



VENTURED

THE BURTON D. MORGAN FOUNDATION
2012 ANNUAL REPORT

The Burton D. Morgan Foundation

Committed to the Free Enterprise System®

The Foundation's Mission

To strengthen the free enterprise system by investing in organizations and institutions that foster the entrepreneurial spirit.

The Intent of the Donor

The purpose of the Foundation is “the preservation of the free enterprise system...to help preserve what we have in this country.”

— Burton D. Morgan, 1994

“The Foundation’s...aim is to preserve the private enterprise system, which is America’s number one advantage over the rest of the world.”

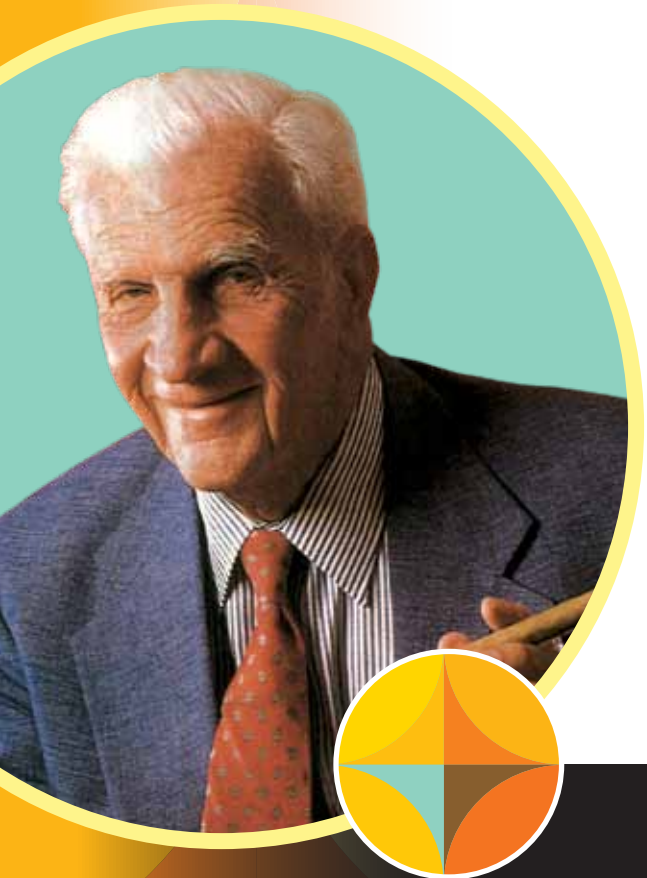
— Burton D. Morgan, 2003

Burton D. Morgan (1916-2003)

Throughout the later years of his life, Burt enjoyed every opportunity to preside over get-togethers of friends, business partners, and fledgling entrepreneurs. Those who took part in these sessions often recall them as part idea salon, part entrepreneurial incubator. Most describe them as an experience like none other. Convened in his office, these meetings were a rollicking conversation about life, business and, sometimes, family. What stands out perhaps most clearly in the memories of those who recount stories about meeting with Burt was this: there was always as much fun and laughter as seriousness.

And yet, the larger purpose was, indeed, quite serious – to provide emerging entrepreneurs with advice and support – and, we suspect, occasionally some modest seed investments. Perhaps the sessions also offered Burt and his peers a comfortable way to dispense their accumulated wisdom to the next generation. Today, as we fondly look back at these informal sessions, we recognize them as entrepreneur mentoring at its best.

The Foundation bearing Burt Morgan’s name supports dozens of entrepreneur-friendly activities across the region and hundreds of professionals and volunteers sharing their wisdom in ways that would have made Burt proud. As we pause to remember his founding spirit, now a full decade after his passing, we celebrate the human connections he forged and nurtured, the good ideas and contagious excitement he helped spread, the uncounted ventures he helped launch, and the young people he inspired. In that way, his life story continues to write the narrative for our work.





Dear Foundation Friends,

Ventured, our theme for the 2012 annual report, captures a year of experimentation in support of the Northeast Ohio entrepreneurial ecosystem. Throughout, we focus directly on the perspectives of entrepreneurs as they navigate startup hurdles and utilize the resources of the region to network, pitch, pivot, and grow. In addition to the lively observations shared in the body of this report, you will find QR codes that lead you to videos of the entrepreneurs providing first-hand insights into their entrepreneurial journeys.

Our own Foundation journey has taken us into new territory as we ramped up the programs at our four Blackstone LaunchPad campuses, entered a new era with the Morgan-Kauffman NEOCEP campuses, and spread Lemonade Day activities across Northeast Ohio. We also shared our knowledge through participation in vital regional planning processes that are reshaping the future of entrepreneurship for Northeast Ohio and the entire state. We continued our active role with the Fund for Our Economic Future and, at year-end, I was honored to be elected as the Chair of the Fund, beginning in March of 2013. We are proud of the leadership role we play helping Northeast Ohio reinvent its economy and embrace a bold vision for the future.

As we flip the calendar to 2013, we commemorate the decade that has gone by since Burt Morgan's passing in 2003. We will mark this occasion with a reflection on his legacy to entrepreneurship and celebrate all that the Foundation has accomplished toward his vision. At the same time, we will honor his entrepreneurial spirit and the contagious joy and sense of adventure he shared with his family, friends, and partners as he navigated the twists and turns of his own startup journeys. It is fair to say that his life epitomized the meaning of *ventured*!

Deborah D. Hoover
President & CEO

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Mike Belsito
eFuneral



Mindset

If you listen closely enough, you can usually tell when an entrepreneur or a budding entrepreneur is speaking. Entrepreneurs often process the world a little differently, sensing opportunities where others see only chaos, driving toward desired outcomes no matter the obstacles. Some attribute that to different mental wiring, others to a certain kind of upbringing and life experience. "My family never started businesses themselves, but I would say I was exposed to the entrepreneurial mindset early on," recalls Mike Belsito, co-founder of eFuneral, an online portal for planning funerals. Now that he has his own venture, Belsito says, "Whenever I'm home, I'm constantly thinking about work...that's how I'm wired." He says he is always asking himself, "Where will we be a year from now?" He adds, "There are so many things we need to do in the next 12 months to be successful. I wouldn't say we are there yet, but we're on a path to get there. I'm always thinking about how we get there."

Others say they were unaware of their entrepreneurial bent, but were hooked once they started. "I had no idea this was a [possible] life course people take. Now that I'm doing it, it feels like I was born to do this. I can't imagine doing anything else," muses Lindsay Sims, founder and CEO of Renter's BOOM, which helps rental property managers leverage social media to



Motivation



Rick Saccone

Amid all the media coverage and cultural discussion about entrepreneurship, one important issue can easily get lost. Why do it? Many entrepreneurs would instinctively stand that question on its head. Why would anyone *not* want to be in control of their own destiny?

That's how Rick Saccone looks at it. A serial entrepreneur for two decades, he recently decided to start yet another company, Akron-based Hydrogen Energy Systems. The company has invented technology that allows internal combustion engines to run on cleaner-burning fuel. "I thrive on trying to do things for the environment," he says. For people with this mindset, it's not about what's harder or easier, but about what impels them to take action. Asked if entrepreneurship is perhaps a little easier now than when he began his first venture years ago, he doesn't hesitate. "No," he says, laughing. "It's always been hard." But his playful grin says he's always ready to think about starting another one.

"The key difference between founding a startup and being part of a large organization is that you have to be motivated by building an entire infrastructure. It's a different level of energy and adrenaline," explains Tony DeAscentis, a serial entrepreneur who is co-founder and CEO of via680, an early stage technology company in the Youngstown Business Incubator. This ambitious startup aims to reinvent business email through its multimedia messaging application called Ving. Many on via680's leadership team bring technology and startup expertise as well as energy from their years at Turning Technologies, Youngstown's hugely successful tech startup.

Even the youngest entrepreneurs recognize how motivation and passion play a role in a successful venture. As Katherine, a Seton Catholic School fifth grader, learned from her Lemonade Day lemonade stand: "You can't just sit behind the table. You have to get out there and work!"

generate leads. Gordon Daily, who recently started Boxcast, an event broadcasting service, explains the mindset this way: "I always have to be learning new things and challenging existing assumptions to live and succeed in an ever-changing business world."

How does an entire region develop such a mindset? That's, of course, a harder question to answer. Babson College professor Dr. Daniel Isenberg did his best to try, during a 2012 visit to Cleveland. "Leaders need to develop an ecosystem mindset," he told an audience of Northeast Ohio educators and entrepreneurship supporters. "That only happens when the various actors are interacting in a dynamic way. Why? Because they think it's to their benefit to do so. That mindset to play well together isn't automatic."



Lemonade Day



Caroline Barni
Andtix



Bootstrapping

It's an age-old question that has dogged entrepreneurs for generations: "Should you seek external investment to fund your venture, or try to go it alone early on, with your own savings, funds from friends and family and, if you can get there, revenue generated from early customers and clients?"

For her part, Caroline Barni, co-founder of Andtix, a developer of mobile applications for managing social gatherings, says, "Bootstrapping is a good lesson, and something we're learning and experimenting with right now as we begin our seed round of funding." But getting to that point took some personal sacrifice from the founders – they had to figure out how to go without paychecks for a while. "I've been out of a 'comfortable' job for a year now," Caroline says. "And my partner has been out of a job for four or five months. We've been putting all of our fundraising and even some of our own money into our business to develop our product, so I think it's about prioritizing. That's the key for bootstrapping: knowing what's most important to do next, and making sure you're focused."

"Seeking funding is great," says Lindsay Sims of Renter's BOOM, "but if I don't have clients, I don't have a business,





Julie Messing

Capital

It's perhaps baked into the human condition to always focus on money first. That's generally the same with entrepreneurs, who talk endlessly about access to capital. But those who have been around business formation know that capital tends to fall into place more smoothly when a venture is ready. That is, when the concept has been validated, the business plan refined, and perhaps a few customers have already been recruited. All of which is why veteran entrepreneurs and entrepreneurial support experts emphasize that the key is to fine-tune and validate an idea before seeking funding.

"Funding is critical to every business, but it's not the first step," says Julie Messing, director of Kent State University's Blackstone LaunchPad program. "So we try to get our students focused on validating the feasibility of their idea with customers first. Then we try to get them to focus on all the resources they'll need to make their venture work. That means human resources, intellectual property, space and equipment and, of course, financial resources, too. And then we help them think about whether they should try to bootstrap, lease versus buy, or seek outside funding."

As a universal caveat, Pixsi CEO Scott Andrews cautions entrepreneurs, "Be careful who you accept money from. There's lots of money out there. Cash flow is electricity. It must be moving or it's decaying. Investors want their money working for them." He adds, "Don't take [capital] just for the money but for what else the investor can contribute beyond that." He looks for investors whose experience and expertise will help advance his company's innovative online marketing platform.



so, what am I funding?" She thinks the answer for her is to pay as you go, with early clients helping prove value to potential funders. "Get some people to pay you to do what it is you say you can do, and get them to keep paying you. If that happens, then you can get funders," advises Sims.

But that doesn't mean it will all happen quickly, which is often the challenge. "I currently have eight paying clients. My business bank account has money in it, but my personal account does not," laments Sims. On the other hand, she recently got a double energy boost: she was named one of *Cleveland Magazine's* most interesting people and was awarded a five-figure business loan in a competition sponsored by Bad Girl Ventures. And she was one of the very first entrepreneurs to take advantage of free office space and advisory services in The Beta Space at MAGNET. Sometimes the most valuable early sources of support are intangible or contributed *gratis*.





Mentorship

Mentors come in all forms and connect with entrepreneurs in many different ways. But virtually every successful entrepreneur would tell you that it's best to find good ones and listen to them when you do. In Northeast Ohio, entrepreneurs from the youngest to the oldest can turn to mentors through formal mentoring programs at venture-support organizations and incubators, on college campuses through Blackstone LaunchPad programs, and informally at Hudson Library programs and regional expo events. Mark Lorkowski, co-founder and CEO of LorkTech, believes mentors have been critical to the progress of his new venture, which is developing no-battery, electronic price signage for retailers. "It is huge for anyone starting out to have people to bounce your ideas off or ask how to approach a problem or situation," he says. Referring to professors from his school, Case Western Reserve University, and advisors from NorTech, MAGNET, and JumpStart, he adds, "We would not be able to move forward without those kinds of relationships."

Telkesis founder and CEO Jason King values the mentoring offered by the LaunchTown competition judges who awarded first place to his company's orthopedic surgical device in the 2012 competition and now serve as his company's advisors. "I got constructive criticism on my product timeline. They got me to see how, at each stage, I needed more lead time to be one step ahead in getting my prototypes lined up and ready to run for the next stage," says King.





Encouragement

The Blackstone LaunchPad program, a joint initiative in Northeast Ohio by The Blackstone Charitable Foundation and The Burton D. Morgan Foundation, surrounds fledgling entrepreneurs with the advice, support, encouragement, and business mentoring that help validate their ideas and build their businesses. The program promotes entrepreneurship at four colleges and universities in the region—Case Western Reserve University, Kent State University, Baldwin Wallace University, and Lorain County Community College. Blackstone LaunchPad centers were opened in 2012 at three of the four schools, and CWRU's formal opening is set for 2013. "The Blackstone LaunchPad ethos taps into the intrinsic motivation of student entrepreneurs to explore creative ideas and take those ideas to the next stage of development," says the Foundation's President Deborah Hoover. "Since there are no grades, it is an equally challenging but very different kind of educational experience for most students. They're encouraged to freely explore possibilities without the penalty of being graded for it."

At the end of a long, frustrating day in the life of a startup – be it a lemonade stand or software venture – words of encouragement can have the same impact as seed capital. In a conversation with emerging entrepreneurs at Emmanuel Christian Academy in Akron, Rodney, an Emmanuel graduate who's now in high school, remembers the transformative effect of hearing other kids talk about their fledgling businesses at the school's summer entrepreneurship camp. "That inspired me. I thought, hey, I can do that!" And so he did. Now enrolled in a school for culinary arts, he has a business he calls Sweet Treats, through which he makes and sells cakes. Says Hailey, who also attended the camps: "The coaching I got from the teachers when we presented our business plans really helped me tackle my fears."



Tony DeAscentis, CEO of via680 and an experienced entrepreneur, urges, "For an entrepreneur looking to start from scratch, I can't stress enough the importance of having mentors. Some entrepreneurs don't feel they need a mentor if they have drive and a great idea. But I believe you need someone who is outside your day-to-day [world] to help you see the big picture and guide you."

Sometimes a mentor is someone with perspective from outside the world of business. Jeanniece Jackson, a graduate student at John Carroll University and the winner of a recent student business competition, values mentor support from the school's Hatchery student incubator and from family. Her uncle, a pastor, offers wisdom to help guide her in pursuing an idea for greeting cards customized to specific faith communities.



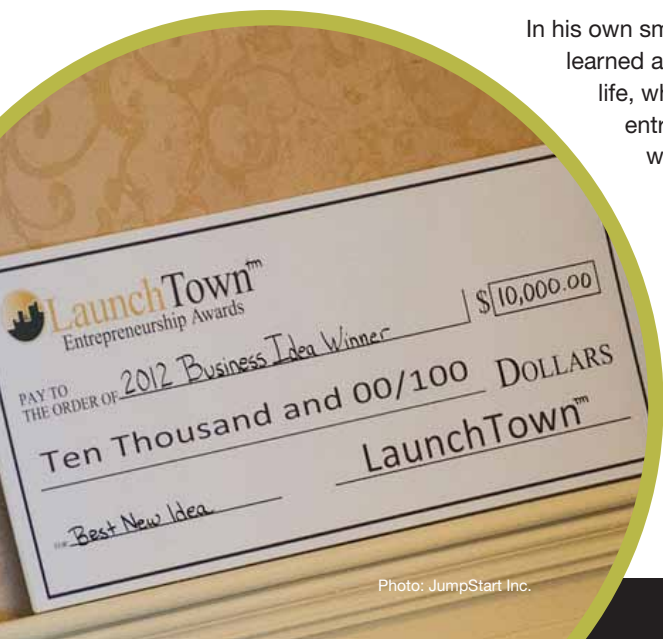
Jeanniece Jackson



Risk

If there's any one concept at the core of the American free enterprise system, it's probably the notion of risk vs. reward. Successful entrepreneurs have put their own skin in the game, and when they succeed, they're rewarded for risking their own capital, sweat equity, and sometimes even their reputation on an idea that might never go anywhere.

In his own small way, Princeton-bound University School senior Ben Leizman learned a little about the risk-reward balancing act relatively early in life, when he took a chance on selling rally T-shirts at his school. His entrepreneurial appetite was whetted during a junior year course with teacher Greg Malkin, who became his mentor. Having produced 120 T-shirts to support the basketball team, he quickly learned an important lesson about creating demand. "I knew that if I marketed [the shirts], nobody would be interested." But failure would have meant both a financial bath and a serious reputational setback. "The risk was I'd make 120 T-shirts and none would sell. And I'd look like an idiot." With a little marketing inspiration, he convinced the team's star player to wear the shirt. When the player appeared in a video wearing the shirt, Leizman continued,





Fun

Every startup venture could learn something about the catalytic power of fun and engagement from a few dozen grade school students at Seton Catholic School. In May, the entire fifth grade, 50 students in all, took part in Lemonade Day, a national initiative to teach youth about entrepreneurship through the experience of running a lemonade stand. Together, the ten teams earned more than \$4,000, with one quarter earmarked for charity. Along the way, these young people learned some key lessons from their teachers—about the importance of teamwork, innovation, and constantly tweaking their plans. One group even tapped a teammate to create lyrics for a custom rap song for the occasion, hoping the lively lyrics would draw customers. But the biggest lesson of all, says Madison, is this: “You need to work well with people, and have fun with what you do. Don’t focus too much on sales—just have fun.”

Charu Ramanathan already got that message. In one of her first interviews after co-founding CardiInsight Technologies, a biomedical spin-off from Case Western Reserve University that’s pursuing non-invasive innovations in heart diagnostics, she told a reporter, “I’m having a blast.” Asked more recently if the punishing requirements of seeking FDA approval had spoiled any of the fun, she replied: “It is a rollercoaster ride. Of course, there are ups and downs. But it’s a thrill ride, and the best part about it is you’re having fun while helping people in the aging population.”

Co-founder and CEO of via680 Tony DeAscentis acknowledges that startups are stressful from time to time, but emphasizes that starting a company “is one of the most fun things you can do in your career.” He advises, “You have to celebrate and enjoy all the little successes, not just the big ones, along the way.”

“Suddenly everyone wanted it!” The school bookstore sold out that day, and he quickly printed more.

Risk can be even more daunting to a new entrepreneur whose product goes *inside* a customer’s back, not just on it. Jason King, President & CEO of Telkesis, LLC, was a graduate student at The University of Akron when he and a team of students won first place in the 2012 LaunchTown business competition with their idea for a medical device that reduces certain spinal surgery problems. He says, “The entire process has increased my comfort level with risk. There are so many variables as an entrepreneur. You can’t get paralyzed by potential risk. You have to be mindful of it but also ignore it, to some degree, so you can still move forward.”



Charu Ramanathan
Photo: JumpStart Inc.



Lindsay Sims
Renter's BOOM



Advice

Ask any entrepreneur about the single ingredient most readily available to them, from almost every imaginable source, and you're likely to hear one word: advice. Tell people you've started a business and advice often comes streaming in from family members, partners, funders, advisors, customers, and elsewhere. So much advice, good and bad, that knowing what to listen to and what to ignore is itself a key part of ultimate success. "The advice is sometimes contradictory, and part of the learning experience for student entrepreneurs is to sift through the conflicting viewpoints and choose the best path forward for their business," says Deborah D. Hoover, President & CEO of the Foundation.

"Some of the best advice I've ever gotten...was about being able to understand someone and listening objectively, and then determining what you're going to do on your own," recalls Lindsay Sims, founder and CEO of Renter's BOOM. "As a businessperson, that's a huge thing. You have to know which things you should listen to and which things you shouldn't. And sometimes you have to go through a little trial and error."





Insight

For many entrepreneurs, the entire startup process begins with an insight, a new way of thinking about or looking at a problem that is vexing the market. For Scott Andrews, the moment came after years of working with retailers and observing consumer behavior. “I realized there was a sea change happening,” he explains. “For the most part, ‘push’ marketing doesn’t work anymore. Consumers have always put up with advertising to get something free. But the consumer now controls the marketplace when they want to make a purchase. As buyers, we control the digital tools that are available to pull information where, when, and how we want. The future of retail is about putting the consumer at the center of the marketing model – a 100 percent ‘pull’ marketing model.” Andrews’ company, Pixsi, Ltd., based in the Youngstown Business Incubator, is poised to capitalize on that insight with its online marketing platform that connects consumers and retailers in a novel way.

The fifth graders at Seton Catholic School who took part in Lemonade Day also can appreciate the power of insight. Trey recalls being urged by the teacher to “be creative” in finding ways to differentiate his lemonade stand from those of the competition and then a light bulb lit up for him. He explains, “My teacher was saying that there are all sorts of other things to get people [to stop at a stand], like selling corn dogs or snow cones. Who would think of selling that at a lemonade stand? But it really worked to get us more customers.”



John Dearborn, President of JumpStart Inc. and a veteran entrepreneur, reflected on the value of good advice, both for his own startup experiences and for entrepreneurs he counsels today: “There can be many ‘do or die’ moments in the early days of a startup. Some entrepreneurs successfully make it past these challenges by significantly altering their company’s direction, or ‘pivoting.’ Lately, I’ve seen more entrepreneurs be open to input from advisors when they’re considering making changes, and by going through this process, they come away energized about their new direction. I’ve had to live through the pivot decision more than once and, while I wished I had gotten it right out of the gate, it was good to be able to count on people to help me forge a new path. It’s not easy to make momentous decisions like those on your own.”





Community

“If there’s a lesson that needs to be learned by every entrepreneur, it’s that you can’t go it alone,” says Gordon Daily of Boxcast, a new service for streaming sports and other events. “The sooner you come to grips with the fact that you can depend on others...the more successful you’re going to be in the end.” The Case Western Reserve University graduate found that out firsthand: “What really changed for our business was the instant we made the connection to the JumpStart Network, through TECHudson, and got linked up with real professionals who really care, and aren’t in it necessarily for themselves, as much as wanting to serve the local community. Once we were plugged in, and could really learn what we didn’t know, that was when things really changed for our business.”

Just a couple years ago, Justin Crowe was spending as much as ten hours a day in a pottery studio, producing his art. But as his thoughts began to turn to how he might sell it, the seeds for a new venture began to take hold. He decided to move back to Northeast Ohio, after graduating from Alfred University in upstate New York, to find help realizing his vision for an innovative, online platform for selling works of art. Why head back? “I knew there were a lot of people in [the area] who supported emerging business people.” He took some entrepreneurship classes at the Hudson Library, which subsequently featured him and his business, Dizbe, in a program.





Networks

As a former NFL player, Al "Bubba" Baker rarely takes for granted the importance of solid support networks. After all, it takes a constellation of talent – good players, coaches, front-office personnel, and a committed owner – to create a winner.

Since retiring from football (he played with the Cleveland Browns and Detroit Lions), the popular star has capitalized on his uncommon energy, media-friendly presence, and Southern family roots to run a much-beloved barbecue restaurant and catering business in Avon, Ohio, with his wife Sabrina. Always sparkling with new ideas, Baker recently started a related parallel venture based on a new technology – a patented process for de-boning baby back ribs, to be sold in grocery stores and other retail outlets.

As he developed the product idea, which he calls Bubba Q's, he reached out to JumpStart for guidance and business advice, and came away impressed at how quickly he was plugged into larger industry networks. "My JumpStart business advisor, Johnny Hutton, who has special knowledge and background in the food industry, helped open so many doors for me, and made the kinds of introductions that it would have taken me years to get on my own."

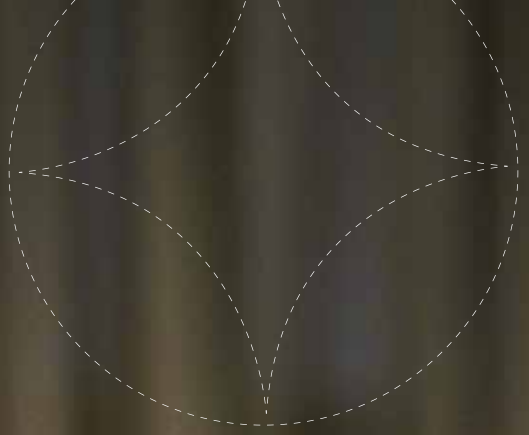


Dr. Daniel Isenberg, a Babson College faculty member and an internationally renowned expert on entrepreneurial networks, says that research about supportive communities for ventures bears out the experience of startups like Boxcast and Dizbe. In a presentation to entrepreneurship educators late in 2012 in Northeast Ohio, he was unequivocal in his view that piecemeal approaches to supporting new ventures simply do not work and cannot sustain economic development built on entrepreneurship.

"You must enable and strengthen the entire ecosystem," Dr. Isenberg said. "One of the things you're getting right [in Northeast Ohio] is the multi-dimensional view—sort of hacking away from many angles." Dealing with culture, policy support, markets, finance, and human capital in isolation won't work, he advised. Instead, they must be considered together, as part of a dynamic system, one that begins achieving velocity as it reaches critical mass.



Dr. Daniel Isenberg



Improvisation

Actors and comedians who have studied “improv” – the useful art of going with the flow before live audiences – learn the key to making the technique work: whatever your fellow actor or an audience member might come up with, accept it and build on the story to keep the narrative momentum going. Good entrepreneurs do that, too, accepting inevitable hurdles and setbacks more as routine detours, and even opportunities to find better paths.

You can detect shades of that kind of thinking in Tara Bresette’s approach to business. Not yet out of college, the Kent State University student talks about her partners’ goals as a work in motion, smoothly responding to whatever situations they may face. Asked about her vision for Snapcessories, the fashion accessories company she co-founded with two classmates, she says: “I think every day we have a new vision. It depends on the road that we take. We have so many contingency plans that can affect our vision, depending on the circumstances. So I think we’re planning for the future, but we also understand that you have to live day by day. And that whatever comes, happens, and you have to deal with it.” With encouragement from coaches at Kent State’s new Blackstone LaunchPad, the Snapcessories team is learning the value of being flexible.





Experimentation

“I think I’ve always been a tinkerer,” says Tom Lix, founder and CEO of Cleveland Whiskey. “One of the first gifts I got as a kid was a chemistry set, and I was forever hooked.” Like most inventors, he didn’t follow a linear career path, zigging and zagging across several fields before finding his current passion: reinventing the way whiskey is made, to feed growing demand in places like China and India. The industry’s slow aging methods are the choke point. He began experimenting in his basement on the chemistry behind a more rapid aging process for distilled spirits. Now, working out of the MAGNET incubator, he and a half dozen employees are beginning to use their patent-pending process to fill 6,000 empty bottles. “None of us comes from the liquor industry itself, which is important. Traditional distillers have been doing things the same way for hundreds of years. But we can look at things from a fresh perspective,” notes Lix.

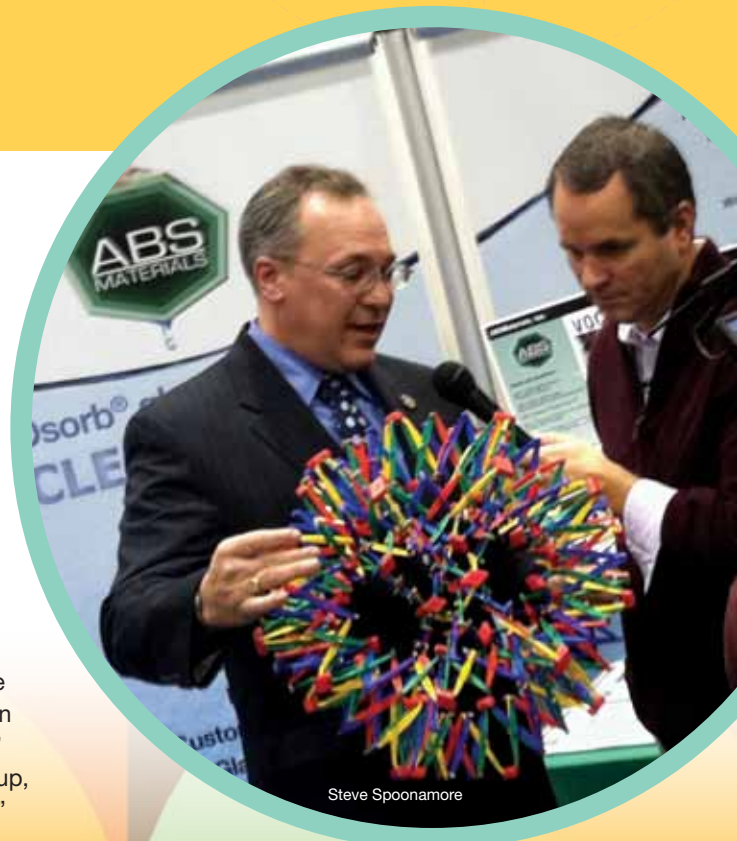
For Jason King of Telkesis, experimentation is at the core of being an entrepreneur, especially the first time. “The whole experience is an experiment,” he observes. “What do I do as a CEO? Lots of trial and error.”

Scott Andrews, founder and CEO of Pixsi, Ltd., a startup based in the Youngstown Business Incubator, put it this way, “The entire invention process is a series of observations and experiments. I look at entrepreneurship as little journeys that add up to a big journey. The successes and failures along the way add up to the entrepreneurial journey.”



Phil Brennan of Echogen Power Systems also knows well that adaptation goes with the territory. He jokes that “a startup is 60% planning and 70% improvisation.” He goes on to explain, “The word used most often now is ‘pivot.’ If you think of it within the context of a basketball player, you have one foot rooted in your original plan, but you are willing to move in any direction to protect the ball and to make the next move for your business. At Echogen we say, honor your plan, but don’t be married to it.”

ABSMaterials’ co-founder and CEO Steve Spoonamore uses a musical metaphor to describe the phenomenon: “There’s a craft to building a company...I like to think of it as being like great jazz improvisers. You hear them playing one thing, and it’s still the core root of the music they’re playing, but all of a sudden they can take it another way. The song didn’t go away, but it transformed.” The improv approach is working well for the Wooster-based startup, which was named one of “America’s Most Promising Companies” by *Forbes* in 2011.



Steve Spoonamore



Claude Kennard
Metaloy



Entrust

Claude Kennard has worked in corporate America, but he felt the tug of entrepreneurship when he noticed major niches in the market seemingly go unmet. The company he founded, Metaloy, went on to develop a new technology to remove heavy metals, like mercury, from contaminated water. That technology was spun off into a new company, MAR Systems, named one of “America’s Most Promising Startups” by *BusinessWeek* in 2010. Recognizing that the spin-off was ready for a new team to manage its next stage of growth, he made a successful exit from the company and re-focused his energies on Metaloy and development of more new and promising technologies. Kennard makes a strong case for the value of serial entrepreneurship. “If I can create ten \$50-million companies, I think I’ve done as much as someone who’s created one half-billion-dollar company. It offers opportunities for a lot of people.”



Mark Lorkowski

Well before they can even dream about a successful business exit for their startups, entrepreneurs need to look for ways to entrust control to others, counsels LorkTech’s Mark Lorkowski. “You do want to control everything but, on the other side, you have to realize that, as one single person, you can’t fulfill all your company’s commitments. You have to entrust tasks to your partners or collaborators or you’re going to fail. Sometimes you



Letting Go

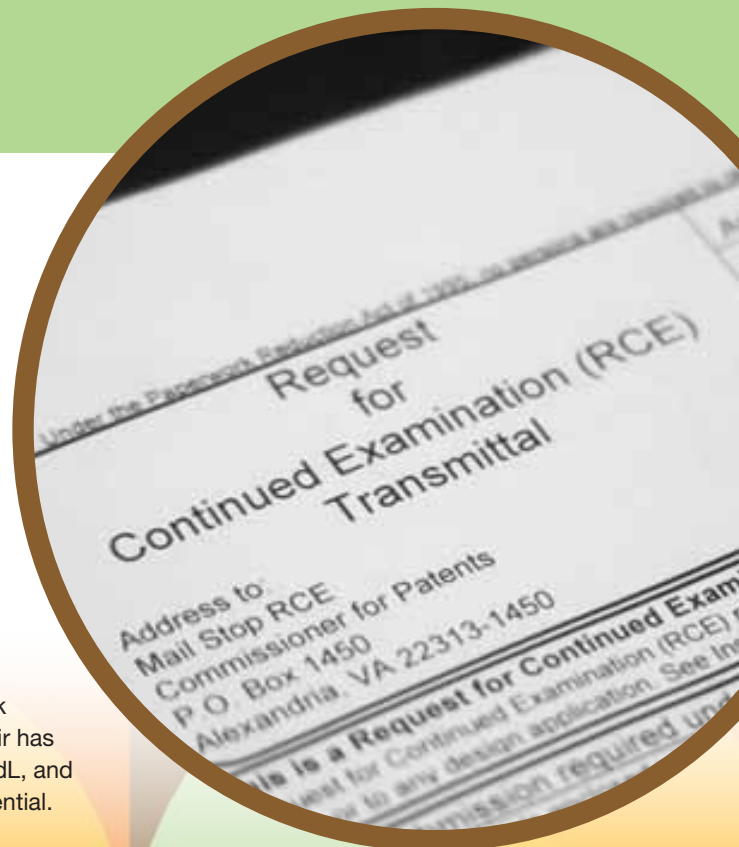
One of the trickiest parts of starting a venture-backed company is coming to grips with the idea that, at some point, it might be in the company's best interest to move on, change roles, or bring in someone else to take it to the next stage. Charu Ramanathan, co-founder of Cardiolnsight, saw from the start that she was more qualified to help guide her company's research and technology than to lead the business side. "From the beginning, I've positioned myself as the technical lead, not the CEO. That's always been the case, and I don't see that changing, even though I'm here for the long haul." Naturally, it helps that she's doing work – creating diagnostic processes to non-invasively map the human heart – that fully engages and excites her, and which she thinks can ultimately change the world of medicine.

Sometimes letting go means walking away from one idea when a better one presents itself. That's what happened to Mayank Saksena, a biomedical engineering student at Case Western Reserve University. He and a few of his CWRU classmates participating in the 2011 region-wide Entrepreneurship Immersion Week for college students came up with two good business ideas and debated which to pursue – Saksena's concept for an online network for entrepreneurs or Nicholas Barron's idea for a new technology to temporarily fill street potholes. The team went with the entrepreneurs' network concept, but did not win the competition. Back at school that fall, the group continued to pursue the pothole patch idea, now called HolePatch LLC. They took the concept to ideaLabs' 2012 regional competition in the spring, where it emerged as a winner. Now, Barron, Saksena, and two other partners are pursuing patents for their novel temporary pothole fillers, trying various fluids, and road testing the product near the downtown Cleveland campus.



have to let go of [certain tasks] even if you're good at them, to give your partners some practice, to build their strength and motivation."

Entrusting intellectual property is quite another challenge altogether. Patent attorney Andrew Spriegel has given presentations at the Hudson Library about how to safeguard ideas through proper intellectual property protections, and has helped many clients do just that. One of those ideas came from Greg Getzinger, the owner of a local pizza franchise. Getzinger's round, segmented cutting board makes it quick and easy to cut pizza in perfectly uniform slices. Spriegel recounts, "When I saw it, I immediately asked him, 'Do you have a patent on that?'" As it turned out, he didn't. So in exchange for a partnership, Spriegel did the necessary legal work to secure a design patent on the item. In about two years, the pair has sold more than \$400,000 worth of the product, called Portion PadL, and they are devising a strategy to build on its significant market potential.



Grant Summary

Youth Entrepreneurship

Beachwood City Schools Entrovation Expo	\$6,500
Consortium for Entrepreneurship Education Annual conference, including scholarships for Northeast Ohio teachers, and Youth Entrepreneurship Alliance support	\$20,000
Emmanuel Christian Academy Summer entrepreneurship camp	\$13,130
Entrepreneurial Engagement Ohio SEE Economics and Entrepreneurship program and the Science & Technology Forum	\$45,000
Foundation for Teaching Economics Economics for Leaders summer program in Northeast Ohio	\$44,000
Friends of Breakthrough Schools Middle school entrepreneurship program	\$5,000
Gilmour Academy Entrepreneurship programming	\$5,000
Great Trail Council Boy Scouts of America Entrepreneurship merit badge program	\$20,000
Hudson Montessori School Refurbished space for the micro-economy program	\$3,145
Invent Now Camp Invention programs in Akron and Wooster	\$75,680
Junior Achievement of East Central Ohio Entrepreneurship programming	\$27,000
Junior Achievement of East Central Ohio 2011 challenge grant satisfied	\$5,000
Junior Achievement of Greater Cleveland Entrepreneurship programming	\$45,500
Junior Achievement of Mahoning Valley Entrepreneurship programming	\$25,000
Junior Achievement of North Central Ohio Entrepreneurship programming	\$75,000
Learning About Business Summer entrepreneurship program	\$10,000
Ohio Business Week Foundation Summer entrepreneurship program	\$10,000
Prepared 4 Life Lemonade Day Northeast Ohio	\$10,000
TIE Ohio Regional business plan competition for high school students	\$10,000
University School Entrepreneurship programs and outreach to other schools and teachers	\$46,500
University School Regional coordination of Lemonade Day Northeast Ohio	\$20,000
Wooster City Schools Entrepreneurship summer academy	\$10,000

Total for Youth Entrepreneurship Grants \$531,455

Collegiate Entrepreneurship

Austen BioInnovation Institute in Akron Graduate-level internships in biomedical technologies	\$50,000
Blackstone LaunchPad Initiative Programs at Baldwin Wallace University, Case Western Reserve University, Kent State University, and Lorain County Community College, and technical support	\$527,822
Entrepreneurship Education Consortium Entrepreneurship Immersion Week and ideaLabs regional competition	\$80,000
Hiram College Entrepreneurship programming and resources	\$40,000
John Carroll University Entrepreneurship curriculum development for non-business courses	\$42,350
Kent State University Foundation Burton D. Morgan Technology Endowment	\$4,000
LaunchTown™ Technology-based business idea competition	\$10,000
Northeast Ohio Council on Higher Education Entrepreneurial internship program	\$40,000
NorTech Ohio Clean Energy Student Business Plan Challenge	\$5,000
Oberlin College Entrepreneurship programs	\$40,000
Purdue University The Burton D. Morgan Interns program (2 years)	\$150,000
The Entrepreneurs EDGE EDGE Fellows summer intern program	\$50,000
University of Mount Union Entrepreneurship programming and faculty professional development	\$10,000

Total for Collegiate Entrepreneurship Grants \$1,049,172

Adult Entrepreneurship

Akron Urban League Partnership for the Minority Business Accelerator (PMBA) IV	\$20,000
Akron SCORE Operating expenses	\$20,000
BioEnterprise Corporation Business development, internship programs, and entrepreneurship conference	\$151,000
Canton Regional SCORE Workshops for small businesses	\$5,000
Hudson Library & Historical Society Business and entrepreneurship resources	\$250
ideastream <i>Nightly Business Report</i> and <i>CEO Global Foresight</i> on WVIZ-TV, and classroom pilot	\$40,000
MAGNET 2011 challenge grant satisfied	\$10,000
National Association of Seed and Venture Funds Annual conference	\$10,000
NorTech Development of the FlexMatters Prototyping Network	\$50,000
The University of Akron Research Foundation Sponsorship of 2012 National Council of Entrepreneurial Technology Transfer conference	\$2,000
Youngstown Business Incubator JAVA Lab space for innovation and collaboration	\$10,000

Total for Adult Entrepreneurship Grants \$318,250

Hudson and Community

ACCESS	
Renovation of shelter staircase	\$3,000
American Red Cross of Summit & Portage Counties	
Local disaster relief	\$25,000
Business Volunteers Unlimited	
Merger-related technology expenses	\$20,000
City of Hudson	
Production of "Good Day in Hudson" on Hudson Cable TV (2 grants)	\$2,400
City of Hudson	
Construction of the Veterans' Trail in Hudson	\$10,000
Conservancy for Cuyahoga Valley National Park	
Renovation of new retail space	\$5,000
Family and Community Services Inc.	
Concierge office in Valor Home for homeless veterans	\$7,000
First Congregational Church of Hudson	
Operating support	\$30,000
Flashes of Hope	
Photo sessions with pediatric cancer patients at Akron Children's Hospital	\$1,500
Grants Managers Network	
Operating support	\$1,000
Hudson Bandstand	
Hudson Summer Music Festival	\$2,000
Hudson City School District	
Inflatable Globe Earth Balloon visit	\$1,500
Hudson City Schools Foundation	
Home concession stand at the new Hudson City Schools stadium	\$50,000
Hudson Community First	
Career Panel and Intern for a Day program	\$10,000
Hudson Community Foundation	
July 2012 fireworks and Taste of Hudson event	\$8,000
Hudson Community Service Association	
Assistance for Hudson residents in need and 2012 holiday lights	\$8,400

Hudson Job Search	
Materials and operating support	\$9,000
Hudson Rotary Foundation	
Hudson High School Scholarship Fund	\$1,000
Magical Theatre Company	
Upgraded lighting system	\$5,000
Mobile Meals	
New delivery vehicle	\$28,500
Music from the Western Reserve	
Concert production expenses and operating support	\$7,500
Ohio Grantmakers Forum	
Operating support, conference sponsorship, and to honor George Espy in his retirement	\$10,745
Project Hospitality	
Staten Island hurricane relief	\$10,000
Seton Catholic School	
Youth philanthropy program with Laurel Lake Retirement Community	\$2,500
The Foundation Center	
Cleveland Center initiatives and workshop development	\$5,000
Western Reserve Academy	
The Burton D. Morgan Leadership Program (2 years)	\$116,000
Other Community Grants	
	\$4,000

Total for Hudson and Community Grants	\$384,045
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SUBTOTAL FOR ENTREPRENEURSHIP-RELATED GRANTS (Youth, Collegiate, and Adult)	\$1,898,877
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SUBTOTAL FOR HUDSON AND COMMUNITY GRANTS	\$384,045
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SUBTOTAL FOR DISCRETIONARY GRANTS	\$563,750
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GRAND TOTAL	\$2,846,672
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Note: Listed grants reflect grants awarded, but not necessarily paid, in 2012. Multi-year unconditional grants awarded in a previous year are not included, even if partial payment was made in 2012. All conditional and challenge grants that were satisfied in 2012 are included, regardless of the year approved. Grants paid in 2012 totaled \$4,313,890.

Financial Summary

Statement of Position

Year Ending December 31, 2012

Assets

Cash or Equivalents	\$17,668,100
Other Current Assets	49,200
	<u>17,717,300</u>

Investments at Market

Public Equities	66,801,400
Mutual Funds	2,377,400
Exchange Traded Funds	25,968,300
Private Equities	10,757,300
Real Estate	3,057,600
Equipment	156,500

Total Assets	\$126,835,800
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Liabilities and Net Assets

Liabilities

Current Liabilities	\$1,300,400
Long Term Liabilities	70,000
	<u>1,369,200</u>

Net Assets

Unrestricted Net Assets	125,465,400
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Total Liabilities and Net Assets	\$126,835,800
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Financial Notes: The Foundation is incorporated in Ohio as a private foundation defined under the 1969 Tax Reform Act and is subject to Federal Excise Tax on net investment income, including realized gains. Under provisions of the act as amended in 1981, the Foundation is required to make distributions generally equal to 5% of the Foundation's net investment assets. These statements are presented predominantly on the accrual basis, in accordance with generally accepted accounting principles. The figures have been rounded to the nearest hundred.

These statements are based on the information available at the time of publication and subject to change.

Statement of Activities

Year Ending December 31, 2012

Income

Dividends, Interest and Other Income	\$2,185,300
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Total income	\$2,185,300
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Expenses

Program

Grants Awarded	\$2,846,700
Direct Charitable Activities	16,700
Program Support	681,700

Investment

Investment Management Fees	452,800
Investment Consultant Fees	131,500
Bank Custodial Fees	52,000
Excise Tax	85,000

Other

Management and General	336,500
Communications	45,200
Events	33,400
Insurance Premiums	23,000
Consulting	3,500
Professional Services	29,900
Miscellaneous Expenses	15,200
Depreciation	141,600

Total Expenses	4,894,700
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Expenses in Excess of Revenue	2,709,400
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Realized Gains on Investments	7,142,100
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Unrealized Gains on Investments	4,331,700
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Change in Net Assets	\$8,764,400
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Shaping the Future

For entrepreneurship, 2012 was the year of the plan. The Burton D. Morgan Foundation offered its expertise to several important strategic planning initiatives that will have long-term impact on the future of Northeast Ohio. These efforts exemplify the best of Northeast Ohio and its collective-impact approach to solving the tough economic challenges the region faces.

Fund for Our Economic Future Phase 4 Strategy

In 2012, plans took shape for the next three-year phase of work, which will focus on strategies for fostering and growing the region's entrepreneurial environment, connecting growth and opportunity, and strengthening the region's innovation and commercialization capacity.

Regional Economic Competitiveness Strategy

The Foundation led a team of key players in the entrepreneurship ecosystem to examine the elements of our support networks for entrepreneurs and to devise strategies for enhancing the effectiveness of these support efforts, for compilation into the comprehensive regional strategy that will pilot Northeast Ohio to a brighter economic future.

Ohio Board of Regents Commercialization Task Force

A statewide leadership task force from higher education, finance, research, government, and business delivered recommendations to the state legislature for strengthening entrepreneurship education and technology transfer at our institutions of higher learning in Northeast Ohio and across the state.

Regional Entrepreneurship Action Plan

Spearheaded by the JumpStart Community Advisors Program, with support from the Knight Foundation, the Surdna Foundation, and the U.S. Economic Development Administration, entrepreneurship leaders from a four-county area worked on a plan to build and enhance entrepreneurship services and access to capital in Summit, Stark, Wayne, and Portage counties.

Trustees, Officers & Staff

Trustees

Keith A. Brown
J. Martin Erbaugh
Patrick T. Finley
Stanley C. Gault
J. Michael Hochschwender
Mark D. Robeson
Richard N. Seaman

Richard A. Chenoweth,
Emeritus
John V. Frank,
Emeritus



Keith A. Brown



J. Martin Erbaugh



Patrick T. Finley



Stanley C. Gault

Officers of the Corporation

President
Deborah D. Hoover

Vice President
J. Martin Erbaugh

Treasurer - Assistant Secretary
Richard N. Seaman

Secretary - Assistant Treasurer
Denise M. Griggs



J. Michael Hochschwender



Mark D. Robeson



Richard N. Seaman



Deborah D. Hoover



Denise M. Griggs

Staff

Deborah D. Hoover
President & CEO

Denise M. Griggs
Chief Financial Officer

Leslie G. Nelson
Senior Program Officer

Alison J. Burner
Program Officer

Victoria U. Broer
Program Officer

Gina M. Dotson
Grants Manager & Social Media Coordinator

Sharon K. Lingo
Office Manager

Diane V. Rafferty
Executive Assistant

Photos: Doug Garmon

Foundation Comings and Goings

The vision for the Foundation starts with our esteemed Board of Trustees, to which we welcomed new Trustees Patrick Finley and Michael Hochschwender in 2012. The Foundation and its grantees are certain to benefit from their deep experience as entrepreneurs and their commitment to Northeast Ohio. We also welcomed three new staff members: Victoria Broer, Program Officer; Gina Dotson, Grants Manager and Social Media Coordinator; and Sharon Lingo, Office Manager. In 2012, we bade farewell to longtime Office Manager Paula McCulloch and Grants Manager Dianne Ketler, and thank them for their dedicated service to the Foundation.



The
Burton D. Morgan
Foundation

Committed to the Free Enterprise System®

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