

“CIT Services and Perspective on Cluster Partnership Initiative”



Hampton Roads Sensors and Unmanned Systems Technology Cluster Partnership Workshop on Port Security

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January 26, 2010**



CIT Service Lines



Conducts world-class research and development programs that create new industry clusters.



Assists early-stage Virginia based technology companies in their efforts to secure private and federal funding sources



Accelerate the socio-economic growth of Virginia's rural and underserved areas through the application and use of broadband telecommunications



Dedicated to helping large-scale federal and corporate consumers of technology identify and assimilate innovation created in private sector start-up companies. GSA MOBIS Schedule



CIT R&D – Cluster Creation

Goal

- Create New Industry Clusters in Advanced Technologies

Innovation Index

- Identify and Advance 5-10 Year Strategic Priorities in Key Regions
- CIT and Technology Councils Developing Index
- Identify Key Investment Targets and Policies to Spur Growth
- Aligned with Virginia's R&D Strategic Roadmap
- Phase I Report issued in December (www.cit.org/innovation-index)
- Hampton Roads Targets Include: Bioscience, Modeling & Simulation, Sensors, and Unmanned Systems



CIT R&D – Federal Grants and Contracts

Goal

- Deliver Technology Solutions to Solve National and Regional Challenges

Selected Projects

- Environmental Bioterrorism Detection (EBD) (DTRA)
- Energy Independence (SBA)
- Coastal Ocean Observation System (NOAA)
- Mine Safety (SBA)
- Nanomanufacturing Cluster Analysis (SBA)
- Technology Roadmapping Program (Various Federal Agencies)
- Technology Scouting (Various Federal Agencies)
- Energy R&D Research (Commonwealth of Virginia)



CIT Entrepreneur

Goal

- Secure Global Leadership in the Development of Entrepreneurial Technology Ventures

Services

- CIT GAP Funds
- CIT Capital Access Program (CAP)
- CIT Entrepreneurial Training
- CIT Federal Funding Assistance Program (FFAP)

CIT GAP Funds

Overview

- Family of Seed-Stage Venture Funds
- Closes Capital “GAP” for High-Potential S&T-based Companies
- Virginia Investment Focus
- CIT and Corporate Sponsorship
- Spin-Outs from Research Institutions

Investment Strategy

- Exploit Virginia IP and Deal Flow
- “Double-Bottom Line” Fund
- Capital Efficient Investment
- Deep Engagement with Portfolio Companies
- Strategic Alignments
 - Venture Capital Community
 - Corporate Partners
 - Federal Funding Sources

CIT GAP Funds Evolution

GAP Fund I

GAP Tech Fund

- IT/Telecommunications
- Semiconductors/Electronics
- Networking and Equipment
- Industrial/Energy
- Computers and Peripherals

GAP BioLife Fund

- Therapeutics
- Medical Devices/Instrumentation
- Bioinformatics
- Genomics and Proteomics
- Bio-defense

Current GAP Results

35 Investments
\$40M+ Private Equity Leveraged
12 Series A Investments
4 Portfolio Exits

CIT GAP Funds Investment Criteria

Management Team / Founder

- ✓ Full-Time Commitment
- ✓ Integrity
- ✓ Passion
- ✓ Coach-ability
- ✓ Creativity
- ✓ Record of High Achievement

Investment Stage

- ✓ Exclusive Seed Stage Focus
- ✓ 12-36 Months Prior to Series-A
- ✓ Pre-prototype – Pre-Launch Technologies

Investment Range

- ✓ \leq \$100K Alone; $<$ \$500K Syndication
- ✓ \leq \$500K Previous Financing
- ✓ Follow-On Investment Option

Proprietary Advantage

- ✓ Unique Technology
- ✓ Defensible IP Position
- ✓ Difficult-to-Replicate Business Model

Scalability

- ✓ Markets with Big Buying Power
- ✓ Potential for Dominant Market Position
- ✓ Large-Scale Production and Delivery Economies

Industries

- ✓ Technology
- ✓ BioLife

Geographic Focus

- ✓ Virginia-Only



CIT GAP Funds Investment Committee

- New Enterprise Associates
- Intersouth Partners
- HIG Ventures
- Harbert Venture Partners
- Johnson & Johnson
- Tall Oaks Capital
- Carilion Biomedical Institute
- Valhalla Venture Partners
- New Vantage Associates
- Cashed-Out Entrepreneurs

CIT GAP Funds Outcomes

- Investment Activity, 2005-Present
 - 35 Investments
 - \$3.8M GAP Funds Deployed
- Third-Party Investment in Portfolio
 - \$41M Private Funding
 - \$4.5M Federal Funding
- 15 Series A+ Syndications with Leading Regional / National Investors
 - Grotech, Valhalla, New Atlantic Ventures, Originate, Core Capital, Minor Ventures, Active Angels, Virginia Active Angels
- 4 Portfolio Exits
- “Top 100 Venture Fund,” 2005-2008



CIT Capital Access Program

Connect Start-Ups with Equity Investment Sources

Key Affiliations

- National Venture Capital Association (NVCA)
- Mid-Atlantic Venture Association (MAVA)
- National Association of Seed Venture Funds (NASVF)
- Angel Capital Association (NACA)
- Early Stage East
- Grubstake Breakfast - NoVa
- Venture Forum - Richmond

Active Outreach to U.S. Venture Communities

- Washington-Baltimore Corridor, Boston, New York City, Philadelphia, RTP

Research and Publications

- Virginia Venture Calendar
- Annual Angel Investment Survey



CIT Entrepreneurial Training

- CIT GAP Funds Due Diligence Process
- Business Plan and Model Review
- Presentation Coaching
- Breakfast with Experts
- DARPA SBIR Company Training

Federal Funding Assistance Program

What are SBIR and STTR?

- **SBIR - *Small Business Innovation Research*:** Federal Set-aside program for small business concerns to engage in Federal R&D – with potential for commercialization.
- **STTR - *Small Business Technology Transfer*:** Federal Set-aside program to facilitate cooperative R&D between small business concerns and US Research Institutions – with potential for commercialization. (requires participation by a non-profit University or Federal Lab)



Phases and Funding Amounts

- **Phase I:** A feasibility study, providing \$70—\$150K and 6 months (SBIR) or 12 months (STTR)
- **Phase II:** Full R/R&D, proof of concept/development of prototype. A 2-Year Award and \$300—\$750K. Must get Phase I before Phase II
- **Phase III:** Commercialization Stage. Use of non-SBIR Funds (includes other Federal funds, VC, etc.)

11 Participating SBIR/STTR Agencies

- **DOD* (\$1B+)**
- **HHS/NIH* (\$500M+)**
- **NASA***
- **Energy***
- **NSF***
- Agriculture
- EPA
- Commerce
- Education
- Transportation
- Homeland Security

****Participate in SBIR & STTR***



CIT's FFAP Program Offerings

- SBIR Strategy Consultation and Mentoring
- Low Cost Proposal Training and Review Courses
- Discounts with Expert Proposal Consultants
- Discounts on Proposal Preparation Software
- Referral to Law Firms for Free IP and Patent Consultation
- Discounts on Cost Accounting Solutions and CPA Services
- VC/Angel Capital "Readiness Review" Funding Assistance for Proposal Development Resources



Perspective on Cluster Partnership Initiative

- Natural Extension of Commonwealth Initiative in Cluster Analysis and Formation
- Builds on Established Research Competencies
 - Regional Research Base
 - State-Federal Partnership Programs
- Virginia has a Wealth of Services to Offer Early Stage Companies Arising from Cluster Development
- Hampton Roads is Well-Positioned to Lead in Cluster Focused-Technologies
- Strong Potential Fit for “Innovation Zone” Pilot Program