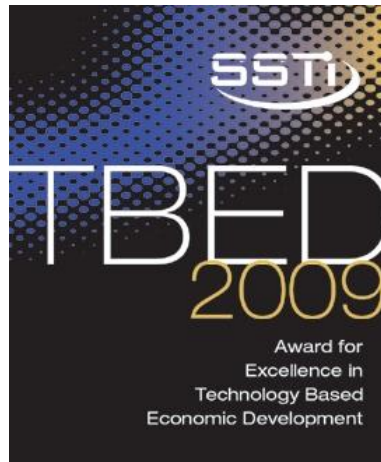


Podcast Interview



Ray Leach, CEO, JumpStart
Interviewed by: Phillip Battle, SSTI

*2009 Excellence in TBED Award Winner:
Increasing Access to Capital*

Mr. Battle: This is Phillip Battle with SSTI and this is the SSTI Podcast. I'm talking today Ray Leach, CEO of JumpStart, a venture development organization supporting high tech entrepreneurs in northeast Ohio. JumpStart was the 2009 winner of SSTI's Excellence in TBED Award in the category: Increasing Access to Capital.

Hi Ray, thanks for being here.

Mr. Leach: Thank you very much for having us.

Mr. Battle: Maybe you could start by giving us a little bit of background on JumpStart and in particular its capital programs.

Mr. Leach: Sure. Well JumpStart was formed almost six years ago. We opened for business in July of 2004 and the initial vision for the organization – we're a non-profit of course. The initial vision of the organization would be the function in many ways similar to a very, very early stage pre-seed, seed fund, but with additional resources to provide a tremendous amount of technical assistance, mentoring and coaching to first time entrepreneurs located in northeast Ohio who typically are working on their very first venture that's looking for equity capital. Our initial focus was very much orientated towards things coming out of institutions or certainly things with intellectual property coming from industry to help facilitate the creation of new companies. Our mission has been to invest at the earliest stages. We consider ourselves a pre-seed and seed stage investor and we're investing today on average of about \$250,000. But over time we've invested about \$350,000 on average into each of our 47 portfolio companies.

Mr. Battle: Do you still mainly work with very early stage companies?

Mr. Leach: We do. As a non-profit – as a 501C3 we are focused and we're funded to work on things that are squarely in the early part of the Valley of Death. The typical follow-on investors for us are angels. Then sometimes our companies go right to VCs, but most of the time they'll go to angels and most of our companies so far have gone on to VCs over the last five years.

Mr. Battle: Do you have a focus on specific industries as well?

Mr. Leach: We do. We do have a focus on our resources that we receive from the state of Ohio when the Third Frontier Project – they like to see their dollars invested in electronics and controls, advance materials, bioscience, energy and propulsion. We have an orientation that's in this case is a little unusual in that it's not focused on information technology in and of itself. We do have many portfolio

companies that we've invested in that are IT companies that relate to one of those five other industries.

Mr. Battle: So when companies come to JumpStart or when they become part of your portfolio, what sort of services do you offer them to help them grow and reach the stage where they can pursue additional investment.

Mr. Leach: JumpStart today actually has three lines of business. When we originally formed we would function in many ways like a venture fund in that we'd go out and seek entrepreneurs. They'd come to us and an average entrepreneur who approached us would maybe would get more support from us than a typical venture fund or angel fund would give them, and that maybe we spend at least a couple of hours with every company that approached us. Then we'd really in the early days, we would then hone in on the best of the best of those companies and they not only would for the ones that we were seriously entertaining investing in, we might spend 20, 30, 40 hours with them and then we'd make a decision to invest. If we were to invest in the company, we'd spend another 500 to 1,000 hours assisting the company post investment. These companies we are investing in are typically very, very small teams of two or three people and the founders are typically inexperienced entrepreneurs.

That was the original JumpStart, Inc. business model and that business model remains at JumpStart today in something called JumpStart Ventures. The organization has gotten larger over time. We also have a business unit called JumpStart's TechLift Advisor Group. That's a group of six industry expert entrepreneurs and residents that work with companies that are not quite mature enough, or haven't reached the level of credibility yet to receive money from JumpStart Ventures or from other entities. So that group spends 10,000 to 12,000 hours of providing a technical assistance. Again, kind of ranges across the board, business planning, connections to networks, technology experts, they provide about 12,000 hours of technical assistance to even younger companies.

Then we have a third line of business that's focused on women and minority entrepreneurs. It is true that JumpStart Ventures and kind of our original business 30% of our clients happen to be our portfolio companies happen to be women and minority companies. In JumpStart Ventures we're looking for things that can scale pretty quickly and raise a lot of venture, a lot angel capital, and our JumpStart Inclusion line of business works with companies that maybe aren't going to grow as fast, maybe they're going to grow at a \$5, \$10, \$15, \$20 million in revenue - but companies that also need private equity we have a group of folks in JumpStart that are focused on those companies. Then on occasion some of those companies aren't necessarily purely high-tech. Their might just be high

growth or maybe they're a technology enabled business as opposed to trying to invent a cure for cancer or trying to invent a new energy source. Today we have a wide variety of technical assistance services that we provide. About over 30,000 hours of technical assistance, we provide entrepreneurs in northeast Ohio on a pro bono basis and other funds of course then come to JumpStart for-profit funds and other economic development oriented funds because we can provide them a lot of due diligence and help them effectively find companies to invest in. So we've become kind of a magnet for these kinds of companies in northeast Ohio.

Mr. Battle: JumpStart seems to have had a remarkable amount of success partnering with other organizations in northeast Ohio as well. How have you been able to do that?

Mr. Leach: Well I think first the spirit of what we're about is – JumpStart's mission is to create in our case re-create the entrepreneurial ecosystem in northeast Ohio and especially focused on high-growth companies and in everything that entails. The success of a sister fund, or another fund in the region – for instance the Innovation Fund at Lorriane County Community College happens to be an even earlier stage fund that JumpStart Ventures. So they're investing anywhere from \$25,000 to \$125,000 in things become a feeder to our fund. So we help the Innovation Fund with their due diligence and with their vetting of companies, and because again if we just had JumpStart in northeast Ohio by itself we'd only be able to make a certain level of progress in the region. We've been able to create an environment where folks are able to collaborate, build win-win relationships to help each other find ways that our missions support each other. That's just one example. We actually have partnerships with over 30 different institutions, or non-profits, or for-profits in northeast Ohio. Because our funders are interested in having Cleveland today look like Cleveland at the end of the 19th century. That may sound a little strange, but Cleveland is in many industrial cities kind of the Silicon Valley of the country 100 years ago. There is dozens and dozens of examples of individuals and organization and chambers of commerce in this part of the country that played the kind of role, believe it or not, that JumpStart actually plays today. This isn't so much doing this for the first time, it's doing it maybe for the second time in our part of the country, but doing it in an organized way based on a non-profit construct as opposed to chambers of commerce making direct investments in Innovators or individuals – we have some individuals that have incredible legacy of helping to start companies that ended up being huge companies not just here in Cleveland, but across the globe. Individual angels did this in the 19th century. It's kind of fun to talk to folks in the mid-west around how we're doing things with actually from a practiced point of view and a very similar approach to what was done 100 years ago, but folks in

this part of the country have kind of forgot about what it takes to stimulate and grow dozens and hundreds of early stage high-tech companies because this part of the country hasn't needed to do that for such a long period of time.

Mr. Battle: So for people and those other regions, are there any lesson that you've learned along the way that you can share with us that might help them emulate your success?

Mr. Leach: Well I think one of the things that JumpStart really benefited from in the early days, this is 2002-2003 before I came on the scene, and before the organization was actually formed, is that the work that JumpStart's doing today was a priority of the community before the organization was created. There was intention, there was consensus in the community that early stage technology based companies have a greater likelihood of creating jobs in our community over the next generation than the companies that had really created this economy over the last three or four generations. That's huge. There was consensus amongst the corporate communities, the philanthropic community, leadership at the state level that this was a priority, this was important, this was going to make a meaningful difference.

That is probably the greatest secret of JumpStart that it kind of benefited from in our case in some ways by happenstance, is that this was a priority that and in many regions of the country it's hard to get a level of consensus and understand and action from a community to build a level of collaboration and to build a level of intention to actually source an organization that does the kinds of things that JumpStart does. So the first piece is really trying to find champions across the whole spectrum of economic development, public/private foundation pieces. Then if you're able to do that, I think another great benefit for JumpStart in that this community decided this was going to be something it wanted to do intentionally, is that we've had the level of resources to hire great people from the non-profit sector in some cases, but in reality the vast majority of the folks at JumpStart do not have a classic economic development background, but actually were or still are in some cases entrepreneurs, serial entrepreneurs, investment bankers, or have an investment banking or venture capital backgrounds. When we built our founding team at JumpStart, five and half years ago the first 16 folks – at least 13 of us had never worked for a non-profit before. We were able to bring a lot of talent to this equation and to the mission of the organization. Then the final piece is outcomes. One of what I try to do when I advise other communities that come to JumpStart and try to learn about how we've done what we've done is say, well when you figure out or you discern what the highest priorities are programmatically that you want to do, you better have a very clear sense of what your outcomes could be, should be, and then when

you're achieving those and reaching those you're doing an effective job of communicating marketing what you're doing.

It's just as important to tell the community and your stakeholders what you're doing, as it is as doing it. The alignment around what are the greatest programmatic outcomes you're initiative can achieve with the right people, with the right resources make sure you don't forget about enough resources to be able to tell the stories of your organizations and the entrepreneurs you're helping because you're going to try to create momentum and kind of a fly wheel effect that will help you to continue to do the work, not just for the first year or two, but hopefully over the next three, five and ten years.

When JumpStart was founded and we had our initial business plan, we didn't know whether any of this would work. There was intention, but we didn't exactly know. One of the great outcomes and one of the things we're most excited about is that we've been able to increase the level of momentum and consensus and intention of the community over the last five and half years because we've been able to get all of the pieces of the puzzle working pretty well.

Mr. Battle: Well thanks for speaking with us today Ray.

Mr. Leach: I appreciate it and you know we think the world of SSTI and the great work that you do.

Mr. Battle: Well we appreciate that. If our listeners would like more information about JumpStart, they can visit the website at www.jumpstartinc.org and for more information about the awards program please visit SSTI's website at www.ssti.org.