This project is funded under an agreement with the State of Tennessee. Launch Tennessee is the “doing business” name of the Tennessee Technology Development Corporation.
November 1, 2012

Dear Governor Haslam and Members of the Tennessee General Assembly:

It is with great privilege that I present you the annual report on the operations, structure and financial status of the Tennessee Technology Development Corporation (TTDC), which is doing business as Launch Tennessee (LaunchTN). LaunchTN is a public-private partnership focused on helping support the development of high-growth companies in the state of Tennessee with the ultimate goal of fostering job creation and economic growth. This report is required by statute to be prepared and sent to you annually on November 1 each year.

This report marks a transitional period for LaunchTN and our partner, the Department of Economic and Community Development (ECD). Over the past year, new leadership at ECD and LaunchTN have worked together to formulate targeted programming initiatives to further enhance the state’s competitiveness regionally, nationally and globally. Like most organizations receiving state funding, LaunchTN recognized the need to “do more with less” and target core programming initiatives in areas providing the highest return on investment, with a significant focus on commercialization and entrepreneurship.

With over $2.5 billion of federally funded R&D annually, Tennessee ranks as one of the nation’s leading states for research and is well positioned to support the transition of those discoveries into the global marketplace. As you will see, LaunchTN continues to make impressive strides in aligning state resources and key partners to strengthen Tennessee’s competitiveness through the organization’s initiatives focused on entrepreneurship, commercialization, early-stage capital investment, and outreach. The impact of these efforts is outlined in this report.

On behalf of the board of directors and management of LaunchTN, we thank you for the opportunity to serve the citizens of our great state. We look forward to continuing to help support Governor Haslam’s goal of making Tennessee the #1 location in the Southeast for high-quality jobs and position Tennessee for significant long-term economic growth in the years ahead.

Respectfully Yours,

Brad Smith
Interim President and CEO
TTDC / Launch Tennessee Organizational Structure

Created by the Legislature in 1998, TTDC is similar in structure to many other statewide technology-based economic development organizations in the United States. Specifically:

- TTDC/LaunchTN is a private, not-for-profit 501(c)(3) corporation created by the state but intentionally positioned outside state government.
- As a public/private partnership, TTDC/LaunchTN can enter into certain transactions that a government agency cannot, such as financially supporting private sector non-profit entities and for-profit businesses.
- The organization’s governance systems (with 15 of its 22 board members appointed by government officials) and the organization’s partial reliance on state funding for operations provide an effective system of checks and balances to ensure accountability to state government for its operations.

Mission

The purpose and mission of TTDC is defined in statute and cannot be changed without an act of the Legislature. The purposes of the corporation are:

a) To contribute to the strengthening of the economy of the state through the development of science and technology; and
b) To promote the development of Tennessee businesses by supporting the transfer of science, technology, and quality improvement methods to private and public enterprises.

Function

Approved by the legislature in 2009, the functions of the corporation have been updated to reflect and address core requirements for strong innovation-based economic development and are provided below:

1. To contribute to the strengthening of the economy of the state through the development of science and technology and to promote the development of Tennessee businesses by supporting the transfer of science, technology, and quality improvement methods to private and public enterprises;

2. Assist in evaluating statewide innovation capacity as measured by new technology business starts, research disclosure and patent generation, venture capital availability and investment, public and private research and development expenditures, and research commercialization efforts;

3. Assist in the development, attraction and retention of diverse high-skill and high-wage jobs in Tennessee and attract prominent leaders in industry, research and education to Tennessee, ensuring the talent exists within the state to foster innovation;
4. Support and improve technology transfer and commercialization mechanisms from research organizations, universities and businesses;

5. Increase the availability of capital to perform applied research, develop technology and stimulate new technology business creation and growth in Tennessee;

6. Assist in the development of physical infrastructure required for a technology and innovation-driven economy;

7. Stimulate entrepreneurship and create an entrepreneurial culture in Tennessee;

8. Assist in establishing cooperative and collaborative associations between universities, research organizations and private enterprises in Tennessee for the purpose of coordinating research and development programs that will aid in the creation of new products, services and jobs in Tennessee; and

9. Provide financial assistance through contracts, grants and loans to programs of scientific and technological research and development.

**Reorganizing and Rebranding of TTDC as Launch Tennessee**

In Spring 2012, TTDC organized a Strategic Planning Committee to look at improving its current programs and recommend the implementation of new programs to support the organization’s mission. Members of the Committee included: Joe Cook Jr., Bruce Doeg, Bill Evans, Bill Hagerty, Ted Nelson, Jim Phillips and TTDC CEO Leslie Wisner-Lynch.

In addition, ECD formed a working team that conducted interviews with entrepreneurship organizations in the state; tech transfer officers in the state; leading venture capital firms both inside and outside the state; and TTDC board members. Members of the team included: Brad Smith (ECD), Will Alexander (ECD), James Stover (TTDC), Sam Lingo (Entrepreneur Center) and Henry Gindt (ECD).

The result was a five-year strategic plan that identified challenges and opportunities, began to lay our clear goals and performance metrics, and created a clear work plan for the organization over the next five years.

**Challenges/ Opportunities/ Metrics**

According to the Kauffman Foundation / TFIF New Economy Index, Tennessee dropped from #31 to #41 in the New Economy Index Rankings from 1999 to 2010. While Tennessee’s ranking has decreased over time, there are many signs that significant opportunity exists. The state ranks #8 in federally funded research and #15 in entrepreneurial activity.

LaunchTN is currently in the process of developing specific five-year goals on key metrics as well as a dashboard for tracking these metrics over time. Metrics that will be tracked include the percentage increase in:
• The number of high-growth startups in Tennessee,
• Venture capital funding to Tennessee companies,
• Number of licenses from research institutions in Tennessee to Tennessee startup companies,
• Investment in corporate research partnerships at research institutions in Tennessee.

**Launch Tennessee Operations Overview & FY 2012 Highlights**

This report summarizes the innovation-based initiatives that LaunchTN and our network of partners manage in support of the state’s broader economic development agenda. In May of 2012, Governor Haslam announced a new strategic plan for LaunchTN with an emphasis in five areas: organizational restructuring, commercialization, entrepreneurship, capital and outreach.

1. **Organizational Restructuring:** Part of Governor Haslam’s announcement included the new branding effort currently underway for TTDC now doing business as Launch Tennessee (LaunchTN). In June of 2012, The Tennessee Department of Economic and Community Development (ECD) negotiated a five-year contract with LaunchTN. This included the announcement of the current ECD Chief of Staff Brad Smith taking over as Interim CEO of LaunchTN. LaunchTN has also hired four senior-level staff including directors of entrepreneurship, communications, outreach, and operations.

2. **Commercialization:** The organization has implemented SBIR and STTR support programs for early stage companies across the state. LaunchTN is currently finalizing a new commercialization strategy for 2013, which will include working with the private sector to translate research & development into high-quality jobs and moving new products and technologies from the research lab to the marketplace faster.

3. **Entrepreneurship:** Nine regional entrepreneurial accelerators have been created across the state to provide Tennessee entrepreneurs with mentoring, education and training, strategic and technical support, and assistance identifying sources of capital.

4. **Capital:** LaunchTN has overseen the state’s INCITE Co-investment Fund, which to date has invested nearly $7 million in Tennessee-based companies. The organization is also in the process of implementing strategies for in-state and out-of-state capital recruitment.

5. **Outreach:** LaunchTN has begun both in-state and out-of-state outreach strategies that include an aggressive communications strategy, sponsoring existing innovation-focused events across the state and positioning the organization’s annual conference as a top entrepreneur and investor event in the Southeast.

LaunchTN is recognized at the national level as the state’s innovation-focused economic development organization and is ideally positioned to support the state’s innovation economy through statute established by the General Assembly and supported by state leadership. With the full support and confidence of state leadership, LaunchTN will continue to facilitate a strong innovation economy and help make Tennessee a leading state for high-quality jobs and long-term economic prosperity.
Launch Tennessee 2012 Accomplishments

During the past year, LaunchTN has demonstrated significant progress in advancing its core program areas of organizational restructuring, entrepreneurship, commercialization, early-stage capital formation and outreach. Key accomplishments include:

- Announcing a rebranding of the organization and a new five-year strategic plan
- Announcing 11 new Board of Directors appointments
- Receiving an $80,000 FAST grant from the SBA to help educate Tennessee small businesses about the SBIR/STTR program
- Securing over $3 million in SBIR/STTR support for Tennessee small businesses
- Overseeing nine regional accelerators that provide support, mentoring and access to capital to startups across the state
- In 2012 alone, these accelerators screened nearly 500 companies, raised over $10 million in private sector capital for companies they assisted, and engaged over 300 mentors to support these companies
- Providing over $7 million in early-stage capital to high-growth Tennessee companies through the INCITE Co-Investment Fund
- Sponsoring and providing programming support for innovation-focused events across the state
- Increasing attendance at our annual innovation conference, thereby helping connect inventors, entrepreneurs and investors from across the state and around the Southeast
- Launching a new website and new social media profiles (Facebook, Twitter, YouTube and Flickr) to serve as a “one stop shop” for inventors, entrepreneurs, and investors across the state
- Publishing opinion editorials and receiving media coverage in a variety of outlets including the Tennessean, Jackson Sun, Crossville Chronicle, Nashville Business Journal and Southern Alpha to help develop and promote an entrepreneurial ecosystem in Tennessee

Launch Tennessee Commercialization Plan

Tennessee is home to several research institutions, most notably Oak Ridge National Laboratory (ORNL), Vanderbilt University, St Jude Children’s Hospital, the University of Tennessee System and the Tennessee Board of Regents that in aggregate attract over $2 billion in research funding to the state, according to a 2010 Battelle report on Tennessee’s commercialization efforts. However, this report also identifies four key challenges that are currently inhibiting efforts to more successfully turn this research into high-growth companies:

- A lack of connection between industry and research performing institutions in Tennessee.
- Concerns about the availability of capital for early-stage technology companies.
- Lack of streamlined tech transfer and commercialization processes across Tennessee’s research institutions.
- A low and falling level of industry research and development expenditures over the last decade.
One of the most significant challenges is improving the number and quality of university spinout companies. For the past several years, Tennessee has only had approximately seven startups through university-licensed technologies per annum. This is a strikingly small number, especially considering the significant amount of federally funded research that is being conducted at research institutions in the state. The results are an exceedingly high ratio of federal dollars per university spinout and significant missed opportunities for real-world impact.

To improve the current results, the primary goal of LaunchTN’s commercialization plan is to identify and commercialize promising new technologies in the areas that build on a growing regional innovation cluster and leverage several on-going private, state and federal programs.

Below are the main areas of focus. This represents a significant extension of current commercialization models implemented throughout Tennessee and further enhances the knowledge, leadership, and financial capital necessary for developing new companies and commercializing new technologies. These programs demonstrate our commitment to working with partner organizations around the state to connect scientists, entrepreneurs, venture capitalists and corporate business leaders in an innovation network that fosters and sustains economic growth.

**SBIR/STTR Phase 0/00 Support Services**

LaunchTN’s SBIR/STTR Support Services program is designed to increase SBIR/STTR grant award funding to Tennessee entities by providing funding for education, training and direct grant-writing. Phase I awards, which are considered the startup phase, are made to support the exploration of scientific, technical and commercial feasibility of an idea or technology; Phase II awards are intended to expand upon Phase I grants and to finance full research and development activities. Each year 11 federal agencies participate in the SBIR program and five take part in STTR, awarding over $2 billion in funding for small-business R&D.

SBIR/STTR Support Services activity was essentially unchanged from the previous year (2011) as many applicants were still awaiting final award notification due to delayed decision by Congress to re-authorize funding for these federal programs. LaunchTN utilized the services of Mark Henry of Grow Emerging Companies (Grow-EC) to support SBIR/STTR applicants.

Grow-EC assisted 15 Phase I and 4 Phase II applicants (a total of 15 different companies). Three applicants have received “fundable” scores (see companies highlighted in gray in the table), with the potential for nearly $3 million of funding. If those applicants are awarded the research commercialization grants, it would represent funding leverage of 22x LaunchTN’s investment of $136,000 in the program. Current status for supported applicants is provided in the table below.
SBIR/STTR Support Services Award Schedule

<table>
<thead>
<tr>
<th>Applicants</th>
<th>Category</th>
<th>Agency</th>
<th>Type</th>
<th>Sent</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>APAX Group</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase I</td>
<td>12/05/11</td>
<td>-</td>
</tr>
<tr>
<td>Ariste Medical</td>
<td>SBIR</td>
<td>NIH</td>
<td>Fast Track</td>
<td>08/05/11</td>
<td>1,411,381</td>
</tr>
<tr>
<td>Bastogne Technologies</td>
<td>SBIR</td>
<td>NSF</td>
<td>Phase I</td>
<td>12/03/10</td>
<td>150,000</td>
</tr>
<tr>
<td>Cirquest</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase I</td>
<td>12/05/10</td>
<td>181,889</td>
</tr>
<tr>
<td>Hubble Telemedical</td>
<td>SBIR</td>
<td>NIH</td>
<td>Fast Track</td>
<td>08/05/11</td>
<td>1,398,512</td>
</tr>
<tr>
<td>Hubble Telemedical</td>
<td>SBIR</td>
<td>USDA</td>
<td>Phase I</td>
<td>08/05/11</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Insight Genetics</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase II</td>
<td>TBD</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Molecular Design</td>
<td>STTR</td>
<td>NIH</td>
<td>Phase I</td>
<td>12/05/11</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Nell One Therapeutics</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase I</td>
<td>04/05/11</td>
<td>322,663</td>
</tr>
<tr>
<td>Parmenides</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase I</td>
<td>12/05/11</td>
<td>-</td>
</tr>
<tr>
<td>SecureWaters</td>
<td>SBIR</td>
<td>USDA</td>
<td>Phase I</td>
<td>09/01/11</td>
<td>100,000</td>
</tr>
<tr>
<td>StemSynergy</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase II</td>
<td>04/05/11</td>
<td>2,536,412</td>
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<tr>
<td>StemSynergy</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase I</td>
<td>08/05/11</td>
<td>-</td>
</tr>
<tr>
<td>StemSynergy</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase II</td>
<td>08/05/11</td>
<td>see above</td>
</tr>
<tr>
<td>Translational Sciences</td>
<td>SBIR</td>
<td>NIH</td>
<td>Phase II</td>
<td>04/05/11</td>
<td>1,524,850</td>
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<tr>
<td>Venture Incite</td>
<td>SBIR</td>
<td>DoD</td>
<td>Phase I</td>
<td>06/29/11</td>
<td>150,000</td>
</tr>
</tbody>
</table>

| TOTAL BUDGET           |          |        |          |            | $10,375,707|

Technology Maturation Fund

LaunchTN rolled out its second Technology Maturation Fund and committed a total of $400,000 to eight inventors/researchers/entrepreneurs in clean energy, life sciences and information technology industries. LaunchTN also committed an additional $65,000 to business plan competition winners at our annual innovation conference. One grand prize winner and three winners from the life sciences/healthcare, technology/electronics, digital media/entertainment and alternative energy/sustainability industries were chosen from a field of 28 presenting companies.

Several projects that have received funding to date have indicated potential licensing events and follow-on investment opportunities. One previous awardee, St. Jude Children’s Research Hospital, teamed with the Tennessee-based entrepreneurial company Insight Genetics to win $444,000 in federal research grants to commercialize a molecular diagnostic technology for the treatment of cancer. Another awardee, Phenotype Screening Corporation, received a modest $25,000 in follow-on investment.

A key change in this year’s technology maturation program was the inclusion of a repayment provision that allows LaunchTN to recapture awards based on successful research outcomes (such as licensing deals, change of ownership control or awardees achieving positive cash flow for a consecutive 12-month period). LaunchTN is currently exploring whether this Fund provides adequate return on investment to the Tennessee taxpayer and will make a decision whether or not to continue the Fund in future years based on the conclusions from this study.
Listed below is a brief overview of the companies and innovative technologies that have been funded through LaunchTN’s Technology Maturation Fund program:

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Location</th>
<th>Industry</th>
<th>End Date</th>
<th>Commitment</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>4D Imaging Systems</td>
<td>Oak Ridge</td>
<td>Healthcare Services</td>
<td>04/15/12</td>
<td>$50,000</td>
<td>$50,000</td>
</tr>
<tr>
<td>Care Technology Systems</td>
<td>Nashville</td>
<td>Healthcare Services</td>
<td>11/30/11</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Foundation Instruments (2)</td>
<td>Collierville</td>
<td>Cleantech</td>
<td>06/30/12</td>
<td>50,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Greene Turbine (1) (2)</td>
<td>Memphis</td>
<td>Cleantech</td>
<td>06/30/12</td>
<td>35,000</td>
<td>28,000</td>
</tr>
<tr>
<td>How’s The Living (2)</td>
<td>Knoxville</td>
<td>Internet Services</td>
<td>06/30/12</td>
<td>10,000</td>
<td>8,000</td>
</tr>
<tr>
<td>LED North America (1)</td>
<td>Oak Ridge</td>
<td>Electronics</td>
<td>03/31/12</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Nutraceutical Discoveries (2)</td>
<td>Knoxville</td>
<td>Biotechnology</td>
<td>06/30/12</td>
<td>50,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Phenotype Screening (1)</td>
<td>Knoxville</td>
<td>Biotechnology</td>
<td>04/15/12</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>UTRF - Mays (2)</td>
<td>Knoxville</td>
<td>Biotechnology</td>
<td>06/30/12</td>
<td>50,000</td>
<td>20,000</td>
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<tr>
<td>UTRF - Sayler (1) (2)</td>
<td>Knoxville</td>
<td>Biotechnology</td>
<td>06/30/12</td>
<td>50,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Venture Incite (2)</td>
<td>Oak Ridge</td>
<td>Defense</td>
<td>06/30/12</td>
<td>50,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Work For Pie (2)</td>
<td>Memphis</td>
<td>Internet Services</td>
<td>06/30/12</td>
<td>10,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

(1) Denotes grantees who received funding during the third quarter.
(2) Denotes grantees who will receive funding during the fourth quarter.

**Technology Maturation Fund Leverage Metrics**

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Award Amount ($)</th>
<th>Leveraged Funding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4D Imaging Systems</td>
<td>$50,000</td>
<td>$33,600</td>
</tr>
<tr>
<td>Care Technologies</td>
<td>10,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Foundations Instrument</td>
<td>50,000</td>
<td>68,437</td>
</tr>
<tr>
<td>Greene Turbine</td>
<td>35,000</td>
<td>25,000</td>
</tr>
<tr>
<td>How’s The Living</td>
<td>10,000</td>
<td>8,000</td>
</tr>
<tr>
<td>LED North America</td>
<td>50,000</td>
<td>248,000</td>
</tr>
<tr>
<td>Nutraceutical Discoveries</td>
<td>50,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Phenotype Screening</td>
<td>50,000</td>
<td>44,000</td>
</tr>
<tr>
<td>UTRF-Mays</td>
<td>50,000</td>
<td>47,314</td>
</tr>
<tr>
<td>UTRF-Sayer</td>
<td>50,000</td>
<td>75,600</td>
</tr>
<tr>
<td>Venture Incite</td>
<td>50,000</td>
<td>88,000</td>
</tr>
<tr>
<td>Work For Pie</td>
<td>10,000</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTALS** $465,000 $1,287,951
Launch Tennessee Entrepreneurship Plan

LaunchTN has been working diligently with all nine regional accelerators to further enhance Governor Bill Haslam’s Jobs4TN Strategy. The accelerator programs are focused on identifying entrepreneurs, mentors and driving access to capital within their region. These are the core components needed to build a thriving entrepreneurial ecosystem to drive high-growth companies.

The accelerators range in area of focus based on the unique assets that exist in each region. Eastman Chemical Company, Oak Ridge National Laboratory, Chattanooga’s Electric Power Board, Hospital Corporation of America, UT Martin, Smith & Nephew and FedEx are just some of the assets that make each of our regions unique.

Among the highlights of this year’s accelerator programs were three Demo Days that occurred in August 2012 to showcase companies that completed accelerator programs across the state during the summer.

- **Memphis**, in partnership with Memphis Bioworks, ran the inaugural ZeroTo510 accelerator program focused on medical device companies. Area venture capital firms, private sector partners and executive director Allan Daisley recruited six great companies to participate in the program, three of which were from out of state. Five of these six companies received follow on funding at the conclusion of the program.

- The Entrepreneur Center in **Nashville** culminated their summer program with over 500 investors, mentors and entrepreneurs in attendance at a Demo Day. The Entrepreneur Center had eight companies present new ideas ranging from healthcare products to advanced mobile applications. In the past two years, the Entrepreneur Center has helped its companies raise over $10 million in private sector capital.

- **Co.Lab in Chattanooga** was able to secure partnerships from Dell, Alcatel-Lucent, Time Warner and many others to run the Gig Tank accelerator program focused on leveraging Chattanooga’s unique 1 Gigabit high-speed fiber Internet provided by EPB. Most of the teams in the summer program were businesses targeted to utilize the gig, as the city’s high-speed internet it is commonly called.
To date in 2012, the nine regional accelerators together have worked with and screened nearly 500 companies, raised over $10 million in early-stage funding for companies they have assisted, and engaged over 300 mentors to support companies. Most of the accelerators have a strong board with public and private sector representation, and each has made progress this year and is in the midst of completing a renewal application and strategic plan for 2013.

<table>
<thead>
<tr>
<th>Accelerator Name</th>
<th>Executive Director</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>AccelNow</td>
<td>Dave Lawrence</td>
<td>Johnson City, TN</td>
</tr>
<tr>
<td>ETRAC</td>
<td>Lynn Youngs</td>
<td>Knoxville, TN</td>
</tr>
<tr>
<td>Company Lab</td>
<td>Charlie Brock</td>
<td>Chattanooga, TN</td>
</tr>
<tr>
<td>UC Success Now</td>
<td>Jeff Brown</td>
<td>Crossville, TN</td>
</tr>
<tr>
<td>Entrepreneur Center</td>
<td>Michael Burcham</td>
<td>Nashville, TN</td>
</tr>
<tr>
<td>SMTEC</td>
<td>Dan Marcum</td>
<td>Tullahoma, TN</td>
</tr>
<tr>
<td>NW TN EC</td>
<td>Carol Reed</td>
<td>Martin, TN</td>
</tr>
<tr>
<td>SW TN EDC</td>
<td>Linda Garrard</td>
<td>Jackson, TN</td>
</tr>
<tr>
<td>MRAC</td>
<td>Allan Daisley/ Eric Matthews</td>
<td>Memphis, TN</td>
</tr>
</tbody>
</table>

Launch Tennessee Capital Plan

INCITE Co-Investment Fund

The INCITE Co-Investment Fund (the Fund) is a venture capital program that is a key component of Governor Bill Haslam’s $50 million INCITE (Innovation, Commercialization, Investment, Technology and Entrepreneurship) initiative to raise Tennessee’s profile in innovation-based economic development and increase the number of knowledge based jobs in the state of Tennessee. Designed by ECD and administered by LaunchTN, the Fund is backed entirely by a $29.7 million award through the U.S. Department of Treasury’s State Small Business Credit Initiative. To date, the fund has provided nearly $7 million in capital to early-stage, high growth companies in the state of Tennessee. Funding is provided to Approved Investors and Qualified Businesses on a first-come, first-serve basis. A list of current Approved Investors as well as a list of Qualified Businesses who have received funding from the Fund to date are listed below.

Approved Investors

<table>
<thead>
<tr>
<th>Battelle Ventures, LP</th>
<th>MedCare Investment Fund IV, Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chrysalis Ventures II, LP</td>
<td>Memphis Biomed Ventures Tennessee I, LLC</td>
</tr>
<tr>
<td>Council Capital II, LP</td>
<td>Meritus Ventures, LP</td>
</tr>
<tr>
<td>Council and Enhanced TN Fund, LLC</td>
<td>Michael D. Shmerling Partners, GP</td>
</tr>
<tr>
<td>CP Investment Partners</td>
<td>NCN Angel Fund I, LP</td>
</tr>
<tr>
<td>Fred. C. Goad Jr.</td>
<td>NEST-TN, LLC</td>
</tr>
<tr>
<td>Germain B. Boer</td>
<td>NEST-USA, LP</td>
</tr>
<tr>
<td>Golden Seed Consensus Point, LLC</td>
<td>Ninth Avenue South Investments III, LLC</td>
</tr>
<tr>
<td>Harry Jacobson</td>
<td>Peter S. Brodsky</td>
</tr>
<tr>
<td>Hatteras PTI, LLC</td>
<td>Richardson M. Roberts</td>
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</tbody>
</table>
As part of the new Launch Tennessee 5 year strategic plan, the organization has begun aggressive in state and out of state outreach program. The long-term goal is to position our state as the southeastern region’s #1 location for entrepreneurs, investors, and innovators. By partnering with various organizations around the state, LaunchTN will host or partner to create world-class events that bring together entrepreneurs, corporate leaders, researchers and investors from across the country.

## 2012 Governor’s Innovation Conference

Renamed the Governor’s Innovation Conference, LaunchTN’s annual innovation conference provides invaluable insight into regional economic development strategies and entrepreneurial best practices as well as gives attendees a firsthand look at the latest technological innovations in Tennessee from our world-class research institutions and early-stage businesses. The conference also allows attendees an opportunity to engage in meaningful conversations with some of Tennessee’s top innovators, investors, entrepreneurs and research leaders.

The 2012 Governor’s Innovation Conference set records for registered attendance and revenue as LaunchTN worked even more closely with ECD to secure Governor Haslam as a keynote speaker; line up internationally renowned presenters and panelists, and market and promote the event. Registered attendance rose 16 percent to 463, while revenue from ticket sales and sponsorship increased 22 percent to approximately $58,000.
Planning for the 2013 conference is well underway and management is confident the event will contribute even more revenue and greater awareness for the organization. LaunchTN has secured commitments from the Nashville Technology Council, Nashville Healthcare Council, Nashville Chamber of Commerce, Life Sciences Tennessee, and the Nashville Convention and Visitors Bureau to partner on the event. More announcements regarding the event will be made later this year. Below are pictures of both Governor Haslam and Commissioner Hagerty speaking at the 2012 Governor’s Innovation Conference.

Sponsored Events

Since July, LaunchTN has partnered with several organizations as either sponsor or programming supporter of innovation focused events. This has given the organization greater exposure to entrepreneurs, investors, and innovators.

In October, LaunchTN partnered with Hall Strategies and the TN Automotive Manufactures Association to host two panels focused on innovation in the automotive industry. LaunchTN also hosted a VIP reception to kick-off this year’s ECD conference. The event was well attended by over 120 of the state’s top economic development officials. The conference also featured two panels on urban and rural entrepreneurship.

Global Entrepreneurship Week will take place Nov. 12-18. This Kauffman Foundation initiative takes place across six continents and is designed to inspire people to embrace innovation, imagination and creativity. LaunchTN has worked with several organizations across the state to bring together resources for over 40 events that will take place all across our state.

Marketing & Communications Strategy

LaunchTN’s marketing and communications goal is to create a steady drumbeat of positive news stories, case studies and data to help further Tennessee’s entrepreneurial ecosystem and position Tennessee as the leading state for entrepreneurs and innovation in the Southeast. LaunchTN’s
media strategy is multi-faceted, robust and proactive. Some of our specifically audiences and communication goals include:

- **In-state Stakeholders**: Building relevance and engagement among key stakeholders across the state Tennessee including inventors, investors and entrepreneurs.
- **Out-of-State Stakeholders**: Marketing to potential investors, startups and stakeholders outside of Tennessee with the five year goal of Tennessee being perceived as equal to or stronger than Austin and North Carolina’s Research Triangle as an innovation and entrepreneurial hub.
- **Industry**: Strategically targeting key industry partners in the state to further engage them in the state’s entrepreneurial and commercialization efforts.
- **Data**: Developing a baseline of statistics and data that illustrate why Tennessee is a great place to start and grow a business.

Tactically, we will deploy a variety of methods including opinion editorials and media surrogates to reach our various audiences both inside and outside the state of Tennessee. One example of the type of collateral we will use to distribute these messages is the infographic below.
Launch Tennessee Organizational Structure

Board of Directors

LaunchTN is governed by a 22-person board of directors. By design and law, 14 of the board members are to be appointed from the private sector – three are appointed by the governor, two each by the speaker of the house and the speaker of the senate, and seven by the LaunchTN board. Seven board members are to be appointed from the public sector – three by the governor and two each by the speaker of the house and the speaker of the senate. Of these board members, one of the governor’s appointees is to be selected from a slate of three candidates provided by the Tennessee Municipal League or the Tennessee County Services Association. Mayor Tom Beehan of Oak Ridge currently fills this seat on the board.

Bill Hagerty, Commissioner of the Tennessee Department of Economic and Community Development, was elected chair of the board by members present at the August 19, 2011, board meeting and was subsequently approved by unanimous consent by all active board members. Dr. Bill Evans is immediate past-chair and remains a member of the board.

The board has an executive committee charged with administering the day-to-day operations of LaunchTN. Commissioner Hagerty chairs this five-person committee. LaunchTN also has an audit committee to oversee financial and budgetary issues and a governance committee to oversee matters relating to the governing structure and organization of LaunchTN.

LaunchTN Board of Directors, as of November 1, 2012:

Ex Officio
Bill Hagerty *
Commissioner
tennessee Department of Economic and Community Development

Appointed by Governor, public sector
Tom Beehan Craig Fitzhugh Thom Mason
Mayor Representative Laboratory Director
City of Oak Ridge Tennessee General Assembly Oak Ridge Nat’l Laboratory

Appointed by Governor, private sector
Brian DeBusk Stuart McWhorter Laura Whitsitt
CEO Co-Founder, Chairman & President Divisional Sr. VP, Research
DeRoyal Industries, Inc. Clayton Associates Smith & Nephew

Appointed by House Speaker, public sector
Mark White Alex Miller
Representative Professor
Tennessee General Assembly University of Tennessee-Knoxville
Appointed by House Speaker, private sector
William Evans, Pharm. D.  Richard Smith
Director & CEO  Managing Dir., Life Sciences & Specialty Services
St. Jude Children’s Research Hospital  Federal Express

Appointed by Senate Speaker, public sector
Mark Norris  Brian Noland
Senate Majority Leader  President
Tennessee General Assembly  East Tennessee State University

Appointed by Senate Speaker, private sector
Andre J. Bahou  Greg Nelson
VP & Chief Intellectual Property Officer  Chief Technology Officer
Prism Technologies, LLC  Eastman Chemical Company

Appointed by LAUNCHTN Board of Directors
Thomas Ballard^  Bruce Doeg^  Jim Phillips^  Director of Innovation  Chair, Business Dept.  CEO
Pershing Yoakley & Assoc.  Baker Donelson  NanoMech

Andrew Seamons  Marci Harris  Frank Williamson
Managing Partner  Co-Founder and CEO  Advisor
Pitco Capital Partners  POPVOX  FourBridges Capital

Dr. Jeff Balser  David Owens
Vice Chancellor & Dean  Exec Development Institute Director
Vanderbilt Univ School of Medicine  Vanderbilt Univ-Owen Graduate School

* LaunchTN Board Chairman
^ Executive Committee Member

Management Team

With an increased emphasis on innovation-based economic development by state leadership, LAUNCHTN management is working closely with ECD to further enhance the organizational structure of the corporation and to establish a hiring plan that best supports the state’s innovation initiatives. Additions to staff have been made in areas of communications, outreach, operations, and entrepreneurship. Future hires are being considered for the commercialization program. Hiring will be limited to highly qualified personnel with extensive innovation, entrepreneur and early-stage capital program experience.

The LAUNCHTN team is well positioned to support the state’s innovation initiatives especially when coupled with the expertise of a very strong board of directors.
Brad Smith, Interim CEO & President

Brad most recently served as chief-of-staff at the Tennessee Department of Economic and Community Development, overseeing the day-to-day activities of the 140-employee, $220 million organization. Brad graduated summa cum laude from Harvard University and attended Oxford University as a Rhodes Scholar, where he focused on education and healthcare policy.

Jason Denenberg, Director of Entrepreneurship

Jason coordinates efforts across the nine regional accelerators throughout Tennessee and focuses on driving entrepreneurial activity while building access to private capital for each region. Jason was formerly a Partner at Angel Capital Group where he led efforts to collaborate with entrepreneurs and investors to fund early-stage high-growth investment opportunities. Prior to his tenure at ACG, Jason spent five years as a financial advisor, managing client portfolios at MorganStanley Smith Barney.

Laura Braden, Communications Director

Laura previously served as Deputy Communications Director for Governor Arnold Schwarzenegger and spent three months in the Gulf Coast assisting BP with their oil spill response efforts. Laura has also served as senior communications advisor for a national infrastructure coalition, vice president of Mercury Public Affairs in California, and worked at the DCI Group in Washington, DC.

James Stover, Interim Commercialization Director

James is responsible for overseeing all of Launch TN’s commercialization activities. Prior to joining Launch TN, James was a life science and technology analyst with Square 1 Bank in San Diego and a senior research fellow in medicinal chemistry at the Scripps Research Institute. James holds a Ph.D. in Chemistry from Vanderbilt University, where he was a National Institute of Health Grant recipient.
Jill Van Beke, East Tennessee Director

Jill most recently served as a Business Development Consultant at the Tennessee Department of Economic and Community Development, focusing on Innovation and Workforce Development-related initiatives in the East Region. Jill graduated from Columbia University with a degree in Urban Studies and concentrations in Economics and Anthropology.

Henry Gindt, Operations Director

Henry most recently oversaw the TNInvestco venture capital program at the Tennessee Department of Economic and Community Development. Prior to his work at ECD, Henry worked at both Evercore Partners and Ondra Partners, two investment-banking firms in New York City. Henry graduated cum laude from the Wharton School at the University of Pennsylvania.

Steve Wonsiewicz, Finance Director

Steve has nearly 20 years of experience working for financial services and B2B publishing companies in the United States, Great Britain and the Netherlands. Prior to joining Launch TN, Steve worked as a portfolio manager for an independent financial advisor. Before that, Steve was co-founder of American Hometown Publishing, a community newspaper publisher based in Franklin, Tennessee.

Andrew Hogin, Outreach Director

Andrew previously served as legislative liaison for the Tennessee Department of Economic and Community Development. Prior to that role, Andrew served as Field Director for Governor Bill Haslam, helping plan and organize all of the Governor’s events across the state both during the gubernatorial campaign and the Governor’s first year in office. Andrew is a graduate of the University of Tennessee.
Courtney Corlew, Communications Coordinator

Courtney is responsible for supporting LaunchTN’s communications efforts. Prior to joining LaunchTN, Courtney worked as an Account Supervisor for Athlon Sports Communications, which specializes in sports marketing, and as the Community Relations Director for Primary Care & Hope Clinic in Murfreesboro. Courtney graduated from Middle Tennessee State University with a B.S. in Communications.

Maya Lochan, Special Projects Coordinator

Maya is in charge of providing support to a range of LaunchTN projects. Maya is a recent graduate of Wellesley College where she earned a degree in Political Science and Women’s and Gender Studies. Maya has worked in the Tennessee General Assembly and as a Crisis Counselor with the YWCA of Nashville and Middle Tennessee.
Launch Tennessee Financial Overview

The table below highlights LaunchTN investments and expenditures in key program areas during fiscal year 2012:

<table>
<thead>
<tr>
<th>Main Initiatives</th>
<th>Program Focus</th>
<th>Program Partners</th>
<th>Funding ($1000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>INCITE Co-Investment Fund</td>
<td>Various</td>
<td>$ 3,962</td>
</tr>
<tr>
<td>Commercialization</td>
<td>Technology Maturation Fund</td>
<td>Various</td>
<td>307</td>
</tr>
<tr>
<td></td>
<td>Rural Seed Fund</td>
<td>Various</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Tech Transfer Strategic Plan</td>
<td>Battelle Consulting Group</td>
<td>30</td>
</tr>
<tr>
<td>Meetings &amp; Conferences</td>
<td>Governor’s Innovation Conference</td>
<td>Various</td>
<td>122</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>Innovation Capacity Grants</td>
<td>The Company Lab</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$ 4,523</strong></td>
</tr>
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Financial Status of Fiscal Year 2012

Total revenue for FY 2012 was approximately $1.5 million, up from approximately $1.2 million the previous year due primarily to our grant contract with ECD to serve as Administrator for the INCITE Co-Investment Fund (the “INCITE Fund”). Total expenses for the year were approximately $1.4 million, up from approximately $1.2 million due to costs associated with administering the INCITE Fund.

From a balance sheet perspective, total assets were approximately $9.8 million as of June 30, 2012, compared to approximately $536,000 the previous fiscal year due to investments and fully insured banking deposits related to our role as Administrator of the INCITE Fund. Total liabilities were approximately $9.5 million, comprised almost entirely of deferred revenue from our contract as Administrator of the INCITE Fund, compared to approximately $293,000 the previous year. Total Net Assets were approximately $344,000 at the end of the fiscal year, up from approximately $243,000 the previous year.