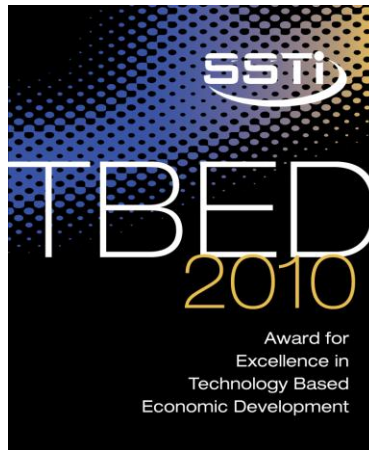


# Podcast Interview



Tom Walker, President and CEO, i2E, Inc.  
Interviewed by: Phillip Battle, SSTI

*2010 Excellence in TBED Award Winner:  
Increasing Access to Capital*

Mr. Battle: Hello again, this is Phillip Battle with SSTI, and this is the second SSTI podcast of 2011. On these podcasts we like to take a few minutes to speak with past winners of SSTI's Excellence in TBED Awards. I'm speaking today with Tom Walker, President and CEO of i2E. i2E is a non-profit organization based in Oklahoma. They provide entrepreneurs with access to capital and resources to commercialize technologies, and to help grow their businesses. They were also a 2010 winner of SSTI's Excellence in TBED award in the category: Increasing Access to Capital. That was specifically for their proof-of-concept fund.

Hi Tom, thanks for being here.

Mr. Walker: Hello, how are you?

Mr. Battle: I'm doing well. What is your proof-of-concept fund and how does it fit in to i2E's overall mission?

Mr. Walker: Well it's referred to locally as the technology business finance program. It's actually our longest standing finance program for startup entrepreneurs here in Oklahoma. It's actually a state fund, it's funded through OCAST, our state's science and technology agency, and we contract with them to manage it. It is a state specific fund. We target the proof-of-concept stage. We really work with one or two person teams/companies in just the really raw stage to help provide some of the riskiest funding for them to prove out their product concept. We have managed the program as a loan program. We've just entered our 12th year actually with that fund. We've invested in direct investments in nearly 110 companies at this point.

Mr. Battle: It's not i2E's only capital program, correct?

Mr. Walker: It is not, it's actually that initial piece of capital that we're able to offer entrepreneurs. We also have a seed fund that is a traditional equity investment fund and it comes in after the proof-of-concept stage. We also manage a large angel investor group here in the state as well.

Mr. Battle: So all of your capital programs are oriented towards fairly early stage investments?

Mr. Walker: We are. We typically are the first money in many of these companies in our state. That also means that typically a company we'll support specifically with the proof-of-concept fund is pre-revenue. The seed stage we can tend to do a bit later stage at times, but we're either pre-revenue or just getting first revenue with the seed fund.

Mr. Battle: Along with the capital itself, you're able to offer advisory services?

Mr. Walker: We do, in fact the advisory services come first and we've always used that as the heart of i2E services. That is really sitting down with entrepreneurs and advising them through the venture development aspects of growing their company. What we've always felt like is that's a great one-punch and the one-two-punch is adding capital to that. In fact we feel that that's what's made the technology business finance program such a successful program for us over time is that we're adding these advisory services we're helping draft out what the key milestones for the entrepreneur should be to achieve and to actually pull down that capital. We're what you call a pull model of capital, not a push. We have the entrepreneurs achieve milestones so that they can pull that capital out and go to the next stage of growth.

Mr. Battle: You say that the advisory services comes first, so it's not just portfolio companies, or companies that are receiving the capital that are receiving that?

Mr. Walker: That's correct. We'll work with roughly 60 companies or so every year. It sort of varies, but that's a good whole number to look at. We fund roughly 10 to 15 companies a year. It just depends on what the deal flow is from year to year, but we serve many more companies that we actually fund.

Mr. Battle: You say pull, not a push and that you serve the whole state? How do you get the word out to all around the state, not just the cities?

Mr. Walker: Well various marketing programs. We do a lot of speaking around the state. We have a full marketing department that produces a magazine, and things of that nature that we send out to roughly 3,000 people across the state. We also have a monthly article in the Oklahoman, which is Oklahoma's largest newspaper. Various things like that that get the word out about who we are, what we do, and how we can help startup companies.

Mr. Battle: So for the Technology Business Finance Program there is a matching requirement, right? Where they have to have capital on hand?

Mr. Walker: There is. We take a co-investment approach. We always like to have other investors in these companies with us. With the Technology Business Finance Program we target a one-to-one co-investment. If we're going to invest in your company, for example and we're looking at \$100,000 proof-of-concept loan we want to know that you have \$100,000 as well. The \$200,000 together might be enough for you to achieve a milestone.

Mr. Battle: The businesses, are they able to apply a second time, or third time?

Mr. Walker: We actually will take applications twice, but we actually do them in different fiscal years, just because of demand and deal flow. Two is the limit for that program.

Mr. Battle: Do you often have people who apply a first time, and after getting the advisory services, they're in a better position to apply again?

Mr. Walker: There are, in fact we've actually had companies that go through the advisory services, apply for the funds, approved for the funds, but sort in that time frame they might access angel investment or something of the sort where they don't really need our money anymore. That's just fine with us. To me it reveals the strength of the advisory services that we provide.

Mr. Battle: Part of those services is connecting to other sort of capital so they might be in a position where they don't need this specific program in the future?

Mr. Walker: That's correct.

Mr. Battle: You also have services so that their next stage of development, once they get a little bit bigger you're connecting them to venture capital companies?

Mr. Walker: We do. In Oklahoma that tends to be more angel capital and angel groups. We don't have a resident venture capital fund here in the state. We are often times able to attract a venture capital from out of state to Oklahoma. More often times than not, you're raising local capital from angels, or family funds, or things of that nature. As companies mature within our portfolio we bring different services to bear. For example, once a product is developed we have Executive-in-Residence Program that includes sales pipeline development. So we will actually help companies build their initial sales pipeline and manage that for them so that they have a strong infrastructure as they're growing early. Then as they spin out of our services, they have a lot of that developed. We also provide CFO and resident services and things of that nature. So we bring those to bear at different stages of the company's growth.

Mr. Battle: Are you also helping with recruitment of executives?

Mr. Walker: You know, good question. Not in any formal way. We don't really have a formal program per se. We do it on and off basis.

Mr. Battle: Do you have specific industries that you tend to invest in, or industries that you look hardest at most when you're evaluating?

Mr. Walker: Well we're very market driven. We tend not to take an industry and say this is the industry we're going to support this year. We're very market driven in terms of what is naturally occurring in our environment. You don't want to sort of seed the market with things where there is not synergy in the industry. Now having said that, what tends to be the high growth industries for startups in Oklahoma, are software IT, which is fairly typical. Life sciences and some advanced materials, and energy related.

Mr. Battle: So among your advisors do you have people who are experienced in those specific industries?

Mr. Walker: We do, for example, that position is called a Venture Advisor in our shop. So we have a Venture Advisor that has FDA regulatory experience so he tends to work obviously with a lot of life science companies. The others have a combination of some sort of engineering/technical experience with an MBA. We have some that have been software IT entrepreneurs; others that have also been in the venture industry, managing venture funds, or executives in other types of settings.

Mr. Battle: What sort of metrics do you track from the companies you work with? Also I'm interested to know whether you collect them from companies that receive advisory services as well as the companies that receive the loans?

Mr. Walker: Yes. We collect impact data from our full portfolio of companies. We don't just target those that we provide capital to. Those that we provide capital to, actually provide a little more interesting data. Because we are able to compare how well those companies go on and raise more capital versus those that don't raise capital from us. Different things of that nature. We collect the impact data from the overall portfolio. We collect jobs data to answer your first question. We drill down into that data to determine how well they are growing from year to year. So what is the growth rate at some of these companies? We collect the types of jobs. Are they knowledge based jobs, and what types of knowledge based jobs are they Bachelors, Masters, PhD, that kind of thing? We collect revenue data; we collect where the revenue is coming from and things of that nature. Pretty traditional metrics on company growth is what we target.

Mr. Battle: One last question we try to ask everybody that's on the podcast. Do you have any lessons learned along the way, in your experience with the company, for other organizations that might be starting a similar capital program? Anything from your experience they could benefit from?

Mr. Walker: Absolutely. That number one: advisory services have to come first. If you're just providing capital, it becomes challenging to help these companies move from one stage to the next. Entrepreneur services are first; capital is second. Don't view venture capital as the Holy Grail. We have more success stories of companies growing and providing sustained long term value to their community from organic growth and angel investment than from venture capital. Those are the top two things that we target. Now the latter is sort region specific. If you are in a region that has a lot of venture capital that advice may not go very far. We in Oklahoma have to be a bit scrappy because we don't have that source of funding.

Mr. Battle: Well Tom thank you very much for speaking with us today. We really appreciate it. If our listeners would like more information about i2E, they can visit their website at [www.i2e.org](http://www.i2e.org). If they would like more information about the SSTI Excellence in TBED Awards, they can visit <http://www.sstiawards.org>.