to become Certified Economic Developers.



You have talented employees that you want to retain. By supporting your staff in obtaining the Certified Economic Developer designation, you provide an opportunity for them to achieve recognition for their proficiency in economic development.

For more information contact Kobi Enwemnw at kenwemnw@iedconline.org or (202) 942-9483 or visit our website www.iedconline.org



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