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# Inventors Association of CT

**March 31, 2011**



# Investing in Connecticut

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State of Connecticut's technology investment arm.

high-tech companies  
and  
jobs

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# Our Franchise

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- Quasi-public authority created in 1989
- Connecticut's most active funder of early- and seed-stage high-tech companies
- Independence and agility make us innovative and responsive to market needs
- Private sector principles and practices to achieve public sector goals

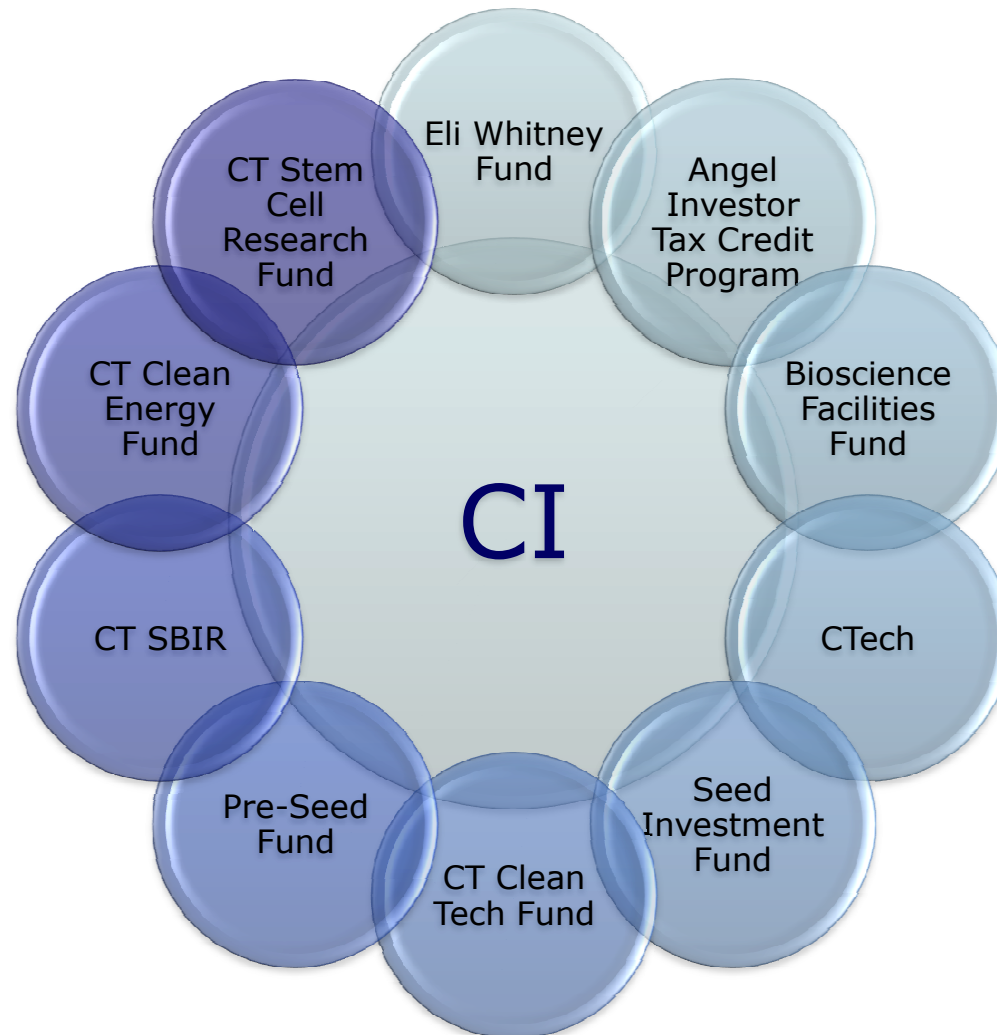
# Our Model

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- Breadth of technology initiatives
- Guided and advised by a strong board and several industry-specific advisory boards composed of well-known experts
- Unique and successful model that has become the model of other states

# Funds and Initiatives

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# Spectrum of Initiatives

Knowledge Building	Proof of Concept	Prototype Development	Product Development	Business Build Out	Product Improvement	Business Expansion
Stem Cell						
CTech						
SBIR						
BioScience Facilities						
Angel Investor Tax Credit						
Pre-Seed						
			Seed			
			Clean Tech			
			Eli Whitney Fund			

# Early-Stage Initiatives

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- Pre-Seed Fund
- CTech
- Seed Investment Fund
- Connecticut SBIR Office

# Pre-Seed Fund

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- Focuses on innovation and new company formation
- Helps high-tech entrepreneurs develop their companies



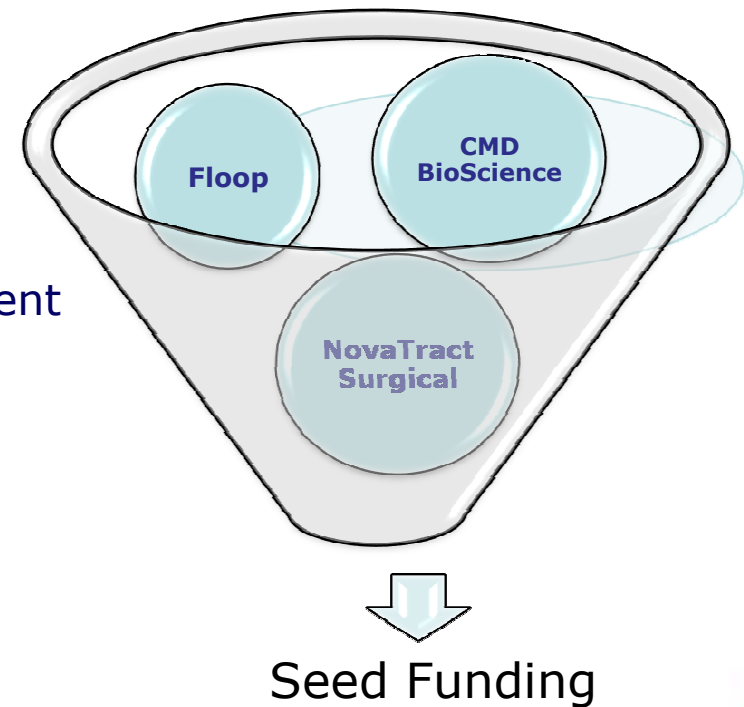


# Pre-Seed Fund

## ■ Advisory Services

- Intellectual property reviews
- Technology reviews
- Market analyses
- Market entry strategies
- Business plan reviews and development

## Pre-Seed Program



- Provide access to a broad network of resources

CTech@UConn Technology Incubation Program  
Farmington, CT

CTech@Science Park at Yale  
New Haven, CT

CTech IncUBator@University of Bridgeport  
Bridgeport, CT



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■ Public/private collaborative effort

Founding partners:

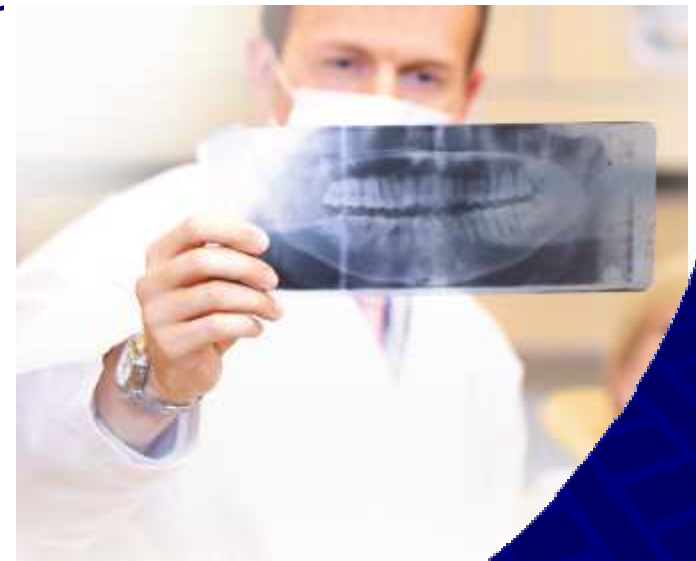


Yale

# Seed Investment Fund

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- \$4 million fund
- Pre-Series A stage of development



# SBIR Office

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- CT Small Business Innovation Research (SBIR) Office
  - Helps high-tech small businesses compete for and win federal SBIR/STTR awards
  - Facilitates commercialization through collaborations
  - Matches strategic partners
  - Hosts workshops for entrepreneurs
  - Shares announcements of agency solicitations
  - Hosted National SBIR Conferences: 2008 and 2010
  - FAST award recipient: 2010

# Eli Whitney Fund

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- Invested \$143.2 million in 103 companies
- Achieved 46 successful investment exits
- Current portfolio: 55 companies
- IRR through FY 2010: 19.2% (all investments)  
23.4% (Eli Whitney)



# Over \$1 Billion Leveraged

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Atlas Venture

Axiom Venture Partners

Canaan Partners

Cava Capital

Charles River Ventures

Elm Street Ventures

First Reserve Corp.

Flagship Ventures

GE Investments

Greycroft Partners

HealthCap KB

HIG Ventures

iNovia Capital

LaunchCapital

MentorTech Ventures

Oak Investment Partners

Oxford BioScience Partners

Menlo Ventures

MPM Asset Management

SV Life Sciences

SR One

Update Venture Partners

# Clean Tech Fund

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- \$9 million fund
- Partnership: CI, DECD, CCEF
- Invests in seed- and early-stage companies focused on innovations that **conserve energy and resources, protect the environment or eliminate harmful waste.**
- Technologies include:
  - Renewable energy generation
  - Energy efficiency
  - Environmental remediation
  - Clean water
  - Renewable fuel

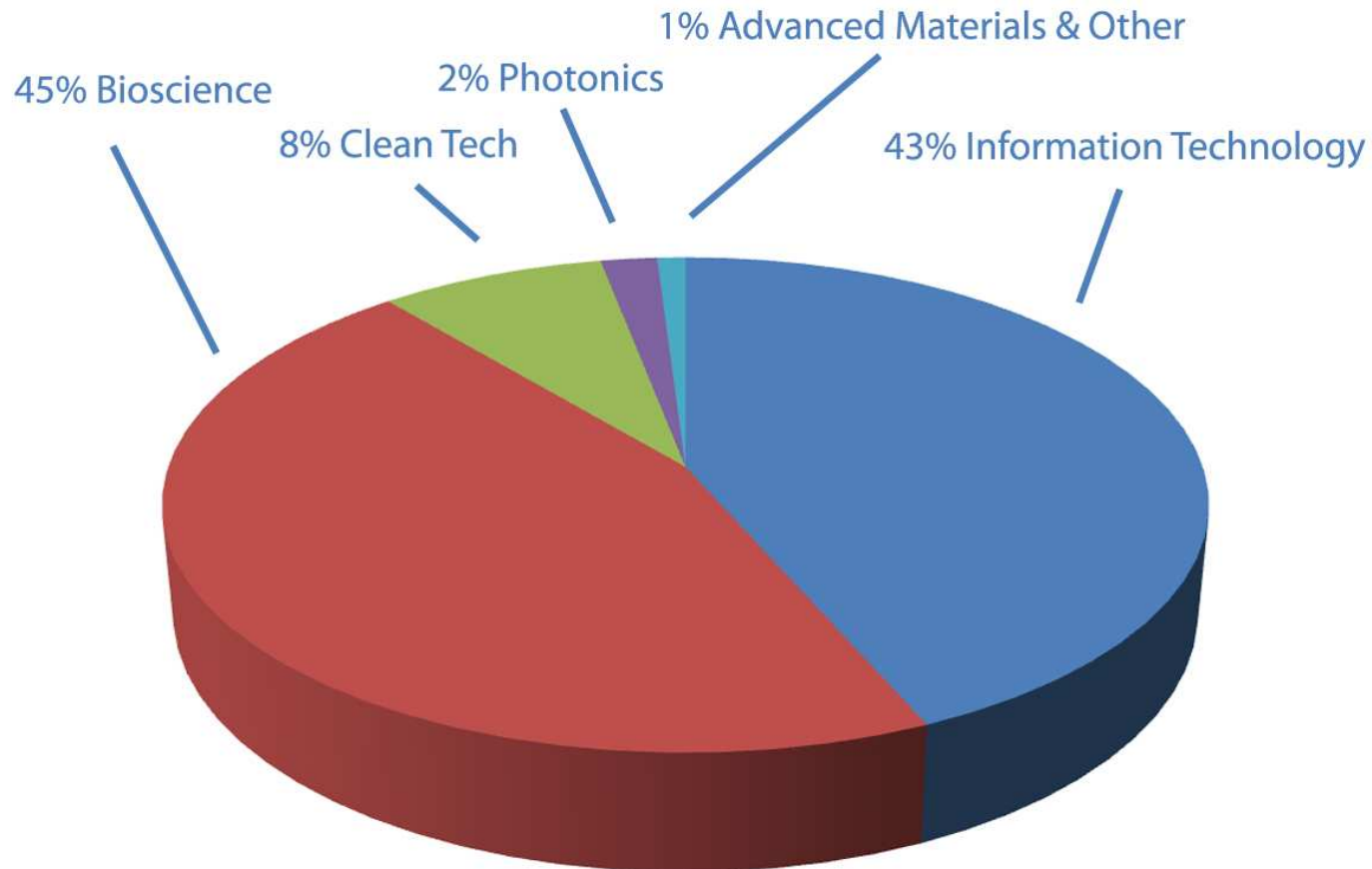




# Current Portfolio Technology Distribution

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Portfolio Value by Industry

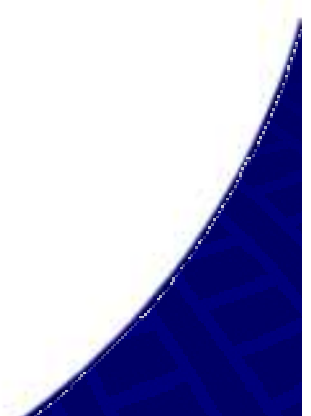




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## Program Administration

- Ratepayer fund
- Goals:
  - Develop a **diverse supply** of installed clean energy resources
  - Foster the growth, development and commercialization of **clean energy technologies**
  - Stimulate **demand** for clean, renewable energy by increasing consumer awareness



# Angel Investor Tax Credit Program

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- Stimulates investments in early-stage Connecticut technology ventures by angel investors
- Qualified technology ventures:
  - Advanced materials, bioscience, clean energy, IT, photonics
- Angel investors
  - Receive income tax credit of 25% of cash investment (up to \$250,000)

# Program Administration

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## ■ BioScience Facilities Fund

- Helps startups deal with the expense of wet laboratory space
- 350,000+ s.f. of new and related lab space created
- 10,600 s.f. transitional lab space

## ■ CT Stem Cell Research Program

- State initiative managed by DPH
- Advancement of human embryonic stem cell research
- Commercialization opportunities



# Recent Investment Accomplishments



# Impact on Connecticut

## FY95 through FY08

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### **\$152 million invested in 84 companies**

- For each dollar CI invested...
  - ...the state of Connecticut realized **2 X's** in net state revenue.
  - ...Connecticut's gross domestic product increased **24 X's**.
  - ...personal income in Connecticut increased **\$14.30**.
- Connecticut is nearly **\$15 million** richer each year because of CI's investments in its portfolio companies during this period.
- CI's investments added on average **1,610 jobs** per year (direct and indirect or induced)

# Overview of Pre-seed Fund

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***Substitute House Bill No. 5435***

***Public Act No. 10-75***

***AN ACT CONCERNING THE  
RECOMMENDATIONS OF THE MAJORITY  
LEADERS' JOB GROWTH ROUNDTABLE.***

# Fund Objective

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- to accelerate Connecticut's entrepreneurial technology economy through:
  - technological innovation
  - facilitation of technology transfer from universities
  - and the formation of new technology companies.
  - if SBIR Phase II awardee: Awards from January 2006 and after
- activities all lead to the creation of new technology-based jobs.



# Program Highlights

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1. Applications are open to all Connecticut startup and early stage technology-based companies
2. Loans of up to \$150,000 will be available per company
3. There is a two-year grace period for repayment of loan principal and interest
4. Loans are based on future potential of the technology-based business
5. Loans are NOT based on cash flow
6. Personal guarantees are NOT required
7. A 50% loan match is mandatory from private investment sources.

## Pre-Seed Fund Minimum Requirements

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- be principally located in Connecticut
- have not less than seventy-five per cent of their employees working in Connecticut
- demonstrate private investment dollars of not less than fifty cents for every dollar of financial assistance

## Definition of A Pre-Seed Company

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- 1) has been in operation less than seven years,
- 2) is in a development stage of its technology
- 3) has non recurring revenues from non grant sources of less than \$2 million and,
- 4) has fewer than 25 employees.

Affiliates or subsidiaries of larger companies or those that are controlled by common owners from larger companies will not be considered for pre-seed financing under this program.

# Technology/Business Development Spectrum

## Business Start-up

1	2	3	4	5	6	7
<b>Knowledge Building</b>	<b>Proof Of Concept</b>	<b>Proto Type Dev</b>	<b>Product &amp;/or Process Dev</b>	<b>Business Build out</b>	<b>Product &amp;/or Process Improv</b>	<b>Business Expansion</b>
<ul style="list-style-type: none"><li>• College/Univ Research</li><li>• Government Labs</li><li>• Private Labs</li><li>• Industry Labs</li></ul>						

BioScience Facilities

Clean Tech

Eli-Whitney

BioSeed

Seed

Pre-seed

## Evaluation Criteria

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1. Technology and product overview will be scored based on its proprietary nature, competitive landscape, providing a solution to a problem, and the reputation of the technology origin.
2. Market opportunity; is there a large addressable market for the technology /product?
3. Is there a valid business opportunity for employing the technology?
4. Has the founder(s), owner(s) or entrepreneur(s) demonstrated a commitment of time, talent, enthusiasm or capital for the business?

## Evaluation Criteria

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5. Is there domain expertise resident in the company? The founder(s), owner(s), entrepreneur(s) or any principal must demonstrate sufficient technical or business expertise
6. Use of funds: Will the use of funds advance the development and/or the commercialization of the technology? Will funds be used to create new jobs? If successful, can the company attract additional investment?
7. What is the potential for job creation in Connecticut?

# Use of Funds

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- ✓ Funds may NOT be used as compensation, payment or reimbursement of any kind to the company founders, owners, stockholders, existing consultants or employees, affiliates or relatives. **No funds** may be used for company expenditures **prior** to the financial assistance. This may include repayment of prior loans, capital contributions or other investments in the Company. It also includes payment or distribution to any founder, principal or owner of the Company. Funds are to be used for activities that yield the highest value to the company's development. For example, funds can be used for startup expenses such as accounting, legal or intellectual property development, prototype development, business plan assistance and development, technology reviews, assessment or development, market analysis or market entry strategy development, and hiring resources, consultants or employees. **No more than 25%** of the financial assistance may be used for operating expenses such as rent or utilities and may not be to any affiliated entities. CI reserves the sole right to approve the use of funds.

## Specific Use of Funds

Support Service Description	Estimated Amount	Estimated Time Frame
Prototype Refinement Synectic Engineering	\$55,500	Oct 2010 to Feb 2011
Regulatory Assistance MDI Consultants	\$8,000	Nov 2010 to Feb 2011
Distribution/Marketing Strategy Peter Hinchliffe	\$5,500	Nov 2010 to Feb 2011
Patent work Pryor Cashman LLP	\$11,000	Oct 2010 to Nov 2010
Legal – Corporate Pryor Cashman LLP	\$10,000	Oct 2010 to Feb 2011
SBIR Consultant Geoff White	\$4,000	Oct 2010 to Dec 2010
Contracted Office and Bookkeeping Services AID LLC CTech SubLease	\$6,000	Oct 2010 to Feb 2011
Total	\$100,000	



## Process Overview

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- Inquiry
- Application – My Review Room
- Initial Screening
  - Incomplete
  - More information
  - Evidence of matching funds
- Investment Analysis

## Process Overview

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- review team
- Scoring & meeting
- Customer response
- Investment committee presentation
- Documentation & closing
- Ongoing Portfolio Monitoring

## Pre-Seed Closing Checklist

Closing Checklist			
Item		Signature Received	Signature Approved
1. Organizational Documents			
a. Articles of Incorporation			
b. Secretary of State			
c. Minutes (if any)			
d. Federal ID Number			
e. Borrowing authority			
2. Proof of matching funds received			
3. Pre-Seed Financing Certification Statement			
4. Signed and Executed Loan Documents			
Financial Statements			
Tax Returns			
Credit Check			
Background Check			
Copies of Bank Statements			

# Closing

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- ✓ Evidence of being current with payroll taxes.
- ✓ Proof of matching funds on no more favorable terms with appropriate documentation and deposited in the company's checking checking account.
- ✓ If technology is licensed, a copy of licensing agreement.
- ✓ Others items as determined through the due diligence and closing process.
- ✓ Pre-seed Financing is not an indication nor should it in any way be construed that additional financing will be available or forthcoming from Connecticut Innovations.

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[www.ctinnovations.com](http://www.ctinnovations.com)

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Rocky Hill, CT 06067  
860-257-2334



## On Line Information & Application

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[www.pre-seed-program.myreviewroom.com/](http://www.pre-seed-program.myreviewroom.com/)