



NIIC Capital Ventures LEAP Fund *Launch Pad Program*

Angel Investing Trends:

1. 2008 angel market had a considerable contraction in investment dollars (**26% down** from 2007).
2. The three big sectors invested by angels: Health care garnered **16%** of all deals, software 13%, industrial and energy 8%.
3. Angels are increasingly investing later in the stage (**40%** of investments were made in post-seed round) leaving a bigger gap in seed round.
4. In 2008, the yield rate on investments was **10%**. This is down substantially from 23% in 2005.
5. The average investment round (regardless of stage) of \$346,000 and average angel investment of \$74,000 and average number of angels in a round of 4.6.

Purpose:

1. Attract an increased number of knowledge workers (white and green collar employees) to entrepreneurship opportunities as a career alternative and to the Northeast Indiana Innovation Park;
2. Rapid creation and commercialization of new intellectual property in the Life Sciences, Healthcare, Clean Energy Military, Material Science and Mobile Applications areas;
3. Spark new entrepreneurial demand and address widening of gap for initial angel investment.

Launch Pad Program Definition:

1. NIIC Launch Pad is an iCARE investment vehicle designed to attract unemployed and underemployed engineers, technologist and post high school students and their ideas to NIIP with a combination of investment and business incubation. For promising new ventures NIIC, subject to underwriting and LEAP program compliance, will provide the following:
2. **Idea Stage:** Up to **\$10,000** of capital investment for development of a prototype including shared workspace for up to 6 months in **the Launch Pad** suite at the Northeast Indiana Innovation Center;

3. **Pre-Launch Stage:** Up to an additional **\$15,000** of investment after the first 6 months to continue product development, marketing and commercialization planning efforts based on success and milestone completion of idea stage;
4. **Venture Launch Stage:** Up to an additional **\$25,000** of direct investment by accessing a LEAP investment for acquisition of key resources; protection of IP; and other start-up expenses. Venture must be located in incubator facility to be eligible for this special assistance and venture must attract at least a **\$100,000 total commitment** in angel, gap, grant, or friends and families capital;
5. Venture must also apply for and receive the Venture Capital Tax Credit for its investors;
6. Venture will accept business acceleration services and support in order to work, intensely and supportively, with the venture to develop their prototype, business model and investor pitch;
7. Networking services will be provided to connect the venture to know how and know who both technically and financially (angel investors); and
8. Mentoring and guidance from seasoned professionals knowledgeable of how to grow a scaleable enterprise and make an investor ready pitch.

With the following parameters:

1. Venture must be a new client to the NIIC and be incorporated;
2. NIIC receives up to **10%** equity in the new venture; however, NIIC may choose to use a combination of equity, loans, and/or convertible debentures.
3. NIIC Launch Pad actual **initial** investment (this refers to #2 in the Launch Pad Program definitions) amount tied to the number of founders participating full-time in the venture (\$5,000 per partner up to a maximum of \$10,000 initially);
4. Subsequent rounds of investment are performance-based and identified in #3 and #4 above;
5. Clients have up to 6 months to achieve product with protectable IP and launch of business; and
6. 1st Source Bank banking relationship is required if an existing banking relationship is not evident.

Engagement Process for Prospective Entrepreneurs:

1. Entrepreneurs must adhere and comply with all NIIC client entrance requirements and acceptance standards;
2. Submission of a 3-5 page Executive Summary of their business concept with their program application [See Exhibit 1].

3. NIIC Investment Review Committee will approve all stages of investment described above in recommended companies.
4. Entrepreneurs will participate in the 90-180 day ZIP Innovation program business acceleration services and other cohort or individual based entrepreneurial coaching and assistance services including but not limited to: T Minus 30 and/or a psychometric profile of the Founders [See Exhibit 2].

Criteria:

The ideas MUST be in one of the following industry clusters and should meet the following criteria:

- **Focus Areas:** Life Sciences, Healthcare, Clean Energy, military applications, material substrates, composites, biomaterials, or other material science applications, and Mobile Applications areas that have significant national or global reach; The **Launch Pad program will NOT fund, biotechnology /pharma companies, consultancies, restaurants or other local service-oriented companies.**

Ideas criteria / standards (see Program Application for more specifics)

- Be ORIGINAL (conceived by the applicant or team)
- Have UTILITY (do something useful)
- Have APPEAL (satisfies a market need)
- Commercially VIABLE (eventually lead to sales, profit, and employment)

Timeline:

Applications are reviewed and accepted on an ongoing basis.

Exhibit 1: Launch Pad: Program Application Format

Presentation Guidelines

- ✓ 5 page maximum submittal excluding cover page
- ✓ 12-point font or larger (this line is set in 12-point Myriad Pro)
- ✓ ½" or greater margins on all four sides.
- ✓ Cover page to include:
 - ⇒ Name of corporation/business
 - ⇒ Contract info for the individual submitting the application
 - ⇒ Business web site
 - ⇒ Date of incorporation of the business or organization, if applicable.
- ✓ Create the right first impression—an effective executive summary is brief and provides a current, compelling, balanced take on the business opportunity at hand.
- ✓ Submit your executive summary electronically

Content Requirements (area of primary focus)

Venture/Organization's Mission (Idea Stage)

- ✓ Be simple and inspiring.
- ✓ A mission statement outlines what the company is now. It focuses on today; it identifies the venture's/organization's customer(s); it identifies the critical process(es); and it states the level of performance.

Problem and Solution (Idea Stage)

- ✓ Describe the pain/big problem that your product/service/innovation will solve.
- ✓ Describe your unique value/selling proposition (what is your "secret sauce"?)
- ✓ Provide a concise statement of the unique solution and the unique benefits and advantages of your product/service including discussion of your intellectual property, if applicable.

Market Assessment (Idea Stage) *Market does not need to be validated in the idea stage but must be validated before the pre-launch stage.*

- ✓ Clearly define your target, the market size, and its growth rates historically and in the future. Document your basis for your estimates including sources.

- ✓ Peter Drucker says the purpose of a business is to create customers. Who are your customers and why do you believe they will purchase your product?
- ✓ What is/are your real, sustainable, or natural competitive advantage(s)?
- ✓ Describe your go-to-market strategy (distribution/channel management and pricing strategy: Are you going direct? Through distributors/resellers? Original Equipment Manufacturers (OEMs), or others?

Competitive Landscape (Idea Phase)

- ✓ Identify your 2-3 major competitors, substitute products, or alternatives to your product/service.
- ✓ Acknowledge the barriers to entry and articulate your risk mitigation strategies.

Business Model (Pre-launch Phase)

- ✓ Kawasaki said, "A well-constructed, well reasoned business model contains:
 - ⇒ Marketing model: How you will attract prospects, build their trust in you, and convert them to clients or customers?
 - ⇒ Revenue model: How you will extract revenues and profits from your clients ?
 - ⇒ Growth model: How you will go from survival to profit? (Collins' economic denominator— the driver of your economic engine—'profit per x')

Management /Advisory Team (Pre-Launch Phase)

- ✓ Describe your **relevant** experience and advisors.
- ✓ Why is your team poised for success?
- ✓ What gaps exist in your management team and how do you plan to address these gaps through your advisory board, consulting relationships, or business partnerships?

Operations, if Applicable (Pre-launch/Launch Phase)

- ✓ Demonstrate that you can grow once business ramps up with initial sales (Do you plan to contract manufacture, develop your own manufacturing capability, or something else?)
- ✓ Identify capacity-building or capacity-limiting assumptions for your business expansion and what resources are required for you to reach your potential sales volumes in your product forecast?

Investment Required, If Applicable (Pre-Launch/Launch Phase)

- ✓ Put your request, deal structure, and return projections for the investor, if applicable
- ✓ Identity pre- and post-money valuation, if applicable.

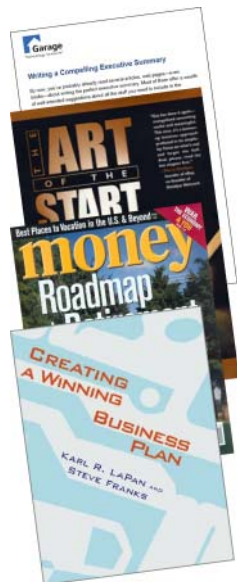
Intended Use of Investment Proceeds, If Applicable (Pre-Launch and Launch Phase)

- ✓ At idea stage, briefly describe use of proceeds and timeline for expenditures
- ✓ At pre-launch & launch, briefly, spell out your use of proceeds in detail including planned capital expenditures, working capital needs, recruitment, debt reduction, geographic expansion, product introduction expenses, or other appropriate use of proceeds.)

Selected Financial Information (Launch)

- ✓ Provide forward looking financial information (sales \$, margin \$/net income or loss \$, investment \$, headcount, cash levels and any other appropriate financial yardsticks) for the next five (5) years in a table with growth rates.
- ✓ Don't forget to include the basis or rationale for your forward looking assumptions (on what basis did you derive your estimate or forecast? What is the level of credibility with your estimate?)

Resources to Assist You in Preparing Your Executive Summary:



- Guy Kawasaki. "Writing a Compelling Executive Summary." http://www.garage.com/files/Writing_Execsum.pdf
- Guy Kawasaki. *The Art of the Start*. © 2004, Portfolio, a member of the Penguin Group (Available locally through Border's and Barnes & Noble; on the Web at Amazon.com; price: \$17.79 +S&H)
- "A Winning Business Plan." Money Magazine. June 2008, pp.56.
- Karl R. LaPan & Steve Franks. *Creating a Winning Business Plan*. ©2006, Author House (Available locally from the Northeast Indiana Innovation Center, 260-407-6442, price: \$29.95 +S&H)

Exhibit 2



90-180 Day – ZIP Innovation Express Program	
<u>Process</u>	<u>Outcomes</u>
Strategic Vision Engineering	<ul style="list-style-type: none"> ◆ High Level Transition Tactics, Goals & Action Plans ◆ Understanding of your business and entrepreneurial competencies ◆ Assessment of growth risks, technology & production risks, Market and Competition risks, Financial Risks and Management and Team Risks.
Development of Your Elevator Pitch	<ul style="list-style-type: none"> ◆ 30 & 60 Second Business commercial
Facilitated Business Planning Process	<ul style="list-style-type: none"> ◆ Technology Analysis & Plan development ◆ Product / Service Plans ◆ Market Plan & Market Analysis ◆ Management & Staff Plans ◆ Financial & Growth Plans ◆ Goals, Objectives and Action Steps designed to achieve your vision for your new venture
Development of Your Venture's Investor Presentation	<ul style="list-style-type: none"> ◆ 10 Slide – 20 Minute Investor Presentation
Comprehensive Business Acceleration Assistance Included	
Business Acceleration Assistance	<ul style="list-style-type: none"> ◆ 6 / 1.5 - 2 Hours of Face-to-Face Business Acceleration Assistance Meetings (meeting occur every 2 weeks) ◆ 2 hours of telephone coaching per 30 days ◆ Unlimited email coaching
Materials	<ul style="list-style-type: none"> ◆ Many NIIC created and adapted business development tools will be used including but not limited to: ◆ 1-Page Business Plan ◆ Creating a Winning Business Plan
Deliverables (At the End of 90-180 Days You'll Have)	
<ul style="list-style-type: none"> ◆ Three-year vision ◆ Start-Up Business Plan ◆ Investor Presentation 	<ul style="list-style-type: none"> ◆ 90-180 Day Launch and Transition Plan ◆ Polished Elevator Pitch

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DOUG LeDUC - dougl@fwbusiness.com (*Greater Ft. Wayne Business Weekly*)

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The Northeast Indiana Innovation Center has a new investment initiative to help launch some important area technology businesses before the brainpower behind them relocates to another city.

Launch Pad lifted off at the center in August with money from NIIC Capital Ventures fund.

“It is designed to attract and retain our region’s best and brightest minds,” said Remound Wright, director of the NIIC Center for Entrepreneurial Excellence. “It is focused on white-collar and green-collar individuals who have new products they would like to commercialize.”

“The goal is to find those committed to innovation and entrepreneurship and provide them with space to work and funding for their ideas, and a stipend for them to work on while they develop their product.”

The fund is timely because the recession could force the relocation of some of the top workers in the area with the best potential for entrepreneurship, he said.

“They’re losing their jobs left and right and getting laid off, and their companies are moving or forcing them to move to keep their jobs,” Wright said. “We’re trying to attract and increase the number of knowledge workers ... in northeast Indiana.”

Entrepreneurship often is attractive to knowledge workers with promising ideas for a new, technology-based business during a career transition period. But the recession has made resources for a startup more difficult to find, he said.

“In this economy it’s very difficult to borrow against home equity because homes are not worth what they were three or four years ago,” Wright said. “It’s difficult to cash the 401(k) because of uncertainty in the economy.

“Angel investors are reluctant to invest in new opportunities because they have to make sure their existing ventures are secure. Banks are tightening credit,” he said.

“We’re going to invest prior to and for product development,” he added. “Sometimes angels like to see prototypes already available before they will invest. We’re a little bit earlier, in that we’re going to put some funding behind a very viable idea that needs some development.”

The amount Launch Pad would invest in return for equity in a business would depend on where it is in its early development, Wright said.

“In the early stage it might be \$10,000. In the prelaunch stage, it might be \$15,000. And at venture launch, it might be \$25,000.”

The Innovation Center has had its eye out for Launch Pad investment opportunities since September and would like to make two to four investments per year.

Entrepreneurs interested in Launch Pad equity funding must have a five-page executive summary of a business plan reviewed by the NIIC Capital Ventures executive committee.

The summary should touch on the solution the venture will bring to the business problem it addresses, the competitive landscape it will face and startup cost projections. It also should provide information on marketing plans for the business and the team that will run it.

And even if the evaluation does not result in investment, participating in the process could make other Innovation Center resources available for the startup.

The fund is designed to support specific types of entrepreneurship. “We’re really looking for and focusing on life sciences, health care, clean energy and mobile applications that have significant national or even global reach,” Wright said.

It is not for biotechnology or pharmaceutical companies “or restaurants or other local service-oriented companies,” he said.

Investment in promising technology startups by Launch Pad could create five to 10 jobs in the area initially, and if the startups grow to their potential, Wright said the impact on area employment eventually could be much greater.

“We’re just inviting entrepreneurs and inventors or innovators to come and talk to us,” he said.