



**Testimony of Tom Walker, CEO, Rev1 Ventures
Joint Economic Committee
July 12, 2016**

Tom Walker
CEO, Rev1 Ventures
1275 Kinnear Rd. | Columbus, OH 43212
w: 614.340.3353 | m: 614.981.3619
tom@rev1ventures.com
<https://www.linkedin.com/in/tomdwalker>
<https://www.rev1ventures.com>

INTRODUCTION

Chairman Coats, Vice Chairman Tiberi, Ranking Member Maloney and members of the Joint Economic Committee, thank you for the opportunity to provide testimony regarding “Encouraging Entrepreneurship” Growing Business, Not Bureaucracy”. My name is Tom Walker, CEO of Rev1 Ventures, located in Columbus, Ohio.

Rev1 Ventures is a seed-stage investor that combines investment capital and strategic services to help entrepreneurs build products people want and companies that succeed.

Rev1 Ventures was established to focus solely on identifying, supporting, and funding the most promising high-tech, high-growth businesses in the 15-county central Ohio Region. Rev1 Labs accelerator is home to more than 50 of the region’s most promising companies.

As a public-private partnership, Rev1 is a dedicated vehicle for accelerating startups and high growth businesses in the region.

CONNECTED ASSETS PRODUCE RESULTS

The Columbus region has had a strong mix of assets with a rich corporate base, major universities, led by powerhouse The Ohio State University, and large research institutions such as Nationwide Children’s Hospital and Battelle.

As the fifteenth largest state, Ohio benefits from a strong and growing economy. Back in 2012, these assets were strong, but the startup economy



was not. In 2011, the Columbus region was not on the map for generating new businesses based on research by the Kauffman Foundation.

Fast forward to 2016. In a just a few years, we've accomplished what some regions have taken decades or more to do.

The Columbus region is now seen as a case study for how to connect the assets in a region to generate the capital and support startups need to prove their idea, build the product and grow market share.

In just three short years, Rev1 Ventures has received national validation, including:

- Columbus is the #1 region in the country in 2016 for scaling startups on a per capita basis and the fastest-growing city for startup activity in the US in 2015 by the Kauffman Foundation.
- Columbus ranked #4 in the U.S. for Growth Entrepreneurship in 2016 in the overall Kauffman Index
- Rev1 named the most active venture investor in the Great Lakes Region between 2012-2015 by Pitchbook.
- Rev1 named the #1 investor in Ohio in 2016 by CB Insights.
- Ohio was in the Top 10 States in the 2015 Inc. 5000. Three of the 175 firms on the Inc. 5000 ranking leveraged Rev1's services: Capture Education (#295/1552% growth); Plug Smart (#339/1391% growth), and Updox (#254/886% growth)
- Central Ohio is home to the only JPMorgan Chase and UP Global Startup Week in Ohio. Launched in 2015 Start-Up Week has grown to over 2300 attendees. A huge success for the region, the Rev1 social campaign alone netted over 240,000 impressions.

This has put Rev1 and the Columbus region on target to generate \$2B in economic impact through the combined revenues generated and capital attract to the companies we assist.



HOW DID WE DO IT?

The Ohio Third Frontier Bond Renewal Amendment (also known as Amendment 1) was approved on May 4, 2010 and authorized the state to spend \$700 MM in bonds over five years on the Ohio Third Frontier program. Rev1 Ventures is part of the Ohio Third Frontier statewide network of resources providing access to business expertise, mentorship, capital, and talent.

All entrepreneurs need help, even the entrepreneurs with the best ideas and the most potential to scale. They don't have enough hours in the day to do everything that it takes to start a business. They have gaps in their experience. They need capital and mentoring and professional services.

Rev1's seasoned, data-driven team delivers a one-two punch of advanced venture advisory services and access to a continuum of investment capital managed by Rev1.

- Connected the region's corporate and research base to launch more than \$60MM of new capital (a 400% increase over the previous 3 years)
- Funded more than 47 companies, which is more Columbus startups funded than the previous 6 years combined.
- Served a portfolio that is both high-growth and filled with diverse leaders: 29% of the investments made in 2015 were to women or minority-led companies
- Created or retained more than 1096 jobs that pay an average annual salary of \$74,000.

OUR STRATEGY

1. The centerpiece of our strategy is our Backyard Effect to accelerate deal flow and deliver a continuum of early stage, seed, and seed+ capital.

Rev 1 is the catalyst for bringing together the assets (mentoring, advising, capital, and first customers) in the region to benefit entrepreneurs and startup companies. We have built true collaborations with groups like Columbus 2020 (regional economic development organization) and The Columbus



Partnership (Group of the top 50 regional CEOs), as well as innovation partnerships.

- Through innovation partnerships with the Ohio State University, Nationwide Children's, and OhioHealth, we have launched dedicated early stage investment funds with each entity, the most recent being Nationwide Children's.

In 2014, Rev1 made three investments in spinouts from these innovation partners. In 2015, we made thirteen - this equates to 46 percent of our engagements, 28 percent of our investments, and a 9X leverage on private investment.

- Seed Angels: Ohio TechAngels Funds is one of the largest angel funds in the US. We just launched the group's fifth fund, OTAF V at \$5MM. Angel investors provide more than money. They serve as mentors, advisors, and board members to our portfolio companies.

- Seed Plus: Corporate Sector: Columbus has more than 14 Fortune 1000 companies. Rev1 developed an outreach strategy to land corporate investors into the Rev1 Fund, announced at \$22MM. This fund allows us to increase the average size of our investment in Seed Stage Plus companies to \$1,000,000.

- Opening doors to big corporations: Corporate partners want more than just to provide money. They want access to the innovation economy—from seeing disruptive technologies before they disrupt to providing their team new ways to get involved in the community. Some of these companies are also in the process of locating their innovation arms in our Rev1 Labs space.

2. We deliver comprehensive venture advisory services.

- Through our Concept Academy, we help entrepreneurs validate the market and their value proposition, making sure their ideas are sound. This helps create a firmer foundation for each new company and it is a way to identify early those concepts that do not demonstrate the potential to scale.

- The Ohio State University and Nationwide Children's Hospital access federal grants, through sources such as the National Institutes of Health, to create new technologies. Turning more federally funded research into commercially viable products doesn't happen on its own. It takes a dedicated



support program to help a promising startup achieve the milestones it takes to get the business on a growth trajectory.

- We bring together mentors, experts, and advisors. Columbus is the most connected city in the Midwest. Our unique connections and collaborations giving startups direction and advise from those who have been there, leveraging the top minds in legal, accounting, HR, and more.

Experts (90+) have delivered more than \$2MM in discounted services. Advisors (120+) have donated more than 1500 hours of mentoring.

- Rev1 Labs is the place in Columbus for entrepreneurs to work. Currently, more than 50 portfolio companies are headquartered there, including nine OSU spinouts. Rev1 Labs companies leverage 12X more funding and 7X more expert services than comparable portfolio firms.

3. We help companies access talent.

From customer service rep to CEO, help our portfolio companies find the specific talent they need to start successful companies.

- The Rev1 Jobs Board is specifically for startups to post open positions and for individuals who are seeking jobs in startups to post resumes or apply. We've helped companies fill more than 210 new jobs through 2015.
- Through our targeted senior leadership and succession plan, we have matched seven CEOs with seven portfolio companies.

4. We help companies access customers.

Through our innovative First Connect program, we tie in our corporate base to provide feedback on products, serve as first beta customers and, ultimately, serve as first customers.

We have connected more than 80 qualified opportunities and are on target to helping our portfolio close more than \$1M in contracts through corporate partners.



THE FEDERAL GOVERNMENT CAN CREATE MOMENTUM.

Entrepreneurs need a lot of help. The private sector won't bear 100 percent of the cost; so public sector has to invest. There is a dramatic gap in capital for startups outside of Silicone Valley, New York, Boston and Austin.

As we've proven in Ohio through the Ohio Third Frontier Program (a state bond financed program that invests in start-up activities), there are proven ways that government can be a catalyst for new company start-ups and growth, by providing early stage capital that attracts matching capital from angels, VCs, and private corporations.

The Federal Government has done this before with State Small Business Capital Incentives (SSBCI). That program helped regions raise capital they couldn't otherwise get. SSBCI no longer exists, but it's something the federal government could explore doing again. And recognizing the need for fiscal constraint, the Committee may be able to identify other underutilized resources within the Small Business Administration.

If Congress were to pursue this type of program, Rev1 would suggest following best practices of states like Ohio, that include stringent metrics to ensure positive return on investment. We might also suggest that rather than having the Small Business Administration run another program; it might be more effective to create a competitive grant process directed towards the states, which would encourage public-private collaboration and require private sector and local government matching funds to spur innovation.

Previously I mentioned innovation in our region that is being derived through work partially funded through federal entities, such as the National Institutes of Health. One consideration might be to explore encouraging federal agencies, when appropriate, to include some portion of their scoring process focused on commercialization of technology. The idea being that we should maximize existing federal investments in research to incent development of new businesses.

A few final thoughts on areas of federal policy this committee may wish to consider:

- Continue to evaluate and make less bureaucratic the FDA approval process for medical technologies. An increasing number of our portfolio companies at Rev1 are start-ups from the biomedical sector. These companies



face a unique set of challenges in garnering federal approval through the FDA before getting their products into clinical trials, and ultimately to the marketplace.

- Continue to monitor recent federal changes to the US Patent system. One of the biggest threats to entrepreneurs and those that invest in them is adequately protecting the intellectual property of start-up companies, and also continuing to make the process more streamlined.

Chairman Coats, Vice Chairman Tiberi, Ranking Member Maloney and members of the Committee, thank you again for the opportunity to testify before you today. I would happy to answer any questions you might have.

#