

## OVERVIEW & EXPECTATIONS

### THE FIRST INNOVATION FUND

The Innovation Fund, founded by the Lorain County Community College (LCCC) Foundation, was launched in 2007 as the next critical resource in how Lorain County Community College needed to support entrepreneurs in the greater Lorain County community. In 2001, Lorain County Community College, in partnership with the Lorain County Chamber of Commerce and Lorain County Commissioners, opened a physical and virtual incubator on the LCCC campus known as GLIDE (the Great Lakes Innovation and Development Enterprise), as a result of a community-wide visioning process that placed a “grow-your-own” strategy for economic development at the top of the priority list. As GLIDE employed successful, serial entrepreneurs to teach and mentor entrepreneurs with technology-based business ideas.

In doing this work, it became evident that limited access to early-stage capital would be a major barrier to growth for many entrepreneurs. In response, the LCCC Foundation began to engage the local philanthropic community to raise tax deductible contributions for a new concept in providing funding to entrepreneurs in the earliest stages of their technology and business development; a stage no angel investor, venture capitalist or investment fund would consider. This new concept, coined the Innovation Fund, would take a unique position in the funding continuum: the point after family and friends, but before any financial investor would be willing to take on the risk.

### FOCUS & OPERATIONS

Because of its unique focus, the Innovation Fund, which is administered by GLIDE, developed specific values in how the fund would be operated to ensure it complimented the regional ecosystem and remained consistent with the economic development focus within the college’s mission. These values include:

1. **Focus on high-growth technology-based companies to build wealth in region.** All types of entrepreneurial activity are valuable and can provide support to a local economy. However, the Innovation Fund at Lorain County Community College and Innovation Fund America are focused only on high-growth, technology-based companies. Characteristics of high-growth companies include: the projected ability to grow to \$30 to \$50 million in sales in four to six years, a targeted and addressable

market that is nationwide or worldwide and over \$500 million, identifiable “secret sauce” that gives the company a competitive advantage such as a patent, projections of job growth tied to company growth, the ability to raise significant amounts of follow-on funding (grants, debt, equity) to fuel fast growth toward a cash-flow positive position. Examples of technology sectors the Innovation Fund focuses on include Software for business and healthcare, medical technologies, advanced materials, sensing and automation technologies.

2. **Focus on companies operating in the earliest stage of development.** The Innovation Fund provides capital to entrepreneurs developing companies at the earliest stages in the following structures:
  - Level A Award: The Innovation Fund provides grants of up to \$25,000 focused on commercializing very early-stage technology business ideas. This funding is often used to finish a prototype, conduct market analysis, or secure intellectual property protection.
  - Level B Award: The Innovation Fund provides awards of up to \$100,000 focused on furthering technologies and companies’ progress toward larger scale equity funding. This funding is often used to prove the business model or provide assistance with key milestones, such as getting technology beta-tested with potential customers.
3. **Open the fund to entrepreneurs within the 21-county region of Northeast Ohio.** Entrepreneurs from across the region are eligible to apply for the Innovation Fund, keeping with the college’s commitment to regional education, economic development, and partnership. Entrepreneurs from outside the 21 counties may apply, but must relocate to the Innovation Fund’s service region if funding and remain in the region for the award period.
4. **Develop a competitive and engaging process.** The Innovation Fund process is competitive, resembling that of an angel investor’s or venture capitalist’s funding process. By structuring the process as such, it serves as a learning experience for the entrepreneurs regardless of whether or not funding is received.
5. **Set expectations of companies that receive investment.** Companies that apply to the Innovation Fund are made aware that they must meet many requirements in order to

receive their full funding amount (the Innovation Fund reserves the right to withhold funding if any one of the requirements is not met). These requirements include completing a milestone based project with the funding, agreeing to receive mentoring, providing educational experiences to students, and replenishing the fund upon success (applies only to B-Level Awards).

## ACTIVITY & IMPACT

The Innovation Fund opened its first online application process July 1, 2007. Since then, the Innovation Fund has operated quarterly cycles, awarding approximately \$300,000 to four to seven companies per cycle and continues to receive 30 to 40 completed applications per cycle. Since inception, the Innovation Fund has:

- Received more than 5,700 inquiries
- Accepted more than 1,155 applications
- Made 191 awards to 158 companies valuing \$10.810 million

As part of its process, Innovation Fund closely tracks the success of the companies in which it invests. Those companies have:

- Raised \$211 million in follow-on funding
- Provided more than 195 internships to students
- Produced \$101.5 million in sales revenue
- Created 555 jobs

Today, the Innovation Fund is an integral piece of Northeast Ohio's renowned entrepreneurial ecosystem. It has attracted more than \$10 million in philanthropic, collaborator support and State funding. In addition to the financial resources, the Innovation Fund has added significant regional partners on an educational basis.

The Innovation Fund's integration into Northeast Ohio's entrepreneurial ecosystem has been an important factor in its success. The region now has one of the most robust early-stage funding climates in the world and the Innovation Fund is a significant part of that system, often awarding the earliest funding to high growth companies as they begin their growth journey. By providing companies very early-stage funding and giving students the opportunity to learn in an entrepreneurial environment, the Innovation Fund is both supporting regional entrepreneurs and motivating new innovators, while providing an economic boost to the region.

## OVERVIEW OF INNOVATION FUND AMERICA

Innovation Fund America (IFA) was created to replicate the Innovation Fund program at community colleges across the country, and in doing so, make community colleges a recognized front-door for entrepreneurship support in America. IFA is a paid service model that helps colleges leverage their mission, partnerships, and capacity to launch Innovation Funds. The program utilizes community colleges' long-term resources and existing infrastructures to continuously support and encourage entrepreneurs at the community level, driving job development and wealth creation – all while inspiring the next generation of innovators.

## THE INNOVATION FUND AMERICA TEAM

The team leading Innovation Fund America is comprised of the same individuals who launched the Innovation Fund in Northeast Ohio. Leadership from the Lorain County Community College Foundation and GLIDE will guide community colleges through the planning, creation, launch and initial management of an Innovation Fund at their college. These individuals include:

Tracy Green, Vice President of the Lorain County Community College Foundation  
Julie Strazzo, Project Manager of the Lorain County Community College Foundation  
Dennis Cocco, Co-Director of GLIDE  
Cliff Reynolds, Co-Director of GLIDE  
Julie Thompson, Operations Coordinator of GLIDE

## EXPECTATIONS OF PARTNER COLLEGES

Community colleges launching an Innovation Fund at their college are making a significant commitment to their region's entrepreneurial activity and the fund itself. In order to implement and sustain a successful Innovation Fund, partner colleges must commit to the following:

- 1) Work Sessions
- 2) Fundraising
- 3) Process Training
- 4) Program Design, Implementation & Launch

## 5) Funding Cycle Oversight

The IFA team will guide partner colleges through each process of planning and launching an Innovation Fund program. The team will serve as a behind-the-scene coach, resource, and overall program advisor. In order to implement and sustain a successful Innovation Fund, the IFA team will actively engage the partner colleges in the process.

- 1) **Work Sessions.** The IFA team will conduct work sessions with the college's core team to design the process for successful implantation of an Innovation Fund. These sessions will include:
  - a. Designing the Innovation Fund structure
  - b. Discussing, designing and planning for necessary resources
  - c. Planning the timeline for startup and the first three funding cycles
- 2) **Fundraising.** Colleges will need to raise between \$600,000 and \$900,000 per year to be allocated solely for investing in regional companies. The schools will operate a minimum of three award cycles annually, allowing them the opportunity to award funding to four to seven companies per cycle (up to 21 companies each year). Colleges will also be responsible for raising sufficient funds to support the mentoring of the startups and the operational support of their Innovation Fund. The IFA team will work with the college's core fundraising team to develop and implement disbursement processes.
- 3) **Process Training.** The college's management team will come to Lorain County Community College for training programs around business idea vetting, fund disbursement, investing, and follow-on funding planning and measurement.
- 4) **Program Design, Implementation & Launch.** The IFA team will meet with the college's leadership team to assist with:
  - a. Design and implement promotion of the Innovation Fund to the community and solicit cycle one applications
  - b. Design the specifics of the Innovation Fund process, including application, screening, selection, and management
  - c. Design the internship program and its requirements

- d. Create a final selection board with the right mix, responsibilities, voting structure, and expectations
  - e. Training of screening and decision-making committees
  - f. Coordinate their funds disbursement systems
  - g. Design a portfolio management approach, including rules and systems
- 5) **Funding Cycle Oversight.** The IFA team will be available during the first funding cycle, in which the college solicits funding applications from regional entrepreneurs, and present at the first cycle's company screening and selection meetings. The team will not participate in selecting the companies, but will observe the meeting to offer feedback and suggestions afterward. First cycle oversight includes engagement of IFA team through the entire process, including presenting closing documents to recipients and marketing of first recipients. Following the first funding cycle selection meeting, the IFA team will follow up with the college during and after cycles two and three.

### INNOVATION FUND AMERICA TOOL KIT

With a paid membership, community colleges will receive consulting support along with an Innovation Fund America Toolkit to serve as a guide for implementation, as well as an ongoing resource. This toolkit provides detailed documents and instructions on the following:

- 1) Resource development strategies and templates
- 2) Best practices and templates for marketing an Innovation Fund
- 3) Evaluation and advising team guidance, including best practices for setting up appropriate screening and approval committee to evaluating and selecting applicants; acquiring EIR resources; and identifying, interviewing, and evaluating candidates
- 4) Operations guidance, including training modules for investing and step-by-step instructions for running informational sessions, administering applications and screening and evaluating companies; template correspondence for communicating with applicants and screening volunteers; and overview of closing documents
- 5) Deal flow management tools (Salesforce.com) and resources for tracking invested companies' successes
- 6) Educational experience guidance, including overview of internship programs and a tracking and monitoring system