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Ohio Venture Community Announces Creation of VentureOhio

Association will pursue policies and programs to increase available capital and promote entrepreneurial growth and job creation

Columbus, Ohio – February 20, 2014 – VentureOhio, a newly formed trade association representing organizations that finance and support entrepreneurs based in Ohio, announced today it will pursue several key policy initiatives and programs for 2014. These policies will increase early stage capital availability and promote entrepreneurial growth and job creation in Ohio.

The association will also publish a yearly venture investment report and host an annual event celebrating previous and on-going successes in Ohio's entrepreneurial community.

"VentureOhio will be a unified voice for the venture investors, incubators, accelerators, universities, and other organizations that are launching and growing high potential businesses in Ohio," said John McIlwraith, VentureOhio Chairman and Allos Ventures Managing Director. "We will advocate policies and programs that will provide much needed support to Ohio's growing but still developing entrepreneurial ecosystem. In 2014 we will be focusing on steps that can be taken in collaboration with all interested parties to further support recently launched and future high growth businesses, and provide these businesses with the resources necessary to accelerate their growth and create jobs."

According to the National Venture Capital Association there are approximately thirty regional venture capital organizations in the United States, many of them are nearby in Illinois, Minnesota, Indiana, Pennsylvania and Michigan.

"The venture investment community supports entrepreneurial talent by turning innovative ideas and scientific research into products and services," said VentureOhio President Frank Samuel. "Our members believe that great ideas can come from anywhere; what is needed are the financial and supporting resources necessary to take them to the next level."

Venture investment plays an important role in the growth and success of many companies. Venture backed firms like The Home Depot, Whole Foods and Intel started off with a few employees, now employ hundreds of thousands of people.

"Venture investment is a long term investment in both time and money," said Steve Haynes, founding member of VentureOhio and Chairman of Glengary LLC. "Venture investors are actively engaged with the companies in which they invest and take a significant role in scaling a small business of two to five employees to a national or international competitor with hundreds or thousands of employees. When done well, everyone benefits including customers, employees, shareholders and communities."

For more information, visit www.ventureohio.net and follow us on twitter @VentureOhio.

About VentureOhio:

Founded in 2013, VentureOhio is the unified voice for the capital sources and other organizations that finance or support high growth companies based in Ohio and that seek to make Ohio a preferred location for high potential entrepreneurial activity. VentureOhio collaborates with state and local officials, major corporations, foundations, universities, and service providers to strengthen Ohio's entrepreneurial ecosystem.

VentureOhio membership is open to investors, entrepreneurs, support organizations, service providers, educational and research institutions, corporations, and individuals. Its organizing Board of Directors is composed of members from across the State of Ohio, and it is staffed by professional association leaders and advisors.

NOTE TO PRODUCERS, EDITORS & HOSTS

For more information on interview opportunities please contact:

Ian Nickey
ian.nickey@hickspartners.com
(614) 221-2800

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Attachments:

**Founding Members
Board of Directors & Staff
Public Policy Agenda 2014**



Founding Members*

Accelerant (Dayton Development Coalition)	Magnet
Allos Ventures	Mercury Fund
Arsenal Venture Partners	Millstream Angel Club
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BioEnterprise	North Coast Angel Fund
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Cincinnati Children's Hospital	Ohio Venture Association
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East Central Ohio Tech Angels	Ray Shealy
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**As of 2/19/14*

For an updated list visit www.ventureohio.net



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VentureOhio's 2014 Public Policy Agenda

VentureOhio supports policies and programs to increase Ohio's success in starting and growing entrepreneurial businesses.

VentureOhio's agenda for 2014 focuses on the steps that should be taken promptly to support Ohio's growing but fragile entrepreneurial ecosystem and enhance the chances that recently launched and future high growth businesses will achieve the financial returns, job creation and economic vitality essential for the prosperity of Ohio's families.

Ensure Abundant Capital

Recommendation: Expand Available Funding for Existing Early Stage Investors

The Ohio Capital Fund ("OCF") was created in 2003 to complement existing Ohio Third Frontier programs aimed at increasing the amount of private investment capital for Ohio companies in the seed or early stage of business development. Capitalized by private investors and governed by the Ohio Venture Capital Authority (OVCA), OCF has committed \$133.25 million to 27 professionally managed venture capital funds, 23 of which were based in Ohio and 12 of which established a new presence in Ohio because of OCF. These venture funds and their private sector co-investors have invested \$745 million in 71 Ohio companies, helping to create or maintain more than 2,500 jobs generating an estimated payroll of over \$150 million annually.

Unless expanded, OCF has fully committed its available funds so it can no longer make additional investments in venture capital funds. Several of the early stage funds that OCF backed are also fully committed and can no longer make new investments in Ohio-based companies. Consequently, such venture funds are unable to address the growing shortage of early stage venture capital in Ohio, a shortage which is making it extremely difficult for early stage companies based in Ohio to obtain the equity capital they need to grow their businesses and create Ohio jobs.

The shortage of early stage Ohio capital impacts two groups of early stage companies. In the first and larger group are the more than 1,000 promising companies in Ohio that have been backed by the state's incubators, accelerators, technology transfer offices, seed and start-up funds such as CincyTech, JumpStart, TechColumbus, Ohio TechAngels Fund, North Coast Angel Fund and Millstream Angel Club, among others, that receive funding from a variety of Ohio Third Frontier programs as well as private investors. As these companies grow and create jobs, they are not usually mature enough to attract

capital from out-of-state funds; so, they must turn to OCF-backed venture capital funds for subsequent rounds of funding.

The second group consists of the 71 companies that previously received funding from one of the 27 venture funds in which OCF invested. Many of these high growth companies are approaching the stage at which they will seek further venture capital from funds like the ones supported by OCF. Without expansion of OCF or another mechanism, the amount of venture capital available to support these companies will likely be insufficient to ensure their continued growth in Ohio.

In addition to the above stated reasons, it has been extremely difficult, if not impossible, for several of Ohio's early stage venture funds to raise a new fund. Other potential institutional and individual investors view OCF as the trusted sponsor and lead "fund-of-funds" investor that selects and validates the funds in which to invest. Second, there are a limited number of investors permitted to or interested in investing in early stage venture funds. In particular, Dodd-Frank regulations halted commercial banks' ability to invest in venture funds. Historically, banks have been a primary investor in early stage venture funds. As a result, their inability to invest has greatly reduced the potential investment capital for regional venture funds focused on early stage investing. This fact alone increases the importance of OCF – even more so today than when OCF was created.

The result is a growing shortage of early stage venture capital in Ohio that has the potential to derail the meaningful company formation, business growth and job creation fueled by OCF and Third Frontier programs during the last decade. This shortage will only become worse as the angel funds deploy Third Frontier and other capital in the next generation of early stage companies.

VentureOhio supports expanding available capital through the OCF or an alternative capital mechanism by at least \$100 million. To accomplish this goal, VentureOhio recommends that Ohio Revised Code 150.07 (D) be amended to:

- Increase OVCA's statutory tax credit guarantee cap to \$26.5 million annually. This would facilitate approximately \$100 million of additional funds for professionally managed early-stage venture funds. It should be noted that the state's role in supporting these funds would be in the form of a contingent tax credit, which may never be used or used fully, rather than an immediate expenditure of budgeted state funds.
- Eliminate OVCA's current \$10 million per fund investment cap. This would allow continued support for Ohio-focused venture funds that have been successful, are raising new funds, and seek to continue to help their portfolio companies to grow in Ohio.
- Codify current OVCA policy to prohibit additional investment in venture funds that have not met their commitments to invest in Ohio companies.

Recommendation: Create a New Fund-of-Funds to Spur Additional Investment in Ohio High-Growth Companies

The expansion of OCF alone will not fully address the growing shortage of early stage venture capital in the state. Some of the venture capital funds that it would support will require additional investment from institutional investors, such as another fund-of-funds. And some of those venture capital funds may not be a good fit for OCF from a timing or strategy standpoint and would benefit from another

source of funds based in Ohio. This strategy of having multiple state-based fund-of-funds has been successfully deployed in Michigan over the past five years, giving rise to an abundance of early stage venture capital in Michigan. VentureOhio believes Ohio needs at least one additional Ohio fund-of-funds to meet market demand.

Specifically, VentureOhio supports creating a new institutional (corporate, foundation, pension and endowment) backed fund-of-funds or family of funds to invest in Ohio-focused venture funds, similar to the highly successful Renaissance Venture Capital Fund in Michigan and the Cintrifuse fund-of-funds recently formed to support high growth companies in Southwest Ohio.

VentureOhio recommends that the Ohio Third Frontier Commission issue an RFP to select an experienced fund manager and that it seed the new fund with catalytic investment that will draw professional investment managers to raise additional, private capital from Ohio-based institutions and others, and thus strengthen the venture investing system in Ohio.

Recommendation: Restore Ohio Technology Investment Tax Credit

The Ohio Technology Investment Tax Credit (OTITC) offered Ohio investors a state tax credit to encourage investment in small, research and development and technology-oriented firms. OTITC was effective from 1996 until it reached its statewide tax credit cap of \$45 million in November 2012. Through this program, some 4,800 Ohioans invested approximately \$160 million into more than 665 companies. Most of these investors received a state tax credit of up to 25% of their investment. This program attracted capital to early stage Ohio businesses from angel investors and networks and provided an Ohio program to compete with similar incentives in other states such as Indiana and Kentucky.

VentureOhio believes Ohio can encourage more seed and start-up investment in high potential technology companies by reinstating the Ohio Technology Investment Tax Credit by increasing the \$45 million aggregate tax credit limit to at least \$65 million.

Ohio Third Frontier

For more than a decade, the Ohio Third Frontier (OTF) has been the catalyst for increased entrepreneurial activity and job creation in Ohio. OTF has helped establish an active professional investor network and provided funding for many important job-creating projects. Ohioans have supported OTF at the ballot, twice authorizing the issuance of bonds by overwhelming margins.

Entering 2014, the Ohio Third Frontier had a current unencumbered and uncommitted balance of \$556 million. OTF Commissioners have been presented a 2014 program plan that calls for investing \$205 million, of which \$105 million is unexpended carry-over funds from prior years. See below:

Functional Area	Program	CY 2013	Carryover	CY 2014
Innovation	Entrepreneurial Signature Program	-	-	-
	ONE Fund	0.8	-	1.0
	Incubation Program	4.9	-	-
	JobsOhio Network	9.1	-	-
Capital	Pre-seed Fund Capitalization Program	-	20.0	-
	Commercial Acceleration Loan Fund	-	20.0	20.0
Commercialization	Tech Validation & Start-up Fund	1.4	-	2.0
	Innovation Platform Program	16.9	-	21.0
	Industrial Research & Development Center Program	4.9	-	20.0
	Technology Asset Grant Program	-	15.0	-
	Technology Commercialization Center	-	50.0	25.0
Talent	Third Frontier Internship Program	2.8	-	3.0
Research	Research Incentive	8.0	-	8.0
TOTALS			105.0	100.0

OTF will have a remaining unallocated balance of bond funds after CY 2014 of \$351 million. No aspect of Ohio Third Frontier programs has a more compelling claim on these available funds than support for Ohio's entrepreneurial businesses and their potential for economic growth and job creation.

The entrepreneurial ecosystem is strongly supported by the Ohio Third Frontier, specifically the Entrepreneurial Signature Program, which has supported regional capital building and networking capacities for seven years. VentureOhio supports the 2014 Ohio Third Frontier program plan and calls for further OTF enhancements.

Recommendations: Enhance the Ohio Third Frontier

- Publish specific, predictable calendar of RFP's to be released, competitively reviewed by qualified independent experts, awarded expeditiously and dispersed efficiently.
- Increase funding allocation to the Pre-Seed Capitalization Program to create an annual budget of at least \$40 million.
- Increase funding allocation to the Commercial Acceleration Loan Fund to create an annual budget of at least \$40 million.
- Use not less than \$25 million of unallocated funds to catalyze an Ohio-based and Ohio-focused fund-of-funds or family of funds to complement the Ohio Capital Fund or an alternative mechanism (See above Recommendation.)
- Use up to \$5 million of unallocated funds to create a new executive talent attraction program. This new program, the Ohio Fellows Program, should be established to recruit and retain experienced CEOs and other senior executives from outside Ohio to lead early-stage technology companies in key industry sectors throughout Ohio. Funds would be used to augment the limited resources these companies have to effectively recruit the executives needed to lead these companies to commercial success.
- Increase the available funding for the Third Frontier Internship Program and allow the use of interns in capital access activities to make Ohio students an integral part of Third Frontier investment programs wherever possible.

- Explore using OTF funds to hire additional staff or consultant resources to keep programs and awards on schedule and managed in a manner that is predictable and efficient for applicants and awardees.

Complementary Initiatives

In addition to the foregoing recommendations for immediately improving capital availability and maintaining a healthy ecosystem for high-growth entrepreneurial businesses, VentureOhio will work with a variety of collaborators on complementary initiatives, such as the following.

Improving University Technology Transfer and Commercialization

VentureOhio will work with the Ohio Board of Regents to implement recommendations from “*2013 Sixth Report on the Condition of Higher Education in Ohio: Status of Implementation of Strategic Recommendation for Advancing Ohio’s Innovation Economy.*”

Educating Ohio’s Investor Community

VentureOhio will work to provide educational opportunities to insure that investments in Ohio companies are based on best practices that conform to state and national financial guidelines.

Improving Ohio’s Tax and Regulatory Environment

VentureOhio believes that the state's overall regulatory and tax environment can play an important role in securing maximum benefits for Ohio's economic growth and encouraging investment in new and growing businesses. As proposals are made to improve this environment, VentureOhio's Policy Committee and Board will review them and may make further recommendations for policy or legislative action.

Telling Ohio’s Entrepreneurial Success Story Regionally and Nationally

Greater awareness of Ohio’s success in encouraging capital formation and new business success will have several benefits:

- 1) Confirm for Ohio’s voters that they were right to support Third Frontier bond issues and the resulting investments in their future.
- 2) Attract more interest from regional, national and global investors to Ohio opportunities.
- 3) Encourage more entrepreneurs to come and stay in Ohio, thus increasing the talent pool that is essential to business growth, investment returns and economic progress.

VentureOhio will collect data and other information that will support initiatives to tell Ohio’s story persuasively to a variety of audiences via an annual report that details the capital investment in and progress of Ohio’s high growth entrepreneurial companies.

Conclusion

Abundant capital, reasonable public policy, fiscally proved and prudent public programs, entrepreneurs, risk-takers, and private investors are all critical ingredients for a thriving, healthy entrepreneurial ecosystem. VentureOhio believes that adopting these recommendations in 2014 would take important next steps toward sustained economic vitality for Ohio.