



Plan prepared by JumpStart Inc. and Start Co. Start Co. has recently created the MEM^X trademark to represent the path to transformational and exponential growth of the Memphis economy.

Contents

- **Introduction**
- **Goals and Scope**
- **Project Leadership**
 - Start Co.
 - JumpStart
- **Start Co. – Market Engagement and Perspective**
 - Memphis 4 Years Ago
 - History of the Project
- **Market Analysis**
 - Secondary Research
 - Primary Research
 - Findings



Contents

- **Recommendations – Phase I Solutions**
 - Enhance the Accelerators
 - Partners
- **Financials**
 - Phase I Solutions Budget
 - Projections
- **Measurement and Benefits**
- **Recommendations – Phases II and III Solutions**
 - Partners
 - Solutions (library, universities, minority support organizations, etc.):
The Expanded Start Co. Perspective
- **Summary of Opportunity**
- **References**
- **Appendices**



Why Now?

- The Memphis economy is broken
 - #1 in poverty*
 - Unemployment is 50% above national average (10.9% vs. 7.3%)**
- Memphis must add 10,000+ jobs just to be average***



The Memphis economy is broken and has been on a persistent decline for some time. The data is consistent, clear and shows no signs of abating or reversing. And, as troubling as the data is for the overall population, minorities and other disconnected segments of the population are fairing much worse.

*In 2012, Memphis achieved the dubious honor of having the highest overall AND child (under 18) poverty rate among Metropolitan Statistical Areas (MSAs) with populations greater than 1,000,000. When including MSAs with populations greater than 500,000, Memphis fell to third place overall (from fifth) and second place in child (under 18) poverty (from third). Citation: Elena Delavega, Assistant Professor Department of Social Work, School of Urban Affairs and Public Policy, University of Memphis, "2013 Memphis Poverty Fact Sheet (Data from 2012)"

**U.S. Department of Labor – August 2013

***Jobs required to reduce the unemployment rate in Memphis from 10.9% to 7.3% (the US average in August 2013) (<http://data.bls.gov/cgi-bin/surveymost>). And the story only gets worse when considering high tech and knowledge-based jobs. To meet national average for high tech jobs, Memphis must add over 7,000 jobs. To meet the average for knowledge-based jobs, Memphis must add over 6,000 jobs. We can't fix this by luring a new business to the city or generating a handful of entrepreneurial successes.

Fortunately, Memphis has assets, resources and results from prior programs it can build on as a first step towards recovery and success. The bad news – Memphis is late to the game. Dozens of comparably-situated regions started earlier and have committed greater levels of resources to igniting their entrepreneurial economies. The good news – Memphis can learn from its successes and mistakes to do it better.

Why Entrepreneurship?

- Conventional economic development approaches and tactics aren't working
- Nearly 100% of net new jobs in the last 30 years have come from companies 5 years old or younger*
- Young high tech businesses (those with high shares of STEM field employees) produce a disproportionate share of new jobs**



5

The inescapable conclusion from the data is that current approaches are not working, or at a minimum, are insufficient by themselves, to reverse the trends and help Memphis re-establish its thriving economy. Later sections of this plan will share additional data that illustrate the ways the Memphis economy has trailed other regions and the country in creating the types of businesses and jobs necessary for long term success.

Leveraging existing regional assets to create new, high growth businesses is critical to the creation of a thriving Memphis economy. Several recent studies illustrate the need to establish an economy that creates a continuous supply of new, knowledge and technology-based businesses. In all cases, they reached the conclusion that new businesses are the dominant source of net new jobs and that high tech young businesses produce more of these jobs than other types of businesses.

It is important to note, however, that entrepreneurship is not simply about startups. Entrepreneurship is an approach to problem solving. Entrepreneurship is a mindset that favors action over discussion. Entrepreneurship provides a set of tools and a methodology to begin to address seemingly intractable problems. Entrepreneurship is a path that leads to breakthrough solutions and continuous improvement whether the context is the private market, public institutions or charitable organizations.

Although reading and talking about entrepreneurship builds awareness, and sometimes excitement, the principles of entrepreneurship are best learned through action. With experience-based entrepreneurial education – applying entrepreneurial principles to real problems and opportunities – Memphis can achieve true leverage. With benefits across the public, private, philanthropic and charitable sectors, and by ensuring that the experiences extend to all persons, including women and minorities – Memphis has the opportunity to achieve an amplified impact in a much shorter period of time than it would by focusing only on high tech startups and high tech entrepreneurs. This approach is central to the MEM^x solution and approach.

* Dane Stangler and Robert E. Litan, “ Where Will The Jobs Come From?,” Kauffman Foundation Research Series: Firm Formation and Economic Growth, November 2009

** Ian Hathaway, Kauffman Foundation Research Series: Firm Formation and Economic Growth, “Tech Starts: High-Technology Business Formation and Job Creation in the United States,” August 2013



Before reviewing the research and recommendations, it helps to understand the specific goals and scope of this first phase of the project.

Goals – Phase I

Research, develop and help raise funds for a plan that:

- Builds on current strengths and captures current opportunities
- Improves understanding of regional entrepreneurial economy and potential
- Generates proof that informs the next generation of programs and investments



7

This plan represents the first step in a multi-phase approach to instill a spirit and practice of entrepreneurship into the Memphis economy. Start Co. raised funds to enable JumpStart to conduct the research and help prepare an action and fundraising plan. The plan will identify opportunities for Start Co. and others to implement programming with the potential to capture opportunities, improve understanding and inform next steps. For those recommendations relating to Start Co. and a number of its direct partners, Start Co., with JumpStart's assistance, will raise the funds required to turn the recommendations into action and resources. For recommendations that involve other organizations in the region, those organizations will have the option of using the research and recommendations to help them raise the resources required to implement the suggested actions. Start Co. and others will then manage their respective programming, deploy the resources and measure both activities and outcomes. Throughout this process, JumpStart will provide operating advice and assistance and otherwise help ensure the success of the effort. Start Co. and JumpStart anticipate they will work together to accomplish the steps outlined on the following slide, and will raise funds as necessary to help Start Co. and certain direct Start Co. in-region partners tap into and develop the entrepreneurial potential of the region.

The plan is not a comprehensive solution. Rather, it is a next step that will identify and attract new entrepreneurs and companies, provide greater insights into Memphis' entrepreneurial potential, and generate excitement, participation and momentum.

Scope – Phase I

Representative Actions

- Conduct secondary research on the current state of the economy
- Conduct interviews of investors, entrepreneurial support organizations, sources of innovation and intellectual property, entrepreneurs, policy makers, economic development professionals and other participants in the entrepreneurial economy
- Assess findings – and in consultation with Start Co. and other leaders– recommend high-impact next steps

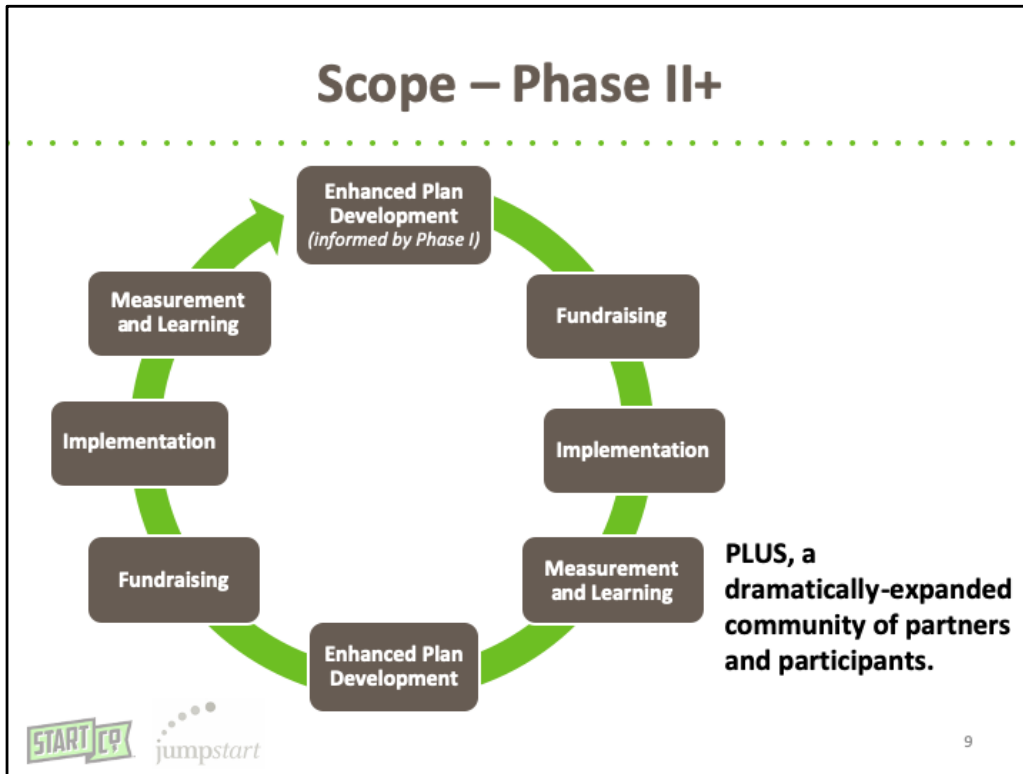
Deliverables

- Detailed business plan to implement the recommendation
- Fundraising materials/collateral
- Fundraising plan

Plan Execution, Measurement and Learning



This page provides an overview of the actions taken and deliverables generated by JumpStart and Start Co. pursuant to this project. As described later in this Plan, JumpStart and Start Co. intend to continue their collaboration during the implementation of the Plan. Start Co. will then use the data generated and lessons learned to help shape future collaborations.



As noted, however, Phase I is only a first step, or rather a next step, that builds on recently acquired information and successes. The process will be ongoing and iterative. It will encourage bold thinking, measured tests, enhanced understanding, and continuous learning and adaptation. In other words, the process will be entrepreneurial.

In some cases, Start Co. and JumpStart will be the primary providers of resources to current and potential entrepreneurs and partners. In other cases, Start Co. will facilitate the actions and interactions of others by sharing approaches, processes and other resources.

The cycle illustrated on this page is the core of the entrepreneurial process – plan, implement, measure, learn and adapt. Not surprisingly, the benefits of this approach extend well beyond the confines of high tech startups.



Although Start Co. initiated this project, and requested assistance from JumpStart, the project has engaged and attracted a large number of other current and potential partners. These partners fall into a variety of categories:

1. Historical Partners- Partners in the development and implementation of current and past programs to support high-potential startups
2. Expertise Partners- Providers of specialized expertise and assistance directly to Start Co. and its partners (e.g. JumpStart)
3. Entrepreneurship for Everyone (EE) Partners- New partners who have begun work with Start Co. to apply the principles and tools of entrepreneurship to their current operations and to the service of their clients

The breadth and depth of participation and partnerships, listed later in this plan, is powerful and growing daily.

MEM^x Project Leaders



+ MANY OTHERS



Start Co. and JumpStart are primarily responsible for conducting the regional research and creating this plan. However, as described later, the process included in-depth discussions with dozens of organizations and leaders, including leaders from the public and private sectors, philanthropy and education. In many instances, these leaders and organizations are part of continuing discussions of actions and partnerships to help create a thriving entrepreneurial economy in Memphis. The next few slides provide background information on Start Co. and JumpStart.

Start Co. Overview

- **Developed and implemented**
 - Memphis co-working space
 - Startup Weekend, BarCamp and Ignite
 - Cohort and Tech Transfer Accelerators
 - Seed Hatchery (IT)
 - Upstart (Female entrepreneurs)
 - C3 (Tech Transfer)
- **Founded Memphis Angel Network and Fund**
- **Partnered with University of Memphis to establish Entrepreneurial Journalism Certificate and college credit curricula**

501(c)3
founded in
2008



12

Start Co. has focused a great deal of its energy and resources on building a strong foundation for an entrepreneurial resurgence in Memphis. Start Co. strongly believes an economic resurgence will require the efforts and creativity of all of the region's leadership and talent including women and minorities as well as persons currently engaged in the public, private, philanthropic and educational sectors. Although success depends in part on identifying and supporting existing high-potential startups, the relatively undeveloped state of the region's entrepreneurial potential means that success is likely to depend disproportionately on efforts to establish a pervasive culture and practice of entrepreneurship. This culture and practice has the potential to create an impact significantly greater than could be achieved by providing support to a handful of high tech startups. Although the economies of Northern California, Boston and Austin provide direct support to entrepreneurs in the form of capital and expertise, the real leverage flows from the supporting culture that creates a fertile environment for innovation and entrepreneurship to take root and flourish. By harnessing the creative potential of entrepreneurship, all sectors and activities have the potential to increase performance and impact.

Start Co. Metrics

Technical Assistance, Programs and Convening*

2000

Professional Connections
Made

7500

Hours of Technical
Assistance Provided

2000

Participants in
Start Co. Programming

Portfolio Companies (Not ZeroTo510)*

\$8.1M/44 startups

Co-Investment/Follow-On Funding

\$530K/32

Direct Capital Invested or Granted by Start Co.



**Data from 2011 to present*

13

Through its accelerators, and continuous outreach to organizations providing traditional business assistance to existing companies, Start Co. has brought capital and expertise to help entrepreneurs launch and refine their business concepts. Start Co. has also partnered with the University of Memphis and others to create educational opportunities during which students and other participants learn by doing – by developing and advancing new ideas through direct engagement with potential customers and business partners.

JumpStart Overview

- Launched in 2004 in Northeast Ohio (NEO) primarily as a provider of intensive business assistance and investment capital to high tech, seed-stage startups
- Expanded to help other regions accelerate entrepreneurial successes by leveraging their strengths and addressing areas of opportunity



ADVISOR



INVESTOR



PARTNER &
ADVOCATE



RESOURCE MANAGER



14

JumpStart is one of the country's leading venture development organizations. Launched in 2004 via a unique public, private and philanthropic partnership, JumpStart was Northeast Ohio's (NEO's) response to the near collapse of the NEO economy. NEO leadership could no longer ignore the critical need for new, high-growth businesses to replace the jobs and economic activity lost as a result of the globalization of heavy manufacturing.

JumpStart (i) provides technical assistance and capital directly to entrepreneurs; (ii) partners with other supporters of entrepreneurs; (iii) advocates at the local, state and national level for policies and financial support for entrepreneurship; and (iv) helps manage the regional entrepreneurial resources via combination of technologies and processes.

The following is a list of some of the specific activities JumpStart engages in as part of its day-to-day activities in NEO:

Advisor:

- Intensive business assistance
- Mentoring
- Talent/hiring
- Education
- Access to resources

Investor:

- Investing directly in companies

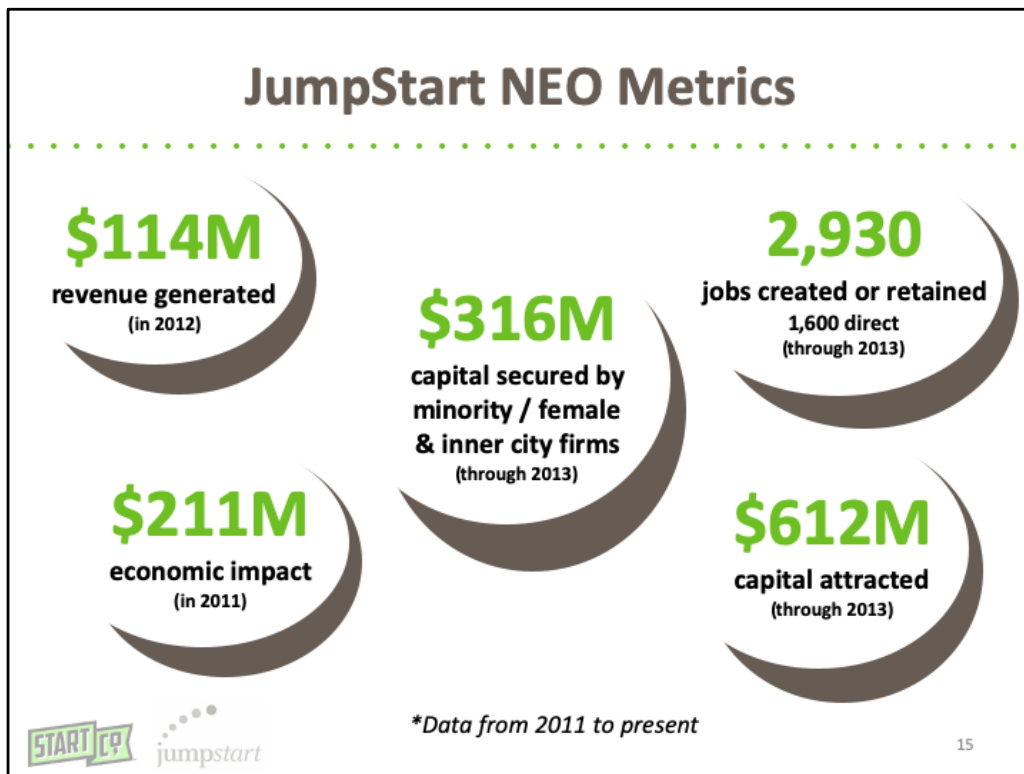
Partner and Advocate:

- Champion new resources and programs (Goldman Sachs 10,000 Small Businesses)

- Assist communities in supporting their local entrepreneurs (hyper-local funds)

Resource Manager:

- Manage Network of 30 entrepreneurial resources to deliver efficient/effective support
- Fundraise, collect metrics and provide admin/accounting/marketing “back office” operations



These numbers provide a sense of JumpStart’s impact in Northeast Ohio since 2004.

- \$114M in revenue generated by JumpStart companies in 2012
- 2,930 jobs created or retained through 2013 (current); 1,600 of those are direct
- \$316M in capital secured by minority/female and inner city firms through 2013
- \$211M in economic impact via small high-potential companies in 2012; \$688M in economic impact in Ohio from 2010-2012
- \$612M in capital attracted through 2013 (current)

It is important to note that JumpStart provides resources and assistance to 16 other organizations in NEO that in turn provide assistance to entrepreneurs. In a number of cases, JumpStart was instrumental in the formation and funding of these organizations even though JumpStart has no financial interest in or control over the vast majority of these organizations.

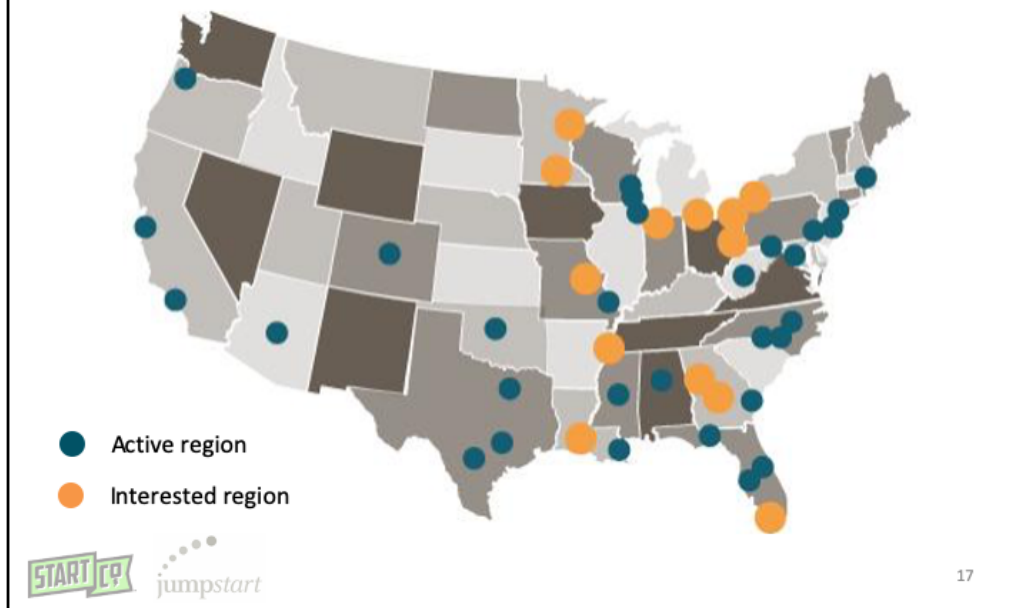
JumpStart NEO Engagement

- Targeted Opportunities
 - High-tech startups too early for angel/venture investment
- Companies Assisted
 - 445 companies receiving >15 hrs. of technical assistance
 - 76 companies receiving a direct investment
 - Average Investment – \$381K (initial investment of \$250K)
 - Aggregate Investment – \$28M
- 17 Network Partners
 - Entrepreneurial support organizations sharing data and deal flow via the Salesforce.com-enabled JumpStart Entrepreneurial Network



JumpStart's programming and responsibilities have grown and evolved significantly since it opened its doors in 2004. These are a few highlights.

JumpStart's Regional Engagements



In 2010, at the request of the U.S. Department of Commerce, and with support from the Economic Development Administration (EDA), the John S. and James L. Knight Foundation and the Surdna Foundation, JumpStart began to work in regions outside of Northeast Ohio. Specifically, JumpStart helped these regions tap into their entrepreneurial potential. In most cases, JumpStart helped regional leaders identify an opportunity to advance entrepreneurship and create a plan to capture the opportunity. JumpStart often helped raise necessary funding and provided operational advice and assistance. The orange dots on the map mark active projects. The blue dots represent regions that have contacted JumpStart and expressed interest in learning more. To date, JumpStart has worked in 15 regions throughout the U.S. in addition to Northeast Ohio. JumpStart brings to each engagement tactics and lessons learned from these engagements, as well as its work in Northeast Ohio. In each case, however, JumpStart recognizes the absolute necessity of building on the leadership, assets and achievements of each region rather than a one-size-fits-all approach.

Several of the more common, high-impact projects include the following goals and characteristics:

- Increasing the participation of female and minority entrepreneurs (inclusion)
- Recruiting talent needed by entrepreneurial companies
- Developing productive collaborations via proven practices and processes
- Fundraising and implementation assistance
- Developing and running targeted pilot programs to generate market information and identify untapped opportunities

A slide with a white background and a black border. A horizontal dotted green line is positioned near the top. A solid green rectangular bar is centered in the lower half of the slide, containing the text "START CO. – MARKET ENGAGEMENT AND PERSPECTIVE" in bold, dark grey, uppercase letters. In the bottom left corner, there are two logos: "START CO." in a stylized font and "jumpstart" in a lowercase, sans-serif font with a dotted line above it. The number "18" is located in the bottom right corner.

How did Start Co. develop its unique perspective on leveraging entrepreneurship broadly across non-traditional partners?

Start Co. – 2008-2010

- **2008: Founded by Eric Mathews**
 - Technical assistance to founders and companies
- **2009-2010: Expanded Programming**
 - Structured programming and education, expanded technical assistance, co-working space, mentoring
 - Lean approach to engaging with founders and companies
 - Incorporating feedback and lessons learned



19

As a graduate student at the University of Memphis and as the Associate Director of the FedEx Institute at the University of Memphis, Eric worked with innovative thinkers to help transform their ideas into viable business concepts. He saw the power of working with innovators to create entrepreneurial opportunities from good ideas that would otherwise simply remain as good ideas in the absence of the introduction of entrepreneurial thinking and tools.

Operating with extremely limited resources, Eric didn't have the option of investing capital in the business concepts or in the construction of physical assets, such as an incubator or other similar facility. Instead, he and Start Co. (formerly LaunchYourCity.com) refined the tools and educational materials needed to help people identify and unlock the entrepreneurial potential of their good ideas.

Start Co. became a catalyst for entrepreneurial activity. Perhaps even more important, Start Co. began to see how entrepreneurial thinking and tools could do more than improve the prospects for existing entrepreneurs and their companies. They could help create new ones and increase the region's entrepreneurial potential even without a major investment of capital. Certainly capital was and is a necessary resource, but as confirmed in regions throughout the U.S., capital by itself does not create quality entrepreneurs or deal flow. Out of necessity, Start Co. focused its only resources – expertise and enthusiasm – on the Memphis market and saw immediate benefits in the form of new opportunities, new entrepreneurs and the beginnings of an entrepreneurial culture. These lessons and benefits were as meaningful for university students and faculty as they were for historically disconnected groups, such as women and minorities.

Start Co. – 2011

- **Accelerators, Research, Engagement**

- First Seed Hatchery accelerator cohort (3 to-date)
- Andre Fowlkes joins Start Co.
- In-depth research on the Memphis economy
- Relationship-building with a diverse group of regional partners
- Search for resources and best practices
- Initiated partnership with JumpStart for assistance, best practices and access to resources



20

Andre Fowlkes joined Eric early in 2011. A Memphis native, he returned to the city after spending almost 10 years in New York and San Francisco as a financial manager for high net worth individuals. Andre rapidly became involved in a wide variety of civic organizations and initiatives focused on helping ignite a resurgence of the Memphis economy. Andre immersed himself in the Memphis economy, the region's nascent interest in entrepreneurship, and the unproductive and unsustainable lack of participation by minorities and women in mainstream economic development efforts. Together, Andre and Eric, with timely assistance from Solidus Company, scraped together the resources to initiate the first cohort accelerator program in the region, Seed Hatchery. They also initiated a partnership with the University of Memphis School of Journalism and secured Start Co.'s partnership with JumpStart.

Start Co. – 2012-2013

- **Expanded Research, Engagement and Partnerships**
 - Continued economic research and entrepreneurial opportunity identification
 - Managed Emerge Memphis (interim role)
 - Part of the team that helped launch C3, a tech transfer accelerator*
 - First cohort of Upstart, an accelerator for female entrepreneurs
 - Provided assistance to Bioworks in the creation of the first Zero to 510 accelerator
 - Partnership with University of Memphis on Journalism Entrepreneurship Certificate
 - Expanded partnerships with diverse group of partners



21

*C3 was an accelerator fashioned and delivered by Bioworks and Start Co. working with the University of Tennessee, St. Jude Children's Research Hospital, The University of Memphis, and the Memphis Research Consortium. They developed C3 to help enhance the entrepreneurial awareness and practices within the tech transfer functions at these research institutions.

From 2011 through 2013, they solidified their commitment to (i) using technical assistance and entrepreneurial experiences to create new opportunities and new entrepreneurs; (ii) extending the entrepreneurial culture and practices to an inclusive group of individuals and a broad range of public, private, philanthropic and educational endeavors; and (iii) establishing working partnerships across these segments to generate the leverage the region needed to make a dent in the persistent decline of its economy.

Observations and Lessons Learned

- Traditional approaches to economic development haven't been able to reverse the persistent underperformance of the Memphis economy.
- Targeting a select group of high-tech entrepreneurs and high-tech startups with programming and capital will not generate the needed impact in the absence of a few "lottery wins."
- To generate the required impact, and to secure required funding and support, **the solution must extend entrepreneurial thinking, tools and culture to the entire Memphis population** across a full range of public, private, philanthropic and educational endeavors.



22

This is a list of Start Co.'s primary takeaways from its almost six-year journey. The first observation, that traditional approaches aren't working, is not a criticism of existing efforts. Rather, it reflects the fact that for over a decade the Memphis economy has been heading in the wrong direction.

The second lesson is based in part on the low level of quality deal flow and the extremely low probability of a few entrepreneurial successes of sufficient magnitude to impact a regional economy. If the region achieves a number of small successes and publicizes them well, the information could help accelerate the development of an entrepreneurial culture. It would, nevertheless, take a relatively long time for these successes and the developing entrepreneurial culture to (i) produce a large number of quality deals, and (ii) transform those deals into companies sufficient in size and number to change the trajectory of the regional economy. While pursuing these opportunities is part of the solution, it cannot be the whole solution.

The third lesson rests on Start Co.'s early successes introducing entrepreneurship to a more inclusive group of individuals and generating interest in entrepreneurship by partners engaged in a more diverse set of public, private, philanthropic and educational endeavors. By extending the principles and tools of entrepreneurship to existing businesses, governmental operations, educational institutions or social service organizations, Memphis has the potential to begin to generate a positive economic impact sooner than relying on tactics and strategies restricted to high tech startups. While most regions of the country have only had limited success engaging the public, philanthropic, social service and educational sectors in considering entrepreneurship as a way to improve their core performance, Start Co. has engaged with leaders in these sectors and the early actions and discussions are extremely promising.

Entrepreneurship for Everyone

- **Traditional Perspective** – Entrepreneurship is for the small group of entrepreneurs with disruptive, market-changing opportunities
- **MEM^x Perspective** – Entrepreneurship is for everyone
- **Entrepreneurship for Everyone – The Key Questions:**
 - What if we could challenge every premise?
 - What if we could bring fresh, creative and inspired energy to everything we do?
 - What if we were free to experiment...to try, measure and learn without fear of failure?
 - What if we had a set of tools to help plan, test, measure and learn from our experiments?
 - **What could we accomplish if ... ?**



23

Traditional Perspective – Entrepreneurship is a valuable piece of the economic puzzle to be practiced by a small group of persons and companies. We need to find and enable them...

MEM^x Perspective – Entrepreneurship is a framework, a set of tactics, a strategy and a philosophy to inclusively engage everyone – the public and private sectors, philanthropy, social services, education ...

The MEM^x Approach – Creative, energetic, measured, capable and sometimes inspired actions to test the possibilities ... to answer the question: “**What could we accomplish if ...?**”

It’s time for entrepreneurship to have a seat at the table, and fortunately, it’s beginning to happen. New partnerships are forming. New tests are underway.

Types of Partnerships

- Historical Partners
- Expert Partners
- Entrepreneurship for Everyone Partners (“EE Partners”)



24

As noted earlier, Start Co.'s partners fall into three categories:

1. Historical Partners- Partners in the development and implementation of current and past programs to support high-potential startups
2. Expertise Partners- Providers of specialized expertise and assistance directly to Start Co. and its partners (e.g. JumpStart)
3. Entrepreneurship for Everyone (EE) Partners- New partners who have begun work with Start Co. to apply the principles and tools of entrepreneurship to their current operations and to the service of their clients

These categories help explain the past and future benefits of the “Entrepreneurship for Everyone” approach.

Unconventional Partnerships

- Minority Support Organizations
- Memphis Public Library
- City Government
- Charitable Foundations
- Private Corporations
- Higher Education Institutions
- Small Minority and Women Business Enterprises (SMWBE) Support Organizations
- Others



The listed unconventional partnerships are primarily Historical or EE Partners. Many of these conversations have a long way to go, but the early interest, discussions and engagement are promising .

In each of these cases,

1. Entrepreneurship and the grass roots efforts of Start Co. helped bring these organizations to the table;
2. The partners are beginning to understand, and in some cases beginning to experiment with the potential to use the principles of entrepreneurship to improve their day-to-day operations and impact;
3. For many, this is the first time they've been introduced to the practice of entrepreneurship; and
4. The discussions are characterized by interest, respect and an exchange of information.

MEM^x Current Partners

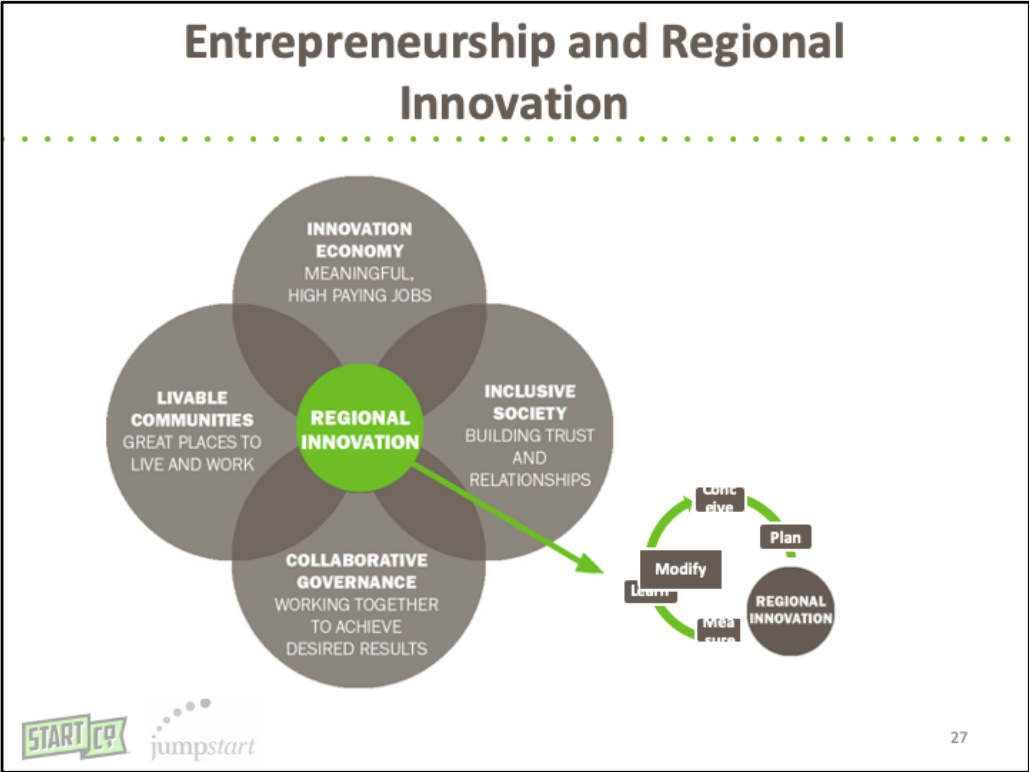
- American Airlines
- Angaros Group
- Archer Malmo
- Baker Donelson
- The Black Business Association
- Crews Center
- EmergeMemphis
- Global Accelerator Network
- Innova
- Launch TN
- Library SBRC
- Marston Group
- MB Ventures
- Memphis Chamber Small Business Council
- MMBC Continuum



26

This list is representative of all three categories of partners. In most cases, Start Co. played a material role in engaging with or otherwise convening the partners around the use of entrepreneurship to provide a lift to the Memphis economy. The list is a snapshot in time and will continue to grow. Not all of the organizations will participate aggressively in Phase I, but each has expressed interest in learning how entrepreneurship can advance its mission.

The list is remarkable for several reasons. First, the mission and activities of most of these organizations is not generally associated with entrepreneurship. Their presence and active engagement in these discussions reflects the patient yet persistent efforts of Start Co. to help them understand the relevance of entrepreneurship to their work. Second, the listed partners together are representative of Memphis' racial, ethnic and economic diversity as would be necessary to any workable and effective solution. Third, this is not just a list. The interest is real. The conversations, exchanges, and in many cases agreements are real. Phases II and beyond will include increased engagement, education and programming, and in some cases, Start Co. will help partners join the Memphis entrepreneurial economy concurrent with Phase I. At a minimum, this list is solid evidence of the potential and possibilities.



One of the unique aspects of the Start Co. “Entrepreneurship for Everyone” approach is the application of the principles and tools of entrepreneurship by the EE Partners which include a wide range of organizations with missions outside of the traditional confines of economic development. This diagram shows how educational, social service, philanthropic and other types of organizations can use entrepreneurship to increase productivity and impact.



To help inform the this plan and solution, Start Co. and JumpStart engaged in a combination of primary and secondary research. The work performed by JumpStart built on information gathered by Start Co. and others over the last several years.



Although JumpStart and Start Co. reviewed a wide variety of data and research, their secondary research focused on Memphis poverty, educational attainment, high tech employment, knowledge worker employment, unemployment and related measures of economic performance.

Secondary Research

To substantiate hypotheses developed through extensive interviews, JumpStart reviewed:

- Regional innovation and economic competitiveness data
- Information gathered during the preparation of the “Charter of the Memphis Shelby County Metropolitan Government”*
- U.S. Census data on regional population, demographics and economics
- Labor, workforce and regional cluster analyses
- University R&D, SBIR and STTR data
- Historical data on regional venture capital investment
- Historical deal flow data as reported by the region’s accelerator programs
- And more...



A complete list of reference materials can be found in the Appendix 30

*Andre Fowlkes served as Vice Chair of the Memphis and Shelby County Metropolitan Charter Commission (2010)

These materials provided a solid overview of the current state of the Memphis economy in general, as well as the Memphis entrepreneurial economy.

Memphis Poverty Rates

Memphis		2011		2012			
		Poverty Rate	Poverty Rank	Poverty Rate	Poverty Rank	Rank Change	% Change
Among Cities with Populations Greater than 500,000 (33 Cities)	Overall	27.2%	5 th	28.3%	3 rd	-2	4%
	Under 18	42.1%	3 rd	44.3%	2 nd	-1	5.2%
Among MSAs with Populations Greater than 500,000 (101 MSAs)	Overall	19.3%	11 th	19.9%	9 th	-2	3.1%
	Under 18	28.9%	8 th	29.7%	8 th	----	2.8%
Among MSAs with Populations Greater than 1,000,000 (51 MSAs)	Overall	19.3%	2 nd	19.9%	1 st	-1	3.1%
	Under 18	28.9%	1 st	29.7%	1 st	----	2.8%

*Elena Delavega, Department of Social Work, School of Urban Affairs and Public Policy, University of Memphis 2013 Memphis Poverty Fact Sheet



The data in this table provides a clear and troubling view of the Memphis economy, and, unfortunately, the situation has been this way for over a decade without compelling evidence that things are improving on either an absolute or relative basis.

- In 2012, Memphis had the highest overall and child (under 18) poverty rate among Metropolitan Statistical Areas (MSAs) with populations greater than 1,000,000
- Memphis fell to 3rd place overall (from 5th) and 2nd place in child (under 18) poverty (from 3rd) among MSAs with populations greater than 500,000
- Among cities with more than 500,000 inhabitants, Memphis fell from 11th to 9th place overall, and remained in 8th place in child poverty (under 18)
- With its overall poverty rate increasing to 19.9% in 2012 from 19.3% in 2011, Memphis went from 2nd to 1st place in overall poverty rates for MSAs with populations greater than 1,000,000

Memphis & Shelby County Poverty Rates

2012 Poverty Rate	Overall	Caucasian	African American	Hispanic	Asian	Under 18	18-64	Over 65
Memphis	28.3%	11.9%	33.6%	43.1%	28.7%	44.3%	24%	15.9%
Shelby County	21.7%	8.1%	30.3%	35.6%	16.1%	32.8%	18.7%	12.7%
Tennessee	17.9%	14.9%	29.2%	35.2%	16.8%	25.8%	16.8%	10%
United States	15.9%	13.8%	28.1%	25.4%	13%	22.6%	14.8%	9.5%

*Elena Delavega, Department of Social Work, School of Urban Affairs and Public Policy, University of Memphis 2013 Memphis Poverty Fact Sheet



32

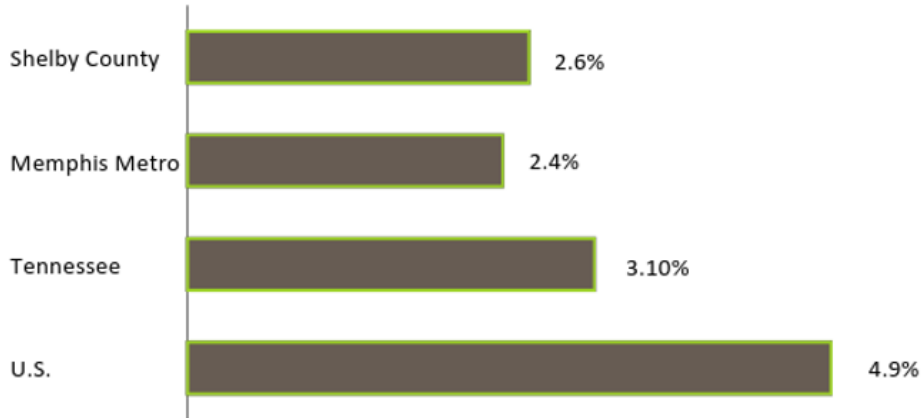
And the situation is even worse for the region’s minority population. As of the last Census (2010), the persons reporting their race as black or African American represented 63.3% of the Memphis population and 52.8% of the Shelby County population. Hispanics represented 6.5% of the population. U.S. Census Bureau (www.census.gov).

- In general, poverty rates for the City of Memphis are higher than poverty rates in Shelby County for every category
- Both are higher than poverty rates in Tennessee
- Tennessee poverty rates are higher than U.S. poverty rates in almost every category (racial and ethnic groups, and age groups)
- Poverty rates for Caucasians (non-Hispanic) have fallen since 2009, and are lower than poverty rates for this group at the state and national levels

Any credible solution must ultimately provide a path toward remedying this disparity in economic status, while at the same time tapping into the entrepreneurial talent and creativity of the entire Memphis and regional population. Although no quick fix exists, the discussions among the developing new partnerships described earlier is a solid first step – not a step towards a “lottery win” (i.e. “the next Google”) – a step toward incorporating the principles and practices of entrepreneurship to begin to introduce positive change across a wide swath of the Memphis and regional economy.

High Tech Employment Share

Average High Tech Employment Share, 1997-2009



*Innovation Index, StatsAmerica (<http://www.statsamerica.org/innovation/>)



In reviewing the secondary research, it also became clear that Memphis trailed the State of Tennessee and the U.S. in the percentage of its workforce engaged in high tech employment.* For purposes of the index, “high tech employment” means “firms requiring a highly skilled and specialized workforce.” As noted in the report, “[f]irms requiring a highly skilled and specialized workforce contribute to innovation in a region by providing a resource for workers, other firms and other industries.” This metric measures the region’s innovation capacity at a point in time rather than growth of innovative capacity in the productivity of its workforce. The measure is, however, based on aggregated statistics over time, generally a decade or more, rather than on snapshots of recent data.

*Innovation Index, StatsAmerica (<http://www.statsamerica.org/innovation/>)

Tech-Based Knowledge Occupations

Technology-Based Knowledge Occupations
Share of Total Employment, 2009



*Innovation Index, StatsAmerica (<http://www.statsamerica.org/innovation/>)



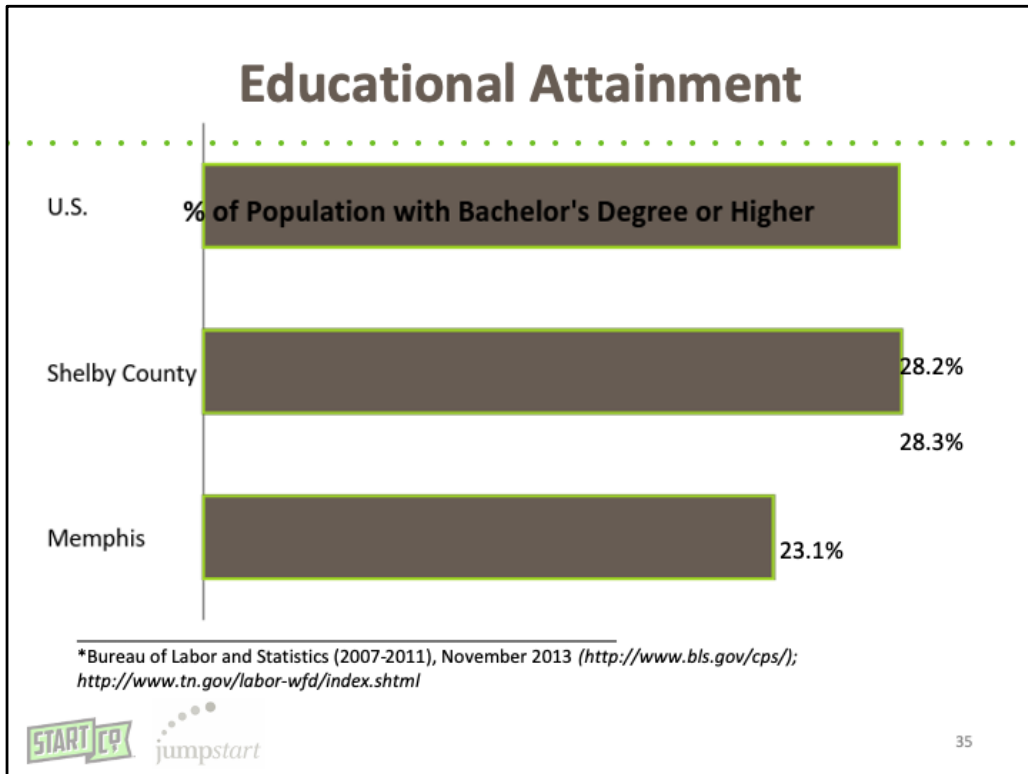
34

The city, county and state also trailed the U.S. in the percentage of knowledge occupations.*
Knowledge occupations include:

1. Information technology;
2. Engineering;
3. Health care and medical science practitioners and scientists;
4. Mathematics, statistics, data and accounting;
5. Natural science and environmental management; and
6. Postsecondary education and knowledge creation.

This data helps explain the region's lagging performance over the last 10+ years.

*Innovation Index, StatsAmerica (<http://www.statsamerica.org/innovation/>)



The combination of these statistics – high tech employment share, technology-based knowledge occupations, and educational attainment – highlight the challenges faced by Memphis and the surrounding region. As the country's more successful regional economies grew their numbers and percentages of knowledge occupations and businesses, Memphis and many other regions did not. Entrepreneurship can be an effective solution to change the game for economic development. How do we SOLVE poverty and unemployment? Existing methods are stagnant. The system is broken.

*Bureau of Labor and Statistics, November 2013 (<http://www.bls.gov/cps/>); <http://www.tn.gov/labor-wfd/index.shtml>

Impact of High-Technology Business Formation on Job Creation

Over the last three decades:

- The new business formation rate is 23% more prevalent from the high tech sector and 48% more prevalent from the information and communications technology sector (ICT) than for private sector as a whole*
- Compared to private sector firm birth rate (down 9% in 2011 compared to 1980), high tech firm birth rate increased 69% and ICT firm birth rate increased 210%*
- The job-creation rate of surviving, young high tech startups is twice as high as the rate for all startups*
- “High-tech and ICT firm formations are becoming increasingly geographically dispersed” as compared to private sector startups as a whole*

*“Tech Starts: High-Technology Business Formation and Job Creation in the United States,” Kauffman Foundation Research Series: Firm Formation and Economic Growth, August 2013.



36

Two reports from the Kauffman Foundation, one in 2009 and one published in August 2013, shed some light on the economic performance of the Memphis region in light of its relatively low rates of high tech and knowledge occupations. Certainly the cause and effect relationship is circular, but this information nevertheless provides some insights into how Memphis can begin to alter the trajectory of its economy. In its 2009 study, titled “Where Will The Jobs Come From?,” (Kauffman Foundation Research Series: Firm Formation and Economic Growth), Kauffman reported that nearly 100% of net new jobs in the last 30 years have come from companies 5 years old or younger. In its more recent study, titled “Tech Starts: High-Technology Business Formation and Job Creation in the United States” (Kauffman Foundation Research Series: Firm Formation and Economic Growth, August 2013), Kauffman highlighted the disproportionate impact that high tech and ICT firms have on job creation as compared to the average impact for all startups and young companies. The slide highlights some of the more significant conclusions.

The last bullet is particularly significant. High-tech and ICT firms are increasingly able and willing to locate outside of traditional tech centers. Although the implications of this information are complex and worthy of in-depth analysis, they also serve as the basis for some measured action – some of which has already occurred. For example, several of the participants in the Zero to 510 Accelerator relocated from other regions of the country. The presence of the accelerator and related assets served as an attractor. By packaging existing assets and then implementing a measured test (the Zero to 510 Accelerator), the region identified a relatively efficient and effective way to increase the number of quality high tech startups. Across its programs, Start Co. and others have seen similar relocations to the benefit of the community.

PRIMARY RESEARCH
Regional Resource Providers and Deal Flow Analysis

START CO jumpstart

37

In the course of the primary research, JumpStart and Start Co. spoke with knowledgeable and engaged organizations and individuals. Through the discussions and interviews, we attempted to gain additional information and insights on the region’s entrepreneurial deal flow and deal flow potential, as well as the assets and resources available to support the deal flow and entrepreneurs. Before reviewing the results, it is important to understand the term “deal flow” in context of an entrepreneurial economy and ecosystem. For now, a working definition of the term is – all ideas, opportunities and companies with the potential with time and appropriate resources to develop into attractive investments for angel, venture capital and other equity investors with similar risk and return profiles. A more detailed explanation of definition of deal flow begins on slide 44.

Individuals Interviewed

- Entrepreneurs
- Investors
- Providers of expert services and specialized facilities
- University leaders, administrators and faculty
- Regional policy makers and elected officials
- Ecosystem funders
- Regional and community foundations
- Leaders of SMWBE resource providers
- Private business leaders



JumpStart and Start Co. interviewed a large number of individuals with a range of current or prospective roles in the Memphis entrepreneurial economy. JumpStart interviewed approximately 55 people in one-on-one or small group meetings. JumpStart presented information on entrepreneurship and the project to approximately 300 additional persons over the last year. In addition, Start Co. has engaged with 200 additional individuals through programs, individual meetings, group sessions and presentations.

Engaged Organizations (Representative List)

- Anonymous Foundation
- Archer Malmo
- Bay Area Council Economic Institute
- Black Business Association
- Chairman's Circle
- City of Memphis
- EDGE
- Emerge Memphis
- FedEx Institute of Technology
- Harvard Kennedy School
- Ash Center for Democratic Governance and Innovation
- Hispanic-Net
- Incubator
- Launch TN
- Memphis Bioworks
- Memphis Chamber of Commerce
- Memphis Public Library
- Memphis Library Foundation
- MMBC Continuum
- MORE
- New Memphis Institute
- Pacific Community Ventures
- Renaissance Business Center
- Rhodes College
- Shelby County
- Tennessee Small Business Development Center
- University of Memphis
- University of Tennessee Research Foundation



39

This is a partial list of the organizations interviewed as part of the primary research. The organizations interviewed represent a broad cross section of participants in the regional economy including traditional support and economic development organizations, universities, governmental entities, the public library, minority support organizations, and corporate groups and leaders. The list also included organizations outside the region like Pacific Community Ventures (San Francisco). Since 2011, Start Co. has been actively searching for and engaging with persons and organizations located throughout the US with the express purpose of bringing resources and best practices to Memphis (the Expertise Partners) as well as raising the profile of Memphis as a source of entrepreneurial opportunities, programming and talent. This list includes all three of the partner categories: Historical Partners, Expert Partners and Entrepreneurship for Everyone Partners.

Primary Research – Focus

- Entrepreneurial Support Assets
- Qualified Deal Flow
- Gaps and Opportunities



40

In conducting interviews, JumpStart attempts to gain an insider's view of the assets and opportunities present in the regional entrepreneurial economy. JumpStart starts with those organizations and individuals providing support to the region's startup entrepreneurs – specifically, those entrepreneurs with ideas, concepts and companies with the potential to change markets and create enormous value for clients, customers and investors. These persons and organizations are magnets for this type of high-potential start-up deal flow, and are therefore the best source of information on the volume and quality of such deal flow.

Primary Research – Specific Objectives

- Understand **existing resources** (e.g. expert assistance, capital, specialized equipment/facilities, etc.) to support entrepreneurs attempting to bring their ideas and innovations to market
- Identify and organize current **deal flow** or potential sources of deal flow by phase of commercialization, technology/market, source, etc.
- Identify **promising entrepreneurs** or sources of entrepreneurial thinking/action
- Identify **gaps in assistance or capital** to help promising entrepreneurs bring their ideas or innovations to market
- Characterize the **entrepreneurial culture** in Memphis and the resources available to broadly instill the culture and support resulting action



41

As noted, JumpStart and Start Co. extended their discussions beyond the core group of existing, traditional participants in the high-potential, startup-focused entrepreneurial economy. Although these discussions did not contribute materially to the estimates of current Qualified Deal Flow, they represented initial steps in building the region's capacity to generate entrepreneurial talent and opportunities.

Entrepreneurial Support Resources

- Organizations with resources specifically targeting entrepreneurs with high potential deal flow not yet ready for professional investment
 - Bioworks
 - Start Co.
 - Innova
 - Wolf River Angels
 - Emerge Memphis
- Although the region is home to an array of other small business support and assistance providers, these organizations generally lack the expertise and financial resources needed by entrepreneurs and their high potential deal flow

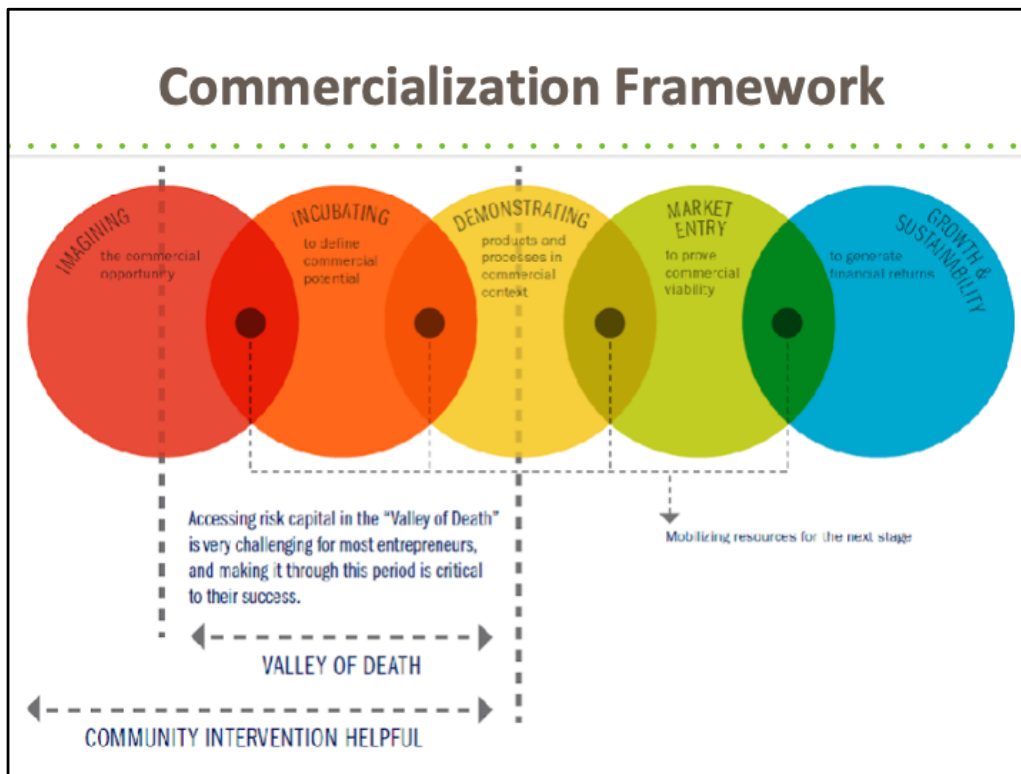


42

Bioworks has equipment and facilities available to help healthcare entrepreneurs in the medical device, diagnostics and pharma market segments. Bioworks is also home to the Innova seed fund which has invested over \$13 million in in early stage bio-tech companies. In most cases, these companies were early enough in their development that they would have struggled to find capital elsewhere.

Wolf River Angels is a new angel fund formed by the leaders of Start Co. Wolf River has limited funding for a handful of opportunities and is likely to focus on the best tech company graduates of the Start Co. accelerators.

With a combination of resources, Emerge Memphis primarily serves funded entrepreneurs seeking to prove the viability of their business models.



This Commercialization Framework is a guide to help improve decision making at all phases of commercialization. The framework illustrates the primary phases of commercialization, the primary focus of the activities in each phase, and the funders who generally fund those activities. Looking at the Framework from left to right, it becomes a useful tool for entrepreneurs—not only to help them understand where they are today, but also to identify the likely resource providers in the next phase. The accelerators run by Start Co. generally focus on opportunities in the Imagining and Incubating phases. In its work with university students and others, Start Co. also helps budding entrepreneurs identify new problems and solutions that could become the basis for a startup. In other words, by introducing people to entrepreneurship as a way to identify and solve problems, Start Co. helps increase the region’s capacity to generate deal flow.

Bioworks generally works with companies in the Incubating and early Demonstrating phases of commercialization but has reached back into the Imagining phase on a number of occasions to license technologies and start new companies—arGentis and Vaxent are two such companies. Although the terminology and milestones are different in biotech than in other less regulated industries, Bioworks’ Zero to 510 accelerator nevertheless focuses on companies not yet ready for investment by professional biotech angel and venture investors.

As mentioned on the prior page, Emerge Memphis generally provides technical assistance to funded companies. Firms able to afford space in the incubator are likely to be in the late Demonstrating or early Market Entry phases.

A more detailed explanation of the phases of commercialization can be found in the Appendix.

Qualified Deal Flow Definition

- **Startup or early stage companies or concepts**
 - With enormous potential for value creation, growth and wealth creation (generally technology-based)
 - Lacking the level of technical, product or business model proof generally desired by for-profit investors
- **Often technology-based**
- **Located in or willing to relocate to the region**
- **Ranging from raw ideas (Imagining Phase) to existing companies lacking the technical and commercial proof desired by angel or venture capital investors (Demonstrating Phase)**



44

Before proceeding, it is important to distinguish the investment activities of angel, venture capital and other equity investors relative to other sources of capital, such as banks. Equity investors take enormous technology and market risk relative to banks, but even equity investors have their limits. They require some level of technology-related proof – specifically, proof that a company or entrepreneur can apply the technology or other intellectual property in the form of a product or service to create value in a commercial context. The primary technology-related risks often stem from the packaging of the technology in the form of a product/service, manufacturing, delivery or maintenance/support. For-profit investors also require some proof of the business model – proof that the entrepreneur or company can sell the product/service, service the product, collect revenue, make a profit and otherwise build a successful business.

The deal flow analysis performed by JumpStart attempts to identify those deals that have yet to achieve the level of proof required by for-profit investors in the applicable technology or market segment. Except in those few regions of the country that possess the resources and culture to help a greater percentage of these not-ready deals generate the proof necessary to qualify for the investments they need for their businesses to succeed, most of these not-ready deals stagnate or fail. These deals are the raw materials for a resurgence of entrepreneurship.

Deal Flow Data

- How many in Memphis?
 - Approximately 130 deals annually meet the definition of deal flow as outlined on the prior page
- Phase of commercialization?
 - Approximately 100 in the Imagining Phase (mostly ideas and concepts)
 - Approximately 30 in the Incubating/Demonstrating Phase



45

In considering the estimates, it is important to remember these are estimates of the new deals the region attracts or generates each year, not the aggregate of all persons/companies the various support organizations have met or assisted over the last several years. Since the region lacks a common set of definitions and a system or process for tracking Qualified Deals (those in the earliest phases of commercialization), removing duplicates and otherwise recording these opportunities, the numbers are simply estimates. The purpose of the deal flow research is to determine whether the region generates a large number of quality opportunities, many of which could develop into investment-ready companies if provided access to quality technical assistance and capital. Given that most of these deals are at the earliest and riskiest phase of development (Imagining), and that well over 90% of Imaging phase opportunities never become investment-ready companies, the Memphis deal flow is extremely low.

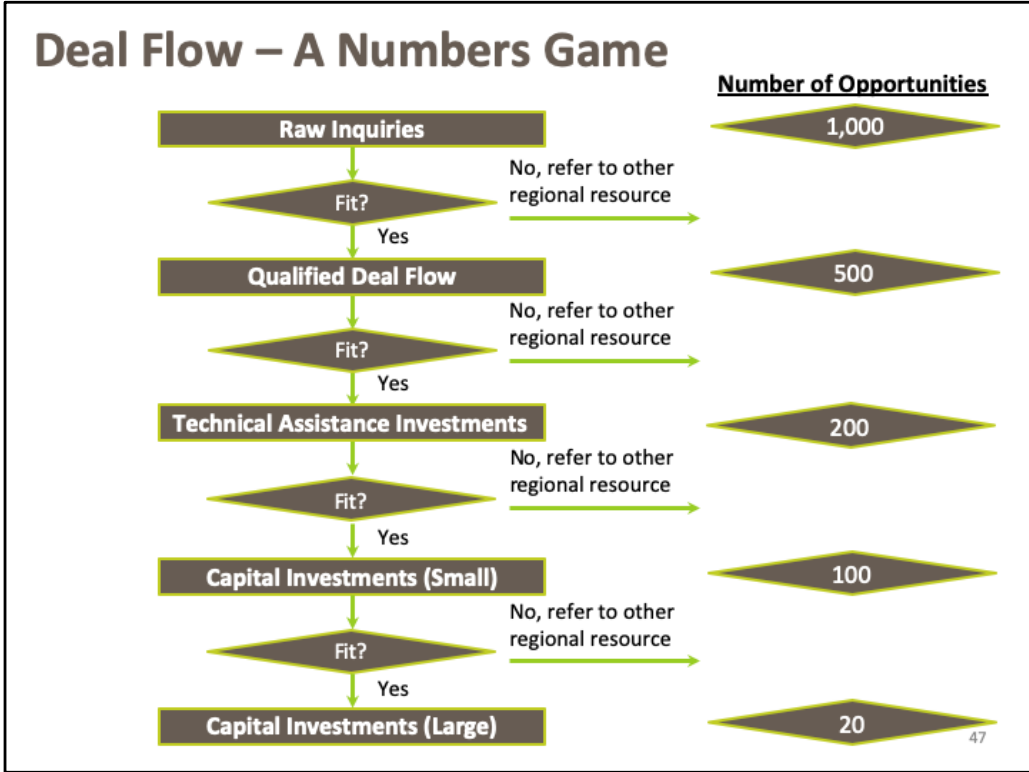
The data JumpStart used to estimate the deal flow is based in large part on the number of inquiries and participants in the various Accelerators conducted by Start Co. and Bioworks, the number of persons and organizations receiving technical assistance from these groups, as well as information from the University of Tennessee and the University of Memphis technology transfer offices. Unfortunately, the region has relatively few sources of high potential startup of deal flow.

Additional Deal Flow Data

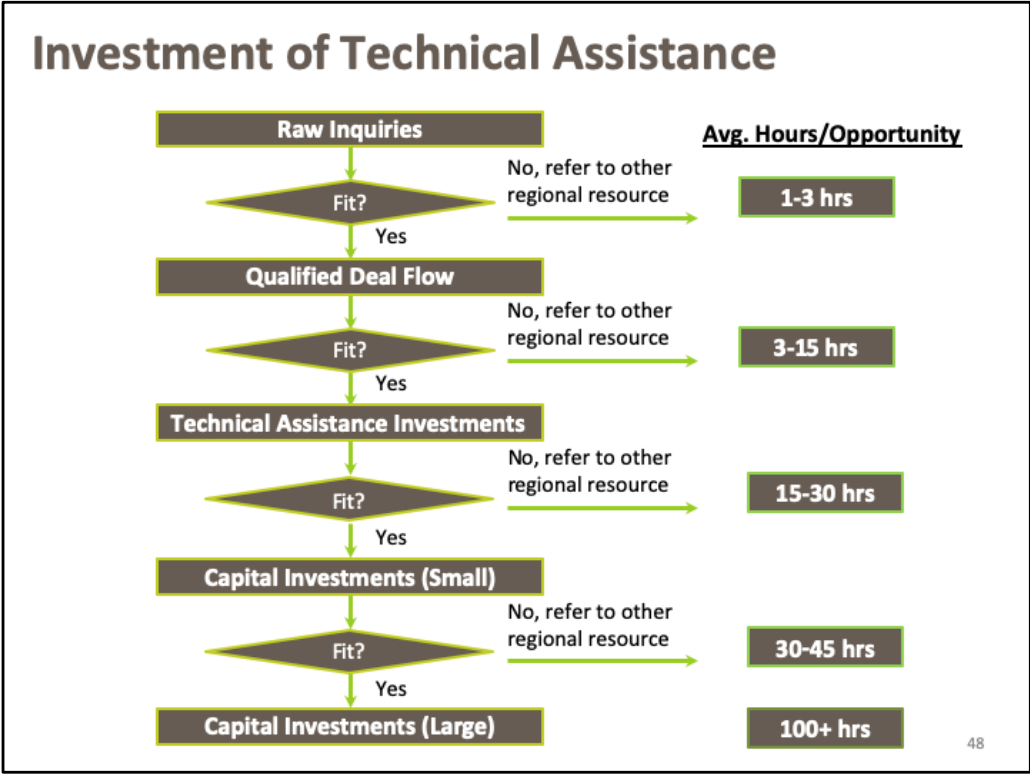
- **Typical Categories**
 - Tech / Software / IT
 - Bioscience (Device / Pharma / Agriculture, Software / Systems / Biologistics)
 - Advanced Manufacturing
 - Advanced Materials
 - Healthcare
 - Instruments / Controls / Electronics
 - Retail
 - Social Media
 - Other
- **Analysis**
 - Numbers too low for meaningful analysis



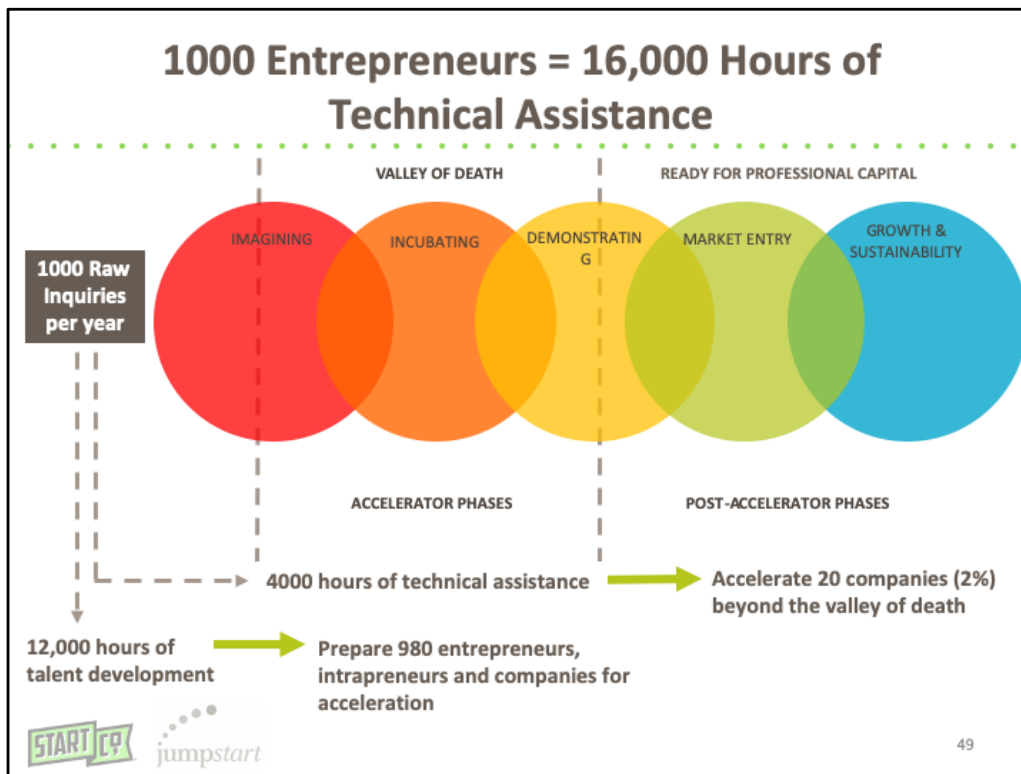
Although the goal was to analyze the deal flow for deeper insights to guide future investment, the dominant characteristic of the deal flow in Memphis is the low number of Qualified Deals. At Start Co., the majority of the deals are in the Tech / Software / IT market segments. Start Co. has, however, begun to see some deal flow from the Retail and Social Media segments. Most of the Bioworks deal flow is in and involving the Biosciences market segment with new interest in Ag-Bio, Biomedical and Bio-Logistics. As one of the country's first accelerators of its type, Zero To 510 has attracted a number of quality opportunities from Atlanta and secured meaningful co-investment and follow-on funding for many of the participants in its accelerators.



This diagram illustrates the relative scarcity of Qualified Deals that merit significant investments of technical assistance (mentoring, expert services, etc.), small amount of capital (\$25k-\$50k) and large amounts of capital (\$250k-\$500k) when compared to the relatively large number of requests for assistance from business owners, founders or entrepreneurs (Raw Inquiries). Although the ratios vary by region, technology and market, these ratios are representative of, and in most cases more optimistic than those in Northeast Ohio and other regions that JumpStart has assisted. These numbers help explain why many regions who determined that venture capital was the missing resource quickly ran into an insurmountable obstacle – the region lacked the capacity to generate a sufficient number of quality, venture-ready investment opportunities. As noted later in this plan, Memphis currently lacks a proven, high volume source of Qualified Deals. As a result, this plan includes tactics for testing and addressing the region’s capacity to generate or attract Qualified Deals and entrepreneurs.



Consistent with the practice of accelerators in the Memphis region and leading entrepreneurial support organizations throughout the US, the investment of technical assistance hours increases significantly as companies and entrepreneurs move through the assistance or investment process. Those that do not advance are referred to other appropriate resources in the region if they are available.



This graphic illustrates the Deal Flow assessment in terms of the Commercialization Framework and quantifies the technical assistance required to move raw inquiries through the Valley of Death. For every 1000 Raw Inquiries made in the ecosystem, 16,000 hours of technical assistance are needed to produce 20 deals that are ready for significant professional investment. 25% of those hours (4,000) are spent providing direct assistance to the 20 deals that are most likely to successfully navigate the Valley of Death. The other 12,000 hours of assistance are critical to the advancement of the 980 remaining earlier stage opportunities— those that enter the ecosystem early in the imagining phase and require significant preparation before they enter the Valley of Death. This level of early assistance involves intensive talent development and entrepreneurial education critical to preparing entrepreneurs for the rigors of leading or working for a successful startup or entrepreneurial organization. In failing to assist the 980, regional economies miss valuable opportunities to increase their pools of entrepreneurial talent, early stage deal flow and build their entrepreneurial culture. However, traditional economic development programs at the state, county and municipal levels focus only on support and measurement of the 20 firms most likely to secure professional funding which represent 2% (or less) of raw inquiries.

MEMx has taken a unique approach to preparing the 980 (98%) to participate in the entrepreneurial economy. By partnering with unconventional entrepreneurial support resources like the public library and New Memphis Institutes, MEMx will leverage some of the region’s most trusted public and private resources to develop entrepreneurial

talent, refine raw ideas and accelerate their early stage companies while building on Memphis' entrepreneurial culture.

Deal Flow Conclusions (The Bad News)

- The number of Qualified Deals is extremely low for a region of this size*
- The vast majority of qualified deals are extremely early (Imagining or Incubating Phase)
- Promising theories on potential paths to a steady flow of quality deal flow, but little evidence to support a “big bet” or major investment
- Low levels of participation by female and minority entrepreneurs (although efforts to increase minority and female participation in the region’s accelerators have yielded positive results)



50

It will come as no surprise to most that the region is not currently generating a large number of investment-ready entrepreneurs and companies, or even a large number of Qualified Deals that, with the right assistance, could quickly become investment-ready. Although many speculate that organizations such as the universities and St. Jude Medical Center have the potential to be these sources, the deal flow has not yet materialized. The same can be said for most comparably sized cities and regions throughout the country. This low level of Qualified Deals is one of the primary reasons the solution recommended in this plan does not include, at least initially, a major investment in facilities, equipment or a for-profit venture fund; provided, however, Innova is currently in the process of raising its third fund. Based on past and projected performance, the region appears to generate sufficient quality deal flow for such a fund. JumpStart captured information relating to Innova from Bioworks, but did not engage in an independent review of the fund’s performance or prospects. Overall, the Memphis region has not attracted significant venture funding for its start-up companies.

These conclusions should not, however, cause leaders to abandon hope. There is some good news.

*Based on JumpStart’s experience in other regions and data validating the estimate of the ratio of Qualified Deals to deals that merit and would benefit from a material investment of technical assistance and/or capital.

Deal Flow Conclusions (The Good News)

- Significant interest in entrepreneurship across multiple populations (e.g. women, students, faculty, etc.)
 - 40% combined minority and female participation in Zero to 510 Accelerator
 - Launch of the Upstart accelerator made entrepreneurial education and programming available to 6 new minority female entrepreneurs
- Engagement of diverse constituencies
- Ability to lure quality companies from Atlanta to Memphis for Zero to 510 Accelerator
- Meaningful participation in entrepreneurship and the existing accelerators despite only nominal funding for marketing, promotion and education



51

The good news rests on both the data and the partnerships, the early results of some of the existing accelerators (via Start Co. and the Historical Partners) as well as the interest and early activity of the EE Partners. The engagement of persons and deals in the various entrepreneurial events and accelerators is encouraging in light of the nominal budgets available to market and promote these events and activities. Perhaps even more interesting is the interest and entrepreneurial activity exhibited by the EE Partners.

Like any market research, the data simply indicates which market interventions and approaches are likely to be the most productive in the near term. Ironically, and not surprisingly, the data points to the practices and tools of entrepreneurship as the path to a solution. In other words, the tools and practices engaged in by highly skilled and successful entrepreneurs are likely to be the most efficient and productive method to identify unique and high impact sources of innovation, talent and deal flow. This approach will be explained in greater detail in the Solutions section of this plan.

Fortunately, this approach has direct applicability and can provide value and lift to the Memphis economy beyond the scope of deal flow. As noted, restricting the scope of entrepreneurial culture, thinking and practices to those few involved in high tech entrepreneurship excludes the majority of the population, as well as those persons and organizations engaged in public, philanthropic and educational sector activities. It also excludes small and large businesses. Memphis cannot afford to leave all of this talent and all of these activities out of the solution. Without them involved, and given the current state of deal flow, any approach that does not include these persons and organizations has little chance of generating the impact required in the near or long term. As highlighted in the Section labeled "Partners", many of these EE Partners have already begun to embrace entrepreneurship as a path to improved productivity and impact.



SUMMARY FINDINGS



Summary Findings

- Spotty deal flow with most at the earliest stages of development
- Potential “bright spots” in the accelerators and related entrepreneurship efforts by organizations such as Bioworks and Start Co.
- Emerging interest in entrepreneurship across the public, private, philanthropic and educational sectors ... the EE Partners



53

Based on publicly available data, regional investments in entrepreneurship have been nominal relative to comparable regions in other areas of the country. Examples include regions in which JumpStart has direct experience including Indiana (Northern Indiana, including Gary, South Bend and Ft. Wayne); Cleveland, Cincinnati and Columbus, Ohio; St. Louis, Missouri; Detroit and Ann Arbor, Michigan; Upstate NY.

Summary Findings, Continued

- **Modest success stories represent opportunities for measured tests and enhanced programming:**
 - With extremely limited marketing and communication budgets, Bioworks and Start Co. attracted promising levels of deal flow and related interest
 - Start Co.'s initial outreach to students, as well as public, private, philanthropic and educational leaders, has generated surprising levels of interest and engagement



54

Although these are not the large, high-profile wins associated with entrepreneurship (e.g. the next “Google”), they represent significant progress in light of the extremely modest investments made by these organizations and the region in general. The results merit additional investment, testing and measurement. Each of the existing accelerators generated impressive results on a shoe-string budget. This plan recommends taking steps to build on these successes while engaging additional segments of entrepreneurs and leaders. To tap into the entrepreneurial potential of all of the region’s talent, the solution will be based in part on creating multiple entry points that quickly lead to those resources most appropriate to the needs of the person, entrepreneur or company. Like any market segmentation strategy, the objective is to tailor messages and paths compatible with the needs of diverse market segments.



Extending Entrepreneurship



The secondary research confirmed the persistent decline of the regional and city economy. The primary research identified a few bright spots (evidence of potential value that merits additional investment and exploration). The most promising were the evidence of deal flow and related opportunity generated from the modest investments in several accelerators. These accelerators – 3 existing and one new – are at the core of the recommendations. The second is the interest and initial results generated by engaging a much larger and more diverse segment of the regional population in entrepreneurial experiences, programming and education. These results and the potential near- and long-term lift to the economy from engaging the entire Memphis population, even if the engagement is not at first in context of high potential startups, also merits additional investment and exploration.



ENHANCE THE ACCELERATORS

Phase I Solutions



Recommendation Enhance the Accelerators

- Additional resources to the following accelerator or accelerator-like programs:



SEED HATCHERY

UNIVERSITY
PARTNERS

EE
PARTNERS



UPSTART



58

Three existing accelerators (Seed Hatchery, Upstart and Zero to 510) and one new accelerator (Sparkgap) are at the core of the Phase I recommended solution. An accelerator is a combination of an incubator, an intense educational experience, mentoring and limited investment over a three-month period of time. They often use the term “boot camp” to describe the program because of the intense, experience-based orientation of the program. By engaging representatives of large regional corporations, accelerator operators can often use the accelerator to attract entrepreneurs from outside the region. The entrepreneurs participate because of the value they assign to the presence of and possible relationship with the corporate mentors. Accelerators are often patterned on two national accelerator programs – YCombinator and TechStars.

Start Co. created the Seed Hatchery as one of first accelerators in the Southeast and later launched Upstart as an accelerator for female entrepreneurs. Bioworks, with assistance from Start Co., founded Zero to 510 as an accelerator for medical device startups. Several of the more successful participants in the Zero to 510 Accelerator were companies and entrepreneurs from Atlanta. Start Co. has run three cohorts of the Seed Hatchery and one of Upstart. Bioworks has run two cohorts of Zero to 510, the first with assistance from Start Co. and the second on its own.

Sparkgap will be a new technology accelerator targeting startups with ideas and concepts focused on the region’s strong logistics cluster. Start Co. is currently in discussions with a number of potential partners regarding the most productive way to launch a logistics accelerator.

Based on discussions and collaborations between the University of Memphis and Start Co., and based on information captured as a result of their prior collaborations, the recommendation also includes the University Partners program, an enhancement of this collaboration in the form of an experienced-based education program for university students and faculty based on the accelerator model. Discussions

regarding this effort are ongoing.

The recommendation also includes another pilot program between Start Co. and other EE Partners – the Small Minority and Women Business Enterprise (SMWBE) support organizations. Start Co. and the SMWBE support organizations are in discussions regarding the creation of an ongoing effort that helps the SMWBE organizations (i) integrate the tools and practices of entrepreneurship into their organizations; and (ii) be in a better position to help their client companies become more entrepreneurial.

Accelerators have proven to be an efficient and effective mechanism in Memphis and elsewhere to raise the profile of entrepreneurship, attract or retain talent, attract or uncover quality startup opportunities, build strong links between the corporate and startup economies, and otherwise leverage regional strengths to attract opportunities, companies and entrepreneurs.

The accelerators will not provide all of the resources necessary to advance the most promising participants to market, but they will help create opportunities that are closer to investor-ready and, perhaps more importantly, will demonstrate more clearly and definitively the region's entrepreneurial potential. The enhanced accelerators and accelerator-based pilots have the potential to create more compelling data to support an increased investment in entrepreneurship.

Recommendation The Start Co. Accelerators



SEED HATCHERY



LOGISTICS
ACCELERATOR
sparkgap

UNIVERSITY
PARTNERS

EE
PARTNERS



59

Based on the secondary and primary research, JumpStart and Start Co. believe that measured investments in the accelerators and accelerator-like programs summarized on the prior page are prudent next steps in generating returns, enhancing deal flow, increasing entrepreneurial awareness and culture, and generating actionable information. This plan recommends that Start Co. take a lead role in planning, securing partners, funding and implementing the Seed Hatchery, Upstart, Sparkgap, EE Partners and University Partners efforts. As noted, however, Start Co. is engaged in continuing discussions with potential partners regarding the development and launch of Sparkgap.

As noted on the prior page, the plan also recommends the enhancement of Bioworks Zero to 510 accelerator as part of Bioworks' ongoing efforts to develop and support high-potential startups in Memphis.

Accelerators – Performance History

	2011		2012		2013	
	Applicants	Participants	Applicants	Participants	Applicants	Participants
Seed Hatchery	66	6	70	6	56	6
Zero to 510			13	6	28	6
C3			20	10		
Upstart					23	5



60

Seed Hatchery, Upstart and Zero to 510 generated the number of applicants and participants indicated above. Start Co. (Seed Hatchery, Upstart and C3) and Bioworks (Zero to 510 and C3) generated these applications and participants with only nominal marketing budgets. Both believe they could generate additional quality deal flow from inside and outside the region if:

- They had access to a modest marketing budget to enable them to (i) market more aggressively to potential participants located both inside and outside the region, and (ii) specifically target female and minority entrepreneurs; and
- They were able to make investments more in line with those provided by accelerators elsewhere (more of an issue for the Seed Hatchery and Upstart than Zero to 510).

JumpStart recommends raising funds for an enhanced marketing and investment budget to test the hypothesis that the Accelerators could generate a greater number of quality applicants and participants from inside and outside the region, and that those applicants and participants would include a greater number of female and minority entrepreneurs.

C3 was an accelerator fashioned and delivered by Bioworks and Start Co. working with the University of Tennessee, St. Jude Children’s Research Hospital, The University of Memphis, and the Memphis Research Consortium. They developed C3 to help enhance the entrepreneurial awareness and practices within the tech transfer functions at these research institutions.

Enhanced Accelerators Specific Recommendations*

1. Increase **marketing budgets** for Seed Hatchery, Upstart and Zero to 510
2. Increase **investment budgets** for Seed Hatchery and Upstart**
3. Increase **operating budget** to enable Start Co. and Bioworks to provide an enhanced level of **mentoring and knowledge transfer** to accelerator participants
4. Modest additional budget to enable Start Co. and Bioworks to provide **continuing support (primarily technical expertise)** to the most promising accelerator participants during and after the accelerator program



61

*This Plan contains a number of recommendations relating to the enhancement of Bioworks' Zero to 510 accelerator. Based on the results to date, Start Co. and JumpStart strongly believe the results generated by Bioworks through the Zero to 510 accelerator merit additional investment. JumpStart did not, however, as part of this project, determine the precise activities and budget required for Bioworks to implement these enhancements. Rather, these conclusions are based on the promising results generated by the accelerator to date.

**As noted, JumpStart did not determine whether Zero to 510 could benefit from increased investment budgets for accelerator participants.

This list summarizes the primary components of the Phase I solution. Solution components #1 and #2 are primarily directed at helping the accelerators achieve a significant boost in Qualified Deals in the form of applicants and participants, and in attracting a greater number of opportunities and participation by female and minority entrepreneurs. Solution components #3, 4, 5 and 6 are primarily directed at improving the quality, consistency and outcomes of the accelerators.

Enhanced Accelerators Specific Recommendations (cont'd)

5. Modest increase to overhead to cover **indirect costs and accelerator out-of-pocket expenses** (e.g. food, facilities, supplies, legal, accounting, measurement / reporting / metrics, etc.) for Seed Hatchery and Upstart*
6. Enhancement to complementary **mentoring programming**
7. Funding for the **Sparkgap logistics accelerator****
8. Modest additional budget to **advance new regional partnerships**



62

*As noted, JumpStart did not determine whether Zero to 510 could benefit from an increased budget for indirect costs and accelerator out-of-pocket expenses

**Ongoing discussion with potential partners regarding the most productive way to launch this accelerator

Solution components #5 and #6 are primarily directed at improving the quality, consistency and outcomes of the accelerators. Component #7 is a test of a widely held and informed hypothesis that the region could use its leadership position in the logistics industry to create and attract a large number of talented entrepreneurs and Qualified Deals. Component #8 focuses on deepening and expanding the relationships with the new partners, with an initial focus on identifying a greater number of minority and female entrepreneurs as the first step in creating an understanding and culture of entrepreneurship that extends beyond the small groups of traditional participants.

Entrepreneurship for Everyone Specific Recommendations

1. Deliberate inclusion of minorities, women, students and social enterprises
1. Enhance partnership with University of Memphis
1. Enhance partnership with Rhodes College
2. Enhance partnerships with Small Minority and Women-Owned Business Enterprises (SMWBEs)



63

In reaching out to historically disconnected persons and organizations (the new partners), MEM^x will build on these efforts, several of which have already added to the region's deal flow and talent pool.

Guiding Principles

- Lean
- Measured
- Entrepreneurial
- Inclusive
- Independent
- Accountable
- Nimble



64

In developing, recommending and implementing the solution, Start Co. and JumpStart based their recommendations on the listed guiding principles. Jumpstart firmly in a lean, measured and entrepreneurial approach. In other words, JumpStart favors an approach that relies on engagement with the market to inform future action.

Inclusive – As noted, JumpStart believes that entrepreneurship is for everyone and is therefore committed to an inclusive approach to engaging with all of the region’s talent, including female and minority entrepreneurs, as well as persons and organizations who wish to learn more about entrepreneurship.

Independent – JumpStart believes that the various investors and resource providers participating in an entrepreneurial economy should share information, develop methods and mechanisms to shorten the path from the entrepreneur to the most appropriate available resource, and collaborate on the delivery of resources when dictated by the needs of an entrepreneur. At the same time, however, JumpStart does not believe in a “command and control” approach, especially when it comes to the investment decision, whether the investment is time, money or other specialized resources. The decision by an organization or individual to invest services or capital should be independent. The decision to invest in companies and entrepreneurs at the earliest phases of development is equal parts (i) a logic / data-driven decision, and (ii) an expression of enthusiasm, imagination, interest and creativity. A centralized structure has the potential to stifle both resulting in a significant reduction in the risk-taking and leaps of faith required to engage in seed and pre-seed investing. This is especially true in the earliest phases of commercialization when the objectives are more focused on building the region’s entrepreneurial capacity and talent.

Accountable – JumpStart believes each investment of resources in the form of cash and/or services should be measured rigorously against a pre-determined set of metrics. The metrics should also be

made available publicly. The system of metrics is addressed in greater detail later in this Plan.

Nimble – The managers of the programs should measure, learn and then be able to quickly and efficiently adjust their actions in accordance with lessons learned from the market. Large investments in infrastructure, capital equipment or highly specialized employees prior to gaining an in-depth understanding of the market and market opportunities runs counter to this principle.

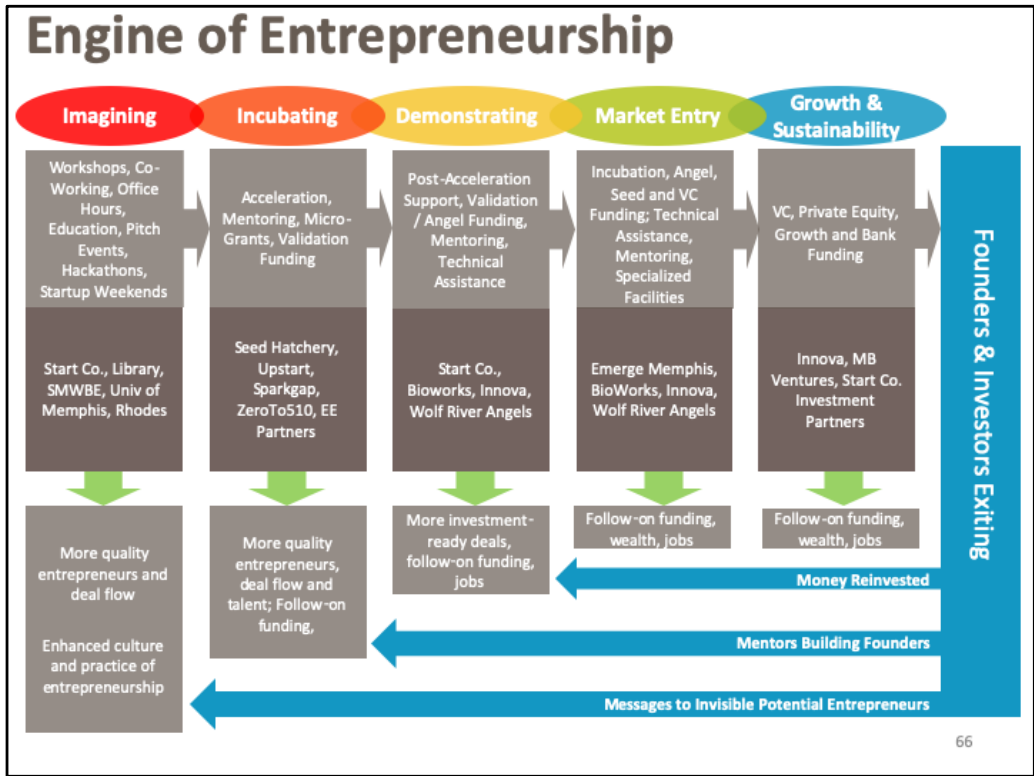
MEM^x Phase I Goals

- Increase the number of quality deals (applicants)
- Increase the participation of minority and female entrepreneurs
- Increase the success rate of existing entrepreneurs
- Collaborate more effectively
- **Gain a more accurate and complete understanding of the region's entrepreneurial potential**



65

These goals translate more specifically into the detailed metrics listed in the Section titled “Measurement and Benefits.” As noted numerous times throughout this plan, the MEM^x process and approach is iterative – test, measure, learn, and modify.



This diagram provides an overview of the primary activities, programs, investments and other resources generally required for an entrepreneur to advance an opportunity from one phase of commercialization to the next. The top row of boxes generally describes the types of resources required by entrepreneurs in the applicable phase. The next row lists some of the Memphis regional providers of some of the listed resources. The third row then lists some of the primary outcome metrics associated with the activities, programs and investments. The box on the right and the associated arrows indicate the self-reinforcing nature of the entrepreneurial economy. Upon achieving successful exits, the founders and investors typically reinvest some of their profits and their expertise back into the entrepreneurial economy. Some return as investors, some as entrepreneurs with new companies, and some as mentors. Their successes and subsequent engagement accelerate the development of a thriving, self sustaining entrepreneurial economy and culture.

The following pages contain additional information on the programs, resources, outcome metrics, **and perhaps most important, Start Co. partners** engaged at each phase of commercialization. They also highlight the position of the enhanced accelerators in commercialization continuum.

Engine of Entrepreneurship

Imagining Phase: Pre-Acceleration

•Support Organizations

- Start Co.
- University Partners*
- Library Small Business Resource Center
- EE Partners**
- Memphis Chamber Small Business Council
- Launch TN

•Tools

- Dynamic Events
- Entrepreneurial Programming
- Ad hoc mentoring
- Idea cultivation

•Goals

- Instill entrepreneurial skills
- Provide framework for testing and validating ideas
- Establish a clear set of action steps for start ups



67

*University Partners includes Rhodes College and University of Memphis

**EE Partners includes the following SMWBE organizations:

- Midsouth Minority Business Council Continuum
- Black Business Association
- Memphis Office of Resources & Enterprise
- Tennessee Small Business Development Center
- Renaissance Business Center

Engine of Entrepreneurship

Incubating Phase: Acceleration

- Upstart
- Spillgap
- Zero to 510 (Bioworks)
- University Partners
- EE Partners
- New Memphis Institute
- Baker Donelson
- Archer Malmo
- Mosaik Solutions
- The Marston Group
- Angaros group
- Global Accelerator Network
- Women 2.0
- Launch TN

•Tools

- Accelerators and related curricula
- Mentors
- Events
- Founders Toolkits
- Connectivity to resources
- New Memphis Institute Development track
- Legal support
- Brand development and marketing support
- Accounting and financial support
- Developer support

•Goals

- Advance accelerator teams and prepare them to attract investment capital and beta customers



Engine of Entrepreneurship

Support Organizations

- Seed Hatchery
- Upstart
- Sparkgap
- Zero to 510
- Bioworks
- Wolf River Angels
- University Partners
- EE Partners
- New Memphis Institute
- Angaros Group
- Global Accelerator Network
- Women 2.0
- Launch TN

•Tools

- Professional track assistance with
 - Business development
 - Sales cycle support
 - Customer acquisition
 - Investor negotiations
 - And more
- New Memphis Institute Business Networking Track
- Resource connectivity

•Goals

- Startups secure resources needed to extend runway and cross the valley of death
- Startups improve their products and services

STARTUP

69

Engine of Entrepreneurship

Market Entry Phase: Scale the Business

- **Support Organizations**

- Bioworks
- Innova
- Start Co.
- Wolf River Angels
- Emerge Memphis
- Angaros Group
- American Airlines
- Launch TN

- **Tools**

- Board of Directors level mentorship
- CEO level training
- Accelerator Check-ins

- **Goals**

- Secure angel/venture investment
- Scale the business (revenues, profits, growth, other measures of business success and value creation)



Engine of Entrepreneurship

Growth & Sustainability Phase

- **Support Organizations**

- Memphis Chamber of Commerce
- Midsouth Minority Business Council Continuum
- Innova
- MB Ventures
- Start Co. Investment Partners
- CB Richard Ellis
- HRO Partners
- And more

- **Tools**

- Chamber memberships and connectivity
- Contract procurement assistance
- Real estate education
- Human capital training
- Banks and similar resource providers to mature companies

- **Goals**


- Companies secure later stage support resources required for continued growth





This is the second component of the Phase I recommendations – enhance the partnerships that support both the traditional high tech startup entrepreneurial capacity and economy as well as the partnerships foundational to the “Entrepreneurship for Everyone” solution – the EE Partnerships.

New Partners

- American Airlines
- Angaros Group
- Bay Area Economic Institute
- **Black Business Association**
- Crews Center
- EmergeMemphis
- Global Accelerator Network
- **Library SBRC**
- Marston Group
- Memphis Chamber SBC
- **MMBC Continuum**
- **MORE**
- Mosaik Solutions
- **New Memphis Institute**
-  **The Next Web**

73

This is a list of the new or enhanced partnerships formed by Start Co. in 2013. The list includes Historical, Expert and EE Partners. The Historical and EE Partners, marked in Blue, will be the focal point of Start Co.'s Phase I efforts.

Recommendation: Partner Awareness and Connectivity

- Help improve Partners' ability to screen for high potential opportunities
- Make Partners aware of resources available to help high-potential opportunities
- Establish processes to share deal flow and engage new resources
- Introduce Partners to entrepreneurial thinking, processes and tools



74

As a first step toward bringing all of Memphis' talent to the challenge of transforming the region's economy, Start Co. has worked with a variety of partners to build awareness of the principles of entrepreneurship. During Phase I, Start Co. will work with the partners to achieve the objectives listed above. Start Co. plans to extend this engagement beyond Phase I to help these organizations develop the ability to apply the principles of entrepreneurship to advance their missions and improve their impact. These "non-traditional" applications of the principles of entrepreneurship to activities and missions that extend beyond high tech startups represent a significant opportunity to reverse the troubling economic and social trends within the city.

Entrepreneurship for Partners – Examples

- Fuel Film
- Memphis Bridge
- Memphis and Shelby County Public Defender's Office
- Memphis Library, TV Programming
- Memphis Music Foundation
- Rhodes College
- St. George's
- University College at University of Memphis
- University of Memphis Department of Journalism
- Volunteer Odyssey
- WINGS Cancer Foundation



75

This slide contains a few examples of Start Co.'s prior efforts to help EE Partners use the principles and tools of entrepreneurship to enhance their current businesses and establish a stronger foundation for Regional Innovation.

Fuel Film – Start Co. launched this organization to provide filmmakers with the tools of entrepreneurship to help with the development and sustainability of film projects. The programs currently reaches 200 people.

Memphis Bridge – Start Co. developed and delivered a custom accelerator (discovery, delivery, dollars) followed by ad hoc mentorship. During this accelerator, Memphis Bridge developed an innovative approach that significantly reduced the homeless population. Memphis Bridge pays the homeless to author and sell newspapers. The program reached 2,500 homeless persons.

Memphis & Shelby County Public Defender's Office – With help from Start Co., Chief Public Defender Stephen Bush used the tools of entrepreneurship, such as the business model canvas, elevator pitching, investor pitching, fundraising techniques and social innovation curriculum to help his 100+ lawyer staff deal more productively with the 30,000 cases they handle each year.

Memphis Library – TV programming including Startup TV and go to market strategy for the Library's small business resource center, which reached 300,000 people.

Memphis Music Foundation – Start Co. helped the Foundation with business modeling, team building exercises, customer discovery, prototyping, and pitching that resulted in the 48 Hour Music Launch Program over several weeks (music produced and recorded; shows happening). The effort reached the Foundation's 2,700 members.

Rhodes College – Start Co. helped the college create a culture of entrepreneurship via office hours, workshops, social entrepreneur programs, acceleration programs, an entrepreneurship club, and related activities that have reached 2,000 students.

St. George's – Start Co. provides programming to the Leadership Institute for juniors and seniors at St. George's. The programming includes lessons in discover, delivery, the use of the business model canvas, team-building etc. The programs reach 50 students each year.

University College at the University of Memphis – Start Co. methods approved for college credit for all students in the college. The program includes 48 Hour Launch, ad hoc mentoring, business boot camps, accelerators, etc.). The programs are anticipated to reach 3,000 students.


University of Memphis Department of Journalism– Start Co. worked with university faculty to develop and deliver an entrepreneurship certificate program. The program reaches 600 students each year.

Volunteer Odyssey – Start Co. developed and delivered a custom accelerator program followed by ad hoc mentorship. The program leverages the unemployed to act as volunteers for nonprofits as a means to develop talent and connect them to potential job opportunities. The program reaches 50 annually with an extended network of impact of 1,000 people and 25+ non-profits .

WINGS Cancer Foundation – Current Director is a Start Co. founder who now runs www.needregistry.com. The Foundation works with Start Co. to apply the tools of entrepreneurship, including customer discover, the business model canvas, prototyping, pitching, idea building, board adoption, etc. to pivot and improve its business model. Using all-day launches instead of planning, the organization now reaches 10,000+ individuals and organizations.

.....

FINANCIALS

76

MEM^x Phase I Budget*

	Q1	Q2	Q3	Q4	Total 2014	Total 2013	Difference
Personnel (1)	\$ 100,200	\$ 100,200	\$ 100,200	\$ 100,200	\$ 400,800	\$ 175,086	\$ 225,714
Accelerator Investments (2)	\$ -	\$ 300,000	\$ 150,000	\$ -	\$ 450,000	\$ -	\$ 450,000
Marketing and PR (3)	\$ 43,000	\$ 43,000	\$ 43,000	\$ 43,000	\$ 172,000	\$ 50,000	\$ 122,000
Recruiting	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ 30,000	\$ -	\$ 30,000
EE Partners (4)	\$ 16,000	\$ 64,000	\$ 80,000	\$ 80,000	\$ 240,000	\$ -	\$ 240,000
Expert Partners (5)	\$ 60,000	\$ 85,000	\$ 60,000	\$ 60,000	\$ 265,000	\$ -	\$ 265,000
Events - General	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 96,000	\$ 47,500	\$ 48,500
Rent (6)	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 72,000	\$ 23,104	\$ 48,896
Software / Subscriptions	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 12,000	\$ 9,000	\$ 3,000
Miscellaneous Overhead (7)	\$ 9,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 36,000	\$ 5,500	\$ 30,500
Meals / Travel (8)	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 96,000	\$ 43,000	\$ 53,000
Other Out of Pocket Expenses (9)	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 48,000	\$ -	\$ 48,000
Move Costs (6)	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000	\$ 20,500	\$ 9,500
Total	\$ 339,200	\$ 692,200	\$ 533,200	\$ 383,200	\$ 1,947,800	\$ 373,690	\$ 1,574,110



77

*This budget describes the additional resources required for Start Co. to execute the MEM^x Plan in 2014 (the column labeled "Difference"). Start Co. is engaged in other entrepreneurial support activities not included in this budget. This budget addresses the additional resources required to implement the Recommendations described in the Sections of the Plan titled "Enhance the Accelerators" and "Enhance the Partnerships". Although the partnership discussions are going well, there is no guaranty that all of the listed partners will be able to secure the resources necessary to aggressively engage in the planned activity. Start Co. remains encouraged by their engagement and enthusiasm.

- (1) The personnel include 6-7 FTEs engaged in the following functions - executive management, resource acquisition, accelerator management, community engagement, mentor recruitment and management, and technical business assistance. Some of these persons are full-time employees and others are contractors. The increased budget primarily relates to the hiring of a Accelerator Manager, the need for full-time rather than part-time commitments, and in some cases, bringing compensation to levels required to attract and retain talent.
- (1) Accelerator Investments are calculated at \$25,000/company for the 18 companies selected to participate in the Upstart, Seed Hatchery and Sparkgap accelerators (6 each). Start Co. provided below-market levels of investment in 2013. Those investments are not reflected in the 2013 Budget column since a Start Co.-related for-profit organization made the actual investment. Start Co. recognizes that some funders will not permit their contributions to be used for this purpose and will make sure that all uses of funds are consistent with the funders' intent.
- (1) Marketing and PR includes funds to retain Archer Malmo, a well known advertising, interactive and PR agency to provide these services to MEM^x. Archer Malmo provides services to a select group of entrepreneurial companies and support organizations at rates significantly below market level. These funds will also be used to aggressively market the various accelerators to test their ability to

attract a larger number of quality entrepreneurs and companies from inside and outside the region, and to test their ability ensure minority and female applicants represent a material portion of the applicants and participants.

- (1) The line item labeled "EE Partnerships" includes for the the SMWBE support organizations, the Memphis Library, colleges and universities, and other organizations not directly engaged in high potential entrepreneurship, but who can benefit from applying the practices and principles of entrepreneurship.
- (1) "Expert Partners" include organizations such as JumpStart and the New Memphis Institute. Each brings specialized expertise to the successful implementation of the MEM^x plan. Start Co. will raise funds and engage this and other expertise as necessary and productive.
- (1) Start Co. has recently outgrown its current space and is in the process of identifying a more suitable location for the office, co-working and training that has become central to its mission.
- (1) Miscellaneous legal, accounting, insurance and related expenses.
- (1) Increased to take into account the need to increase the engagement of participants, funds and expertise from within and outside the region and state.
- (1) Miscellaneous unanticipated expenses such as technology/systems, event participation, specialized expertise or resources needed to evaluate or advance an entrepreneur or portfolio company, etc.

Sources of Funds

- Mix of private, public, philanthropic sources
- Ongoing discussions
- Announcements upon receipt of firm commitments



78

Start Co. is currently in the process of securing financial support from a broad range of public, private and philanthropic sources. Start Co. will disclose the names of those supporters (with their permission) upon receipt of a firm commitment. Start Co. is encouraged by the growing interest the community has shown in supporting a broader concept of entrepreneurship within the Memphis region.

MEASUREMENT AND BENEFITS



79

Primary Metrics

- Persons and organizations expressing interest*
- Qualified Deal Flow*
- Entrepreneur Participants*
- Increased engagement of women and minority entrepreneurs*
- Increased participation of female/minority entrepreneurs*
- New Partners**
- Funds invested through the Accelerators
- Service/mentor hours provided
- Co- or follow-on investments by third parties



80

*From the region and from outside the region

**Initiating entrepreneurial activity

As noted many times throughout this Plan, one of the primary objectives of the two Phase I recommendations in this plan – Enhance the Accelerators and Enhance the Partnerships – is to gain a more complete understanding of the region’s entrepreneurial potential to create and attract quality high-potential startups and entrepreneurs. Although the ultimate measures of entrepreneurial success are investment returns, wealth creation, jobs and sustained economic activity, the near-term measures fall into two categories – Process Metrics and Outcome Metrics.

Process Metrics focus on activities by entrepreneurs, partners and entrepreneurial resource providers. Examples include the number of (i) requests for assistance; (ii) Qualified Deals; (iii) hours of mentoring; and (iv) participants in a program (including the mix of participants by industry or demographic). While none of these measures are real evidence of impending commercial success, it’s hard to imagine success in the absence of these core activities.

In contrast, Outcome Metrics represent **new economic activity** and **validate** the quality of the startup as well as resources and assistance provided to the startup. Generally, an investment is the most compelling validation of the progress made by a startup. Did an independent, professional third-party investor make a material investment in a company that graduated from an accelerator or received a substantial investment of time and expertise from a mentor program? In the case of an Imagining, Incubating or early Demonstrating phase company, this investment is the best evidence the company is making real progress, especially since these companies may be months or years away from generating traditional measures of business success (e.g. revenues, profits, growth, etc.).

These metrics and those on the following pages are only a starting point. It is important to look beyond

simple cash on cash investment returns to determine the true short-term and long-term economic returns to the region, funders and supporters from investments in accelerators and related programs to build entrepreneurial awareness and an entrepreneurial culture. For example, an accelerator may help a university increase the marketability of its students, or the accelerator may attract or retain the talent needed by a corporate sponsor. In either case, these are real returns not captured via a traditional fund ROI.

Additional information about metrics and measurement can be found in the Appendix.

Projections – Process Metrics

- **The following are examples of Process Metrics MEM^x will target and measure during Phase I:**
 - Double the # of requests for assistance (Inquiries)
 - Triple the # of qualified applicants to Seed Hatchery and Upstart
 - Provide meaningful levels (> 10 hrs) of technical assistance and mentoring 160+ entrepreneurs (300% increase over 2013)
 - Attract 50+ qualified applicants to Sparkgap
 - Accelerate 18 companies via Seed Hatchery, Upstart and Sparkgap
 - Increase the # of requests for assistance from minority and female entrepreneurs by up to 25%
 - Increase the # of media placements relating to startup entrepreneurship (from 108 to 200)
 - Increase the # of entrepreneur events by 25%
 - Increase the quality of the mentoring (recruit additional mentors) while maintaining the # of mentor hours (5,500)
 - Initiate university accelerator program
 - Formalize partnerships with SMWBEs and initiate technical assistance engagements

These measures are examples of the more complete list of Process Metrics that MEM^x will apply to measure the region's entrepreneurial potential and the impact of the Accelerator and Partner Enhancement programs. MEM^x, with JumpStart's assistance, plans to develop a metrics framework and then implement a process, possibly enabled by a customized CRM or related technology, to track and report on the metrics. The development and implementation of the framework and system will most likely occur over multiple phases of the MEM^x plan.

Projections – Outcome Metrics

- **The following are examples of Outcome Metrics MEM^x will target and measure during Phase I:**
 - Secure additional \$700,000 for the Start Co. validation fund
 - Increase the follow-on funding secured by portfolio and clients companies to \$10MM
 - Secure follow-on funding for accelerator participants of 1-2X the initial investment within 1 year of completions of the accelerators,
 - Establish ongoing productive partnerships with SMWBE and public entities relating to the use of entrepreneurial process and tools to generate impact and value

Build MEM^x 2015 on results of MEM^x 2014



82

Significant Outcome Metrics such as follow-on funding, revenues, profits and jobs often trail the initial investment of capital or technical assistance in Imagining and Incubating phase startups by several years. In addition to the quality of the Deal Flow and the technical assistance, the timing in large part on the characteristics of the startup's industry and technology. For example, investors in pharmaceutical startups are well-aware of the decade plus period between initial investment and the prospects of a return. By enhancing its culture and practice of measurement, MEM^x can help investors and other Memphis providers of support to entrepreneurs set realistic baselines of performance which can inform future investment decisions.

Benefits of the Plan

Community	Startups
<ul style="list-style-type: none"> • National stage for entrepreneurship • Attract entrepreneurs and capital • Build more high potential startups to create jobs • A sustainable, economically inclusive engine for long term economic development • A strong entrepreneurial culture 	<ul style="list-style-type: none"> • Higher quality expert assistance • Increased access to capital • Better service from entrepreneurial support organizations • Stronger networks of potential partners • Greater access to talent regionally and enhanced ability to attract talent
Partners	Funders and Investors
<ul style="list-style-type: none"> • More and better quality service to clients • Metrics more attractive to funders • Retain and attract top talent • Ability to compete nationally for customers, capital and talent 	<ul style="list-style-type: none"> • Increased number of high quality, investment-ready deals from Memphis region • Measured tests to identify and validate high impact approaches • Investments leveraged across partner organizations



Phase I is an important next step, but it is only the beginning. As noted, one of the primary purposes of this plan is to generate information that increases the impact of future investment.

Phases II & III Recommendations

- Primarily informed by the following:
 - Results of enhanced accelerators
 - Actions and interest of new partners
- Possible recommendations (one or more of the following)
 - Enhanced mentor program
 - Evergreen seed and pre-seed investment fund to help a greater number of opportunities become private investor ready
 - Entrepreneurial capacity building via direct programming co-delivered with the new partners
 - More aggressive engagement of historically disconnected segments of the population
 - Significantly enhanced marketing, communications and promotion regionally and nationally
 - Measured engagement and programming targeting one or more promising market segments



Phase II & III Partners

- Continue discussions, enhance engagements, test joint or complementary programming
- Help partner organizations **use the tools of entrepreneurship** to identify innovative solutions to intractable problems and otherwise enhance performance and impact
- Establish strong ties with **out-of-region partners** to ensure a continuous flow of resources and expertise to Memphis startups
- Establish, market and enhance the **multiple entry-point approach** to the entrepreneurial ecosystem to increase the odds that everyone will be aware of the resources and know how to engage
- Consider implementation of a **networked system to identify and route opportunities** to resources, enable information sharing, and provide all persons and organizations with access to the information they need
- Help expand understanding and use of **common metrics framework** to facilitate lean, measured tests as the foundation for applying entrepreneurial tools across a much more diverse range of partners



SUMMARY OF OPPORTUNITY
Call to Action

87

A dark gray square with white text. The text reads "WHAT DOES THIS MEAN" in a smaller, uppercase font, followed by "for you?" in a larger, lowercase font. The question mark is significantly larger than the other characters.

WHAT DOES THIS MEAN
for you?

88

This is a critical and important question. Entrepreneurship is not simply about startups and public offerings. Entrepreneurship's action-oriented approach and tools can help any person or organization set ambitious goals and iterate their way to game-changing solutions.

Call to Action

- The Memphis economy can't wait any longer
- The right persons and organizations are now at the table
- It's now time to act
 - If you're not fluent in the practices and tools of entrepreneurship
 - If you're not satisfied with the performance of your company or organization
 - If you have a great idea but don't know how to turn it into a business
 - If you are deeply interested in the long term success of the Memphis economy
 - If you are concerned with the lack of engagement of the region's minority and female population and talent

It's time to contact Start Co. and learn how entrepreneurship can help you and your organization



Next Steps

- Raise funds necessary to implement Phase I of the MEM^x Plan
- Continue to develop the accelerators and partnership
- Apply the principles and practices of entrepreneurship to create the leverage needed to change the trajectory of the Memphis economy

