Impact Investing Opportunity – Closed
CincyTech Fund IV

CincyTech Overview
CincyTech, a venture development organization, provides advice and seed capital to high-growth-potential technology startup companies in Southwest Ohio. Its objectives are to create jobs in Southwest Ohio and financial returns for fund investors. CincyTech is supported by grants from Ohio Third Frontier and corporations, foundations, and local governments. It is governed by a local board of managers.

CincyTech has $25.9 million under management, a $350,000 per year imagining grant program, and a team of 11 professionals who prepare companies for equity investments by providing technical assistance, conducting investment due diligence, and assisting companies post-investment to prepare them for growth and follow-on investments. Since May 2007, CincyTech has reviewed over 1,174 qualified deals, advised over 200 companies, invested $25 million in 59 companies, and helped those companies raise an additional $504 million in venture capital (equity and debt). Two companies have been acquired at attractive returns and one company has gone public. The enterprise value of CincyTech’s portfolio companies was almost $1 billion at the end of 2014, and the Fund performance is at top quartile as compared to comparable funds nationally. GCF has a $500,000 impact investment in both Fund II and Fund III.

The Opportunity
CincyTech is raising a $30 million, for-profit seed-capital fund (Fund IV) from two sources: the Ohio Third Frontier (up to $10 million), and private investors, institutions, and foundations (up to $20 million). CincyTech is requesting a $750,000 impact investment from GCF for Fund IV and will make investments in approximately 25 seed/early stage technology startups that are projected to employ 250 people at an average wage of $75,000 by 2020.

Social Return - Job Creation
CincyTech’s portfolio companies employ 760 people at an average wage of $76,129 as of June 30, 2015, with an additional 114 vacant positions. Existing and new portfolio companies are expected to employ up to 1,400 people by 2017. Young firms (0-5 years old) have been the only net job creators over the past 20 years in both the U.S. overall and Ohio. Between 2003 and 2011, Ohio ranked 48th among the states, ahead of only West Virginia and Vermont, for share of businesses 0-5 years of age. Prior to the start-up of CincyTech, the lack of seed stage capital and technical assistance was an impediment to the growth of early-stage technology companies in Southwest Ohio.

Fund Size and Investor Commitments
Fund I is seeking aggregate capital commitments of approximately $30 million as follows: $10 million from Ohio Third Frontier Project and $20 million from regional investors in Southwest Ohio. The minimum investment for individuals is $100,000 and for institutions $500,000.

Financial Return
CincyTech Fund IV has a target return of 3 times invested capital. It carries a 10-year term plus up to two one-year extensions. It is a long-term equity investment with no guarantee of a return of principal to investors.

Investment Opportunity
The Greater Cincinnati Foundation is considering investing $750,000 in CincyTech IV. Donor advised funds will be invited to participate in $50,000 increments, such as $50,000, $100,000, $150,000.

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