



JumpStart and Start Co.
Entrepreneurial Growth Plan

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.

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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***



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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**

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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

Project Purpose

Develop and implement a plan to help Memphis capture its entrepreneurial potential. The ideal plan:

- 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

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.

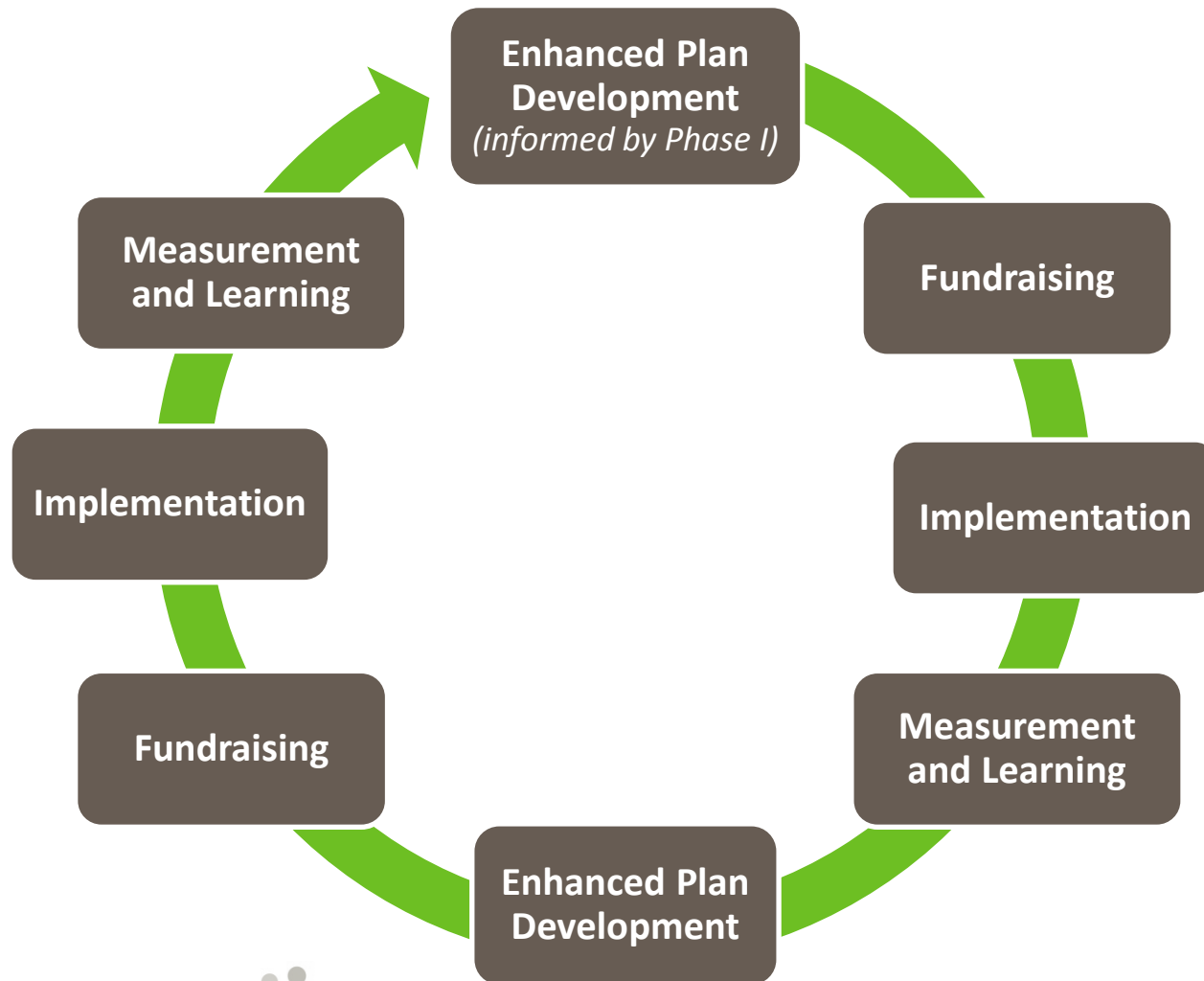
Project Scope – Phase I

- **Research**
 - Secondary research on state of economy
 - Interviews of organizations and individuals representing current or potential contributors to entrepreneurial economy
- **Assessment**
 - Assess findings and recommend actions that build on current strengths and opportunities, improve understanding of regional entrepreneurial potential, engage a broader group of partners and participants, and generates roof that informs the next generation of actions and investments
- **Deliverables**
 - Detailed business plan to implement the recommendation
 - Plan and materials to secure support
- **Implementation and Measurement**
 - Implement the plan, measure the results, learn and iterate

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Project Scope – Phase II and Beyond



PLUS, a dramatically-expanded community of partners and participants.

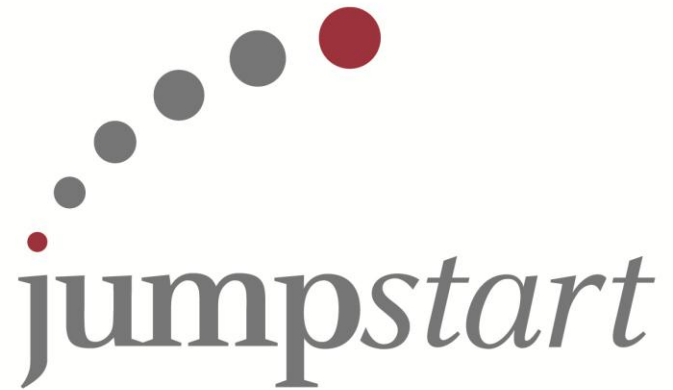
As noted, however, Phase I is only a first step, or rather a next step, that builds on recently acquired information and successes. The process will be ongoing and iterative. It will encourage bold thinking, measured tests, enhanced understanding, and continuous learning and adaptation. In other words,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

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.

JumpStart Metrics – Northeast Ohio

\$114M

revenue generated
(in 2012)

2,930

jobs created or retained
1,600 direct
(through 2013)

\$316M

capital secured by
minority / female
& inner city firms
(through 2013)

\$211M

economic impact
(in 2011)

\$612M

capital attracted
(through 2013)

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.

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*

\$8.1M/44 startups

Co-Investment/Follow-On Funding

\$530K/32

Capital Invested or Granted by Start Co.

**Data from 2011 to present. Does not include ZeroTo510 participants.*

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.

Start Co. 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.

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.

MEM^x Solution - Core Elements

- Entrepreneurship for Everyone
- Unconventional Partnerships*

*Also referred to as “Entrepreneurship for Everyone Partners” or “EE Partners”

From its experience supporting high-tech startups as well as helping public, private, philanthropic and social service organizations apply the principles and tools of entrepreneurship, Start Co. identified these two core elements of the MEMx solution. Start Co. is convinced Memphis can only achieve its much-needed economic resurgence by applying these two core elements of the MEMx plan – Entrepreneurship for Everyone and Unconventional Partnerships.

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...?**

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.

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



Start Co. is in conversations with partners in each of these categories, and in many cases, has some experience helping them bring entrepreneurial practices and tools to their clients. 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.

EE 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

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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.

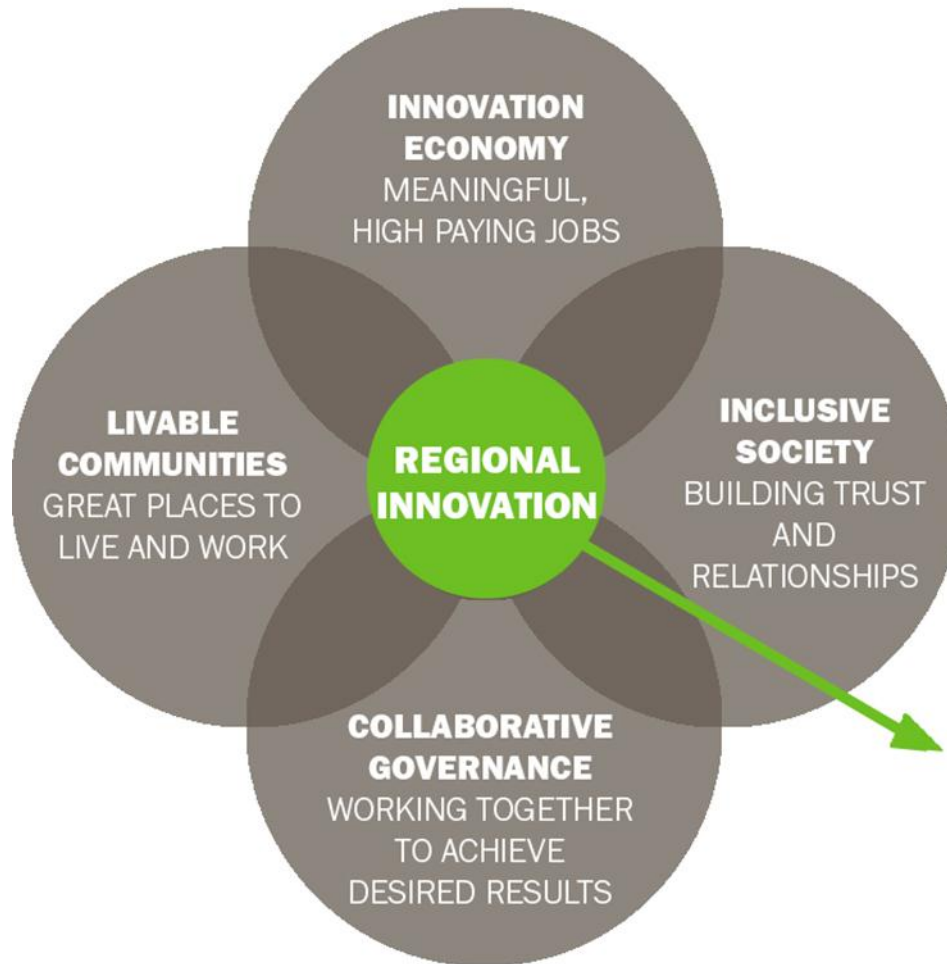
University College at the University of Memphis – Start Co. methods approved for college credit for all students in the college. The program includes 48 Hour Launch, ad hoc mentoring, business boot camps, accelerators, etc.). The programs are anticipated to reach 3,000 students.

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.

Entrepreneurship and Regional Innovation



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.

Market Analysis

Research Overview

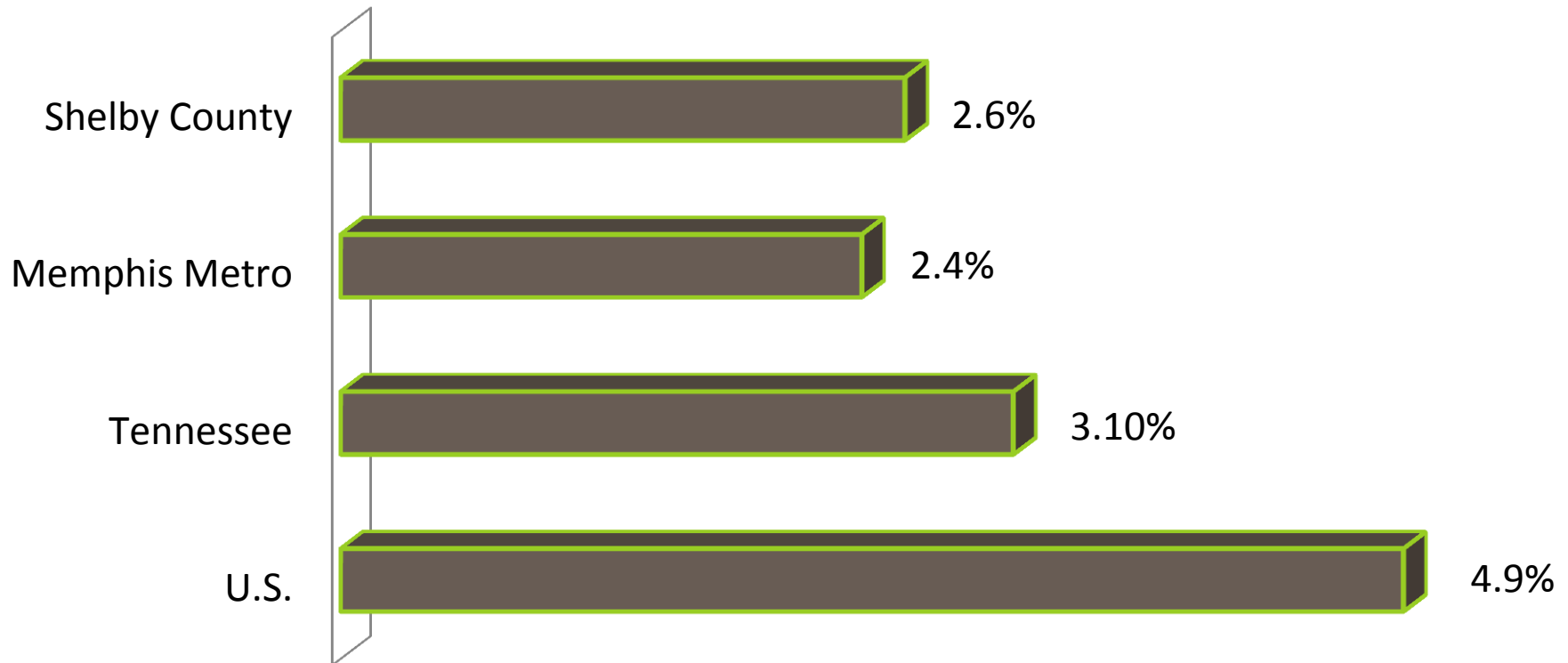
- Secondary Research
 - Review of economic data and studies
- Primary Research
 - Interviews
 - Deal Flow
 - Support Resources

The research uncovered what we all know. Memphis has serious economic problems. The following two slides highlight information that helps explain Memphis' challenges with unemployment, poverty and growth.

Secondary Research

Low % of High-Tech Employment

Average High Tech Employment Share, 1997-2009



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

In reviewing the secondary research, it 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.

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/>)

Secondary Research

Shortfalls in Educational Attainment

% of Population with Bachelor's Degree or Higher



*Bureau of Labor and Statistics (2007-2011), November 2013 (<http://www.bls.gov/cps/>);
<http://www.tn.gov/labor-wfd/index.shtml>

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>

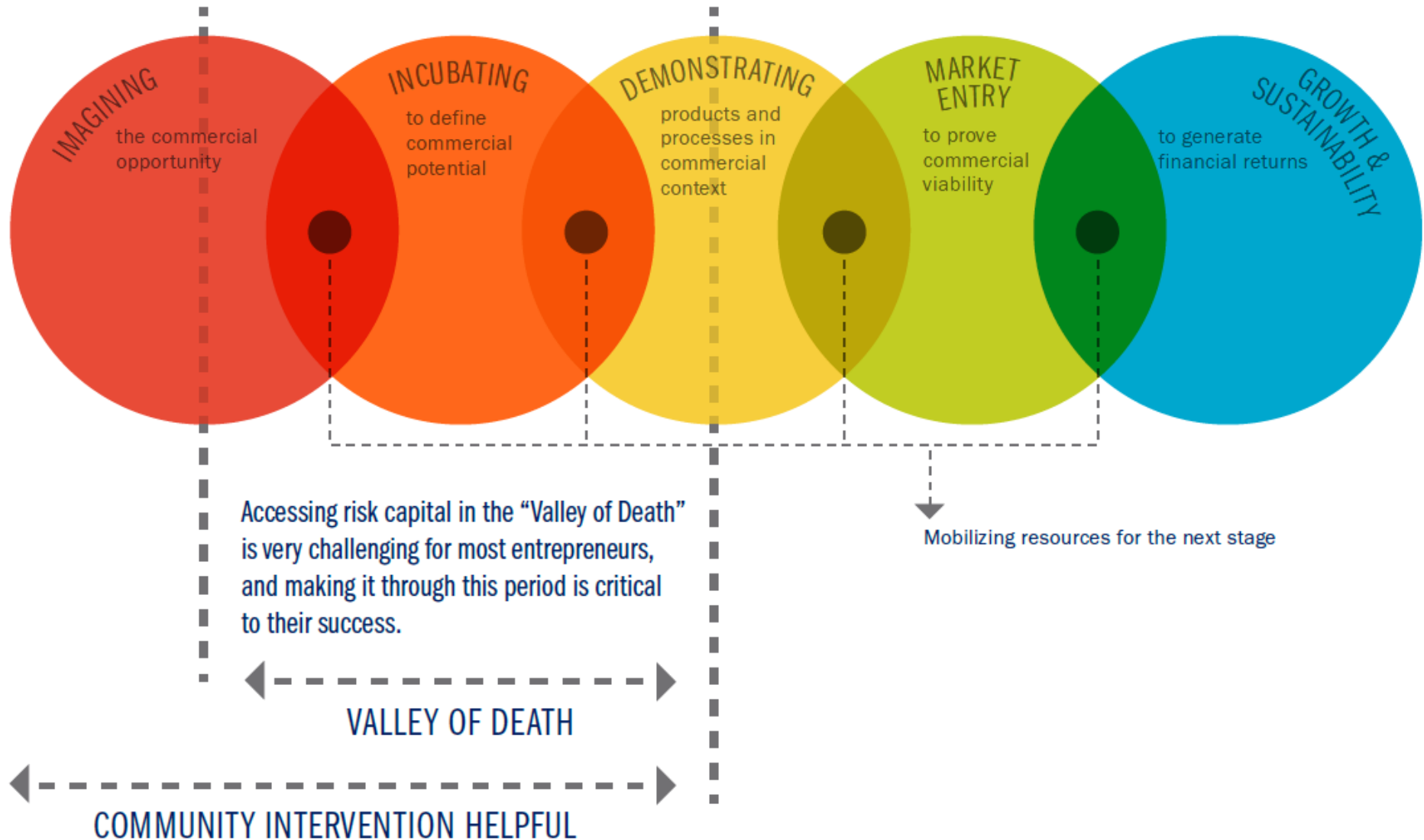
Primary Research

Organizations Interviewed

- 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

This 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 “Expert 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 EE Partners.

Commercialization Framework



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.

Primary Research

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

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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 (Imaging), 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.

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.

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)

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.

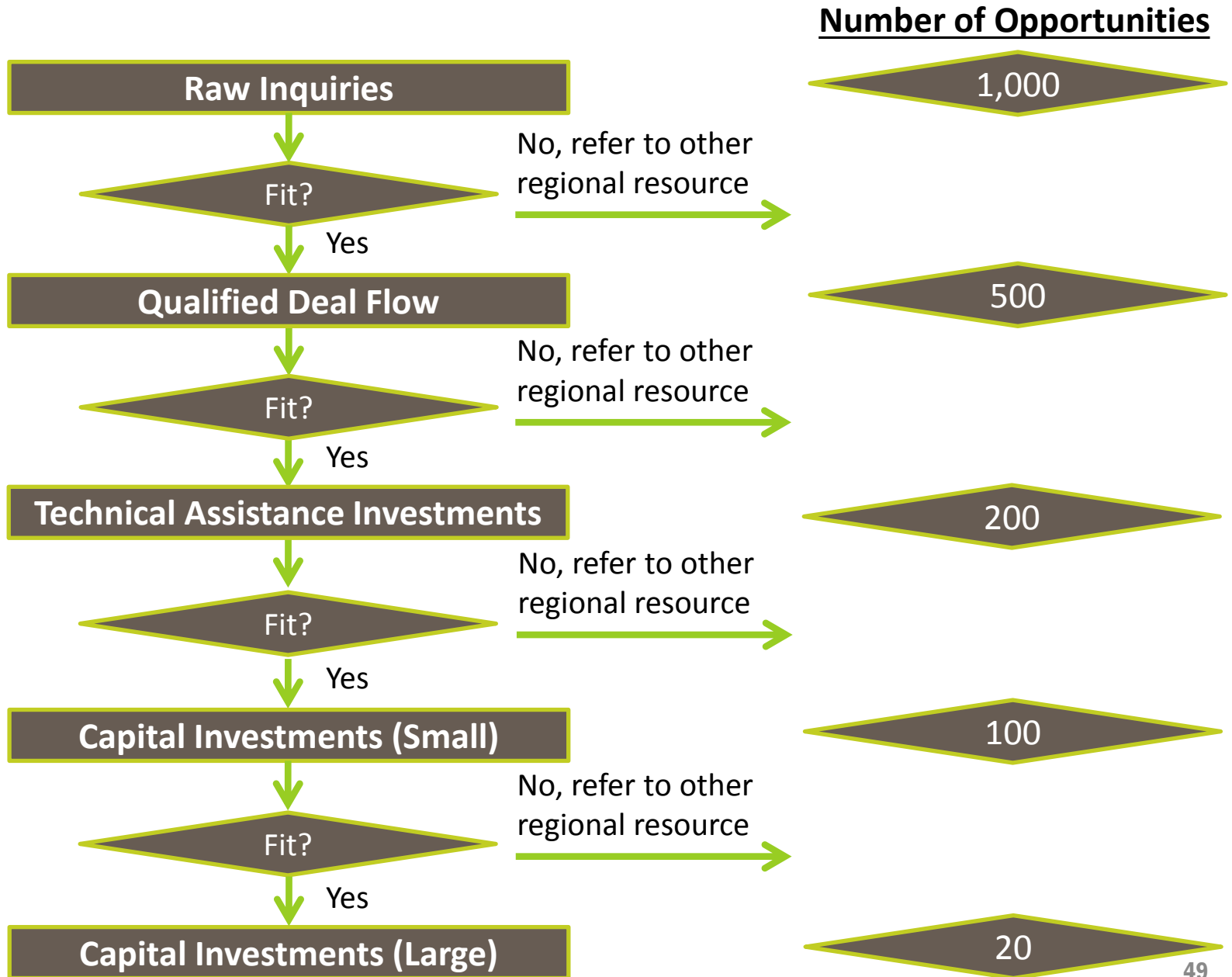
*Based on JumpStart's experience in other regions and data validating the estimate of the ratio of Qualified Deals to deals that merit and would benefit from a material investment of technical assistance and/or capital.

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

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.

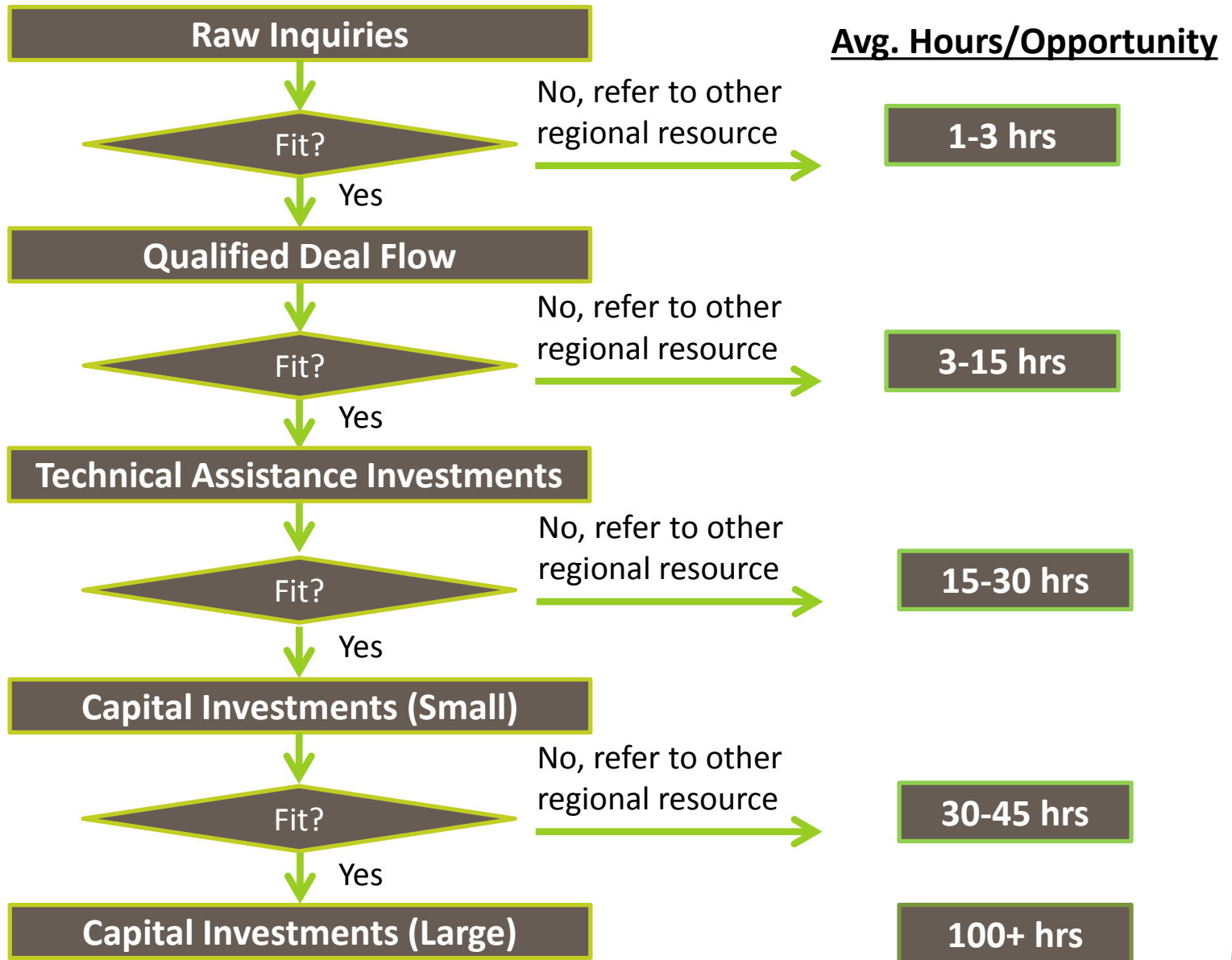
Deal Flow – A Numbers Game



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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. Memphis must cast a wider net. Memphis must be able to include more people, more talent, more sectors It’s the only way to build the region’s “entrepreneurial capacity”.

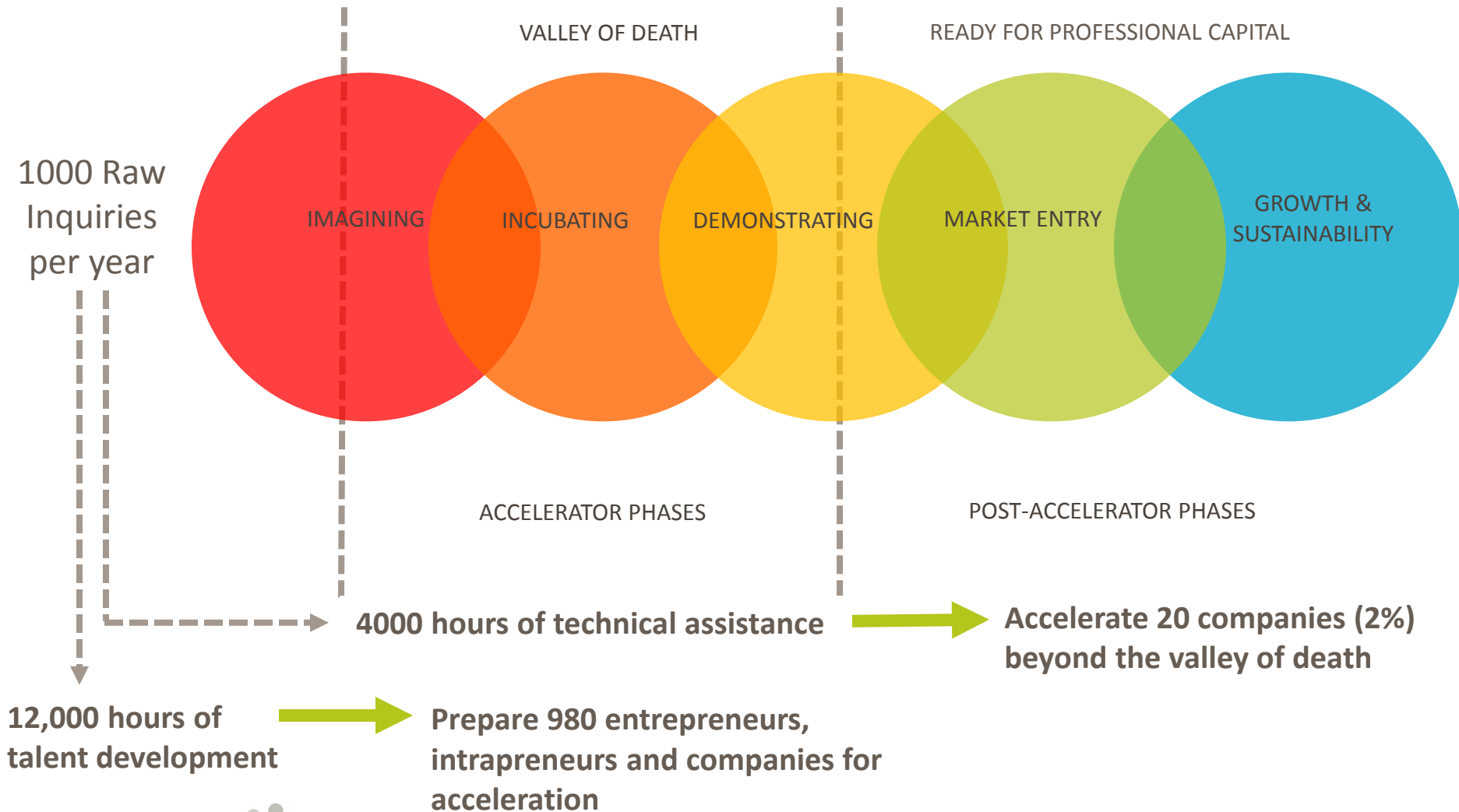
Investment of Technical Assistance



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.

It's important to note, however, that the process of moving from 1000 inquiries to 20 investments doesn't create 980 failures. Rather, it creates 980 opportunities to enhance talent, to build understanding, to create capacity and to otherwise build an entrepreneurial culture that will be able to generate the required economic impact.

16,000 Hours of Technical Assistance = 1000 Entrepreneurs



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.

Based on the deal flow, the evidence of progress and the potential of the Entrepreneurship for Everyone approach, the MEMx Plan includes the following recommendations.

Recommendation

Enhance the Accelerators

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



SEED **HATCHERY**

EE
PARTNERS



UNIVERSITY
PARTNERS



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. It's important to note, however, that the Zero to 510 accelerator is not part of the MEMx Plan. Bioworks, not Start Co., is responsible for the future direction and execution of the Zero to 510 accelerator. Based on results to date, however, JumpStart and Start Co. wanted to make clear their support for building on Bioworks' success with the accelerator.

Recommendations* - Specifics

1. Increase **marketing budgets** for Seed Hatchery, Upstart and ZeroTo510
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

*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 of 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 ZeroTo510 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 (see next page) are primarily directed at improving the quality, consistency and outcomes of the accelerators.

Recommendations – Specifics (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**

*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.

Recommendations

Entrepreneurship for Everyone

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

The accelerators are not, however, the entire solution. As noted, both in context of the accelerators focused on high-tech startups as well as those focused on disconnected communities and sectors, the MEMx plan includes general and specific actions to implement Entrepreneurship for Everyone. 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. The more detailed MEMx plan contains specific actions in connection with each of these recommendations.

Recommendations – EE Partners

- The Black Business Association
- Crews Center
- EmergeMemphis
- Launch TN
- Library SBRC
- Memphis Chamber Small Business Council
- MMBC Continuum
- MORE
- New Memphis Institute
- Renaissance Business Center
- Rhodes College
- Tennessee Small Business Development Centers
- University of Memphis
- Upstart
- Women 2.0



In most cases, Start Co. played a material role in engaging with or otherwise convening these and other 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.

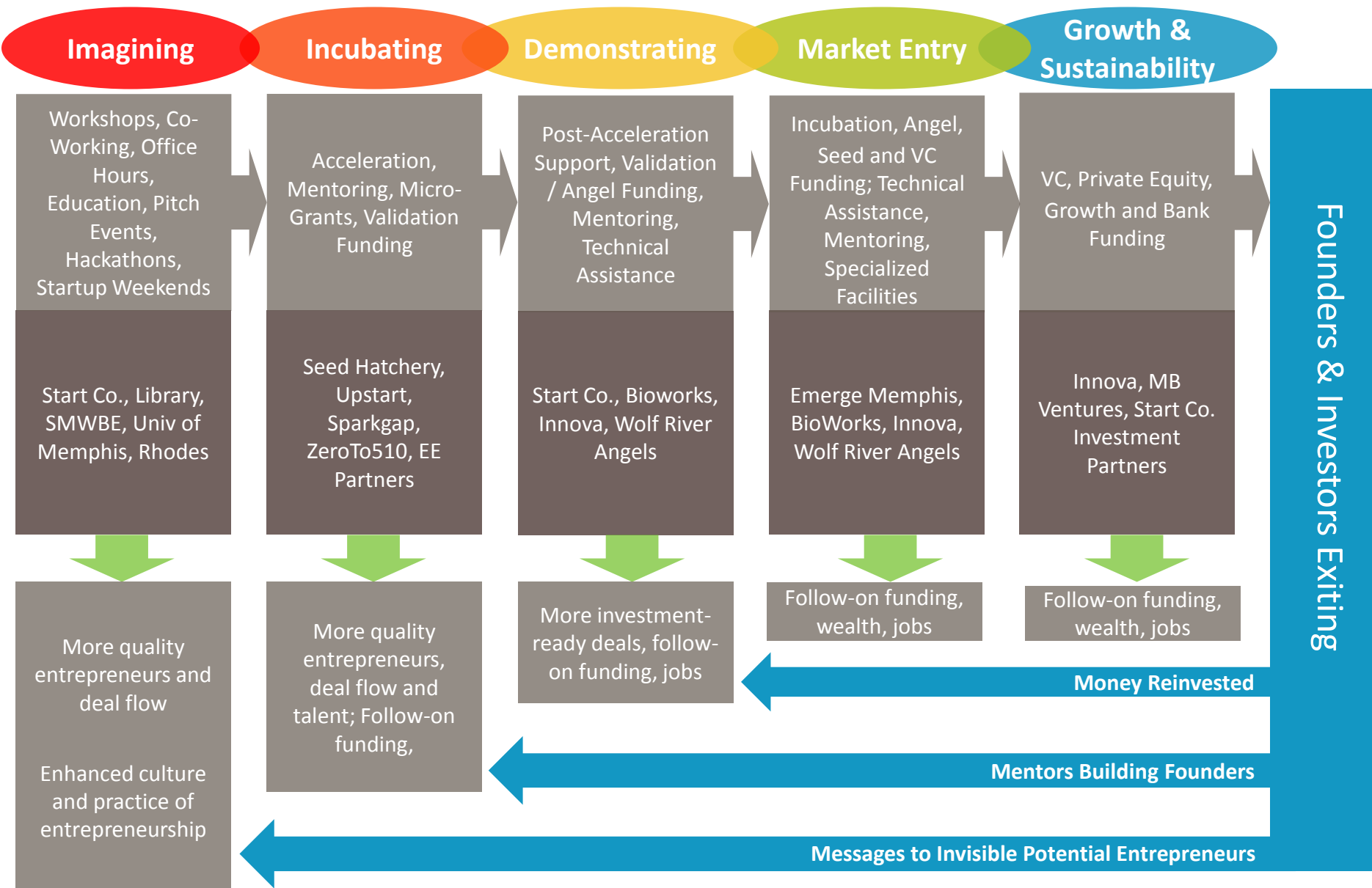
The list is remarkable for several reasons. First, the mission and activities of most of these organizations is not generally associated with entrepreneurship. Their presence and active engagement in these discussions reflects the patient yet persistent efforts of Start Co. to help them understand the 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.


Other New Partners

- American Airlines
- Angaros Group
- Bay Area Economic Institute
- Crews Center
- Global Accelerator Network
- Marston Group
- Memphis Chamber SBC
- Mosaik Solutions
- The Next Web
- Repetti Holdings
- Women 2.0

This is a list of the new or enhanced partnerships formed by Start Co. As noted, these partners extend beyond the EE partners and include persons and entities that bring specialized expertise and resources to Memphis.

Engine of Entrepreneurship





These diagram helps illustrate how all of the pieces of the MEMx Plan fit together. The 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.



Secured Resources

- IT, logistics, women, and student accelerator cohorts
- Founders Toll Kit (28 teaching documents)
- Founder's Tool Kit Accompanying Accelerator Curriculums
- MentorMe- matching, managing, measurement tool for mentoring
- Entrepreneurial Journalism Certification
- Launch University- weekly founder development
- University College- college credit for students or potential students for programs- 48 Hour Launch, ad hoc mentorship, business boost camps, etc.
- Social Innovation Toolkit- Harvard Kennedy School
- University of Memphis Entrepreneurship Professor Training (Dept. of Journalism)
- Start Co. Professors (co-teach classes at University of Memphis)
- Rhodes Entrepreneurship Club, Office Hours, Business Plan Competition, etc
- Social Accelerator Curriculum
- Baker Donelson (office hours, legal support)
- The Marston Group (office hours, financial and accounting support)
- Mosaik Solutions (office hours, developer support and technology facilities)
- Archer Malmo (office hours, media training, etc)
- UWT Logistics (mentors and 5,000 square feet of warehouse space)



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Secured Resources

- New Memphis Institute development training
- Office hours and early stage mentorship via Library SBRC
- Investor Pitch Practice- Repetti Holdings, Angaros Group, Williams & Gillentine
- Angaros Group Services (developers for equity and international advocacy)
- Connector and Training events planned- SMWBE, BBQ Fest, Demo Day, 48 Hour launches, Undercurrent, Start Co. Lounges, etc.
- Women 2.0- content creation and coverage for select startups
- Bay Area Economic Institute
- American Airlines- miles for select funded startups; prize awards for competitions
- Global Accelerator Network
- Rackspace
- Microsoft Bizspark
- Seed Investment Pool
- IT Validation Fund
- Angel Investment Network
- New Improved & Expanded Start Co. Co-working Lab (community lounge, kitchen, meeting space, etc.)
- Library SBRC co-working floor (meeting rooms, wireless, etc)
- Small business research software (6 computer stations)
- Small business library and materials (5,000 books)
- WYPL Radio and TV channels for marketing and programming to the community
- One Minute Entrepreneur programming and books
- Start Co. West Coast Division- connectivity, promotion, introductions for startups
- Jumpstart Resources (training, access, best practices, connectivity)
- Launch TN Incentives (living stipends, investment match)



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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

*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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) "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.
- (6) 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.
- (7) Miscellaneous legal, accounting, insurance and related expenses.
- (8) Increased to take into account the need to increase the engagement of participants, funds and expertise from within and outside the region and state.
- (9) Miscellaneous unanticipated expenses such as technology/systems, event participation, specialized expertise or resources needed to evaluate or advance an entrepreneur or portfolio company, etc.

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



.....

- *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 – Outcome Metrics

- The following are examples of Outcome Metrics MEM^x will target and measure during Phase I:
 - Secure additional \$750,000 in validation funding
 - 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

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.



Projected Deal Flow / Investments in 2014

	Minorities / Women (2013)	Minorities / Women (2014)	Overall (2014)
Raw Inquiries	150	450	750
Qualified Deal Flow	63	187	375
Technical Assistance Investments	16	30	100
Seed Investment	6	12	30
Angel Investments	1	3	12



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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



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Next Steps

- Keep going
- Secure remaining resources
- Solidify partnerships
- Implement, Measure, Learn



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SUMMARY OF OPPORTUNITY

Call to Action



End