



# LaunchTennessee

**Annual Report to Governor and General Assembly**

**November 2014**



Created under legislative statute as Tennessee Technology Development Corporation, now doing business as Launch Tennessee. This organization is funded under an agreement with the State of Tennessee.

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Dear Governor Haslam and Members of the Tennessee General Assembly:

I am pleased to present this annual report on the developments of TTDC d/b/a Launch Tennessee over the 2014 fiscal year period, ending June 30, 2014.

As you will glean from the report, it has been a very busy year for the organization as the team had its first full year together and worked diligently to fulfill our mission to make Tennessee the number one place in the Southeast for entrepreneurs to start and grow a business.

We continued to execute on several existing initiatives as well as launched several new programs in our key focus areas of entrepreneurship, capital formation, commercialization and outreach. Additionally, we initiated our corporate engagement program, which we see as a key opportunity to drive impact across each of the focus areas.

Some of the new programs were the TENN master accelerator program, which included a statewide Demo Day and road trips across the state and to Silicon Valley and New York to showcase some of the top companies from our regional accelerator program; the Launch Tennessee Fellows program which paired promising technologies from UTRF with graduate students who worked diligently on commercialization plans; the Healthcare Connections program, where emerging companies in the industry presented their businesses to corporate "connectors" and investors; and finally, our Blackstone Specialists program, which paired 27 interns from across the state and country with five of our summer accelerator programs. Each of these programs has met with great success and we will be expanding them in the year ahead.

Additionally, we continued several initiatives that were launched in 2013, including our Southland Conference that drew over 700 attendees, 70 investment firm representatives, and over 300 applications from startups across the country; and the "Venture Match" series pairing entrepreneurs, investors and academics in different parts of the state.

We also opened the third and final tranche of the INCITE Co-Investment fund. We invested \$4.2 million across 19 deals during FY2014, matching \$14 million of private investment, representing a total of over \$18 million of capital in Tennessee companies. Finally, in an effort to become partially self-sustaining, the organization raised over \$1,000,000 of non-state capital during FY2014, eclipsing the goal of \$500,000 by over 200%.

We look forward to building on the momentum generated in 2014 to serve the entrepreneurs and other citizens of our great state. Your support, as well as that of ECD and our board, chaired by Commissioner Hagerty, makes this success possible.

Sincerely,

A handwritten signature in black ink, reading "Charlie Brock". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Charlie Brock  
President and CEO

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## Launch Tennessee Organizational Structure

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

- Launch Tennessee is a private, not-for-profit 501(c)(3) corporation created by the state.
- As a public/private partnership, Launch Tennessee 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

Statute defines the mission of Launch Tennessee:

- 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.

In order to clearly capture the mission of developing early stage companies across the state, Launch Tennessee developed a one-sentence mission statement that is being used in collateral materials:

*"To make Tennessee the No. 1 place in the Southeast for entrepreneurs to start and grow a company."*

### Corporate Governance & Board Committees

Proper corporate governance and oversight at the committee and board level continue to be a priority for the organization. In addition, Launch Tennessee created operating committees to help execute against the core mission of the organization. Current leadership of these committees includes:

**Executive** (Core Committee) - *Chairperson:* Commissioner Bill Hagerty

**Governance** (Core Committee) - *Chairperson:* Commissioner Bill Hagerty

**Audit** (Core Committee) - *Chairperson:* Bruce Doeg

**Capital Formation** (Operating Committee) - *Chairperson:* Frank Williamson

**Commercialization** (Operating Committee) - *Chairperson:* Brian Debusk

**Entrepreneurship** (Operating Committee) - *Chairperson:* Marci Harris

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## Launch Tennessee Operations Overview & FY 2014 Highlights

This report summarizes the innovation-based initiatives that Launch Tennessee and our network of partners manage in support of the state's broader economic development agenda. The following categories represent the current focus of the organization.

- 1. Entrepreneurship:** Nine regional entrepreneurial accelerators across the state provide Tennessee entrepreneurs with mentoring, education and training, strategic and technical support, and assistance identifying sources of capital.
- 2. Capital Formation:** Launch Tennessee oversees Tennessee's \$30 million INCITE Co-Investment Fund and works to connect entrepreneurs with various capital sources including angel networks/funds and venture capital investors.
- 3. Commercialization:** Launch Tennessee has implemented SBIR and STTR support programs for early-stage companies and manages the Venture Match and Fellows programs across the state in order to connect entrepreneurs, investors, and academia.
- 4. Outreach:** Launch Tennessee's outreach operations target both in-state and out-of-state stakeholders, including sponsoring innovation-focused events across the state and positioning the organization's annual conference as one of the top innovation conferences in the region and country.
- 5. Corporate Engagement:** Corporate engagement is a vehicle to drive innovation across all Launch Tennessee focus areas. Specific opportunities to engage include: the accelerator network, The Connection program, Reverse Pitch, INCITE Co-Investment Fund and access to deal flow.

Launch Tennessee 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, our organization will continue to facilitate a strong innovation economy and help make Tennessee a leading state for high-quality jobs and long-term economic prosperity.

## 2014 Accomplishments and Milestones Summary

During the past year, Launch Tennessee has demonstrated significant progress in advancing its core program areas of entrepreneurship development, capital formation, commercialization and outreach. Key accomplishments include:

### Organization-wide

- Raised \$1.03M in an effort to become partially self-sustaining
- Continued board-level operating committees to serve as advisors on key program areas

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#### Entrepreneurship Development

- Secured sponsorship from UBS for the 2014/2015 TENN programs, including \$150,000 and multiple levels of engagement
- Accelerated 70 companies through the statewide regional accelerator network
- Regional accelerators hosted over 400 entrepreneurial events, engaged over 400 mentors and screened over 1,400 companies
- Over \$29 million in capital raised by accelerated startups

#### Capital Formation

- Invested over \$4 million in capital to high-growth Tennessee companies through the INCITE Co-Investment Fund and leveraged an additional \$14 million in private capital.
- Promoted the development of angel funds / groups across the state
- Facilitated numerous connections between entrepreneurs and investors across the state

#### Commercialization

- Organized 15 SBIR/STTR workshops, with over 350 attendees
- Assisted 10 companies with SBIR/STTR grant submissions and achieved a 33% success rate
- Hosted five Venture Match events across Tennessee
- Launched the Fellows Program with the University of Tennessee and University of Tennessee Research Foundation

#### Outreach

- Helped organize events for Global Entrepreneurship Week (powered by the Kauffman Foundation) that resulted in over 70 entrepreneurial and innovation focused events
- Attendance at our annual entrepreneur conference, Southland, grew to over 700 attendees, which included 35 top startups from across the country, over 70 investment firms and industry experts from around the country
- More than 250 stories were published in a variety of outlets, including the Wall Street Journal, VentureBeat, Entrepreneur as well as the the *major newspapers across Tennessee*

#### Corporate Engagement

- Formalized corporate engagement as one of the organization's program areas.
- Developed a Healthcare Connection series with Pershing, Yoakley & Associates (PYA) that included a total of 17 presenting early-stage companies and 60 corporate, investor and supporter attendees
- Hosted five Verizon Wireless sector experts in Automotive, Healthcare, Manufacturing and Smart Grid/Utilities for sessions with 35 entrepreneurs and specialists

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## Entrepreneurship Development

Launch Tennessee has been working diligently with all nine regional entrepreneurship centers to further enhance Governor Bill Haslam's Jobs4TN Strategy. The nine regional centers serve as the front door for entrepreneurs as they connect them with resources necessary to start and grow their business. Resources may include mentors, investors, industry experts, existing corporations and other entities providing entrepreneurial support. These are the core components needed to build a thriving entrepreneurial ecosystem to drive high-growth companies.

Highlights from the year include:

- The first TENN class graduated in February, where Governor Haslam & Commissioner Hagerty presented a \$25,000 check to Vendor Registry for gaining the most traction after solidifying a pilot contract with Microsoft. Teams that graduated from one of Tennessee's statewide accelerators were eligible to compete for a spot in The TENN during a statewide Demo Day. Ten companies were selected from Knoxville, Chattanooga, Memphis, and Nashville, focusing on industries such as medical device, consumer goods, B2B platforms and healthcare.
- Launch Tennessee launched the first Specialist Program, an internship program that introduces entrepreneurship in Tennessee to students. There were 27 Specialist placed in 5 accelerators across the state from schools such as Vanderbilt, University of Tennessee, University of Memphis, Sewanee, Columbia, Emory, North Carolina State, Georgia Tech, and Rhodes. These students supported both program directors and companies throughout the 13-week boot camp cohort programs. The program resulted in one student being hired by a company, one hired to work for the accelerator, and three continuing to support the companies on a contract basis.
- For FY2014, 70 companies participated and graduated from regional accelerator programs across the state. These 13 week boot camp cohort programs focused on a variety of industries including healthcare, smart grid technology, medical device, 3D printing/additive manufacturing, digital media and automotive.
- Launch Tennessee has engaged UBS as The TENN presenting sponsor for the 2014 and 2015 programs. As UBS expanded its presence in Nashville and in other Tennessee markets, the firm sought an opportunity to fulfill its *Elevating Entrepreneurs* corporate initiative on a statewide basis. In addition to the \$150,000 financial contribution, UBS is supporting The TENN with its human capital. Through its investment banking, wealth management and asset management business lines, the firm will offer access to its advisors and client portfolio, aligning specific expertise and resources with our TENN teams' critical needs.

Strong leadership of the regional accelerators is crucial. Below is a summary of the Executive Directors and locations for each accelerator:

<b>Accelerator Name</b>	<b>Executive Director</b>	<b>Location</b>
AccelNow	John Campbell	Johnson City, TN
Knoxville Entrepreneur Center	Jim Biggs	Knoxville, TN
The Company Lab	Mike Bradshaw	Chattanooga, TN
The Biz Foundry	Jeff Brown	Crossville, TN
Nashville Entrepreneur Center	Michael Burcham	Nashville, TN
Southern Middle TN Entrepreneur Center	Dan Marcum	Tullahoma, TN
Northwest TN Entrepreneur Center	Carol Reed	Martin, TN
Southwest TN Entrepreneur Development Center	Ben Ferguson/ Ben Harris	Jackson, TN
Greater Memphis (Start Co. / ZeroTo510)	Eric Matthews/ Allan Daisley	Memphis, TN

### Regional Metrics July 2013 - June 2014

<b>July 2013-June 2014</b>	<b>Events</b>	<b>Screened</b>	<b>Accelerated (Cohort Graduates)</b>	<b>Capital Raised</b>	<b>Jobs</b>
<b>Northeast TN- AccelNow</b>	8	41	0	1,800,010	9.5
<b>Southeast- The Company Lab</b>	71	166	17	10,197,500	24.5
<b>Southern Middle TN Entrepreneur Center</b>	16	91	9	193,500	14
<b>Southwest TN Entrepreneur Development Center</b>	22	56	0	N/A	N/A
<b>East- Knoxville Entrepreneur Center</b>	45	94	5	3,100,000	7.5
<b>Upper Cumberland – The Biz Foundry</b>	21	50	0	320,000	7
<b>Northern Middle-Nashville Entrepreneur Center</b>	143	689	21	10,400,000	50
<b>Greater Memphis (Start Co. / ZeroTo510)</b>	58	139	11	2,665,000	15.5
<b>Northwest TN Entrepreneur Center</b>	34	93	7	452,500	5
<b>Total:</b>	<b>418</b>	<b>1419</b>	<b>70</b>	<b>29,128,510</b>	<b>133</b>

## Capital Formation

### INCITE Co-Investment Fund

The INCITE Co-Investment 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 Launch Tennessee, the Fund is backed entirely by a \$29.7 million award through the U.S. Department of Treasury's State Small Business Credit Initiative. During Fiscal Year 2014, the Fund invested over \$4.2 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 summary of the investment activity is listed below.

### Investment Eligibility

The types of companies which Launch Tennessee's INCITE Co-Investment Fund invests in include primarily technology-enabled businesses with scalable growth profiles. These companies can be as diverse as restaurant order management systems to health care IT companies that produce electronic medical records. An eligible business must receive equity or preferred equity investment of at least \$300,000 to qualify. Each of the investors must be accredited, and at least one investor must have assets under management of \$15 million and a track record of investing at least \$5 million in the types of businesses that would qualify under the program guidelines ([www.launchtn.org](http://www.launchtn.org)).

### Deal Volume/Activity

During Fiscal Year 2014, Launch Tennessee's INCITE Co-Investment Fund invested approximately \$4.2 million, matching \$14 million of investment, representing a total of approximately \$18.2 million of equity and preferred equity investment in 19 deals across the state.

### Fiscal Year 2014 INCITE Fund Investment Summary

Fiscal Year 2014 INCITE Fund Investment Summary						
Qualified Business	Sector	Lead Investor	Date Approved	Non-INCITE	INCITE	Total
Molecular Sensing #2	Healthcare	Tri-Star Technology	07/19/13	\$300,000	\$150,000	\$450,000
iCitizen/ Citizengine #2	Digital Media	Harry Rudolf Jacobson	07/19/13	\$500,000	\$250,000	\$750,000
Streamweaver #2	Digital Media	TNCV	07/19/13	\$320,000	\$160,000	\$480,000
Overdog	Digital Media	TNCV	07/19/13	\$300,000	\$150,000	\$450,000
MedCenterDisplay	Healthcare	Tri-Star Technology	07/23/13	\$1,000,000	\$500,000	\$1,500,000
Senior Living	Healthcare	NEST-TN, LLC	07/19/13	\$375,000	\$187,500	\$562,500
Diagnovus	Healthcare	Limestone Fund, LLC	07/23/13	\$1,000,000	\$500,000	\$1,500,000
Molecular Sensing #3	Healthcare	Tri-Star Technology Fund	10/30/13	\$1,000,000	\$500,000	\$1,500,000
Consensus Point #2	Technology	NEST-TN	11/29/13	\$249,640	\$62,410	\$312,050
Auramist #2	High Tech	Solidus Company, LP	12/11/13	\$1,000,000	\$250,000	\$1,250,000
Quire #2	Healthcare	Tri-Star Technology	12/11/13	\$999,600	\$249,900	\$1,249,500
iCitizen/ Citizengine #3	Technology	Harry Jacobson	12/20/13	\$713,875	\$178,469	\$892,343
Logogarden	Technology	FCA Venture Partners V	12/11/13	\$600,000	\$150,000	\$750,000
Hubble Telemedical	Healthcare	MB Ventures	02/04/14	\$325,000	\$75,000	\$400,000
iCitizen #4	Technology	Harry Jacobson	03/20/14	\$609,999	\$152,500	\$762,499
US Biologic	Healthcare	XMt	02/04/14	\$500,000	\$125,000	\$625,000
SIGNiX #2	Technology	ProNvest, Inc.	03/31/14	\$1,200,000	\$240,000	\$1,440,000
LiveSchool	Technology/	NCN	04/17/14	\$622,819	\$122,500	\$745,319
Molecular Sensing # 4	Medical	Tri-Star Technology Fund	06/12/14	\$2,400,000	\$270,000	\$2,670,000
			<b>Total</b>	<b>\$14,015,933</b>	<b>\$4,273,279</b>	<b>\$18,289,212</b>



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## Current Approved Investors

Tri-Star Technology Fund, LLC	Bone Blankenship Partnership
Meritus Ventures, L. P.	MedCare Investment Fund III, Ltd.
Solidus-TNInvestco, LLC	MedCare Investment Fund IV, Ltd.
Nest-TN, LLC	Stephen Edward Young
Solidus Company, LP	Tri-Star Technology Fund II, LLC
CP Investment Partners	Scott R. Jeffery
NEST-USA, L.P.	Senior Living Acquisition Corp, LLC
Tennessee Angel Fund, LP	Limestone Fund, LLC
NCN Angel Fund I, LP	Charles Kenton Kirby
XMi High Growth Development Fund LLC	Robert Lemuel Kirby
Michael D. Shmerlings Partners G.P.	Jewell Martin Hale
Battelle Ventures, LP	Envest III, LLC
Ninth Avenue South Investments III, LLC	Burtonwood Capital, LLC
Hatteras PTI, LLC	Harding Holdings Inc.
Tennessee Community Ventures Fund LLC	JRI Ventures LLC
Legacy Investments, LLC	FCA Venture Partners, IV, LP
Landman Family Limited Partnership	Tuna Investments, L.C.
Innova Fund II, LP	Benjamin Cullen Bryant, Jr.
Joseph A. Hollingsworth, Jr.	James H. Barton Jr.
Chrysalis Ventures II, LP	T.M. Hederman Trust
Kevin Michael McNamara	William Brian Reames
Lee Daniel Hammond	Paul Gregory Hagood
Peter Samuel Brodsky	Pittco Capital Partners IV, LP
Fred Curtis Goad, Jr	Richard E. Ruth
Jimmy Dale Kever	RAG Family Trust
Germain Boniface Boer	Charles Gerber 2012 Family Trust
Herbert Allen Fritch	Christopher Michael Kelly
Lawrence L Davis	Steve Gerard Fridrich
Council Capital II, L.P.	Leon May Trust I
Council & Enhanced Tennessee Fund, LLC	Hunter Hillenmeyer
ProNvest, Inc.	Memphis Biomed Ventures
SNB Investments	Ezra Uzi Yemin
Michael Duncan Dashiff	Michael J Hills
MedCare Investment Fund V, L.P.	MGC Venture Partners 2013, L.P.
Harold Rudolf Jacobson	FCA Venture Partners V LP
Matthew Robert Hafer	Stephen Gregory Butler
Richard Theobald	Intersouth Advisors, Inc.
Relevance Capital III, L.P.	

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## **Commercialization**

Launch Tennessee has incorporated dedicated resources this past year to several elements of commercialization-related programming, including SBIR/STTR outreach, continued support of entrepreneur/inventor/investor matching, and a new Fellows program. These efforts continue to be in pursuit of success in four areas:

- Increasing the amount of venture capital raised by Tennessee companies;
- Increasing the number of start-ups based on intellectual property from research institutions in Tennessee;
- Increasing the number of licenses to Tennessee companies from research institutions in Tennessee; and
- Increasing the number of SBIR/STTR awards to Tennessee companies.

### **SBIR/STTR Support**

Launch Tennessee believes that SBIR/STTR awards are an under-tapped resource for Tennessee companies. The goals in this area are to increase the total amount of SBIR/STTR funding to Tennessee companies, to increase the number of quality firms pursuing and winning these awards, and to support Phase I winners in becoming Phase II winners.

During the year, Launch Tennessee utilized the services of Mark Henry of Grow Emerging Companies, LLC, a nationally renowned SBIR consultant. Henry provided the following services to the Phase 0/00 program awardees:

- Identification and evaluation of potential SBIR/STTR opportunities;
- Expert proposal writing, editing, and production assistance;
- Assistance with the market research necessary to develop a compelling SBIR/STTR commercialization story for successful Phase II awards; and
- Assistance in identifying and engaging collaborators required for R&D/business credibility as well as potential Phase III private-sector partners;

Note that Mark Henry's support was provided in part by a FAST grant awarded to Launch Tennessee by the SBA for the second consecutive year.

Grow EC assisted in the submission or continues to assist ten (10) new Phase I SBIR/STTR applicants (representing nine different companies) during the fiscal year. Of these ten (10) applicants, five (5) submitted grants to the National Institute of Health (NIH), four to the National Science Foundation (NSF), and one to the Department of Defense. The table below summarizes the results of the Launch Tennessee 2013-2014 program as of 6/30/14, with data from previous years as a benchmark.

The potential economic impact with successfully funded proposals would total approximately \$675K (including one of the ten submissions still to be reviewed). Note that one of our clients in 2013-2014, VDDI Pharmaceuticals in partnership with Vanderbilt University, has already won a large drug discovery Phase I STTR grant of \$375K from NIH.

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Given his expertise in grant writing, Dr. Stefansic will continue to assist Mark Henry in the review of the outstanding NIH proposals.

Table 1: SBIR/STTR Phase 0/00 program results in Tennessee since its inception in 2008

Year	Number of Submissions	Success Rate
2008-2010	≈30 (all Ph1)	17% (≈5/30)
2010-2011 (pilot)	18 (12 Ph1, 6 Ph2)	33% (6/18)
2011-2012	13 (7 Ph1, 4 Ph2, 2 FT)	8% (1/13)
2012-2013	9 (8 Ph1, 1 Ph2)	11% (1/9)*
2013-2014	10 (10 Ph1)+	33% (3/9)**

\*One Phase II – one additional received favorable score and resubmitted in 8/14

+As of June 30th, 2014

\*\*One additional grant received favorable score and will resubmit; one other is not yet reviewed.

Note that there was a decrease in success rate from 2011 through part of 2013. With the turnover at TTDC and interruption in funding for Mark Henry in 2011-2012, there was a gap in grant writing assistance and quality of submissions. Dr. Stefansic has been focused on attracting academic researchers to increase the quality of submissions. Through plans developed in our most recent FAST grants submitted and awarded by SBA in both 2013 and 2014, there has been a concerted effort to provide more advanced Phase II grant writing and commercialization assistance, in particular to support companies that need to manage their Phase I awards in order to get to Phase II and private investment. In addition, less money is being spent on the program in order to focus on quality submissions over quantity.

Launch Tennessee also continued to host a series of SBIR/STTR proposal writing workshops across the state in conjunction with local partners in major cities and more rural areas. Workshops in 2013-2014 were conducted in Chattanooga (2 with 48 participants), Knoxville (3 with 50 participants), Memphis (3 with 60 participants), Nashville (2 with 45 participants), Cookeville (2 with 38 participants), Murfreesboro (1 with 24 participants), Spring Hill (1 with 10 participants), and Johnson City (webinar with 3 participants). A majority of the participants were from academic research institutions at Vanderbilt, UT Knoxville & UT Chattanooga, and University of Memphis. The goal was to attract higher quality research with investigators capable of successfully writing and executing technology grant proposals.

In addition these workshops, we provided a five-week specific step-by-step "Getting Ready to Write" SBIR grant training webinar program to nascent entrepreneurs through our partners at Grow Emerging Technologies, LLC. Several women-owned businesses participated in this webinar. Finally, Mark and Catherine Henry and Dr. Stefansic led a "Managing Phase I to Get to Phase II" workshop in April with 15 attendees, several of whom are now in our program writing Phase II grants.

In 2015, Launch Tennessee plans to continue to offer Phase 0/00 program support with Mark Henry, with the following objectives:

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- Support additional proposal writing workshops across the state, with a focus on attracting participants writing more financially lucrative Phase II or Fast Track (Phase I & II combined) grant proposals;
  - Increase the **quality** of Tennessee firms participating in the SBIR/STTR programs, with a focus on attracting early-stage companies based on academic laboratory research; and
  - Develop methods to make Launch Tennessee's SBIR/STTR support program financially sustainable within three to four years such that revenue it generates from grant writing assistance and FAST federal funding covers all of the program's costs.

## **Entrepreneur and Technology Matching**

With the intention of strengthening the fabric of relationships among entrepreneurs, inventors and investors, Launch Tennessee developed *Venture Match*. This is an opportunity for entrepreneurs and investors to engage in meaningful conversations with some of Tennessee's top innovators and explore the best emerging opportunities in order to develop new companies, create sustainable jobs, and build value for investors. These events were first held regionally throughout spring and summer 2013, hosted by technology transfer offices or similar support organizations in "off-campus" locations.

Since last October, we have held five *Venture Match* events – one in Nashville in November, three in East Tennessee throughout the spring, and one in Memphis in April. The Nashville event was focused on mature technologies or actual small businesses recently launched from Middle Tennessee universities, the Memphis event was focused on a variety of technologies both commercialized and in development, and the East Tennessee series was focused on medical devices (February) / data analytics & visualization (March) / advanced manufacturing (April). These focus areas reflect areas of strength from universities and research institutions around the state, as well as areas in which the private sector has expressed interest in commercialization.

One example of a successful "match" occurred through the Nashville event. Dr. Eliot Altman from The Tennessee Center for Botanical Medicine Research at MTSU presented his work on screening of Traditional Chinese Medicine herbs for drug treatment of a variety of illnesses. He has now partnered with an experienced commercial drug development specialist who recently moved to Franklin, TN and attended the event representing his new company. MTSU and this company are in the process of a licensing agreement to push the technology into a new partnership in Middle Tennessee.

The relationship aspect building of *Venture Match* will be supplemented by Launch Tennessee's outreach efforts to venture capital and private equity firms that concentrate in the state's core research competencies and the various technology transfer offices across the state.

In the future, both the *Venture Match* series and "road show" events of technologies out of our labs and universities will help Launch Tennessee evaluate how best to match entrepreneurs to technologies and investors and to incorporate those best practices into additional programming initiatives.

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## Fellows Program

In recognition of our state's institutional intellectual property strengths and the potential for commercialization as a path toward entrepreneurship, Launch Tennessee piloted a Fellows Program with UT and UTRF this past summer through the end of 2014.

This program matched graduate students in Business and/or Law with UT researchers that have relatively mature technologies with potential market applications. As research continues inside the laboratory, the market research and business plan will develop outside the laboratory.

Launch Tennessee provided a summer stipend for the three Fellows chosen in a competitive process along with mentorship from Dr. Stefansic. The Fellows worked closely with UT faculty researchers and graduate students to determine the market viability of the technology and its best path forward in the marketplace. The Fellows have developed a business plan, investor pitch deck, and full financial model for each of the technologies under review. Below is a summary of the three projects and Fellows:

- "Improved Nasal Cannula" [John Horton, JD/MBA candidate 2015] – this device was conceived by Dr. Chris Stephens from the Institute of Biomedical Engineering and several neonatologists (Drs. Mark Gaylord & Dr. Vichien Lorch) from the UT Medical Center in Knoxville. During the summer, John developed a clinical investigation plan and business plan that would focus on licensing this technology and other similar products covered by the intellectual property to a manufacturer and distributor. Dr. Stephens is applying for a UTRF Technology Maturation Grant to build the first prototypes and begin the clinical investigation developed.
- "Neuromorphic Computing" [Adam Holdsworth, MBA candidate 2014] – this technology was conceived by Drs. Doug Birdwell and Mark Dean, along with NSF graduate fellow Katie Schuman. Based on considerable conversations with the inventors, Adam developed a very detailed financial model that can be replicated with short business plans to potential strategic partners such as Qualcomm or Google, which would pay a start-up with the right expertise led by the individuals above R&D fees to develop specific applications. Work is in process using connections from Dr. Dean, a former IBM executive, to present these short business plans to strategic partners in early in 2015.
- "Thermofield, Inc." [Ryan Kemp, JD] – this inexpensive but highly innovative technology which involves the use of high temperature heat to treat cancer has been developed by Thermofield and their partner at Tennessee Technology University. The technology is quite mature and ready for investment based on successful animal studies done at Lincoln Memorial University in Knoxville, Ryan has developed a complete business and financial plan for angel investors that would allow the technology to be sold in the veterinary market then more globally in low to middle income countries such as India. With this business plan, Thermofield has made the finals of the Global Action Challenge with a \$1MM investment prize and also the semi-finals of the US Dept. of State India-US partnership grant competition.

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## Outreach

The long-term goal of Launch Tennessee's outreach plan 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, Launch Tennessee will host or partner to create world-class events that bring together entrepreneurs, corporate leaders, researchers and investors from across the country.

### **Southland – “Southern Culture & Technology”**

Launch Tennessee's principal activity in its outreach business segment is its annual conference focused on entrepreneurship and southern culture. The 2<sup>nd</sup> annual event took place on June 9-11 in Nashville, TN at Marathon Music Works.

Southland featured venture capitalists and angel investors from across the country along with an extensive lineup of speakers and panelists with a firsthand knowledge of the power of innovation and its ability to transform a region's ecosystem. Speakers included Former Vice President Al Gore (Co-Founder, Generation Investment Management), Andy Dunn (CEO & Co-Founder, Bonobos), Bill Ready (CEO, Braintree), Aaron Levie (CEO & Co-Founder, Box) and Phil Libin (CEO, Evernote).

Other key elements of the 2014 Southland were:

- Over 700 attendees were in Nashville for the 2.5-day conference
- Over 70 investment firms were represented
- Conference media coverage generated over 100 stories reaching over 170 million people, with a PR/marketing value of over \$554,000.
- Southland Village featuring 35 high-growth startups from across the world
- Three nights of entertainment featuring musical acts brought in part through partnership with AC Entertainment, the creators of Bonnaroo
- Samplings of southern culture featuring local restaurants, distillers, artisans and musicians.

### **Sponsored Events / Global Entrepreneurship Week**

A big part of Launch Tennessee's outreach plan consists of a sponsorship program aimed at providing support to entrepreneur-focused events happening across the state. Some of the notable 2014 sponsored events included:

- **Will This Float?** CO.LAB, Chattanooga's accelerator, hosts an annual business pitch competition that showcases up-and-coming startup ideas in the Chattanooga area. The four previous winners of this event have raised over \$5 million in private Angel and VC investment.
- **Life Sciences Tennessee Annual Conference:** Life Science Tennessee hosted its 2014 Annual Conference featuring national and state speakers from the drug discovery, medical device, diagnostics, biologics, bio-agriculture and venture capital industries.

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- **Startup Day – Knoxville:** Startup Day brings together businesses and entrepreneurs looking for the next big idea and investors looking for new startup opportunities, businesses offering services to startups and small businesses, regional accelerators, research institutions and East Tennesseans interested in learning what all the excitement is about.
  - **Global Action Summit:** The Summit is an annual event held in Nashville, Tennessee to address major innovation-based opportunities that create abundance. It is presented by the Global Action Platform, which works to advance social leadership, invest in innovation and new businesses and focus on the intersection of food, health and prosperity.

Global Entrepreneurship Week took place Nov. 18-22, 2013. This Kauffman Foundation initiative takes place across six continents and is designed to inspire people to embrace innovation, imagination and creativity. Launch Tennessee worked with over 40 partner organizations to bring together resources that resulted in 75 events being hosted across our state.

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## **Marketing & Communications**

Launch Tennessee considers itself to be the marketing arm for Tennessee's entrepreneurship efforts. For FY2014, more than 250 stories were published about Launch Tennessee and Tennessee's entrepreneurs. These stories were featured in statewide, regional and national publications including *The Wall Street Journal*, *VentureBeat*, *Entrepreneur*, *The Tennessean* and major daily newspapers across the Southeast. Launch Tennessee also sends out a daily news briefing (called Daily Clips) to more than 500 people and a monthly newsletter to more than 2,000 people.

Launch Tennessee's continued 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 No. 1 state in the Southeast for entrepreneurship and innovation. Launch Tennessee's media strategy is multi-faceted, robust and proactive. Some of our specific audiences and communication goals include:

- In-state Stakeholders: Building relevance and engagement among key stakeholders across the state including inventors, investors and entrepreneurs.
- Out-of-State Stakeholders: Marketing to potential investors, startups and stakeholders outside of Tennessee with the goal having the state identified as one of the country's leading innovation and entrepreneurial hubs.
- 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.

### **Marketing Highlights**

- Rebranding of company logo and marketing materials (Daily Clips and Newsletter templates)
- Redesign of the Launch Tennessee website ([www.launchtn.org](http://www.launchtn.org)) to streamline user interface and better serve as a robust repository for entrepreneurs.
- Creation of Launch Tennessee media kit that is complementary to our new brand and enhanced mission.



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## **Corporate Engagement**

In 2014Q1, Launch Tennessee formalized our corporate engagement efforts and created a director-level position to head the effort.

The corporate community has tremendous resources to offer early-stage companies in the form of venture investment, beta test sites, strategic partnerships, customer engagements and mentorship. Conversely, the startup community has incredible value to offer the corporate world in the form of innovation solutions and workforce talent. It is this two-way value proposition that drives our corporate engagement strategy.

During FY2014, the Launch Tennessee team undertook a strategic planning effort, including a deep dive SWOT analysis, 20+ stakeholder interviews and best practices research of programs around the country. A piece of that plan was to outline a more strategic approach for Launch Tennessee and for Tennessee startups to engage with corporate entities. These opportunities to engage include the Accelerator Network, The Connection and Venture Match programs, a Reverse Pitch-style event, the INCITE Co-Investment Fund and other in-state deal flow. The Launch Tennessee team began to explore each of those components in FY2014; several are highlighted below.

- **Healthcare Connection series:** Launch Tennessee developed a Healthcare Connection series with Pershing, Yoakley & Associates (PYA). The goal of the series was to provide healthcare startups an audience with seasoned industry professionals, both to garner market-driven feedback and to access those professionals' networks for introductions to customers and strategic partners. The series included three programs, one each in Knoxville (January), Nashville (April) and Chattanooga (June), where a total of 17 early-stage companies presented, and over 60 corporate representatives, investors and supporters attended. The entrepreneurs benefited immediately from the attendees' market-driven feedback. Over the course of the three-program series, PYA and Launch Tennessee facilitated 28 follow-up meetings with potential customers, partners and investors. We are aware of 10 of those connections resulting in on-going communications. Launch Tennessee is continuing to explore opportunities around the Connections-style program and leveraging our partners' networks.
- **Verizon Wireless workshop:** In June 2014, Launch Tennessee hosted Verizon Wireless in Chattanooga, where five of their industry sector experts engaged in workshop-style conversations with 35 entrepreneurs and Blackstone specialists. The Verizon experts were in the fields of Automotive, Healthcare, Manufacturing and Smart Grid/Utilities, aligning well with several of our summer accelerator cohorts. The goal of the program was to surround our entrepreneurs with the combination of technological and sector expertise, and to expose them to the partnership and engagement opportunities of Verizon's Innovation Program. Following the formal event, Launch Tennessee has facilitated an additional 12 engagements between Verizon and Tennessee early-stage companies, leveraging Verizon's connected device capabilities to benefit our startup community. The Launch Tennessee-Verizon relationship continues to evolve into FY2015.

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## Launch Tennessee Organizational Structure

### Board of Directors

Launch Tennessee 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 Launch Tennessee 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.

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.

The board consists of various subcommittees, including:

**Executive** (*Chairperson: Commissioner Bill Hagerty*)

**Governance** (*Chairperson: Commissioner Bill Hagerty*)

**Audit** (*Chairperson: Bruce Doeg*)

**Capital Formation** (*Chairperson: Frank Williamson*)

**Commercialization** (*Chairperson: Brian Debusk*)

**Entrepreneurship** (*Chairperson: Marci Harris*)

## Launch Tennessee Board of Directors, as of June 30, 2014:

Name	Company/Organization	Appointer   Sector	Term & Expiration
AJ Bahou	Prism Technologies LLC	Speaker of the Senate - Private	2 year initial; 4 year thereafter Exp: 6/30/2015
Tom Ballard	Pershing Yoakley & Associates	Board Member Emeritus	Board Member Emeritus
Tom Beehan	Mayor of Oak Ridge	Governor – Public	4 year initial; 4 year thereafter Exp: 6/30/2015
Alan Bentley	Vanderbilt University	LTN Board of Directors - Private	3 year initial; 4 year thereafter Exp: 6/30/2015
Steve Crawford	Eastman Chemical	Speaker of the Senate - Private	3 year initial; 4 year thereafter Exp: 6/30/2015
Brian DeBusk	DeRoyal Industries	Speaker of the House – Private	4 year initial; 4 year thereafter Exp: 6/30/2016
Bruce Doeg	Baker Donelson Bearman Caldwell & Berkowitz	LTN Board of Directors – Private	3 year initial; 4 year thereafter Exp: 6/30/2017
Dr. William Evans	St. Jude Children's Research Hospital	Speaker of the House – Private	2 year initial; 4 year thereafter Exp: 6/30/2015
Rep. Craig Fitzhugh	Tennessee State Legislature	Governor - Public	2 year initial; 4 year thereafter Exp: 6/30/2017
Commissioner Bill Hagerty	Department of Economic & Community Development	Ex-Officio	By Virtue of Office Exp: N/A
Marci Harris	POPVOX	LTN Board of Directors – Private	4 year initial; 4 year thereafter Exp: 6/30/16
Dr. Thom Mason	ORNL	Governor – Public	3 year initial; 4 year thereafter Exp: 6/30/2015
Stuart McWhorter	Clayton Associates	Governor – Private	3 year initial; 4 year thereafter Exp: 6/30/2015
Dr. David Milhorn	University of Tennessee	Speaker of the House – Public	3 year initial; 4 year thereafter Exp: 6/30/2015
Dr. Brian Noland	East TN State University	Speaker of the Senate – Public	4 year initial; 4 year thereafter Exp: 6/30/2016
Senator Mark Norris	Tennessee State Legislature	Speaker of the Senate - Public	2 year initial; 4 year thereafter Exp: 6/30/2015
David Owens	Vanderbilt University	LTN Board of Directors – Private	2 year initial; 4 year thereafter Exp: 6/30/2018
James Phillips	NanoMech	LTN Board of Directors – Private	2 year initial; 4 year thereafter Exp: 6/30/2018
Andrew Seamons	Pittco Management, LLC	LTN Board of Directors – Private	2 year initial; 4 year thereafter Exp: 6/30/2017
Richard Smith	FedEx	Governor – Private	4 year initial; 4 year thereafter Exp: 6/30/2016
Rep. Mark White	Tennessee State Legislature	Speaker of the House – Public	2 year initial; 4 year thereafter Exp: 6/30/2015
Laura Whitsitt	Smith & Nephew	Governor – Private	2 year initial; 4 year thereafter Exp: 6/30/2018
Frank Williamson	Four Bridges Capital	LTN Board of Directors - Private	4 year initial; 4 year thereafter Exp: 6/30/2016

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## Management Team

The Launch Tennessee team is well positioned to support the state's innovation initiatives especially when coupled with the expertise of a very strong board of directors. Below are snapshots of the entire management team as of the end of FY2014:

### Charlie Brock

#### CEO & President

Serving as Launch Tennessee's President & CEO is Charlie Brock. He helped establish Foxmark Media, which became one of the nation's leading mall advertising companies. After selling Foxmark, Brock helped launch FourBridges Capital Advisors, where Brock served as Managing Director. Brock most recently served as a general partner of the Chattanooga Renaissance Fund, a Chattanooga-based angel investment group, and as the CEO of CO.LAB. Brock is an organizer and director of CapitalMark Bank and Trust in Chattanooga and serves as a director of The Dixie Group and Park Media Software.



### Patricia Beavers, DHA, MBA/ACC

#### Director of Finance

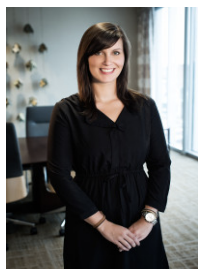
Patricia ensures Launch Tennessee is fiscally accountable and maximizes every dollar it has to pursue its mission. Previously, she had management responsibility over multiple programs at the Tennessee Department of Health. Patricia holds a doctorate in Health Care Administration and an MBA and BBA in Accounting.



### Courtney Corlew

#### Director of Communications

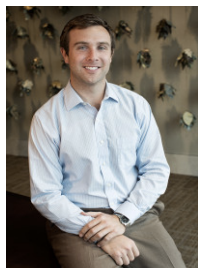
Courtney leads Launch Tennessee's communications efforts. Previously, Courtney worked as an Account Supervisor for Athlon Sports Communications and the Community Relations Director for Primary Care & Hope Clinic. Courtney graduated from Middle Tennessee State University.



### Jason Denenberg

#### Director of Entrepreneurship

Jason coordinates efforts across Tennessee's nine regional accelerators and focuses on driving entrepreneurial activity while building access to capital for each region. Jason was formerly a Partner at Angel Capital Group where he led and a financial advisor at Morgan Stanley Smith Barney.



### Henry Gindt

#### Director of Capital Formation

Henry manages the INCITE Co-Investment Fund and coordinates outreach to out-of-state investors. Previously, Henry oversaw the TNInvestco venture capital program at the Tennessee Department of Economic and Community Development and worked at Evercore Partners and Ondra Partners. Henry graduated from the University of Pennsylvania.





### **Andrew Hogin**

#### **Director of Outreach**

Andrew's primary role is the production of the Southland conference. He previously served as legislative liaison for the Tennessee Department of Economic and Community Development and as Field Director for Governor Bill Haslam gubernatorial campaign and first year in office. Andrew is a graduate of the University of Tennessee.



### **Jim Stefansic, PhD, MBA**

#### **Director of Commercialization**

Jim provides assistance to Tennessee entrepreneurs who have developed technology and are trying to commercialize it into a business. He previously served as Chief Operating Officer at Pathfinder Therapeutics, Inc., a medical device company he co-founded. Jim has his PhD in Biomedical Engineering from Vanderbilt University and his MBA from Belmont University.



### **Jill Van Beke**

#### **Director of Corporate Engagement**

Jill works to build statewide corporate connections and strategic partnership opportunities. Previously she was a Business Development Consultant at the Tennessee Department of Economic and Community Development. Jill graduated from Columbia University with a degree in Urban Studies and concentrations in Economics and Anthropology.



### **Brittany Burgess**

#### **Specialist Recruiter**

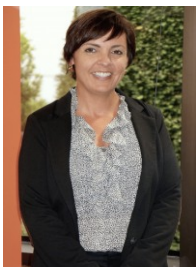
Brittany is responsible for coordinating the Blackstone Specialist Program for Tennessee's nine regional accelerators. She recently worked as an Account Executive and recruiter for an IT recruiting firm in Nashville. Prior to that, Brittany worked with the Development team at the United Way of Greater Cincinnati. Brittany is a graduate of the University of Tennessee, Knoxville.



### **Lindsey Cox**

#### **Accounting, Finance, and Compliance Manager**

Lindsey works with each of the nine regional accelerators to ensure proper fiscal reporting and compliance measures are in place. Lindsey previously worked as a grant administrator at Legal Aid Society of Middle TN and a legislative accountant in the Office of the Tennessee State Comptroller.



### **Tracey McGraw**

#### **Events & Administrative Coordinator**

Tracey coordinates marketing and event activities as well as the day-to-day office operations for the organization. Previously, Tracey was a Sales & Program Coordinator at Goldner & Associates and Program Coordinator and Wellness Coach at Fleet Feet Inc.

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## **Financial & Sustainability Highlights – FY 2014**

### **Financial Status**

Launch Tennessee's technology-based economic development activities increased the organization's net position by approximately \$535,000 compared to a \$217,000 increase the prior year. Total revenues increased 103% to \$5.6 million mostly due to the organization's contract as Administrator of the INCITE Co-Investment Fund. As a result, contract revenue – which is comprised of our operating grant with the State of Tennessee and our grant to administer the INCITE Co-Investment Fund – increased 97% to \$4.8 million. Charges for services revenue, consisting of application fee revenue from the Fund and admission fees from the Southland Conference, increased to \$730,000 from \$299,000 the previous year due to application fees generated from the Fund. Other sources of revenue (investment earnings, miscellaneous) increased to \$42,000 from \$8,000 due to increased interest income.

Total expenses increased 99% to \$5.1 million due to, as previously noted, Launch Tennessee's continued role as Administrator of the INCITE Co-Investment Fund.

### **Sustainability Status**

As a part of the contact with the Tennessee Department of Economic and Community Development, Launch Tennessee must raise outside funding each fiscal year in an effort to become partially self-sustaining. During Fiscal Year 2014, Launch Tennessee exceeded its fundraising goal by 206%.

<b>FY2014 Fundraising - Cash Support</b>		
<b>Revenue</b>	<b>Amount</b>	<b>Purpose</b>
Grants	\$245,000	SBIR/STTR Support Services, The Specialist Program, Commercialization
Events	\$786,300	Southland, The TENN, Demo Day, Venture Match
<b>Total FY 2014 Funds Raised</b>	<b>\$1,031,300</b>	
<b>FY 2014 Goal</b>	<b>\$500,000</b>	
<b>Capital Raised/ Goal</b>	<b>206%</b>	