

CIT Cyber Accelerator

Achieving rapid cyber security company development

Background



- ✓ Past 6 months, CIT has examined the Commonwealth's assets related to the cyber security product industry
- ✓ CIT has determined that Virginia can establish global leadership in cyber security product development
- ✓ Designed a "Seed Accelerator" dedicated to cyber company formation
- ✓ CIT's Cyber Accelerator is based on national best practices married to Commonwealth assets

Opportunity – Cyber Security



National Agenda

“The Cyber threat is one of the most serious economic and national security challenges we face as a nation”

President Obama , May 2009

Research Agenda

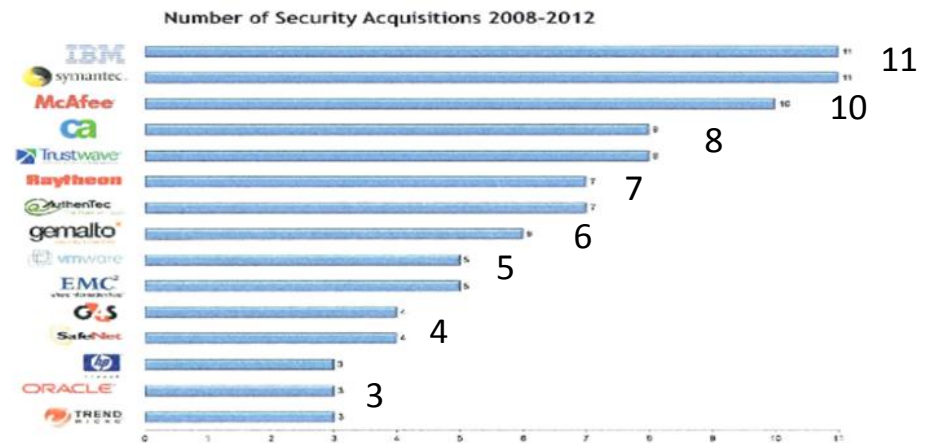
“Cybersecurity is identified as a priority For basic research in the president’s budget For fiscal 2013.....”

Defense Systems February , 2012

Commercial Potential

- ✓ \$63.7B market in 2011
- ✓ Consensus 10% to 11% CAGR
- ✓ \$120B market in 2017

Security’s Most Active Buyers



Accelerators/Y Combinator



What is a Seed Accelerator?

- Hybrid service provider/investor
- Mission – find great company ideas and accelerate development
- Open application process with a 90 day development session
- Provides initial capital to defray expenses in return for equity
- Value is measured in the ability to bypass traditional development stages

Y Combinator

- Mountain View CA – originated in New York
- Since 2005 created 449 companies and raised \$900M in capital
- Average company valuation is \$45M
- Operating expenses paid by institutional investors

Value Proposition



Entrepreneurs

- Guaranteed seed investment
- Immediate market validation
- Investor introduction
- Alpha through GA partners

Technology Leaders

- Access to nascent technology
- Risk reduced early stage involvement
- Acquisition pipeline
- Community participation

Investors

- Deal pipeline development
- Increased capital efficiency
- Accelerated development cycle
- Decreased time to ROI

Commonwealth

- Proactive job creation
- Increase rate of company formation
- Balanced economic portfolio
- National recognition

Superior market validation, development and return on investment by resolving inefficiencies inherent in new company formation

Accelerator operations



3 Key Programs for company initiation and development

1. Mercury Program - 90 day residency program

- ✓ Dedicated, experienced partnership delivering startup solutions
- ✓ Program start - \$25,000 / Demo day - \$100,000

2. Stars Network – entrepreneurs have a resource network on arrival

- ✓ Market validators, investors, mentors, developers

3. Exosphere Program - entrepreneurs are life members

- ✓ Active contributions for development support

Performance Projections



Stage	Identification	Development	Market Validation	Execution
Yield	200 – 250 applicant companies per year	2 sessions per year 16-20 companies per year	12-16 rapid starts per year	8-10 high expectation companies per year

Financial Requirements



(in thousands)

	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>	<i>1st Year</i>	<i>2nd Year</i>
<i>Operating expense</i>	\$180	\$190	\$230	\$235	\$835	\$1,525
<i>Capital expense</i>		\$200			\$200	
<i>Investment capital</i>		\$125	\$425	\$300	\$850	\$1,375
	\$180	\$515	\$655	\$535	\$1,885	\$2,900

\$2.6M



Commonwealth Research Commercialization Fund

GAP Fund/CRCF Research Investments

Mid Fiscal Year Status

Pete Jobse, CEO CIT
January 2013

Appropriation Overview

- \$8M total appropriated for FY2013
- \$3.2M for CIT GAP Fund
- GAP Fund – rolling application acceptance
- \$4.8M appropriated for CRCF
- Up to \$1.5M for SBIR and STTR matching programs
- Balance for three research related programs
 - Matching Funds
 - Facilities Enhancement Loan
 - Commercialization
- CRCF - one solicitation in December

GAP Family of Funds

GAP Criteria/ROI



Criteria

Management Team / Founder

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

Investment Stage

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

Proprietary Advantage

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

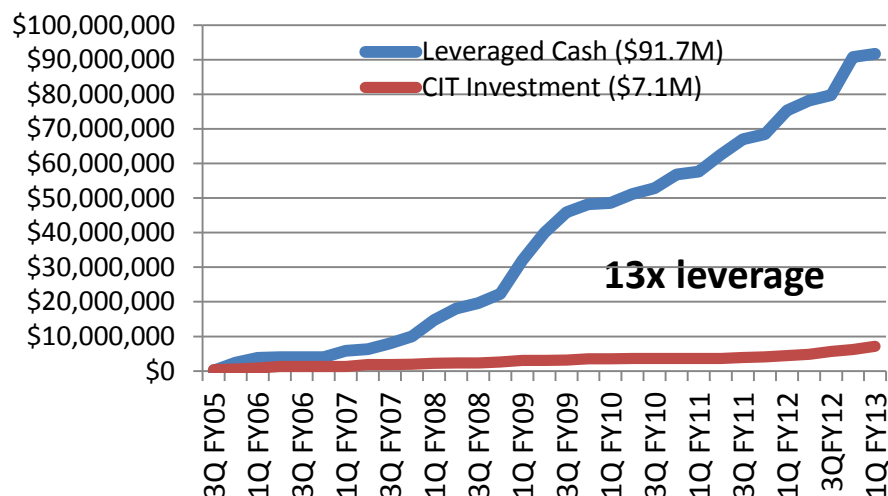
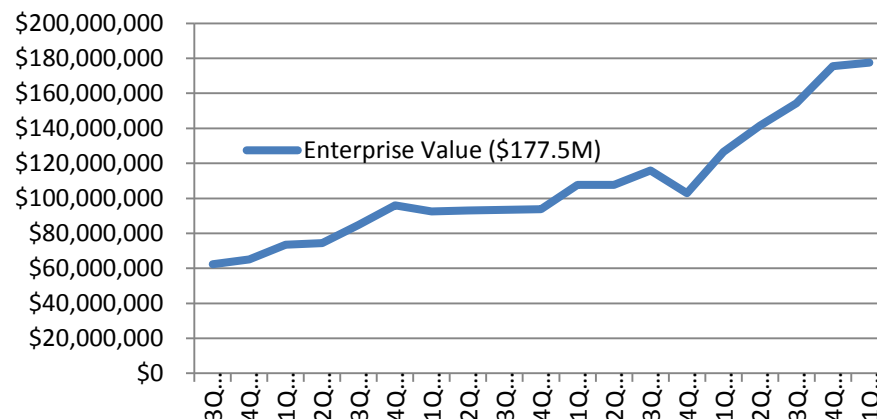
Scalability

- ✓ Markets with Big Buying Power
- ✓ Potential for Dominant Market Position
- ✓ \$20-50M Top-Line within 5 years

Industries

- ✓ Technology
- ✓ BioLife
- ✓ Energy

Enterprise Value



Commonwealth of Virginia
Office of Governor Bob McDonnell

FOR IMMEDIATE RELEASE

November 1, 2011

“.....C3RS has hired four additional people this year and is in the process of hiring 10 more by the end of 2011 for expanded operations in January 2012. Through its recycling efforts, C3RS enables manufacturers to eliminate thousands of tons of carbon emissions by utilizing recycled rubber crumb material in products, which in turn prevents tons of tire scrap from filling up Virginia’s landfills each year.....”

GAP Fund Advisory Board



Venture Funds

- 500 Start-Ups
- Credit Suisse
- Edison Ventures
- Harbert Ventures
- HIG Ventures
- In-Q-Tel
- Intersouth Partners
- New Enterprise Associates
- Revolution
- SJF Ventures
- Tall Oaks Capital
- Valhalla Venture Partners

Angel Groups

- Active Angel Investors
- Blu Venture Investors

Corporations

- Alpha Natural Resources
- GE Energy
- Johnson & Johnson
- Carillion

Research Institutions

- IALR
- NIH Office of Tech Transfer

Cashed-Out Entrepreneurs

FY 2013 GAP Fund Execution



	Number	Funding (000)
First time investments closed	11	\$1,000
First time investments pending < 60 days	1	\$100
First time investments pending > 60 days	4	\$300
Second round investments closed	4	\$295
Second time investments pending < 60 days	1	\$75
Second round commitments pending > 60 days	16	\$1,430
	37	\$3,200

GAP Company Formations



Initial Investments

Cont3nt

Real-time market for journalism

Dulles

Lewis & Clark

Drug Development Company

Charlottesville

Mobile System 7

Mobile security product

McLean

Speak

Web 2.0 conference calling

Arlington

SpydrSafe

Mobile security platform

McLean

Uppidy

Mobile search , sharing and storage

Reston

Venome

Video-to-data translation software

Arlington

Villagize

Social networking platform

Oakton

Xdynia

Drug Development Company

Charlottesville

Ya Sabe

Spanish Language Search

Herndon

ZoomData

Virtual data analytics software

Reston

GAP Company Growth



Second Round Investments

Invincea

Cyber security

Fairfax

Latista

Project management software

Reston

Ya Sabe

Spanish language search

Herndon

Xdynia

Drug development company

Charlottesville

CRCF Research Investments

R&T Strategic Roadmap

Key Industry Sectors

- Advanced Manufacturing
- Aerospace
- Communications
- Cyber Security
- Energy
- Environment
- Information Technology
- Life Sciences
- Modeling and Simulation
- Nuclear Physics
- Transportation

FY2013 CRCF Solicitation



Program	Number Letters of Intent	Award Cap per Project	Value Letters of Intent	Estimated Program Amount
SBIR Matching Funds	35	\$50 K	\$1.75 M	\$1 M
STTR Matching Funds	11	\$50 K	\$550 K	
Facilities Enhancement Loan	2	\$350 K	\$700 K	\$350 K
Matching Funds	78	\$100 K	\$7.8 M	\$2.2 M
Commercialization	49	\$50 K	\$2.45 M	\$1 M
TOTAL	175	\$4.8 M appropriation	\$13.25 M	\$4.55 M*

*Allows up to \$250 K for administrative costs

FY 2013 CRCF Solicitation



- Programs support private sector, academia, research institutes, political subdivisions
- Letters of Intent received in all 11 eligible tech sectors
- 9 of 10 technology council regions submitted LOIs
- Schedule
 - LOI's due – December 17, 2012
 - Proposals due – January 18, 2013
 - Awards announced – Late April, 2013