Operation Bootstrap:

A Comprehensive Plan of Economic Development Through Entrepreneurship

Equitable,
Collaborative and
Sustainable

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Overview

Hartford's unemployment stands at 12.1%, more than double the national average. But a solution to this downward spiral is at hand. Immigrants, minorities, students, recent grads, returning veterans, and down-sized executives have dreams for new business and the drive and energy to see them to fruition.

All that is lacking is a systematic approach to mentor these aspirants and insure they have the means to succeed.

THE SECRET SAUCE. The failure of many past programs promoting entrepreneurship were based on providing financing only. However, "there is a very real knowledge gap in the early stage start-up game"[1] This proposal solves this problem by providing a holistic, interconnected approach of COACHING, INCUBATORS, AND CAPITAL.

LEVERAGING OUR GREATEST ASSET: OUR PEOPLE. Leading with our strong suit, Operation Bootstrap takes advantage of the talent and drive of the large and diverse immigrant population in Hartford, and their connections to export markets and sources of foreign investment. (*See pages 19-26 for details*.)

COLLABORATION. We will work with and through existing organizations: SBDC (see endorsement signed by state leadership), the University of Hartford Women's Business Development Center (on whose advisory board the Entrepreneurship Foundation president serves), SCORE (see endorsement), MHA, reSET and other NGOs to the state-of-the-art curriculum herein outlined that is vital to the success of economic revitalization through entrepreneurship.

We invite peer review and exchanges of planning professionals and policy officials, with the goal of optimizing collaboration.

REALISTIC FUNDING EXPECTATIONS. We are aware of the fiscal challenges facing the City. Therefore, we are resolved to allocate SC2 Prize Funds to immediately pilot programs in this proposal; with the hope of acquiring additional financing through foundation grants and CDBGs.

RETURN ON INVESTMENT:

- JOBS and EMPOWERMENT. We are confident we can create at least 4000 net new jobs through new companies alone, and combined with growth we can foster in existing companies, bring Hartford's double-digit unemployment rate to below the national average.
- IMPROVEMENT OF HOUSING STOCK will result from employment in well-paying jobs in prosperous companies. If we provide meaningful, WELL-PAYING jobs, the housing situation will correct itself through market forces.
- PROPERTY TAX REVENUES. Similarly, increased property tax revenue will follow improvements and enlargement of residential structures, and increased occupancy in commercial buildings and residential apartments.
- PRIDE OF COMMUNITY. There are also intangible paybacks, like the cumulative impact on our neighborhoods for each person who achieves the dignity, hope, and pride that entrepreneurship embodies.

[1] "The Problems with Incubators, and How to Solve Them," Sramana Mitra, Harvard Business Review, August 26, 2013

Analysis and Strategy

Industry Clusters

The Workforce View

SWOT Analysis

Strategy

Sequence of Programs

Why Leverage Immigrants?

Immigrant Entrepreneurship/
Foreign Investment Showcase

Budget and Timetable

Evaluation Metrics and Goals

Industry Clusters With a Competitive Advantage

Michael Porter of the Harvard Business School as well as others, have demonstrated that "industry clusters" improve regional economic performance.[2] Industry clusters are created when several firms engaged in the same (or complementary) businesses are gathered together in a proximate geographic area.

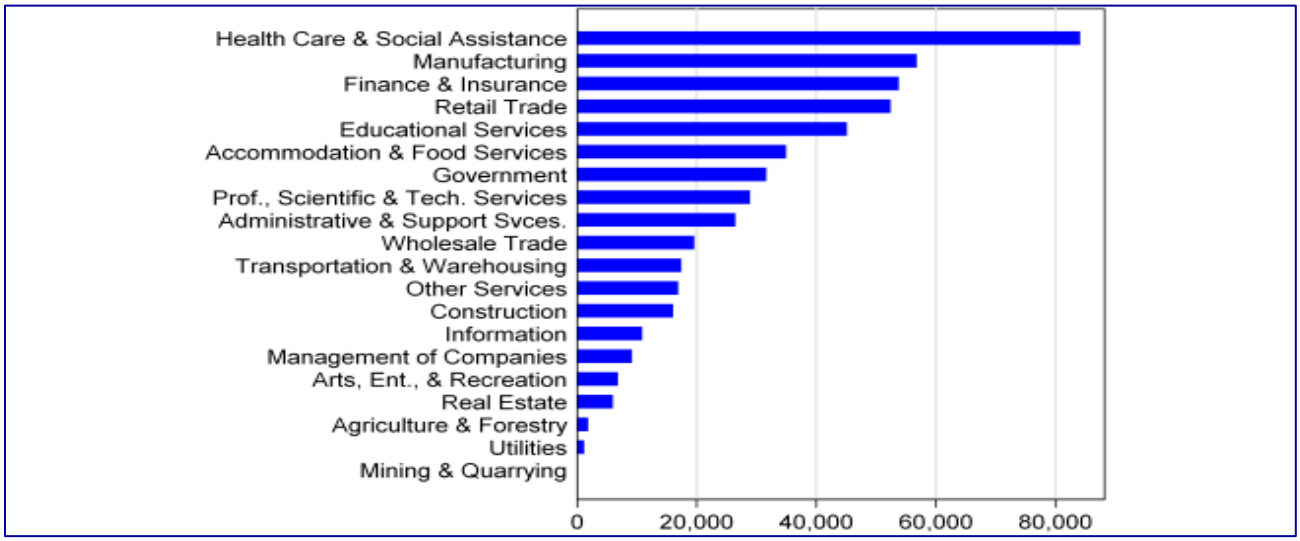
There are a number of industries in which Hartford already has a critical mass, and therefore a competitive advantage. These recommended target industries, and their long-term growth are shown in the table below.

Ten Year Average Growth Rates in Connecticut 2000 to 2010 *[By NAICS Code][3]*

Information Technology	[51]	3.5 %
Financial Services		[52-53] 5.0 %
Health Sciences and Services	[62]	5.6 %
Advanced Manufacturing	[31-33]	1.8 %

As evidence of the critical density Hartford already commands, see the chart below. **Health care, Manufacturing**, and **FIRE** are already the Hartford area's largest employers. **Information Technology** is included in a number of different categories in the table below.[4]

North Central Connecticut Employment by Industry – 2013



[2] http://www.ct.gov/ecd/cwp/view.asp?a=1100&q=249794

[3] BEA's web site from the "Regional Data" section. Specifically, the query involved the selecting data via the following steps: Regional Data; Gross Domestic Product by State; Gross domestic product; NAICS (1997 forward); selecting all fields available; choosing Area = Connecticut

[4] North Central Connecticut Employment chart, "Labor Market Update , Last Ten Years, Population and Projections," Connecticut Department of Labor, December 2, 2013. http://www.ct.gov/ecd/lib/ecd/Futures/LaborForce_CTFuture.pdf .

A. Information Technology

IT companies take many forms, software and apps, web sites, SEO, computer networking, and the burgeoning cyber security industry.

Manta.com, indicates that there are already over 30 software companies in the Hartford city limits.

Another IT category with surging demand is Digital Media. There is a constant and insatiable need for content by the world's movie theaters, television stations, mobile phones, tablets, and computer screens. Hartford has one of the largest consumers of digital media, ESPN, headquartered nearby in Bristol.

Hartford also has a vibrant and active arts community and both UConn campuses have state-of-the-art digital design programs.

B. Financial Services

As the insurance capital of the world, Hartford is in a strong position to leverage its financial resources and the expertise of its FIRE workforce to develop new ventures in related industries, such as crowd-financing, which is doubling in volume every year.

The fast growth of the healthcare industry also provides new opportunities for health insurance.



Travelers Tower

C. Health Sciences and Services

Health Care: Not only was the health care industry among the few to maintain its overall level of employment during the recent economic downturn, it is an industry in which Connecticut has consistently been ranked highly when compared with other states.[5]

The health care industry has grown steadily and is expected to continue to grow. "As a share of the nation's Gross Domestic Product, health care expenditures were 5.8 percent in 1965 and have been roughly 18 percent since 2009. Americans are spending about $3 trillion annually on health care, and the government expects costs are going to continue until the industry is 20 percent of the U.S. Gross Domestic Product by 2022."[1]

[5] For additional information, see:
- Holm, R. et al., Connecticut Health Care Workforce Assessment, August 2011.
- http://www.jff.org/publications/workforce/connecticut-health-care-workforce-assess/1385
- http://www.webmd.com/news/20070613/how-states-rank-on-health-care
- http://www.yalemedlaw.com/2011/12/connecticut-on-the-national-stage-a-view-from-the-forefront-of-healthcare-reform/

D. Advanced Manufacturing

According to Connecticut Business & Industry Association (CBIA) president John Rathgeber, rising prices overseas coupled with advances in productivity and innovation at home have incentivized companies to bring manufacturing jobs back to the U.S.[6]

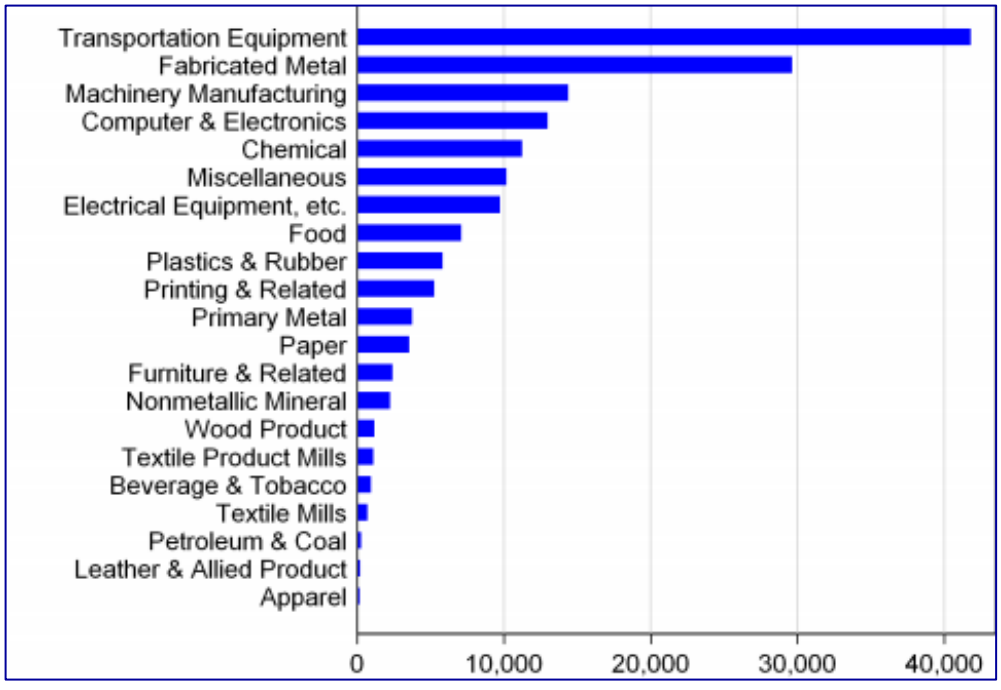
This trend will have a significant impact on the strong manufacturing sector in Connecticut. Connecticut specializes in high-precision, high skilled manufacturing which is a multiplier of economic activity across many other sectors. Such advanced manufacturing is also linked to extensive R&D, which acts as a catalyst of economic growth.



And products manufactured within the state are in high demand. Over the last ten years, the sale of goods manufactured in Connecticut to overseas markets has approximately doubled, from about $8 billion in 2000 to more than $16 billion in 2010.[7]

The new additive manufacturing processes such as 3-D printing, allow for cost-effective production of prototypes, one-off custom products (such as an artificial knee made to fit a specific individual), and short production runs, for which domestic manufacturers have a decided advantage due to shorter turn-around times than their overseas counterparts.

LEVERAGING ASSETS: The new Pratt & Whitney Additive Manufacturing Innovation Center at UConn Storrs furthers additive manufacturing research and development and is the first additive manufacturing facility in the Northeast to work with metals rather than plastics. The center also will be used to train a new generation of engineers and designers in the latest advancements in manufacturing technology



Manufacturing Jobs 2013[8]

Overall, manufacturing jobs have been declining in Hartford, due to the high-cost of legacy production methods, but new 3-D techniques show promise of reversing the trend.

6 http://nhregister.com/articles/2012/06/18/business/doc4fdf4e9008c8c958577877.txt
7 Connecticut Manufacturing: Building on the Past, Creating Our Future – CBIA, 2012.
8 http://www.ct.gov/ecd/lib/ecd/Futures/LaborForce_CTFuture.pdf

TWO MANUFACTURING CATEGORIES IN WHICH HARTFORD COMMANDS AN ADVANTAGE AND FOR WHICH START-UP COSTS ARE MANAGEABLE

1. **Medical Devices**. A subcategory of precision manufacturing, and an industry in which Hartford enjoys a unique advantage, with BEACON (the BioEngineering Alliance Consortium) headquartered in the City.

   LEVERAGING OTHER RESOURCES. Another SC2 team, Hartford Health Works, is an industry collaboration to foster healthcare technology development and manufacturing. To attract existing med tech companies and foster new companies, HHW is creating a FDA-approved, ISO-certified medical device prototyping and manufacturing plant in Hartford.

2. **Food and Beverage**

   Hartford has a strong identity with food manufacturing and distribution. Hartford-based companies include a large-scale baking manufacturer that serves 216 national chain locations, a tortilla chip manufacturing for the nation's leading brands, a nationally recognized coffee brand, and a West Indian baked goods manufacturer, among others. Most of the baked goods sold every day in Connecticut Dunkin' Donuts shops are baked in Hartford.

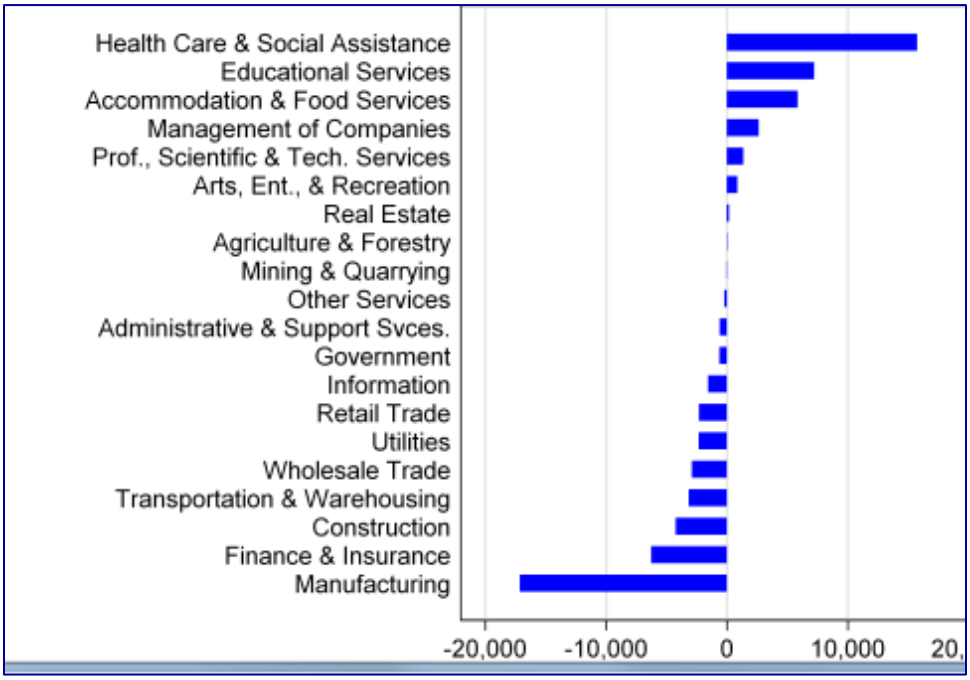


LEVERAGING RESOURCES: Lincoln Culinary Institute, 85 Sigourney St. is an existing Hartford asset that could be leveraged with a food incubator, coupled with entrepreneurship courses, coaching, and access to capital.

Another SC2 team, Made at Swift is a food-driven cluster that will support current and emerging entrepreneurs in the food sector and prepare a workforce for jobs in this growing field. Led by Community Solutions and including core expert team members: Hartford Food System, Billings Forge and reSET.

The Workforce View

For two of the recommended target industries, **FIRE** and **Manufacturing**, there has been a recent loss of jobs and therefor (fortunately or unfortunately) a cadre of available workers.



Changes in Employment, by industry, Hartford Region, *2001 to 2013*[9]

For the growing industries of Health Care and Information Technology, many unemployed or under-employed workers will need to be retrained. While there is no consolidated data for IT positions, there are over 2700 current IT openings in Connecticut, and this is up 7% over last year.[10]

Comparison of IT Jobs Available in Connecticut, *February 2014 and 2015*

	2014	**2015**	
Total IT Jobs	2608	2778	+ 7%

LEVERAGING EXISTING RESOURCE. There are ample higher education institutions in or near Hartford. Courses at Capital Community College are only $500 each, and for many students Pell Grants are available. CodeAcademy.com and khanacademy.org are free. A student can get started in some IT careers, like mobile app or web site development, with only 1 to 3 courses.

The Department of Labor will reimburse employers to retrain employees, including new hires.

[9] http://www.ct.gov/ecd/lib/ecd/Futures/LaborForce_CTFuture.pdf
[10] ContractsforGeeks.com

SWOT Analysis

Economic Strengths, Weaknesses, Opportunities and Threats

Strengths

1. **The Spirit of Hartford.** "In the back neighborhoods of Hartford lies, half hidden, a rich vein of innovative risk takers, committed to succeed, with the experience, talent, ingenuity and will to do so."[11]

2. **An international identity.** Hartford can boast that most members of the community are foreign born. Among our 21,000 student body, there are 63 dominant languages spoken at home.

3. **Quality of the Workforce**. The level of education is widely recognized as a key metric in facilitating long-term economic prosperity.

   Hartford is fortunate to have a formidable number of higher education institutions, including the University of Hartford, University of Saint Joseph, Goodwin College, Capital Community College, the University of Connecticut, and Trinity College.

   In 2009, Connecticut ranked third in the US in terms of percentage of population with advanced degrees, and 5th in the country with regard to the number of scientists and engineers with PhDs.[12]

	High School	Bachelor's Degree	Advanced Degree
Connecticut	88.6%	35.6%	15.5%
United States	85.3%	27.9%	10.3%

Educational Attainment

4. **Productive Labor Force**. Connecticut's labor force excels in terms of productivity and ingenuity with workers ranking 4th in the US in SGDP[13] and 8th in terms of the number of patents,[14] both on a per capita basis.[15]

5. **International Connections.** The global reach of the Connecticut economy ranks among the best in the US according to a 2012 Conexus Indiana report. Connecticut received a grade of A in terms of a measure of per capita exports, growth of exports and level of foreign investment.[16]

   As of 2010, Connecticut ranked third in in the US in terms of foreign direct investment in 2010 – foreign investment was responsible for 7.3% of the state's total private-industry employment, or roughly 101,000 workers.[17]

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11 "Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller .

12 Data highlighted in CERC materials; based on information provided by: U.S. Census Bureau, American *FactFinder*, 2009, National Science Foundation, Science & Engineering Indicators, 2010, 50 state average

13 Data highlighted in CERC materials; based on information provided by: U.S. Bureau of Economic Analysis, 2009

14 Data highlighted in CERC materials; based on information provided by: U.S. Patent Office, State Science & Technology Institute, 2009

15 http://www.cerc.com/images/customer-files//ctranks2011_final.pdf

16 2012 Manufacturing and Logistics Report – Conexus Indiana, http://conexus.cberdata.org/files/National2012.pdf

17 http://www.trade.gov/mas/ian/statereports/states/ct.pdf

6. **Geographic Location**. One-third of the U.S. economic activity and two-thirds of the Canadian economy are located within 500 miles of Hartford.[18]

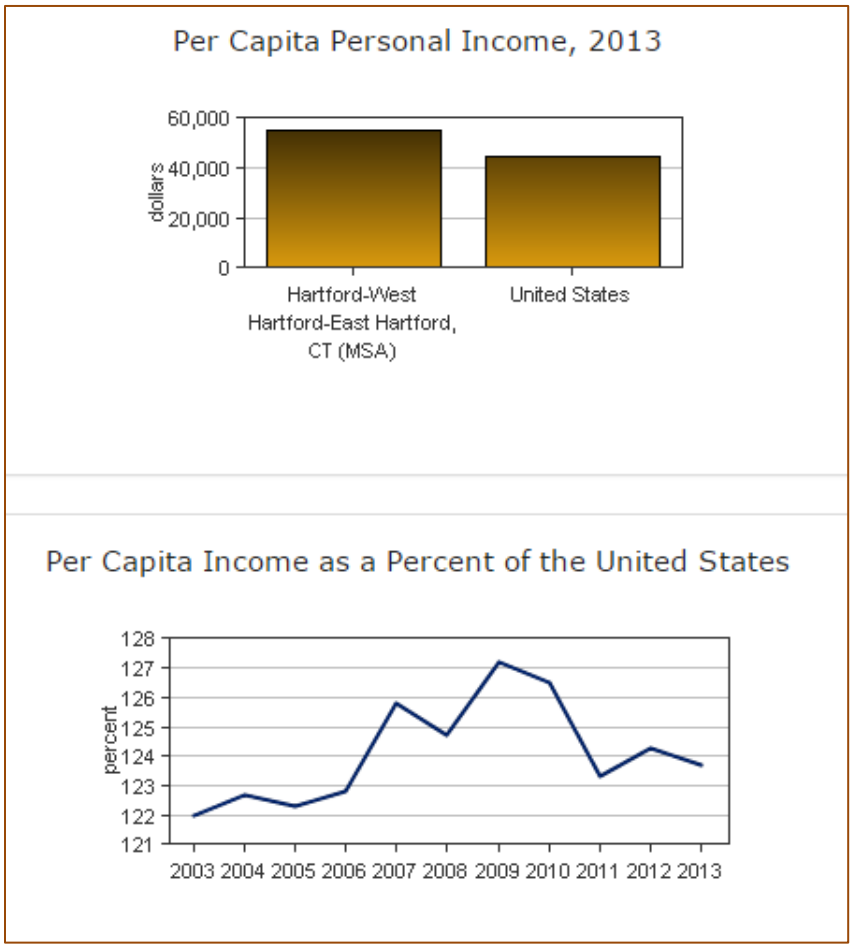
7. **Per Capita Personal Income**: Money available from in and around the City to be spent in Hartford. In 2013, the Metropolitan Statistical Areas (MSA) of Hartford-West Hartford-East Hartford had a per capita personal income of $55,355, which ranked 13th in the United States and was 124 percent of the national average of $44,765.[19]

   The Hartford-West Hartford-East Hartford 2013 population of 1,215,211 ranked 46th among the 381 Metropolitan Statistical Areas (MSAs) in the nation.

   If you do the math (1,215,211 people x $44,765) = area income of $54,398,920,415.

   We can build on that.

8. **A Plethora of Organizations and Other SC2 Teams** to deliver the initiatives outlined in this proposal. We have already mentioned some a number of actual and potential collaborators, and others are highlighted within the sections and activities that correspond to their missions.



[18] http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=437456

[19] http://www.bea.gov/regional/bearfacts/action.cfm?fips=25540&areatype=MSA

Weaknesses

1. **Difficulty obtaining support from state** due to budget restraints.

2. **Lack of Growth**. Of the nation's 100 largest commercial centers, in 2013 the Brookings Institution rated metro Hartford 98th in economic growth;[20] and as *Courant* columnist Tom Condon observes, "Hartford does not have much in the way of vital new businesses."[21]

   Unemployment in is over 12%, the highest in the state[22] and over twice the national average.[23]

   While the average job growth by state since the beginning of the 2008 recession was .1%, Connecticut employment has actually declined by 2.3%.[24]

3. **Hartford Budget Restraints**. We do not yet have adequate funding to compete with neighboring start-up initiatives, like MassChallenge (with its $1 million annual budget just for investment in startups that locate in Boston) or the BetaSpring Accelerator that promises every successful graduate $50,000 to remain in Providence; or the TechStars Incubator in New York that guarantees every accepted company $150,000.

   The cost of a Business Plan Competition alone requires a prize pool of $100,000 to be among the first rank of U.S. cities; $250,000 to attract entrepreneurs from outside the metro area; and to achieve national attention, $500,000.[25]

   As a result, we have to accomplish more with less; fortunately, for the people of Hartford, this is not a problem.

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[20] Mara Lee, *Hartford Courant*, 4/18/14

[21] Dr. Xiangming Chen and Nick Bacon, *Confronting Urban Legacy*, edited by the Trinity College Center for Urban and Global Studies, Lexington, 2013; quoting Tom Condon of the *Hartford Courant.*

[22] Connecticut Department of Labor, Town Unemployment Rates

[23] U.S. Bureau of Labor Statistics web site: http://data.bls.gov/timeseries/LNS14000000)

[24] The Joint Economic Council of the U.S. Congress: http://www.jec.senate.gov/public/index.cfm?p=statebystatereport

[25] Study by Yale

Opportunities (The Vision).

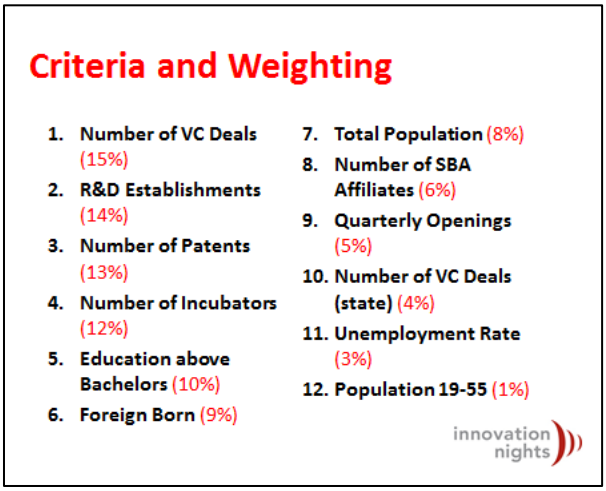
Fortunately, Hartford has a wealth of assets and advantages.

1. **Small businesses are the hope for job creation**. According to the SBA's Office of Advocacy: Small firms accounted for 63 percent of the net new jobs created between 1993 and mid-2013.[26]

   A new start-up not only provides sustenance for the entrepreneur, but potentially for other out-of-work individuals as well.

2. **Hartford Has the Potential.** In a study conducted by Brandeis University graduate students for Innovation Nights, an Entrepreneurship Foundation team member, Hartford ranks 15th in potential for growth. See boxes below for rankings and evaluation criteria.





3. **Keeping the wealth in Hartford families and neighborhoods**. Our strategy is to enable residents to own the businesses and shops in their neighborhoods.

   This is also the strategy that will rejuvenate Hartford housing.

   The underemployed do not remodel their homes; but business owners do. In affluent neighborhoods, developers are buying small or dilapidated homes remodeling then into more commodious housing.

5. **Stronger And More Cohesive Communities**. Entrepreneurship not only creates and retains wealth in our neighborhoods, it builds confidence and skills to effectively manage local schools and other community assets, as board members and volunteers.

6. **Job Creation!** Self-Realization and Self-Reliance. By learning management skills, residents will be able to propel themselves and their neighbors into self-reliance and the American Dream.

[26] http://www.sbecouncil.org/about-us/facts-and-data/#sthash.n5TITNEs.dpuf.

Threats

1. **The "F" Word: Failure.** By definition, startups are risky businesses, launched very often by individuals without prior experience. And there is a very real knowledge gap in the early stage start-up game. First-time entrepreneurs lack the seasoning to captain a steady ship through turbulent waters. Inexperienced friends and family (and, increasingly, crowd-sourced investors) lack the ability to gauge the viability of a business, or to mentor naïve entrepreneurs. New entrepreneurs need river pilots, like Mark Twain, to warn them of the hidden shoals, and the rapids 'round the next bend on their journey—until they have conquered the Connecticut river.[27]

   If we bet on our residents to save our ship of state, we must provide a different support mechanism than we may be accustomed to providing to established businesses.

2. **Lack of Skills in Personal Financial Management Among Many Aspiring Entrepreneurs**. We may have to provide a first-time entrepreneur with assistance on personal finances, record-keeping, ESL, or unresolved legal issues. For example, I have known of many otherwise successful businesses that were inundated by fines and penalties because they ran afoul of complicated IRS regulations. This situation can be avoided by better record keeping and an understanding of the laws and regulations pertaining to payroll and withholding reporting.[28]

3. **We May Not Attract Enough Entrepreneurs to Meet the Ambitious Projections in this Proposal**. Hence the "Outreach" and "Inspiration" sections of this document, and the Hartford Business Plan Competition to encourage residents to conceive of ideas for new businesses. All great enterprises start with an idea. The Entrepreneurship Foundation team knows from experience how to promote a competition and to turn out the entrepreneur vote.

4. **Other cities may copy Hartford Initiatives**. if our primary target audience is our own residents, then similar strategies in other cities will not detract from our results—as it is much easier (and more cost-effective) to retain entrepreneurs and companies than it is to siphon them off from other cities.

[27] "The Problems with Incubators, and How to Solve Them," Sramana Mitra, Harvard Business Review, August 26, 2013

[28] *ibid*.

Strategy

Although economists rarely agree, they are almost unanimous in the assertion that small businesses are the hope for job creation. A new start-up not only provides sustenance for the entrepreneur, but potentially for out-of-work neighbors as well.

A. HOLISTIC AND CONTINUOUS PROGRAMS . There are many current programs that do a good job of helping an entrepreneur with one step along the path to sustainability; but as with social service programs, unless we treat the entire company and entrepreneur, we risk wasting resources. For example, a micro-loan without assistance with government reporting may merely set up the hopeful entrepreneur for failure.

Most entrepreneurship programs are restricted to arbitrary time limits. College entrepreneurship courses (I know, I team them) operate for 15 weeks, then the students are handed a certificate and told good luck. Previous attempts at accelerators in Connecticut also shut down after an arbitrary 10 or 15 weeks.

However, the process of searching for a sustainable business model is non-linear. An entrepreneur may have to go back periodically and revise budgets, production plans, distribution channels, or the product itself. This trial-and-start-over process may takes months—or years. It never takes 15 weeks.

B. EMPOWER HARTFORD'S GREATEST ASSET. Instead of subsidizing companies and residents in other states to move their businesses here, incentivize our own residents—underwrite *their* dreams and aspirations for creating wealth and employment.

Many of our citizens, while eager and hard-working are virtually unemployable in today's job market due to age or a lack of proficiency in English or other skills required by employers. Starting a business, as a way of "making a job"—while a daunting process—is nevertheless within the control of the individual.

We would support any entrepreneur with a winning concept who lives in or would move to Hartford. However, to guarantee that the American Dream is achievable by everyone, we advocate a concerted effort to extend the services herein outlined to the people for whom breaking into the entrepreneurial class is most daunting: recent immigrants, the unemployed, minorities, and veterans.

This is not purely altruistic. Empowering underserved residents to change their destiny is good business.

Imagine if we could supplement the drive and desire of someone heretofore excluded by circumstances from entrepreneurship, and provide coaching and training and then stick by that person for as long as it takes until he or she succeeds.

That's when the needle moves.

Sequence of Interconnected Programs

Each program is explained in detail in the body of the proposal.

Step 1 -- Outreach

Step 2 -- Inspiration: Hartford Entrepreneurship Day (workshops, inspirational speakers)

Step 3 – Business Plan Competitions to draw out and recognize exemplary business proposals.

Step 4 – Business Accelerator Courses, held semi-annually, to more fully develop the most promising concepts identified through the business model competitions.

Step 5 – Business Incubators to house accelerator graduates

Step 6 – Continuing Training and Coaching by successful entrepreneurs

Step 7 – Direct Tactical Support

A. Marketing and Fulfillment Services
B. Bookkeeping and Government Reporting and Compliance
C. IT Support: LAN, web site development,
D. Sourcing local talent
E. Exporting

Step 8 – Connection to Startup and Growth Capital

A. Entrepreneur Learner's Permit (State start-up fees and first two years taxes waived)
B. Grants as part of Business Plan Competition
C. Micro-Lending
D. Guidance on how to launch on Kickstarter
E. Crowd funding through affinity groups (e.g. – church, club or school)
F. Foreign Investment
G. Introductions to public and private professional financing sources for growth capital

Step 9 – Networking through membership in a chapter of an Entrepreneurs Society.

A. Peer-to-Peer mentoring
B. Lead sharing, cooperative marketing, brainstorming common problems
C. MORAL SUPPORT

Step 10 - Upon achieving financial success, entrepreneurs will be invited to return as mentors.

Why Leverage Immigrants for Entrepreneurship?

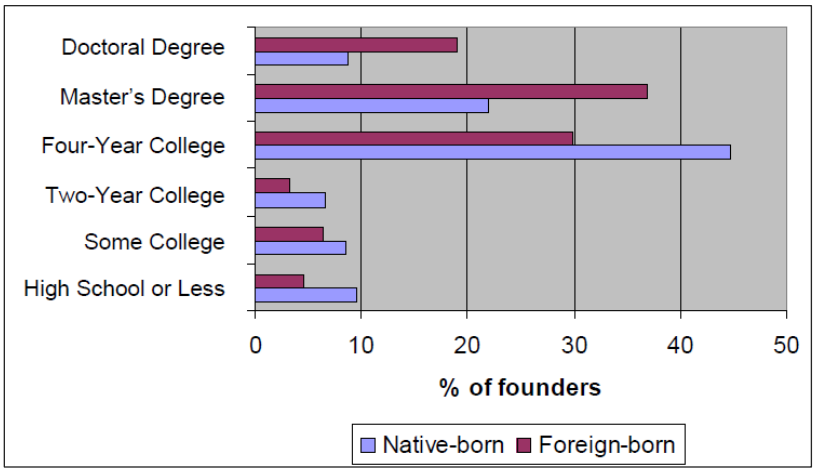
Immigrants are America's Job Creators. – Fortune*, June 2, 2014*

Google, Yahoo and Ebay were founded by immigrants.

"There's a selection effect because people really have to have a lot of gumption and motivation to come here,"[29] then "live by their wits in an alien culture."[30]

Research by the Hartford Department of Economic Development indicates that Immigrant-owned businesses are more likely to export their goods and services than are non-immigrant owned businesses. Moreover...

- *Business formation rates are higher among immigrants than non-immigrants: .62% per month for immigrants and .28% for non-immigrants.*
- "Immigrants have historically been important to the country but those contributions, particularly in science, engineering, medical research and business startups, have increased significantly over the past 20 to 30 years."[7]
- Immigrants represent 16% of the labor market, but 33% of the self-employed, three times the rate of native born Americans.[31]
- Although immigrants comprise 13 % of the U.S. population, over the last decade, 28% of small business enterprises (SBEs) and 25% of engineering and technology companies were founded or co-founded by immigrants.[32] In N.J., immigrants founded nearly half the tech firms.[33]



Founders of U.S. High-Impact, High Tech Companies

Source: Corporate Research Board, "High-Impact, High Tech Company Survey," 2009

[29] Simpson, University of Nebraska, quoted in *New York Times*, 6/22/13
[30] Zakaria, *Washington Post*, 8/2/12
[31] Fritz and Batlova, "Frequently Requested Statistics on Immigrants", Migration Information Source, 201; Wallace, "Immigration and the Revival of American Cities", Partnership for a New American Economy, 2013
[32] Wadhwa et al., "Then and Now: America's New Immigrant Entrepreneurs", Kauffman Foundation, 10/12
[33] Rampell, "Immigrants Rank Higher as Entrepreneurs", New York Times, 7/2/13; 2/13/13

Potential partners uniquely qualified to assist immigrant populations overcome inhibitors to entrepreneurship and to starting a business.

- **International Institute of Connecticut, Inc.** a venerable immigrant-service organization with offices in Hartford. Founded in 1918, IICONN assists more than 7,000 refugees and immigrants in overcoming legal, economic, linguistic and social barriers so that they become self-sufficient, integrated and contributing members of the community.

  The Institute achieves this mission by providing a compassionate array of high-quality legal, social and educational programming that helps their clients integrate into American life, with services including basic needs for new arrivals in the country, English language classes, job training, job placement, counseling and legal assistance. It is the only statewide provider of legal immigration services recognized by the U.S. Board of Immigration Appeals.

  We have already held three exploratory sessions with IICONN leadership.

- **Immigration Attorney Dana Bucin, with the Hartford firm Updike Kelly & Spellacy**. Ms. Bucin is an attorney practicing in the areas of Immigration Law and International Business. She regularly assists foreign investors and entrepreneurs, including EB-5 investors, in structuring foreign investments to meet their immigration goals. She serves on the Executive Committee of the MetroHartford International Business Council. Ms. Bucin is fluent in Spanish, French, and Romanian, and has a basic knowledge of Italian, German, Hungarian and Latin.

- **The Latino Way**. A nonprofit that reaches out to potential Latino entrepreneurs to bring them into the general entrepreneurial ecosystem. (See endorsement from The Latino Way.)

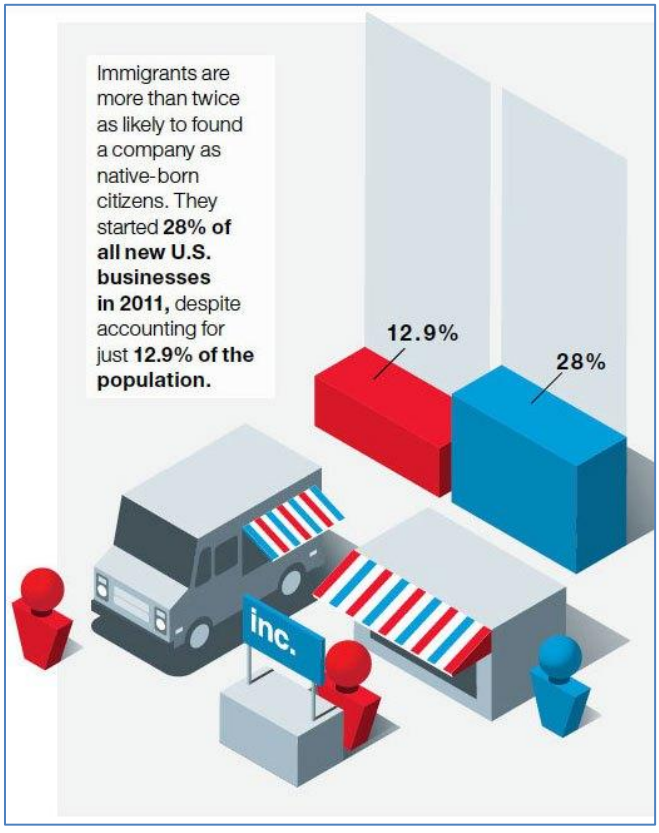
We will pursue parallel programs to leverage both:

a) the drive of new immigrants; and

b) the intellectual and financial assets of foreign-born residents who are highly educated and or already have startup capital.

We have prepared an application for an EB-5 Regional Center license and will leverage this self-sustaining agency to recruit foreign nationals as investors in Hartford businesses.

We will commence with a campaign to raise awareness at colleges (that have an increasing number of foreign students), foreign trade associations and social and service agencies serving various nationalities, with talks on visa opportunities as they relate to entrepreneurship.



Fortune, 5-30-2014

Overcoming Deterrents and Legal Challenges to Immigrant Entrepreneurship and Investment

Note: the analysis below is based on legal recommendations by Attorney Dana Bucin, a partner with Updike, Kelly & Spellacy, P.C., who focuses her practice on International Business Law and Immigration Law. Her knowledge of Immigration Laws is reinforced by her Business Law practice and the combination of the two constitutes a niche practice area in Connecticut. She derives her legal expertise as well as her practical business perspective from her experience serving foreign students, foreign graduates and international investors and her leadership in various cross-border business associations.

To target this population correctly, however, it is very important to understand the many categories of immigrants and their respective types of entrepreneurial interests so as to correctly address each segment's needs, barriers to entry and therefore solutions to unleashing the entrepreneurial spirit.

Thus, we believe there are several immigrant segments that are pertinent to our efforts to encourage entrepreneurship in Hartford:

1. Foreign Students and Graduates at Hartford colleges and universities, a largely untapped resource of professional and entrepreneurial talent, especially in needed fields such as STEM
2. International Investors Incentivized by U.S. Visa Privileges
3. Existing immigrants in the Hartford area (of note, only first-time immigrants are included in this definition, including naturalized citizens, but not their US-born children or "first generation Americans"). There are also several other subcategories depending on which immigration avenue they used: Traditional immigration: family-based, refugees/ asylees, and undocumented.

A. Foreign Students and Foreign Graduates at Hartford Colleges

Hartford has an untapped pool of professional and entrepreneurial talent at its doorsteps which is highly capable of enriching Hartford's professional, business and cultural landscape. While many such students are being recruited by area corporations, many more end up leaving Hartford for better opportunities elsewhere. This proposal envisions retaining foreign students in the area via creative uses of visa alternatives under immigration laws.

1. The Problem: H-1B Cap

This market sub-segment has a particularly strong obstacle to overcome: harsh U.S. Immigration laws which leave foreign students with few available work visa opportunities (also known as the problem of the H-1B cap). A typical foreign student's journey through the U.S. Immigration legal system resembles the following: s/he first comes to the U.S. on an F-1 student visa, and upon graduation gets a 1-year (for STEM students up to 29 months) work permit called Optional Practical Training (OPT). The student then uses the OPT to work for a U.S. employer, hoping that such an employer would then sponsor them for an H-1B work visa once the OPT expires.

The H-1B visa is the most common professional worker visa, to be utilized by the vast majority of foreign students who graduate from U.S. universities and desire to remain in the U.S. job market. It is also the most common employment-based path to permanent green card status in the U.S. sine during the 6-year term of a H-1B visa, many employers decide to sponsor the foreign national for an employment-based green card. Thus, the H-1B visa is typically essential to a foreign national staying in the U.S. and advancing to a green card.

The problem is that every April 1 a total of only 85,000 H-1B visas are available for that fiscal year pursuant to antiquated Congressional legislation that has met with little change since the 1980s. In the meantime, however, the demand for talent in the U.S. economy (especially in the high-sector) has evolved well beyond 85,000 spots per year. For example, on April 7, 2015, USCIS announced the receipt of almost 233,000 H-1B visa application for the 85,000 spots in just the first 5 days of the new fiscal year. In April 2014, USCIS announced that 172,500 H-1B applications were received for the 85,000 spots. USCIS then conducts a "lottery" to decide which H-1B applicants will be selected. In order to remain in the U.S., those who were not selected must either identify an alternative visa available to them (which choice is severely limited at this point in time) or else leave the country. This is how the U.S. loses talent to China, Canada, and other countries with more favorable immigration laws or incentives.

2. The Solution: Creative Use of Visa Alternatives

Although U.S. immigration laws are federal in nature and can only be legislated from Washington, D.C., there are a number of initiatives that a city like Hartford can take to retain foreign professional and entrepreneurial talent locally.

First, there are a number of visa alternatives to the H-1B available to entrepreneurs, but there is little to no awareness among foreign students about these visas. The following are some of the alternatives to the H-1B visa:

a) E-2 visa, for nationals of various countries which have a bilateral investment treaty with the U.S. A total of 80 countries around the world have a bilateral investment treaty with the U.S., thus rendering their citizens able to obtain an E-2 visa based on founding their own entrepreneurial venture. E-2 visa requires that the foreign national make a "substantial investment" of capital (usually even $100,000 would be enough in most scenarios) into a U.S. venture in exchange for majority stock ownership and control of the business enterprise, as well as submitting a business plan that shows sufficient projections of job creation for U.S. workers to support a conclusion that the investment is not "marginal"

b) L-1 visa, for multi-national executives/ managers from any nation. This visa would work for graduate students – for ex in the MBA program – who were managers/ executives at a company abroad before their U.S. studies and would open up a new U.S. affiliate after graduation. This is a great visa for encouraging foreign direct investment by foreign companies into Hartford and it has no investment minimum, although the investment must be enough to generate a sufficient number of U.S. jobs (usually 4 in the first year)

c) EB-5 "Direct Investment" Green Card, for students or graduates who can invest at least $500,000 in their own venture and create 10 U.S. jobs within 2 years

d) Obama's November 2014 executive action (to go into effect May 2015), allowing certain work permit privileges to foreign inventors, researchers, founders, investors and entrepreneurs

Second, the H-1B visa itself can be used in a creative way to retain entrepreneurial foreign students willing to work on developing their own business. Not all H-1B visas are subject to the 85,000 annual cap. Under the law, there are exemptions from the cap for H-1B visas sponsored by universities or institutions affiliated with a university, which institutions would benefit from an unlimited number of H-1B visas. Thus, an incubator owned or affiliated with a university can be fertile ground for sponsoring H-1B visas for as many foreign students as are willing to work on their own entrepreneurial venture hosted at that particular incubator. A program of this sort will be especially helpful to retaining STEM foreign graduates in the area at a time where U.S. universities are not graduating nearly enough U.S.-born STEM students to meet the demands of a growing high-tech U.S. economy.

B. Action Items To Leverage the Skills of Foreign Nationals

- Team Entrepreneurship Foundation is proposing an informational campaign at Hartford colleges and universities which would raise awareness among foreign students about these alternative visa categories via informational presentations. Currently, foreign students head into the U.S. job market after graduation with no understanding of the harsh realities of the H-1B visa cap, which are only getting harsher each year as the economy improves (since there will be increasingly more competition for the limited 85,000 spots). Our presentation would educate foreign students about the "entrepreneurial" alternatives to the H-1B visa and teach students how to proactively use their time while still in school and then on post-graduation OPT to work on their own business to build a case for the E-2, L-1, EB-5 or the cap-exempt H-1B.

- Team Entrepreneurship Foundation would lend its expertise to assist the City of Hartford in brokering agreements with area universities to sponsor incubators at universities or at institutions affiliated with such universities. Besides the inherent benefits such incubators would have for all entrepreneurial college students, they could sponsor H-1B cap-exempt visas for foreign students who would otherwise have to return to their home countries due to harsh immigration laws

- Team Entrepreneurship Foundation would also assist with the needed expertise to take advantage of Obama's new executive action favoring inventors, researchers, founders and entrepreneurs to retain foreign students and graduates who want to stay in the U.S. to work on their own ventures

International Investment Incentivized by U.S. Visas

[See also section 4.6 “Foreign Investment”]

Potential Foreign Investors have some incentives under U.S. Immigration Laws to invest in the U.S. For instance, a foreign investor may obtain a visa or even a green card in exchange for a certain investment amount and creation of a certain number of U.S. jobs. It is crucial to understand that investments may be structured either as corporate investments or individual investments, as appropriate to meet the investors’ business and/ or immigration goals. These incentives are:

1. **E-2 visa**, for nationals of various countries which have a bilateral investment treaty with the U.S. A total of 80 countries around the world have a bilateral investment treaty with the U.S., thus rendering their citizens able to obtain an E-2 visa based on founding their own entrepreneurial venture. E-2 visa requires that the foreign national make a “substantial investment” of capital (usually even $100,000 would be enough in most scenarios) into a U.S. venture in exchange for majority stock ownership and control of the business enterprise, as well as submitting a business plan that shows sufficient projections of job creation for U.S. workers to support a conclusion that the investment is not “marginal”. While the E-2 visa has been discussed above in the context of foreign students, it can also be used by foreign companies from 80 countries to send key employees to the affiliated U.S. business.
2. **L-1 visa**, for multi-national executives/ managers from any nation. This visa works for managers/ executives at a company abroad who would be transferring to manage the U.S. affiliate, which can be either a newly created venture, a joint venture with another U.S. entity, or an existing U.S. business that was acquired by the foreign company. This is a great visa for encouraging foreign direct investment by foreign companies into Hartford and it has no investment minimum, although the investment must be enough to generate a sufficient number of U.S. jobs (usually 4 in the first year).
3. **EB-5 “Direct Investment” Green Card**, for investors who can invest at least $500,000 in their own venture and create 10 U.S. jobs within 2 years, in exchange for a green card for the investor and his/ her immediate family. Of note, the City of Hartford has been designated a Targeted Employment Area (TEA), which can accept a minimum of $500,000 per investors (as opposed to the regular investment level of $1,000,000 per investor in non-TEAs). The EB-5 “Direct Investments” Green Card is appropriate for restaurants, hotels and other establishments which could easily generate the 10 direct jobs (directly on the company’s payroll) needed.
4. **EB-5 Regional Center Green Card**. Investing through an EB-5 Regional Center is another option for getting a green card. The advantages of going through a Regional Center consist of being allowed to remain a passive investor with no role in the management of the business and taking advantage of “indirect” or “Induced” job that still get counted towards the 10-job requirement. To date, there are 646 approved EB-5 Regional Centers in the U.S., including 17 in Connecticut (see: http://www.uscis.gov/working-united-states/permanent-workers/employment-based-immigration-fifth-preference-eb-5/immigrant-investor-regional-centers).
5. **Obama’s November 2014 executive action** (to go into effect May 2015), allowing certain work permit privileges to foreign inventors, researchers, founders, investors and entrepreneurs.

The problem is that he vast majority of potential foreign investors are not aware of these various visa incentives and/ or about Hartford's international appeal

The Solutions:

1. **Raise awareness with potential investors about immigration incentives via:**
    a) Welcoming receptions, networking and presentations to foreign business delegations
    b) Web portal featuring Hartford's worldwide reach, including educational materials about investment visas and its value proposition to foreign investors, and picking a few key foreign languages to translate into (Chinese, Spanish, Portuguese, Polish, etc.)
    c) Outreach and educational sessions with foreign consulates in and around Hartford
    d) Liaising with governmental resources such as DECD International and the US Department of Commerce (Export Center)
    e) Outreach to internationally-minded businesses and institutions already operating in Hartford and partnering with them for educational purposes:
        1) World Business Capital (Hartford-based international lender)
        2) Updike, Kelly & Spellacy, P.C. (a Hartford-based law firm affiliated with Meritas law firms in 80+ countries worldwide)
        3) Various EB-5 Regional Centers
        4) World Affairs Council of Connecticut
        5) MetroHartford International Business Council
        6) The Latino Way
        7) Central and Eastern European Network
        8) Various ethnic organizations

2. **Create a Bundle of Services tailored specifically to foreign investors**
    a) A foreign investor has very specific needs for guidance regarding local business environment, language issues, financial resources, and professional resources, thus the need for the creation of a "concierge-style" service specifically for foreign investors, after identifying niche expertise in various areas needed by foreign investors:
        1) Financial (financing foreign direct investments)
        2) Legal (International Business Law, Immigration Law, Import-Export Law)
        3) Cultural (places of worship, ethnic restaurants, ethnic associations, etc.),
        4) Insurance (tailored to foreign businesses expanding operations in the U.S.),
        5) Accounting (International Taxation)
        6) Business Brokers (for those acquiring a US company to satisfy visa requirements, for ex)
        7) Business Consultancy (international business plans)
        8) Translation Resources
        9) Educational (English Language Courses, area universities/ preK-12)
    b) Highly recommended to connect with DECD's "concierge" service in the making, which will be dealing precisely with this issue, and add a link to Hartford-specific resources

Existing immigrants in the Hartford area (of note, only first-time immigrants are included in this definition, including naturalized citizens, but not their US-born children or "first generation Americans"). There are several subcategories depending on which immigration avenue they used:

a. Traditional immigration: family-based
b. Refugees/ Asylees
c. Undocumented

We note the prevalence of multiple non-profits currently assisting existing immigrants in Hartford and running various types of programs for them, including some financial/ business-literacy programs:

- Hartford Public Library
- Catholic Charities
- International Institute of Connecticut
- International Hartford
- The Latino Way
- Firm Foundation Leadership Coalition Inc.
- Association of Peruvian Professionals
- National Association of Hispanic MBAs (NSHMBA) – CT Chapter

Thus, rather than duplicating their efforts, we would like to collaboratively work with them to serve the unmet needs of existing immigrants who wish to pursue entrepreneurial endeavors, by attracting them into our Business Plan Competition/ Coaching / Incubator ecosystem.

Of note, we have a creative alternative even for undocumented immigrants to legalize their status through entrepreneurship/ investment, through the use of E-2 visas, although we note the non-negligible risk this approach would present because it entails having such undocumented immigrants leave the U.S. and re-apply at a consulate abroad, requiring the approval of a non-immigrant visa waiver which is essentially at the discretion of a U.S. consular officer.

Why Urban Residents?

A new, locally owned small business in a distressed urban neighborhood is more than a profit center:

- It's an occupied storefront formerly empty;
- It's reassurance for residents or businesses; workers and shoppers add safety;
- it's a boost to the spirit of residents who see the neighborhood coming back;
- it's the name stitched on the back of kids' Little League uniforms
- it's the after-school or summer job of an otherwise idle adolescent.
- It's quality of life

But new businesses and new jobs are not enough. If our cities are to remain vibrant, indeed livable, we must ensure fair access to the American Dream.

"Over the last few decades, the rungs on the ladder of opportunity have grown farther and farther apart."[34] *-- Barack Obama*

I learned from managing an inner-city incubator that employers tend to hire people that look and talk as they do. It's not prejudice or discrimination; it's just ethnocentricity. Small companies tend not to spend money of help-wanted ads in the *Courant*; they ask their neighbors, relatives, and current employees for leads, or post a notice on the church or neighborhood grocery store bulletin board. Most of the people in these inner circles speak the same language and attend the same church.

The lesson is that the most direct and cost-effective approach to increasing employment in any demographic is to focus on entrepreneurship in the target locations and demographic.

Unfortunately, for the poor and chronically underemployed, it is extremely difficult to launch a Job-making venture. Setting aside the daunting capital requirements, the government regulations, fees and minimum taxes are insurmountable to most city residents.

"America's engines of upward mobility aren't working the way they should."[35] *"America has the least equality of* opportunity *of any of the advanced industrial economies."*[36]

We need to keep hope alive; to extend to everyone who desires it the opportunity for self-determination. We can do this through entrepreneurship.

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[34] Barack Obama, December 6, 2011, Osawatomie High School, Osawatomie, Kansas.
[35] Paul Ryan, October 24, 2012 (http://www.huffingtonpost.com/2012/10/24/paul-ryan-poverty-speech_n_2010827.html)
[36] Nobel Economist Joseph E. Stiglitz, "Equal Opportunity, Our National Myth," *New York Times* Opinion Pages, February 16, 2013

Equal Opportunity, Our National Myth

By Joseph E. Stiglitz NYT Online, The Opinion Pages, February 16, 2013

President Obama's second Inaugural Address used soaring language to reaffirm America's commitment to the dream of equality of opportunity: "We are true to our creed when a little girl born into the bleakest poverty knows that she has the same chance to succeed as anybody else, because she is an American; she is free, and she is equal, not just in the eyes of God but also in our own."

The gap between aspiration and reality could hardly be wider. Today, the United States has less equality of opportunity than almost any other advanced industrial country. Study after study has exposed the myth that America is a land of opportunity. This is especially tragic: While Americans may differ on the desirability of equality of outcomes, there is near-universal consensus that inequality of opportunity is indefensible. The Pew Research Center has found that some 90 percent of Americans believe that the government should do everything it can to ensure equality of opportunity.

Perhaps a hundred years ago, America might have rightly claimed to have been the land of opportunity, or at least a land where there was more opportunity than elsewhere. But not for at least a quarter of a century. Horatio Alger-style rags-to-riches stories were not a deliberate hoax, but given how they've lulled us into a sense of complacency, they might as well have been.

It's not that social mobility is impossible, but that the upwardly mobile American is becoming a statistical oddity. According to research from the Brookings Institution, only 58 percent of Americans born into the bottom fifth of income earners move out of that category, and just 6 percent born into the bottom fifth move into the top. Economic mobility in the United States is lower than in most of Europe and lower than in all of Scandinavia.

The Price of Inequality, Columbia Professor and Nobel laureate Joseph Stiglitz examines the causes of income inequality and offers some remedies. In between, he reaches some startling conclusions, including that America is "no longer the land of opportunity" and "the 'American dream' is a myth."

While we all know stories of people who've moved up the social stratosphere, Stiglitz says the statistics tell a very different story. In the last 30 years the share of national income held by the top 1% of Americans has doubled; for to the top 0.1%, their share has tripled, he reports. Meanwhile, median incomes for American workers have stagnated.

Even more than income inequality, "America has the least equality of *opportunity* of any of the advanced industrial economies," Stiglitz says. In short, the status you're born into — whether rich or poor — is more likely to be the status of your adult life in America vs. any other advanced economy, including 'Old Europe'.

Budget and Timetable

Program		Pilot Cost	Source of initial Funding for pilot	Source of Sustaining funding	Start Date
1.2A	**Hartford Entrepreneurship Day**	**$10,000**	SC2 Prize money	Participating agencies	2015 Sep
	Goal: Rally the residents: inspire the people to bootstrap their economy with their ideas.				
1.2B	**Hackathon for Students**	$60,000	Grant dependent	Grant dependent	2016 Apr
	Metrics: A new generation inspired to pursue careers in STEM and entrepreneurship				
1.3C	**Entrepreneurship Curriculum**	**$10,000**	Entrepreneurship Foundation		2015 Sep
	Goal: An increase in the number and success of Hartford startups				
1.3D	**StartupWeekend**	$ 00	MHA (already in place)		2015 Sep
	Goal: No net effect; shown here as one of many examples of how this proposal will work with existing programs for a synergistic outcome.				
1.3	**Business Plan Competition**	**$70,000**	SC2 Prize money	Sponsorships[37]	2015 Sep
	Goal: Engagement of citizens in Hartford renaissance, Hundreds of business ideas				
1.4	**The Innovation Challenge**	**$30,000**	SC2 Prize money[38]	Companies benefited[39]	2015 Sep
	Goal: Wealth and job creation by harnessing orphaned tech at Hartford colleges and companies				
2.1	**25-week Accelerator Course**	**$30,000[40]**	SC2 Prize money	EB-5 program	2015 June
	Goal: 20 new companies in first cohort, ready to launch and move into an incubator upon graduation				
3.1	**Hartford Tech Incubator**	**$50,000[41]**	See "It's all here"	Tenant rent[42]	2015 Sep
	Goal: 3 new IT and/or High-Tech incubators within one year.				
3.3	**Hartford Storefront Incubators**	890,000	3-year grant	Tenant rent	2015 Dec
	Goal: 1 pilot retail/consumer service strip incubator within one year with 10 shops. *Long term: 1 shiny new, thriving, sustainable streetscape incubator per neighbourhood.* *New CDBG grants will be needed annually to eliminate all blight within the City.*				
3.4	**Ongoing Coaching**	**$30,000**	SC2 Prize money	Entrepreneur Dues[43]	2015 Sep
	Goal: A higher rate of success by new businesses than national average: 50% of startups still in business and paying market rents within one year.				
3.5-A1	**Product Festival**	**$10,000**	SC2 Prize money	Exhibitor fees	2015 Sep
	Goal: Average sales by start-up at the event, with $300 as a goal.				
3.5-A2	**Pop-up shops and Flea Markets**	$25 each	Entrepreneurs	Entrepreneurs	2015 Jul
	Goal: Average sales by start-up at the event, with $250 as a goal.				

[37] Current funding source for statewide competition administered by Entrepreneurship Foundation
[38] Educational materials will be supplied gratis by the Entrepreneurship Foundation
[39] Companies that receive ideas for extracting value from dormant patents will gladly pay for ideas in the future. Using prize money from the SC2 Challenge, we will prove the value of sustaining the program through sponsorship.
[40] Cost estimate from team member who is currently lead mentor for an accelerator
[41] Cost is estimated, as we have not seen specifics of proposal by SC2 team "It's all Here"
[42] The initial $25,000 is seed money for MakeHartford or a developer to incent repurposing unoccupied space as an incubator on a trial basis. Private developers in Fairfield County are underwriting incubators in Stamford, Westport and Bridgeport without government subsidies. The goal is to show Hartford property owners that this is good business.
[43] The model is highly leveraged with volunteers

Program		Pilot Cost	Source of initial Funding for pilot	Source of Sustaining funding	Start Date
3.5-B	**Direct Support – Fulfilment**	**$ 00**	Self-funding	Service fees	2015 Sep
	Goal: Average sales by start-up at the event, with $500 as a goal.				
3.5-C	**Direct Support – Programming**	**$ 00**	Entrepreneurship Foundation		2015 Dec
	Goal: 4 additional programming- or web-dependent startups				
3.5-D	**Direct Support –IT Talent Search**	**$ 00**	Entrepreneurship Foundation		2015 Dec
	Goal: Recruit/retain 50% fewer more companies (now leaving because they cannot find IT talent)				
3.5-E	**Direct Support – Exporting**	500,000	3-year grant	Self-funding via fees	2016 Jun
	Goal: A 100% increase in exports within 3 years				
4.1	**IVLP Curriculum and Textbook**	**$20,000**	Entrepreneurship Foundation		2015 July
	Goal: 10% increase in success rate of new companies; a 50% decline in start-up capital needed.				
4.2	**Entrepreneur Lerner's Permit**	$ 00	Coaches will advise on how to apply		2015 July
	Goal: A 500% increase in startups within 1 year; 3000% in 3 years.				
4.3	**Grants Already Available**	$ 00	Coaches will suggest grants to apply for		2015 July
	Goal: A 100% increase in grants received by Hartford companies within 1 year; 500% in 3 years.				
4.4	**MicroLoan Fund**	**$20,000**	SC2 Prize money	Banks CRA funds	2015 July
	Goal: A 200% higher rate of startups in Hartford than in the past. 70% loan repayment rate.				
4.5A	**Crowd Funding—Reward Based**	$**20,000**[44]	SC2 Prize money	Fees for services	2015 Nov
	Goal: 2 additional SUCCESSFUL startups per year in Hartford				
4.5B	**Crowd Funding—Investor Based**	**$20,000**	SC2 Prize money	Fees and Carry	2015 July
	Goal: A 200% higher rate of startups in Hartford than in the past. 70% loan repayment rate.				
4.6	**Facilitating Foreign Investment**	**100,000**	SC2 Prize money	Investor fees, Carry	2016 Mar
	Goal: 4 high-potential startups funded annually with $250,000 in cash and business services.				
4.7	**Angel Investment**	**$ 00**	SC2 Coaches will connect to investors		2015 Sep
	Goal: 100% increase in angel investment in Hartford companies in 1 year; 300% in 3 years.				

TOTAL TO PILOT THIS PROPOSAL …..	$270,000	Items that can be implemented if EF receives $500,000. The individual projects covered are in blue above.
General Management of Projects	$230,000	Also covered by SC2 prize money
PROJECTS NOT FUNDABLE BY SC2 PRIZE MONEY		
Hackathon for Students	$ 60,000	
Experimental storefront incubator.	$890,000	Note, this amount (at least) will be needed for every targeted neighbourhood, assuming the pilot proves the worthiness of the strategy.
Direct Support Program for Exporting	$500,000	This is a one-time expense. If successful, the program will be self-sustaining from fees from companies served

[44] For marketing videos to post on Kickstarter

Evaluation Methodology and Goals

A. Objective Evaluation

1. OBJECTIVE Evaluation Criteria

Year	Number of Start-ups	Number Remaining	Employees	Sales on Schedule	EBITDA on Target

The ultimate measurement is Employee-years (one person employed for one year). For example, one person self-employed for three years has the same value to society as three people employed for one year. Even companies that fail often render considerable value during their lifetimes. A person who receives some income from self-employment has received value from the project.

We also would measure the number of NET new businesses and jobs within each demographic:

- Hartford neighbourhood
- Nationality
- Ethnicity
- Gender
- Military service

2. Entrepreneurship Foundation Projection of Net New Companies and Jobs

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year7	Year 8	Year 9	Year10
Startups >>	20	30	40	55	75	95	115	135	155	175
Cummulative	20	50	90	145	220	315	430	565	720	895
Employees										
Year 1	20	30	40	55	75	95	115	135	155	175
Year 2	40	60	80	110	150	190	230	270	310	
Year 3	60	90	120	165	225	285	345	405		
Year 4	80	120	160	220	300	300	300			
Year 5	100	150	200	275	375	375				
Year 6	120	180	240	330	450					
Year 7	140	200	280	385						
Year 8	160	240	320							
Year 9	180	270								
Year 10	200									
	560	830	1120	1540	1575	1245	990	810	465	175
Cummulative jobs at end of 7 and 10 years ..					**1080**		**3190**			**9310**
Historical company survival rates					50%		45%	est.		33%
Jobs remaing at historical success rates					540		1,436			3,072
Target survival rates					**55%**		**50%**			**45%**
Net Jobs created if target rates attained					**594**		**1,595**			**4,190**

This holistic proposal will improve the success rate of new companies over historical national statistics. (For entrepreneurs with below-average education and experience, the goal would be to bring their rate of success up to the national average for *all* start-ups.)

According to the SBA's Office of Advocacy: About half of all new establishments survive five years or more and about one-third survive 10 years or more.[45] (For entrepreneurs with below-average education and entrepreneurial experience, the goal would be to bring their rate of success up to the national average for all start-ups.)

The program would cost less than 10% of the cost to keep one declining company alive for a few more years.

An Independent Forecast by International Hartford, CERC, and Thomas P. Miller.[46]

The forecast of potential economic growth through better enabling of the immigrants community was based on a comparison of the number of Hartford's immigrant businesses per population (6.7%) versus the national average of 10.5%), suggesting an expansion potential of 610 additional immigrant businesses. Then, basing ROI on actual outcomes in an immigrant entrepreneurship program in Minneapolis, the researchers extrapolated economic benefits of:

a) $60 M in new business revenue
b) $1 M in new property taxes
c) 3050 new jobs (610 owners + 2440 new hires) [Very close to our 7-year projection of 3190 new jobs created).
d) 80 of the new companies will buy building; 350 will rehab space.

NOTE: this is a "top-down" economic forecast, and for the immigrant population only. Our forecast is "bottom-up," and accounts for growth in all served demographics: immigrants, minorities, veterans and college grads launching high-tech high-growth ventures,

[45] www.sbecouncil.org/about-us/facts-and-data/#sthash.n5TlTNEs.dpuf.
[46] "Immigrant Economics and the Hartford SMSA," August 27, 2014

B. Subjective Evaluation

1. SUBJECTIVE Evaluation Methodology and Criteria

An independent survey will be conducted of all service recipients and all volunteer mentors to measure quality. Some criteria can be reduced to empirical data:

a) How often did you see a mentor/staff member?

b) Were your questions answered in a timely and professional manner?

c) Where your phone calls returned in a timely fashion?

d) Was the advice/assistance you received helpful?

The survey results, to be conducted by an independent agency, will be shared with service providers and all project funders.

Evaluation will be conducted for three years, the first two evaluations being "formative" in intent and design. That is, it will be assumed that there are flaws in the program design. The evaluation during the first two years will be designed to identify these shortcomings and suggest alternative operating methods. Only the third annual evaluation will be directed to the ultimate question: " Is this a replicable model to promote self-employment and economic growth nation-wide?"

2. Expected Outcomes:

Stronger communities and greater family financial stability. By helping our own residents create businesses, we keep the wealth in the community, and build a cadre of leaders with management experience to strengthen community organizations.

We will also increase self-reliance, pride and hope. These are difficult achievements to quantify, but we could glean some insight by asking “Are you more optimistic about Hartford and your future now than you were five years ago?”

Implementation

Phase I – Identifying the Big Ideas

1. **Outreach**
2. **Inspiring Entrepreneurship**
3. **Soliciting and Triaging New Ideas**
4. **Commercializing Orphaned Technologies**

1.1 – Outreach

To notify residents of Operation Bootstrap.

A. Proclamation By The Mayor during Global Entrepreneurship Week in November to announce *Hartford Business Plan Competition* and the sequence of support programs that will make Hartford the Entrepreneurship Capital of Connecticut.

B. Media Channels

1. Press releases
2. Posters on bulletin boards in Hartford high schools, colleges and universities
3. Posters and brochures in state employment office
4. Social service agencies
5. Maker and Hacker groups
6. Business and Entrepreneurship networking associations
7. Schools
8. Veterans associations

C. Audiences

1. Immigrants
2. Unemployed
3. Residents desiring to strengthen family finances through entrepreneurship
4. Students
5. Recent grads
6. Veterans
7. Professional athletes (to explore entrepreneurship as a career after sports)
8. Down-sized executives
9. Retirees

D. Inclusiveness

1. Conscious outreach to ethnic and immigrant communities
2. Multilingual agencies

Everyone must feel entitled to participate in the promise that is America.

Every citizen with a dream should have the opportunity to succeed.

1.2 – Inspiring Entrepreneurship

A. Hartford Entrepreneurship Day

An all-day event for prospective entrepreneurs and owners of small businesses. Through workshops, informational booths, and speakers, attendees will meet with and learn from organizations and individuals committed to building an entrepreneurial culture.



Rita Zangari explaining UConn TIP program at an Entrepreneurship Fair organized by the president of the Entrepreneurship Foundation

B. Entrepreneurship Hackathon for High School Students

This is part of an obviously longer-term strategy and payback. The purpose is to inspire high school students to pursue courses and careers in STEM and entrepreneurship. Attendees will engage in cerebral team sport to solve real and hypothetical problems:

- Simple programming challenges (e.g. – how to move a robot through an obstacle course)
- Quick and fun brain-teasers, like the basketball question below, used by Google interviewers to evaluate how candidates approach problems.
- Challenges facing local businesses (e.g. – how to commercialize the potential in an orphaned patent; or conceive a marketing log line for a new soft drink).

Hackathon participants learn how to collaborate as a member of a team, hone communication skills, and solve problems.





Google Interview Question. *A group of 8 balls all weigh the same, except for one. Find the odd ball using a balance and only two weighings.*

C. Teaching Entrepreneurship to *All* College Students

To foster an entrepreneurial culture and inspire our college students to develop new businesses, the Entrepreneurship Foundation has organized a collaboration of leading institutions to formulate and pilot a more effective curriculum for teaching and motivating entrepreneurs. The new course, the "New Venture Challenge" is interdisciplinary and intercollegiate.

A successful pilot was concluded in January of 2015 by 6 colleges and universities. Four additional universities have already signed on for the next iteration of the course, scheduled for the spring of 2016. For more information, see www.NewVentureChallenge.org.

Comments by the 42 students who took part in the pilot program:

"The single greatest learning experience of my life."
"Well-organized—Interactive and engaging—Intense."
"Pulls all the disciplines together."
"This information will stay with me for all of my life."
"This class should be required to graduate."
"I would have never thought that I wanted to start my own business, but I do now! "

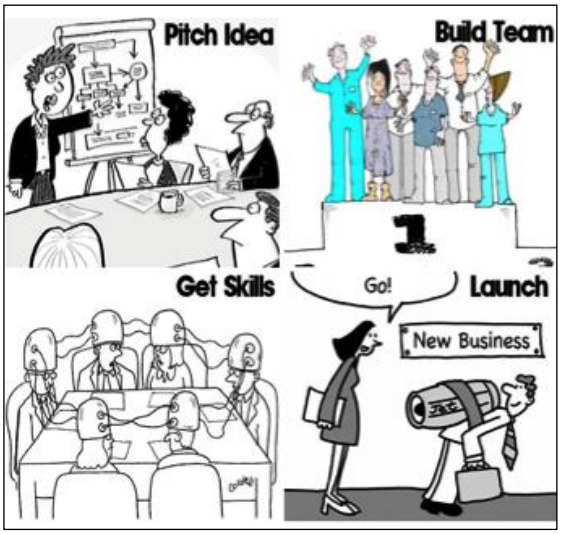


D. StartupWeekends

The foundation has provided financial support and management assistance to five events around the state (in Stamford, Fairfield, New Haven, Hartford, and Storrs), that generate 50 new filtered business concepts annually.

Unfortunately, there is little support for the entrepreneurs after the intensive weekend. As a result, on average, one year after a StartupWeekend, only 13% of the teams are still intact.

Our strategy would be to welcome winners of these “entrepreneurship tryouts”” into the Hartford eco-system with free incubator space, coaching, and in some cases even startup capital.











Students and professionals at StartupWeekends. Top pitching a concept on a Friday evening in Storrs. Left, the exquisite chaos of teams formation in New Haven.

Lower left, the Applivate team hammers out a business plan on a Saturday at the Grove. The group developed an app over the weekend that notifies parents when their diabetic children have tested their insulin levels.

1.3 - Soliciting and Triaging New Business Ideas: The Hartford Business Plan Competition

A competition to elicit business proposals is the first action needed to build a vibrant entrepreneurial eco-system in Hartford.

All entrants will receive a free text on Launching a New Venture in Connecticut *and free workshops on business modeling and finance.*

A. Purpose.

The competition, optimally designed and implemented, will meet several goals:

- Identify the most likely to succeed first-time and serial entrepreneurs
- Demonstrate the City's concern and understanding of the challenges of starting a business
- Encourage creative thinking about new business concepts and market solutions to problems
- Bring forth hundreds of business concepts for job and wealth creation
- Leverage the considerable intellectual capital in Hartford
- Provide constructive outlets for the ambition and passion of our citizens

B. Eligibility.

Any individual residing in Hartford, or any company with its headquarters and the majority of its employees in Hartford, *or willing to relocate to Hartford*.

C. Competition Rounds

1. **Semifinal Round.** The semi-finals will consist of an online application that will comprise an executive summary. Questions will include those commonly asked by investors:
    a) Product or Service and Stage of Development
    b) Competition/ Barriers to entry
    c) Market Potential and Sales Forecast
    d) Sales Plan
    e) Management Team
    f) Capital Required and Use of Funds
2. **Final Round.** The final round will consist of 3-minute PowerPoint presentations, followed by Q&A to give the judges an opportunity to drill down into the company's market and competitive assumptions and strategies.



Joe DeMartino of Angel Investor Forum presents trophy and check to a winning team in collegiate competition administered by the Foundation.

D. Stage I – Individuals or companies with less than $50,000 in sales

1. **Entrant Categories** (At least one award will be presented in each category.)

   a) Recent Immigrant (within the prior five years) *[New York City launched a business plan competition for immigrant entrepreneurs, with the five best plans reinforced with $25,000 to pilot their business idea and a grant of $100,000 for the most successful pilot. "Immigrant entrepreneurs are essential to the future success of New York City's economy," asserted the city's head of economic development.]* [47]

   b) Veteran

   c) High School Student

   d) College Student

   e) General (any individual or company residing in Hartford)

2. **Industry Categories** (At least one award will be presented in each category.)

   a) Information Technology (Software, web-based services, e-commerce, mobile apps).

   b) FIRE

   c) Health care

   d) Manufacturing

      i. Consumer Products . (*Entrants should have at least a design or provisional patent to protect their ideas.)*

      ii. Food and Beverage

   e) Retail and Consumer Services

   f) Arts and Digital Design

   g) Social Enterprise



[47] Press release, Mayor Michael Bloomberg, City of New York, 3/3/11

E. Stage II – Companies (sales in excess of $100,000 during prior year.)

1. **Recruiting Stage II Applicants**. The foundation has experience in operating a business plan competition for established companies, and has determined that this market segment requires a different approach altogether to identify and evaluate growth opportunities.
   a) Stage II companies require a different marketing channel, as the executives have different contact points.
   b) Stage II companies are difficult to herd into a Venture Competition. With their heads down in the trenches, CEOs do not want to take time to fill out applications, much less divulge internal data in a public forum.
   c) The process must be asynchronous, as there are no deadlines created by Accelerator class starting dates.
   d) Assessments of job-creation opportunities must be conducted privately and confidentially. Established companies are not eager for competitors to glean information about strategies or new product launches. The Entrepreneurship Foundation conducts worldwide technology searches—confidentially—for major companies. They don't even want their company name mentioned, for fear of tipping their hand to the competition.

2. **Industry Categories.** The following categories are intended to promote areas in which Hartford has a strong competitive advantage. The following industries were suggested by the Hartford Hub Organizing Committee as those for which the region holds a competitive advantage and/or a critical mass to attract additional companies.
   a) PRECISION MANUFACTURING
      i) **Aerospace** (helicopter blades, jet engines, system integration). *Hartford already has a large installed base; the products are high value density; jobs are well-paying.*
      ii) **Medical Devices** (e.g. –instruments, diagnostic equipment, drug delivery, bio-nanotech).
      iii) **Othe**r Precision Manufacturing
   b) FIRE
   c) HEALTH CARE Including Bio-Informatics and Service Robotics. *Hartford resources include its hospitals and the medical insurance industry (that is already investing in Healthcare e-records).*
   d) INFORMATION TECHNOLOGY.



Robert Scherrer of Genomas, presenting at Crossroads Venture Capital Fair, managed by president of the Entrepreneurship Foundation.

F. Awards (All Stages)

1. **"Encouragement" Grants** will be awarded at the Finals
   a) Ranging from $500 to $2,500 per award.
   b) Without strings attached (funds may be used for any purpose, anywhere)
   c) Checks will be presented at the Finals, made out in the name of the company

2. **Larger awards**
   i. Stage I -- Cash grants of $5000 or more will be distributed only as reimbursement for actual expenses in connections with starting a business in Hartford.
   ii. Stage II – Vouchers for reimbursement, up to $25,000; and referrals to public and private financing sources (DI, DECD), MHA, angels and VCs.

3. **In-Kind Services**

   Sponsors will be solicited to provide in-kind business services to finalists and winners. The Foundation president has raised over $5,000,000 in sponsorships.

4. **A Bye into the Business Accelerator**

G. Competition Finals Logistics

The competition finals will be held in late May.

1. **Finals Judging.** Throughout the day, entrepreneurs will present their plans to a panels of judges.
2. **Awards Ceremony.** Announcement of the category and industry winners in the afternoon.



H. Timeline

Month >	1				2				3				4				5			
Week >	1	3	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Finalize Plan, after consulting with City																				
Competition Promotion																				
Press release issued by City																				
Launch poster and media pr campaigns																				
Outreach to NGOs and colleges																				
Press conference at city hall																				
Rally at Hartford Entrepreneurship Day																				
Education																				
Conduct free business workshops																				
Recruit volunteer reviewers of submissions																				
Deadline for online submissions																				
Review submissions																				
Select finalists																				
Train entrants on how to pitch																				
Finals at "Made in Hartford" trade show																				
Acceleration																				
Select companies for Accelerator/ Incubators																				
Accelerator prepares companies for financing																				
Mentor and continue traning for all entrepreneurs																				

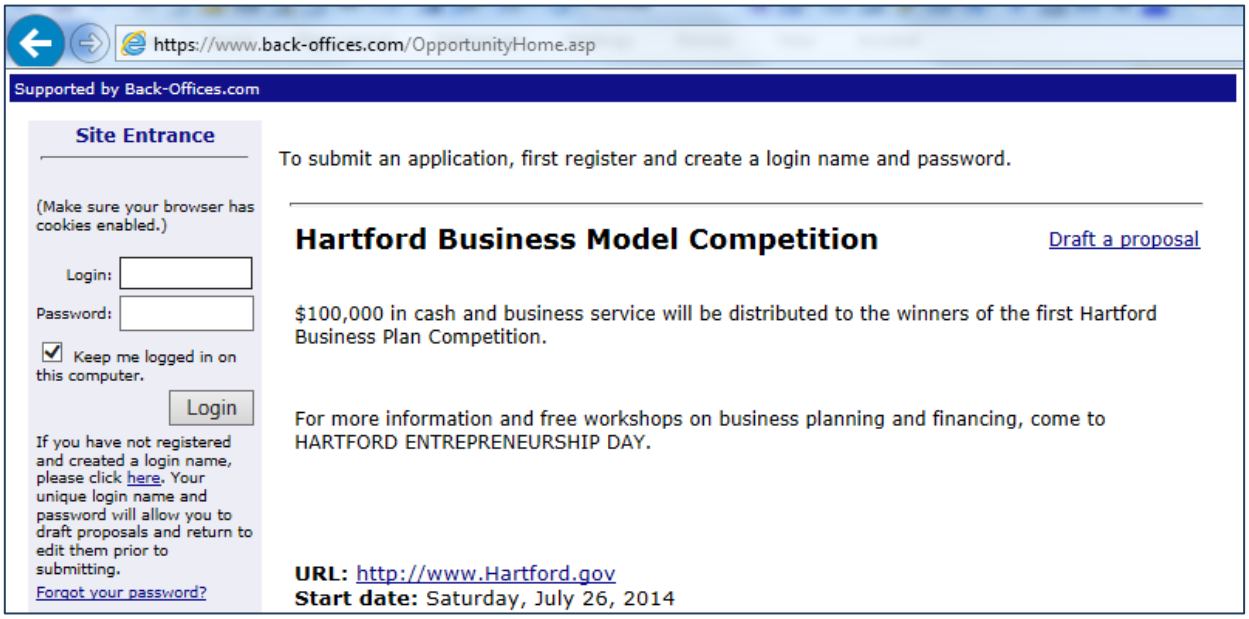


Go Motion, Collegiate New Venture Competition winner from UConn Storrs, along with public and private investor who served as judges.

I. Contest Administration and Materials

All competition materials are in place. The Foundation will provide at no charge a cloud-based software program [BELOW] to collect and judge entries.

The program also allows access by investors, accelerators and incubator managers.



J. Metrics

1. **Quantitative**: Number of plans collected: To fill two cohorts per year of 10 companies each (20 potential startups with high expectations), we will need to elicit *annually 60 to 100 proposals annually* for new businesses.

2. **Qualitative.** Scores by judges of written and oral presentations: as compared to historical data. TestMyPitch.com has cloud software that will permit tracking average and median scores over time. The Entrepreneurship Foundation has tracked scores of Connecticut college students and entrepreneurs seeking angel or venture capital funding for 15 years. To really be the "Startup Capital," we will have to achieve the following qualitative metrics among the plans submitted to the *Hartford Business Plan Competition*. Of every 100 plans....

   10 must achieve a score of 4 or more (on a scale of 5),
   15 a score of 3.5 or more.

K. Sustainability

We will seek funding through public and private donations and sponsorship, while minimizing costs through in-kind contributions of time, prizes, and venues.

We have kept the statewide collegiate competition functioning without interruption for 15 years, without ever charging participation fees or taking an equity position in the companies, which we would hope is more than ample evidence of sustainability.

1.4 – Commercializing Orphaned Technologies

We already have ideas collecting dust on the shelves of our universities and companies that we don't yet know how to exploit for wealth and job creation.

The motivations and skills that make good researchers are not the aptitude for risk-taking and marketing necessary for successful entrepreneurship.

The Bahr-Dole Act of 1985 was intended to correct the imbalance between research expenditures and resultant job-creating benefits for society. But good intentions were not enough. There are still literally thousands of patented discoveries ("orphaned technologies") laying fallow in America's universities and corporations, simply because no one at the entity has the motivation or capability to bring the idea to market.

Fortunately, it is now less costly than ever to develop, test and conduct market trials for potential new products and services. During the past several years, a number of resources have emerged to create a perfect storm of opportunity to create new jobs through innovation, such as 3-D printers and crowd funding.

A team of bright, innovative students, under the direction of a professor expert in the technology, or an ambitious small company may be able think outside the box and come up with a marketable application for the discovery.

Underproductive IP can be brought to light, and commercialization possibilities invited through a set of crowd-sourced competitions:

A. Crowd-Sourced Solution Formats

1. **Collegiate IP Hackathon.** (One day or weekend event). Intercollegiate and interdisciplinary teams form to ...
    - create and pitch new product ideas that are compatible with current product mix
    - devise new uses for existing products
    - suggest commercial applications for underexploited IP

2. **Extrapreneurship** (6 month duration)
    - Major companies will present technologies with that are uneconomical to develop inside a large corporation; but that might spawn new businesses that the multinational can then use as part of its supply chain.
    - We would invite investors as catalysts to this event, as well as entrepreneurs, MBAs, technologists, designers, and developers

3. **The Exporting Challenge: International Marketing** (Semester project).

    Teams of marketing students pitch ideas and campaigns to expand into overseas markets. This concept leverages the considerable number of foreign students attending Hartford universities. Winning team prizes and trophies.

4. **Sponsored Research.** (Semester- or year-long projects), with paid student interns under the guidance of a professor

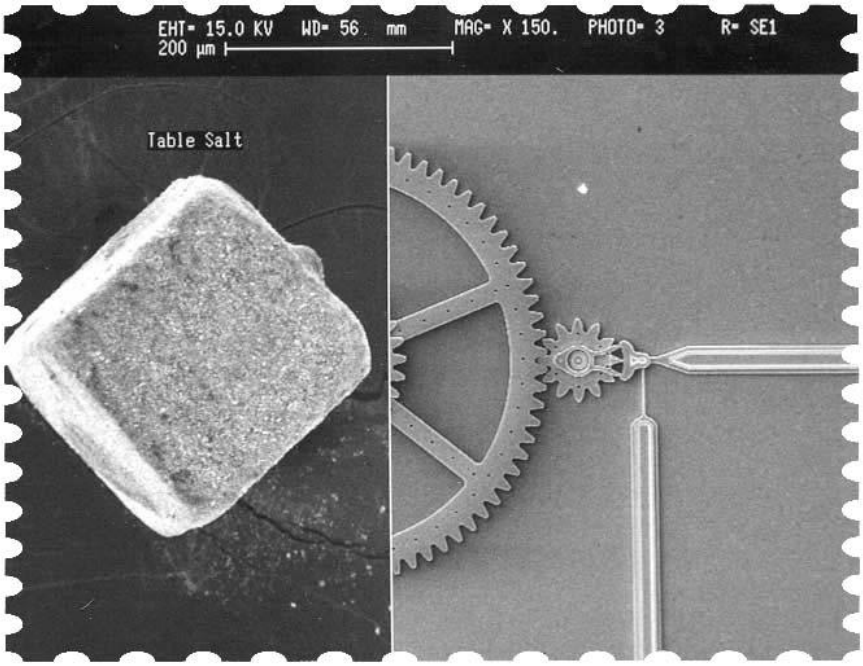
B. Timetable

• Companies sign up by	September 1
• Announce competition categories (solutions sought) and prizes	October 1
• Online solution submission deadline	December 1
• $25,000 in grants distributed by sponsoring company among best paper strategies, to validate concepts. (in exchange for 6 month option to license.) NOTE: To get things moving the Entrepreneurship Foundation will underwrite the first competition withSC2 prize money if we win the top prize.	January 1
• Teams demo final presentations to companies via webcasts	April 1
• Licenses or purchase agreements signed	May 1
• Announce next annual competition and prizes	June 1

C. Protecting Intellectual Property and Trade Secrets.

NDAs. Companies sign one blanket NDA not to disclose or use without compensation information or concepts obtained through process. Contestants sign NDAs as well.

A micro-mechanical pump
next to a grain of salt
for size comparison.
But what do you do with it?



Phase II – Preparation for Launch

2.1 – Preparation for Launch: The Accelerator

15-week business courses, held semi-annually, to more fully develop the most promising concepts identified through the business model competitions, StartupWeekends, and other sources.

Two versions of the course will be offered, tailored to the type of business and proficiency level of the entrepreneur:

A. Accelerator for Scalable Ventures

See also Section "F" -- "Alternate Accelerator for Personal Businesses ('Mom and Pops')"

Patterned after Y-Combinator, TechStars, Betaspring and the Yale Entrepreneurship Institute, the program is intended as a virtual incubator for launching enterprises with substantial potential:

- annual revenue of $50 million
- 100 employees.

CURRICULUM. During the 15-week program, participants will attend lectures and devote independent time to refine their business models. Participants will also be introduced to capital sources and coached on presentations. The curriculum assumes ...

- Business degree
- Prior business training and management experience
- Ambitious business concepts that may require equity investing

LEVERAGING EXISTING RESOURCES. If we win the contract we will outsource the Accelerator pilot to an existing organization such as reSET, the Universitiy of Harford Business Entrepreneurial Center, or SBDC. (We have helf brief exploratory converstations with the first two of these agencies.)

SUSTAINABLITY. The accelerator may offer seed funding in exchange for equity to sustain the program. (See "Startup and Growth Capital" section of this proposal.) As an example, the Montgomery County, MD, accelerator /incubator receives a 1% equity stake if a company goes public or is acquired.[48]



As part of our sustainability strategy, we will appeal to foreign investors to finance high potential ventures in Hartford

[48] J.D. Harrison, Washington Post, March 2, 2014.

B. Selection Processes Used By Other Scalable-Venture Accelerators

Identifying entrepreneurs most likely to succeed.

The process used by three competitors in the northeast are outlined below. Rather than reinvent the wheel, we follow a mix of these procedures.

1. **Y-Combinator Strategy**: "The people are what matter most to us. We look for brains, motivation, and a sense of design. Experience is helpful but not critical. Your idea is important too, but mainly as evidence that you have good ideas. Most successful startups change their idea substantially. We're more likely to fund people we know are smart from their submissions and comments on [our blog] Hacker News."

   "The ideal company would have two or three founders. We'll consider those with four or five. We're reluctant to accept one-person companies, though we have funded a couple."

2. **Techstars**. Three months are budgeted to review applications to select 25 finalists one month prior to the start of the program. The 25 are whittled down to 10 during this final month. They select only 1% of initial applicants. "We choose great founders who are proposing products that solve real problems or create meaningful innovations. For us, it's about the team, [so] we're less likely to accept single founder companies. The best things you can do to strengthen your application are:
   - Round out your team with business, technical, and other necessary skills.
   - Make progress on your prototype or product and reference it in the application.
   - Show us you've really thought about your business and you've done something about it.

3. **Betaspring Application.** In one sentence, tell us what your company is planning to make or do. (Think Twitter) .
   - Tell us a bit more about your product. What problem are you solving? What have you built?
   - Tell us about the founders. What positions will they hold in the company? Include LinkedIn, GitHub or other profile URLs. We feel it is important to understand relationships of founders. Please disclose if any of your founders are siblings, spouses, children, significant others, etc. Provide a 3-4 minutes video describing your company and team.
   - What's new about what you're doing? What are people forced to do now without your product? How is it different than what is out there today?
   - What is your business model? How will you make money?
   - Has your company received any outside funding? If so, please provide some details.
   - Past performance is an indicator of future success. Give some examples of other things this team or its members have worked on. (preferably together). Provide URLs if applicable.
   - We require a full commitment to the 12 week program. If any team members will not be able to participate fully in the program, please list them with explanations as to why not.
   - Anything else we should know? This is your last chance to convince us that you should be selected for the program.

C. Teaching Philosophy for All Accelerators: Business Modeling

According to Thomas Eisenmann at Harvard, “Most startups fai due to lack of customer demand, not product development. These new ventures burn through their capital, wasting money on engineering and marketing before discovering they have built a product no one wants. Startups are more likely to succeed when they rapidly and iteratively test assumptions about a new venture’s business model based on customer feedback, then quickly refine promising concepts.” Accelerator trainees will be be advised to ...

1. **Bootstrap** the business with what they can save or borrow comfortably; and keep the day job for as long as possible.
2. **Launch Incrementally.** Establishing the business in stages, with each plateau confirming the assumptions necessary to advance to the next. Use the proceeds from the first sales to buy the materials for the second round of sales. A business should be able to gradually increase the volume of purchasing or production “organically,” to grow the business, hopefully without ever needing serious capital.



Microsoft *Ventures Accelerators are mentor-driven 3-6 month programs that help entrepreneurs get through the challenges of launching a company, finding customers, and expanding to global markets.*

D. Course Content and Launch Phases

1. Discover A Winning Business Concept

- Ideation: generating business ideas
- Concept filtering and triaging; patent search
- Customer validation of concept through surveys

2. Create A Minimum Viable Product

- Position business and create barriers to entry
- Design and build a minimum viable product
- Apply for provisional patent, if appropriate
- The Lean Business Model Canvas

3. Create A Presence In The Marketplace

- Legal considerations: FEIN, NAICS, structure, protecting IP
- Create image (company name, URL, logo, graphic standards)
- Establish presence (website, business email, business phone, business cards)

4. Launch The Business On Trial Basis (To Test Hypotheses Of Business Model)

- Finance (price, break-even, bank account, merchant credit card)
- Inventory planning
- Souring production materials and services
- Source necessary talent to build out a viable management team
- Prepare marketing materials (poster, flyers, price lists, etc.)
- Obtain insurance as necessary
- Conduct online trial launch
- Open Brick-and-mortar pop-up on temporary basis

5. Launch The Business On A Permanent Basis (Part-time initially)

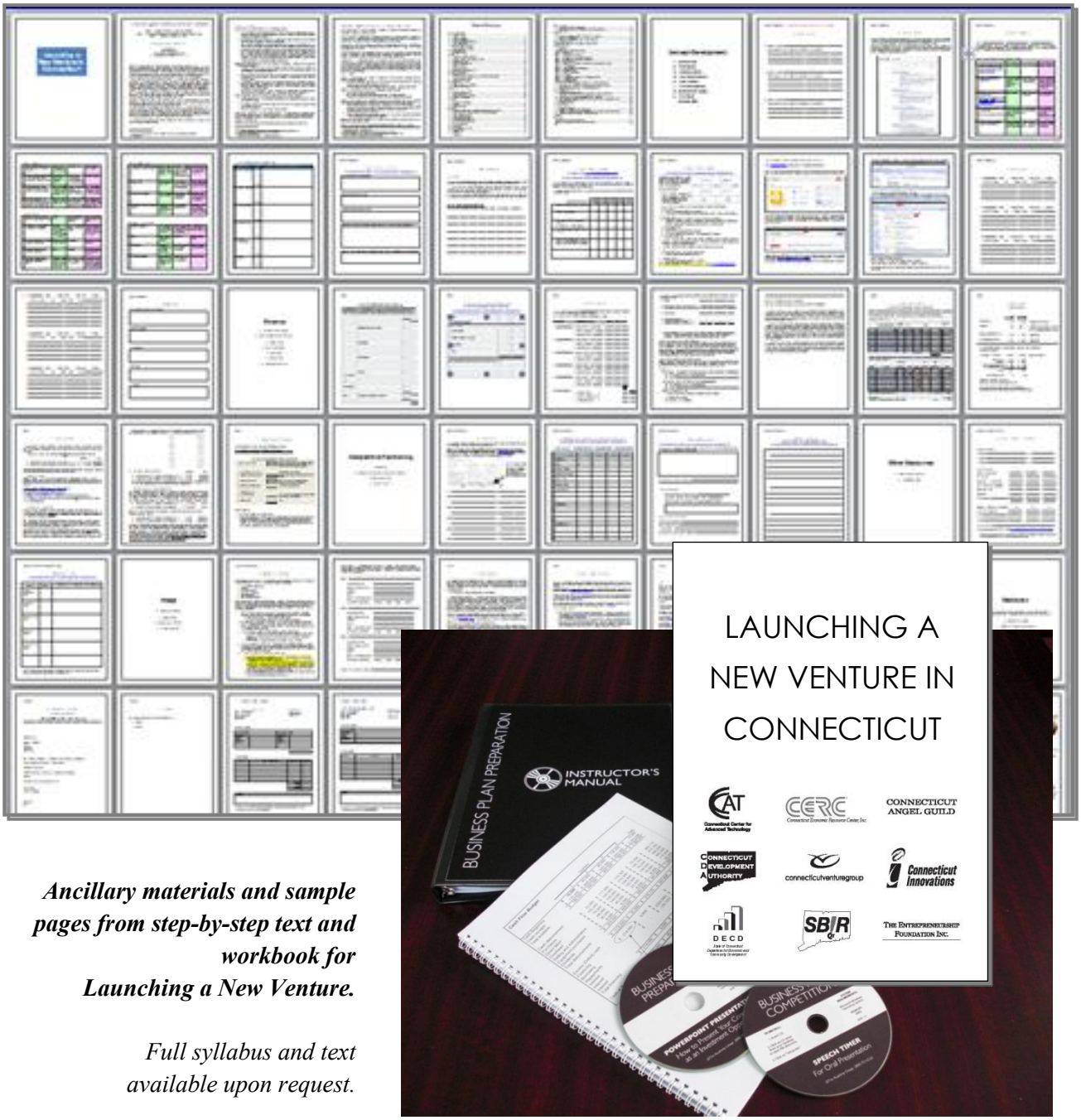
- Verify production sources and scheduling
- Research permanent location
- Set up accounting system
- Retain payroll service
- Prepare marketing video
- Post concept on a crowd funding site
- Set realisitce financing goals
- Source financing
- Apply for funding



E. Educational Materials

One set per entrepreneur.

1. **Downloadable Text/Workbook**
2. **Set of pre-printed, color-coded index tabs for student binder.** (*A binder organizes accomplishments and makes it easier for mentors to monitor progress*.)
3. **Poster holder**, with protective plastic front and easel back; for pop-up trial launch.
4. **Set of 30 full-color Business Cards.**



Ancillary materials and sample pages from step-by-step text and workbook for Launching a New Venture.

Full syllabus and text available upon request.

F. Alternate Accelerator for Personal Businesses ("Mom and Pops")

- Geared toward first-time entrepreneurs without business experience or training
- Ideal for "entry-level" businesses: restaurants, retail, and personal services
- Probable sources of capital: savings, family, bank or SBA loan

G. Specialized training and support for immigrants

1. **Volunteer interpreters during basic training**
2. **Training in ESL**
3. **Orientation regarding American business practices; assistance with ...**
    a) Company name selection and registration with the CT Secretary of State
    b) License applications
    c) URL search and purchase, web site creation
    d) Logo design; business card design and printing
    e) Opening a business bank account [*NYC worked with 10 banks to create SafeStart: $25 minimum balance, no monthly fees and no overdraft fees.*][49]
    f) Payroll service
    g) Insurance counseling
    h) Finding a location for the business
    i) Analysis of the most likely sources of capital.
4. **Connecting with other business support resources in the city**. (A common complaint of all entrepreneurs is the confusing tangle of overlapping agencies; this is especially bewildering for those not proficient in English or agency-speak.)
5. **Connection to social services**
    a) Transportation support
    b) Mental and physical healthcare
    c) Education and language courses
    d) Translation services
6. **Financial literacy and planning**
    a) Bookkeeping practices; QuickBooks
    e) Long-term financial planning
7. **High-risk loan counseling for individuals with poor credit or bankruptcy history**

[49] Immigrant Financial Services Study, Office of Financial Empowerment, City of New York, 3/13; correspondence with Steven Lee, OFE, 6/6/14; as cited in "Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller & Associates.

8. **Legal support services**

   a) U.S. Residency status, green cards
   b) Deferred Action for Childhood Arrivals (DACA) applications and family petitions
   c) Food safety regulations and compliance
   d) Incorporation, if applicable
   e) Import/export procedures
   f) Protecting intellectual property

9. **Assistance preparing business documents and government forms**

   a) Business plans
   b) Applying to Hartford's iConnect program (temporary rent support for businesses in target areas)
   c) Loan applications
   d) Tax returns
   e) 1099s/1096
   f) Reg 1 / Sales Tax Returns
   g) Property Tax Returns
   h) Federal and State Tax Returns

H. Efficiency through Collaboration.

Too often the public sector finances a new service that another NGO is already quietly providing. We pledge not to duplicate services already being delivered and will embrace as partners NGOs serving the entrepreneurial community.

What we do aspire to achieve is better coordination of services, to provide a seamless delivery system to entrepreneurs as they advance in stage, requiring different resources from different agencies.

This comprehensive proposal will resolve the unintended consequence of entrepreneurs failing because they slipped through the gaps in the support network.



The University of Hartford Entrepreneurial Center already offers workshops in basic business topics.

UNIVERSITY OF HARTFORD
ENTREPRENEURIAL CENTER

Phase III – Space and Support

3.1 Incubators for Scalable Ventures

3.2 Incubator Requirements by Industry Cluster

3.3 Storefront Incubators for Personal Businesses

3.4 Ongoing Training and Coaching

3.5 Direct Tactical Support

3.1 – Incubators for SCALABLE Ventures

The Entrepreneurship Foundation president managed an 85-company incubator, and is an adviser to municipal and university incubators.

The purpose of an incubator is to provide a nourishing and low-cost environment for research and development, and to enable proof-of-concept via a trial launch of the business.

When a company is ready to begin full operation, the incubator staff will work with the Hartford Economic Development Group to assist the entrepreneur with finding a permanent location.

A. The Requirement for Nearby Living Space.

For eco-systems to be viable, there must be a social component. Vibrant cities are alive 24/7 because they are safe, inviting places to work and live. Unlike their parents, who believed the American Dream was to own a split level in the suburbs, today's young entrepreneurs prefer urban living. By factoring in living spaces in or adjacent to incubators Hartford could replicate a Kendall Square ambience.

It may be good economics to provide 1 year free rent or a rent subsidy to entrepreneurs to entice them to remain in or relocate to Hartford.

Entrepreneurs don't move to or stick with a city because of tax incentives or low rent—they gravitate to communities of their peers.

LEVERAGING ASSETS. The SC2 team Love Hartford proposes low-cost "interventions" that promote foster social interactions, and support changing transportation dynamics. It is founded on the growing demand for affordable urban environments that support the sharing economy and reduce reliance on the private automobile. Short-term projects include the demonstration of open streets with pop-up markets and food trucks. Longer-term projects include a bike share system. Fulfilling this vision would help attract the new urban generation of entrepreneurs, who choose not to emulate their parent's commute to the suburbs. We endorse this proposal and hope to collaborate with the Love Hartford team.

B. Characteristics of Successful Incubators

Charles D'Agostino, executive director of the Louisiana Business & Technology Center at Louisiana State University, offers some analysis insights: "Incubators…must be more than a real estate entity offering executive suite services. Effective incubators provide business counseling and management assistance to their client firms."[50]

"Indeed, as I investigated why incubators fail, I was astounded to find that many incubators assume that cheap real estate, co-working spaces, used furniture, plus a phone and Internet connection equate with business incubation." Jim Flowers, president of the Virginia Business Incubation Association, says, "They mistake cheap floor space for meaningful program content."[51]

Two things determine whether a business can get off the ground successfully and sustainably: a validated market opportunity with customers willing to pay for a product or a service; and a product or service that addresses such an opportunity. The only incubators I consider "real" are the ones that help entrepreneurs achieve these two goals.[52]

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[50] "The Problems with Incubators, and How to Solve Them," Sramana Mitra, *Harvard Business Review*, August 26, 2013
[51] *ibid*.
[52] *ibid*.

C. Lessons From Other Incubators

Cities need a variety of incubators, each with a unique set of assets to serve a specific industry, to maximize its potential for growth.

A city the size of Harford could easily support 5 to 10 incubators, provided they are each focused on a distinct industry.

Growing in popularity is the phenomenon of *co-working space*, (e.g. the Grove in New Haven, the Hub in Westport) where an entrepreneur can rent common area space on a monthly basis. The photo below shows the bullpen area of the ColoDesk incubator.

Companies rent the use of desk space, on a first-come, first serve basis, for typically $250 per month. (The economics is much like over-booking airline flights.) The revenue *per foot* for the owner of the complex is competitive, but the dollar cost to an entrepreneur to try out a business is only $3000 for the year, including parking, utilities, and all the coffee you can consume.

Realistically, few property owners want to try to collect $250 from 20 different people. They would rather rent an office suite to one company for $3500 per month. So, practically speaking, the arrangement works best when there is an intermediate willing to collect the small rents, show the space, and keep the coffee hot.

However, as low-hanging fruit, we will educate Hartford property owners of this new tenant relationship technique and recruit intermediaries to manage the co-working spaces for the owners.

CONNECTICUT	INCUBATORS
New Haven	**4**
Bridgeport	**3**
Stamford	**3**
Fairfield	**1**
Farmington	**1**
New Britain	**2**
Danbury	**1**
East Hartford	**1**
Groton	**1**
Hamden	**1**
Hartford	**1**
Meriden	**1**
Simsbury	**1**
Storrs	**1**
Uncasville	**1**

Incubators in Connecticut
(Source: Entrepreneurship Foundation)



A meeting of Connecticut Incubator managers
at the ColoDesk Incubator in Stamford

3.2 – Incubator Requirements by Industry Cluster

A. Technology Incubator (IT, FIRE, and Health Care).

Any office space will suffice, including class B, or an historic factory with wooden floors and exposed-brick walls. Such an incubator could house any number of industries that do not require special equipment, other than broadband Internet access.

Much of the growth in the health care field is in data analytics, records management, health care management and other office-based activities. Obviously, medical research could not be accommodated in the same facility.

BANDWIDTH and HIGH-SPEED CONNECTIVITY is a vital requirement for an IT incubator. For Hartford to recruit companies using the web (virtually all companies today), the City will need to jump on the 1 GB I-net fast lane. Hartford's Startup Café was a much-heralded incubator launched in 2014, but if failed because it did not have adequate connectivity.



Servers and racks at ColoDesk IT incubator in Stamford. *The servers are located in an isolated super-cooled room, with an anteroom where developers can access the servers. The server farm has state-of-the-art firewall protection and uplinks to cloud servers for back-up and redundancy.*

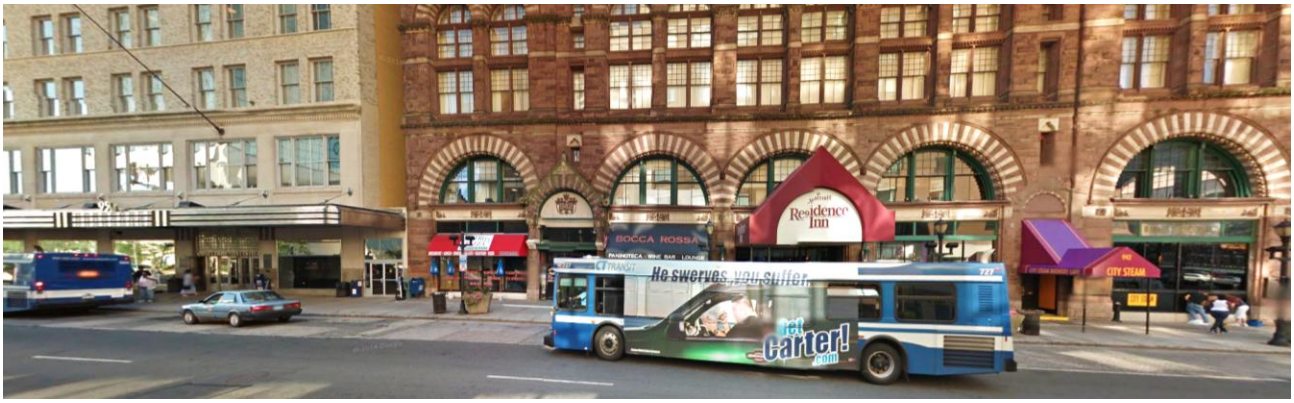
Managed by a veteran developer, the incubator is an Amazon and Microsoft Partner, and able to nominate startups for free services from these IT giants.

As with any incubator, the facility also provides:
- free on-site parking.
- desks and chairs
- optional private offices
- conference room
- kitchen
- charging stations for phones and devices
- microcomputers: Raspberry Pi and Arduino
- big data cluster (Hadoop, Hive, etc.) with sample large data sets for testing

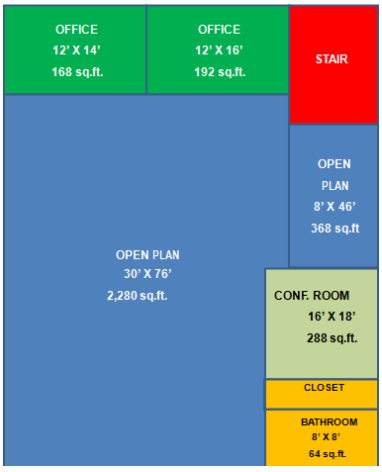
The Entrepreneurship Foundation is a partner in the incubator.

POTENTIAL LOCATIONS FOR A TECH INCUBATOR IN HARTFORD

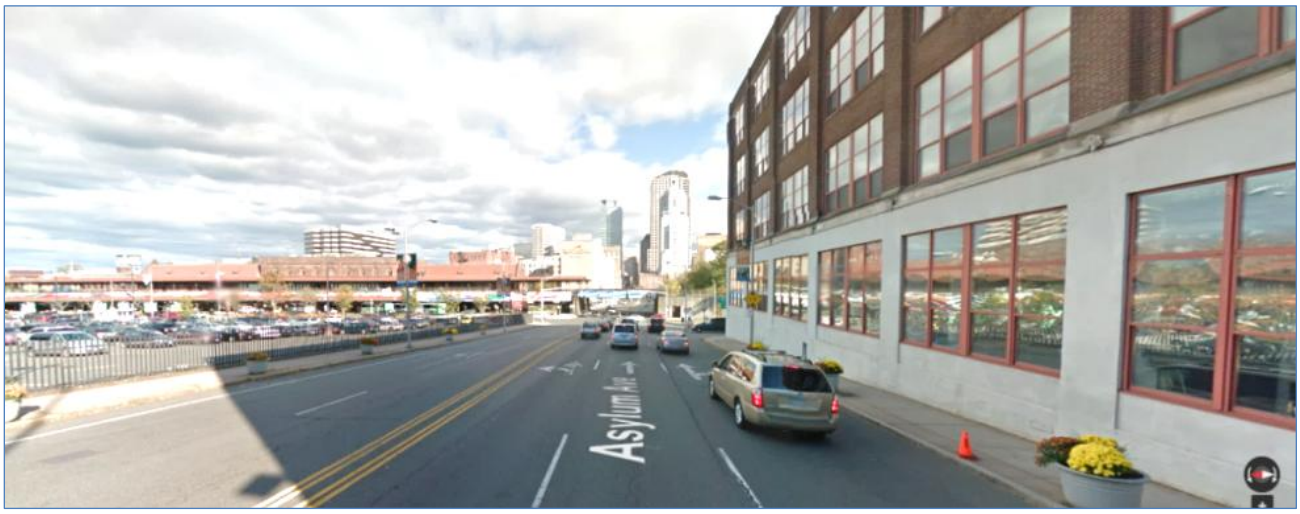
1. **942 MAIN STREET** is one ideal location (below). The site is between Capital Community College; City Steam, a trendy watering hole; and a Marriott Residence for housing the urban entrepreneurs.



2. **260 CONSTITUTION PLAZA** is another ideal location. (floor plan at right.) In the past, the city has been amenable to repurposing this 3300 s.f. suite as an incubator. Parking is available beneath the building. The space is ideally located between a coffee shop and the Hartford campus of the University of Connecticut, a source of internships and expert consulting advice.



3. **555 ASYLUM AVENUE** (below), is ideally situated within walking distance of the train station (at left in photo), a Holiday Inn Express, and popular blues night club and restaurant Black Eyed Sally's: just the mix a vibrant eco-system needs to attract gazelles.



4. **370 ASYLUM STREET** (6 story brick building next to Black-Eyed Sally's). The building, built in 1982, is owned by Community Solutions, Inc. (based In New York), who has plans to convert the space to mixed use, with condos on the upper 3 floors, offices on floors 2 and 3, and retail on the first floor.

   Photo (below) is along Asylum Avenue looking east toward tracks. The building in the previous photo, 555 Asylum Avenue, is just visible on the left in the distance in the photo below (Asylum changes from a street to an avenue at the train tracks.)

   Additional restaurants, entertainment, and parking venues abound within walking distance 370 Asylum.

   A self-contained entrepreneurial eco-system could be molded out of the ingredients already in place in this neighborhood.



Each Floor is approximately 14,000 square feet, of which it appears approximately 10,000 is usable, after deducting space occupied by hallways, lobby, elevators, stairwells, and utility rooms. The first two floors are divided into two large rooms, with the smaller (of about 3000 sf) on the Eastern side of the building, and the large space (approx. 7000 sf) on the Western side. The second and third floors would be an ideal location for an incubator, with a coffee shop on the ground floor, and apartments on the upper floors.

FIT-OUT OF THE GROUND FLOOR RETAIL SPACE. Because the space is open and has high ceilings, subdividing it would be prohibitively expensive. The solution, at least initially, is co-working incubator and retail on the first floor. Compatible retail for a shared space could include ...

- An inviting lounge at the center with chairs, tables, lots of outlets for laptops and Wi-Fi
- Cookies, candy and packaged snacks
- New and used books and records (vinyl and CD),
- Paintings,
- Pottery, sculpture and crafts
- Hand-made jewelry
- Museum gift-shop goods
- Educational products and Games
- Gift-wrapping
- Music playing (softly) in the background.
- and of course… coffee!

B. Manufacturing Incubators

A FOOD AND BEVERAGE incubator would of course require a health department-approved kitchen. Another SC2 team, Made at Swift, proposes adaptive reuse of the Swift factory as a food incubator. We endorse that initiative, and hope that our initiatives can play a supporting role.

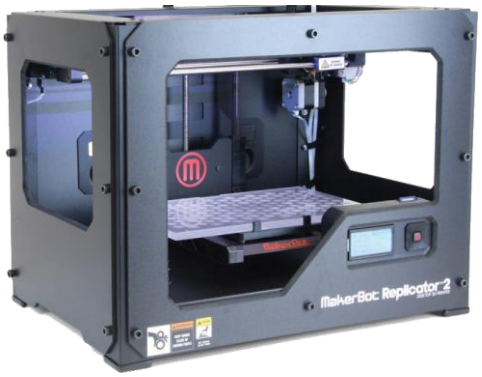
For manufacturing PHYSICAL PRODUCTS (in wood, metal, plastic, or fabric; or electronic assemblies) the necessary ingredients include machine tools, test equipment, work spaces, and lockers.

Hartford already has a MakerSpace, *MakeHartford*, at 30 Arbor Street a community space that incorporates machinery, technology and shared resources for members to prototype their ideas and applications. MakeHartford would serve well as the location for a manufacturing incubator.

The organization would quickly need more space for new and expanding tenants. 555 Asylum Avenue, already mentioned as a potential IT incubator, would be an ideal location; as would any number of vacant manufacturing plants in the city.

There are current plans to convert the Smith Worthington Saddlery at 287 Homestead Avenue, corner Woodland, to a market-rate incubator, AKA multi-tenant real estate facility. This is an ideal location for small manufacturing firms since it is all on one floor, has ample natural lighting, and plenty of parking.

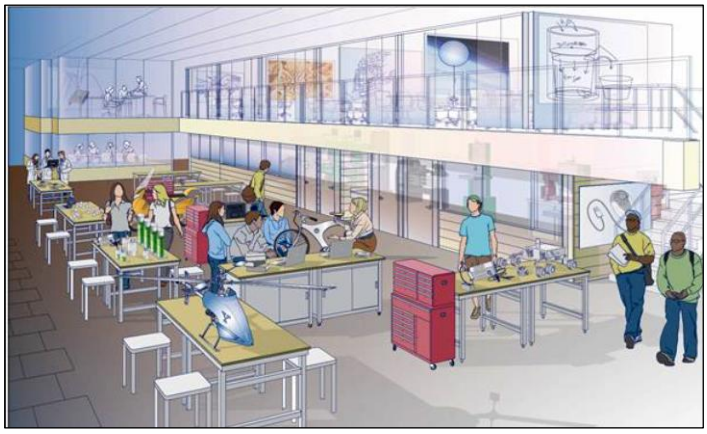
This location is only one block from the City's planned $30 million streetscape renovation along Albany Avenue, centered on Woodland. The former saddlery is also one block from the Philbrick Booth and Spencer site at 357-393 Homestead, slated for environmental remediation, and therefore a potential site for companies to relocate to once they outgrow smaller incubator spaces.



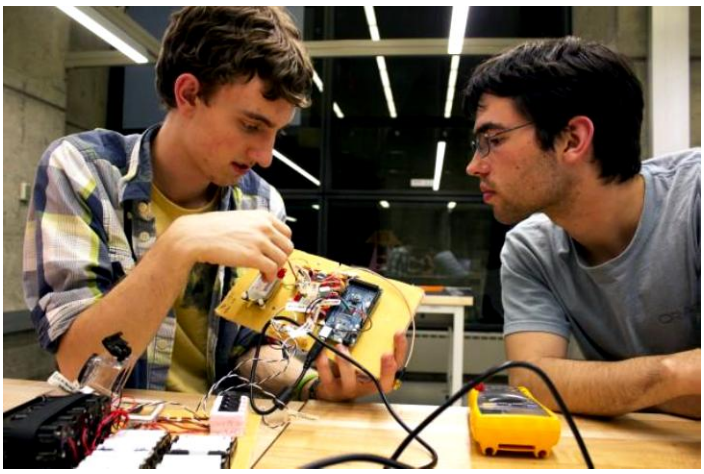
MakerBot Replicator II 3-D printer. *Ideal for trial-and-error prototype development, custom products, and short production runs.*



TechComm – an annual biotech conference and trade show managed by the president of the Entrepreneurship Foundation.









***Yale Manufacturing Incubator**, the Center for Engineering Innovation and Design (CEID).*

This is what a manufacturing incubator needs to look like: with tools, test equipment and work spaces.

3.3 – Storefront Incubators for Personal Businesses

Every city has sections where store proprietors never quite get ahead. In time the structures fall into arrears and become the property and problem of banks and cities.

The founding of viable new shops and services, owned and operated by members of the community (not by absentee landlords) will strengthen our neighborhoods, create jobs and elevate pride and hope. By helping to create locally-owned and managed businesses, we build a cadre of leaders and keep wealth circulating within our communities.

Under this proposal, we would work with local developers, banks, and the City to bring empty storefronts bank on line, with an idea that has already found some success in Hartford: pop-up stores. The concept is really very simple: take an empty retail space and offer it up for free to a new business for a trial period, giving entrepreneurs a chance to test out new businesses that hopefully become sustainable at market rates.

In Oakland, they've even improved upon the original idea with what they call Popuphood. This seems worth trying in Hartford. (See story in box below.) [53]

POPUPHOOD.

Urban planners Dominguez and Filley teamed up to create Popuphood, a project that is giving five new retail shops the opportunity to get six months of free rent at previously vacant storefronts on one block in the neighborhood. Dominguez and Filley didn't have to work too hard to convince the landlord that owns the storefronts to get on board. The spaces had been unoccupied for at least a year, and successful storefronts might stay put past the six month mark. The Oakland Redevelopment Agency, ever hopeful to revitalize downtown, pitched in with a $30,000 grant. And the pair have plenty of creative-minded contacts in the city, so finding tenants wasn't too difficult.

Pop-up storefronts are not new. A slew of pop-up restaurants, stores, and even parks have set up shop in cities across the country over the past few years.

Popuphood, which officially launched on December 9th, is offering something different: the opportunity to be part of a larger, newborn retail community.

"The concept of simultaneously curated retailers that open all at once removes several of the barriers to entry right away," explains Filley. "One is being the lone pioneer in a transitional neighborhood. Another is the initial capital of buildout, rent, and staffing. The third barrier is, doing it on your own, you don't necessarily have a retail community. You can't control who comes in next to you. In this case the retailers have [neighbors] that they know will complement their business."

[53] Ariel Schwartz, FastCompany, January 20, 2012

A. Potential Site for a Downtown "PopupHood" Retail Incubator

960 Main Street is an ideal location. There is a 65 percent vacancy in the building's 250,000 square feet of retail space; and an estimated 6,000 people daily enter 960 Main to work, shop or attend classes.[54]

LEVERAGING EXISTING ASSETS. Capital Community College is right next door and is ideally situated to provide training for first-time retailers. I have spoken with the Dean of Continuing Education, Linda Guzzo, about creating a course for retail store operators. We concluded that the cost to underwrite the course would be $15,000, including $500 for each of 20 students for initial inventory.

We would use a portion of the SC2 prize money to do just that.



iCONNECT: A NEW HARTFORD ASSET.

The City of Hartford's Marketing, Events and Cultural Affairs Division launched the iConnect initiative. iConnect re-imagines the retail space and capitalizes on Hartford's creative and commercial talents. The iConnect project aims to re-purpose those empty, street-level commercial spaces to create temporary innovative retail and incubation spaces inspired by the creative industry that will enliven downtown Hartford.

iConnect's mixed-use storefront spaces will feature studios, retail stores, workshops, exhibits, interactive displays and forums for ongoing community conversations around the arts and other local issues.[55]



Hartford Prints at 42 Pratt Street is one of the first iConnect projects.

[54] *Hartford Business Journal* 2-24-2014.
[55] http://www.hartford.gov/meca/iconnect-hartford

B. Extending The American Dream: Neighborhood Storefront Incubators

The Albany Avenue corridor is one ideal starting point.

The City already has plans to revitalize a critical intersection, at Woodland Avenue, in the Upper Albany Avenue area. The 2.26 acres project is budgeted at $30 million and will commence in 2016 and be completed in 2017.

The Lower Albany neighborhood project contemplated below would improve the area where Albany connects to downtown Hartford.



The Eastern Anchor of a Lower Albany Redevelopment Project. *Morgan and Trumbull Street intersection, looking West. (Morgan becomes Chapel, then Main and then Albany Avenue.) Within a block of this intersection are the Hartford Stage, 20 Church state offices, Prudential building, Hartford Hilton, Crown Plaza, XL Center and Rensselaer at Hartford.*

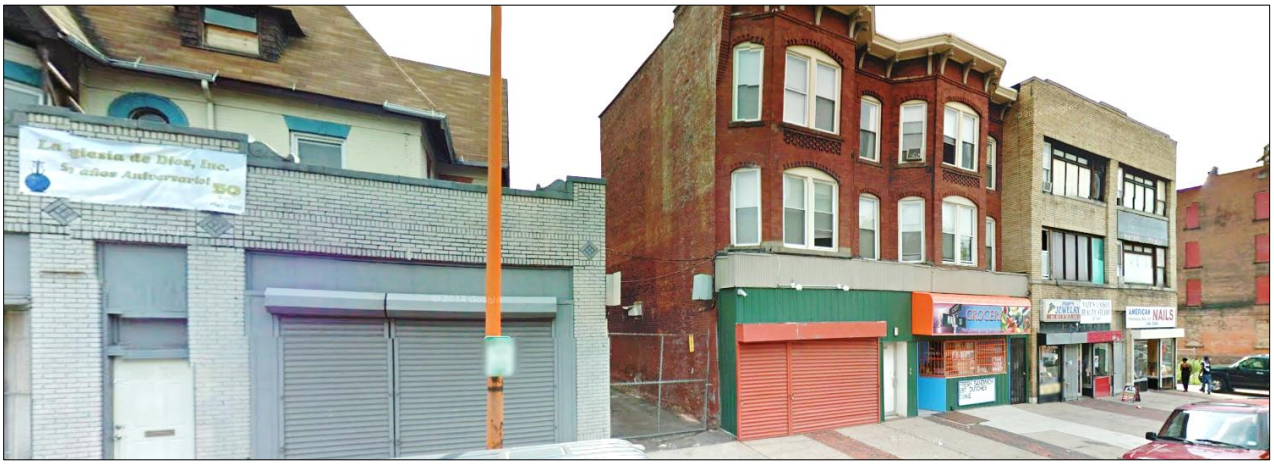


A block west is Main (which becomes Albany) at Pleasant Street. On the right is the Capital Preparatory Magnet School.



The shops across the street from the Preparatory Magnet School. *The liquor store, across from a school, is problematic. While package stores do exceedingly well in economically depressed areas, they attract loiterers that deter shoppers from patronizing adjacent stores.*

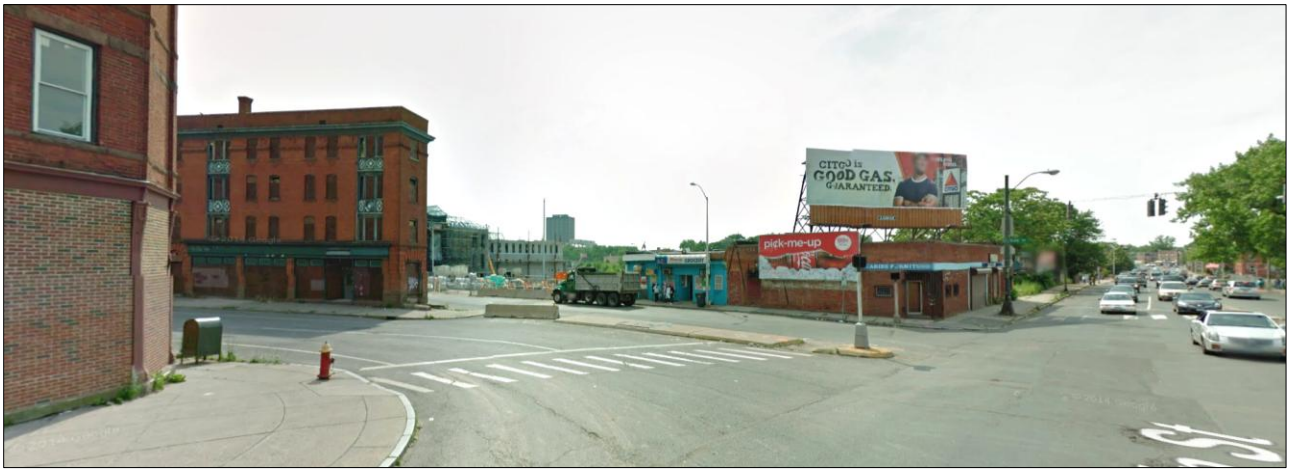
The second third of the same block. (below).



The final third of the block. (below).



The construction seen through the vacant lot is a new police headquarters that will provide a critical perception of safety for the district.



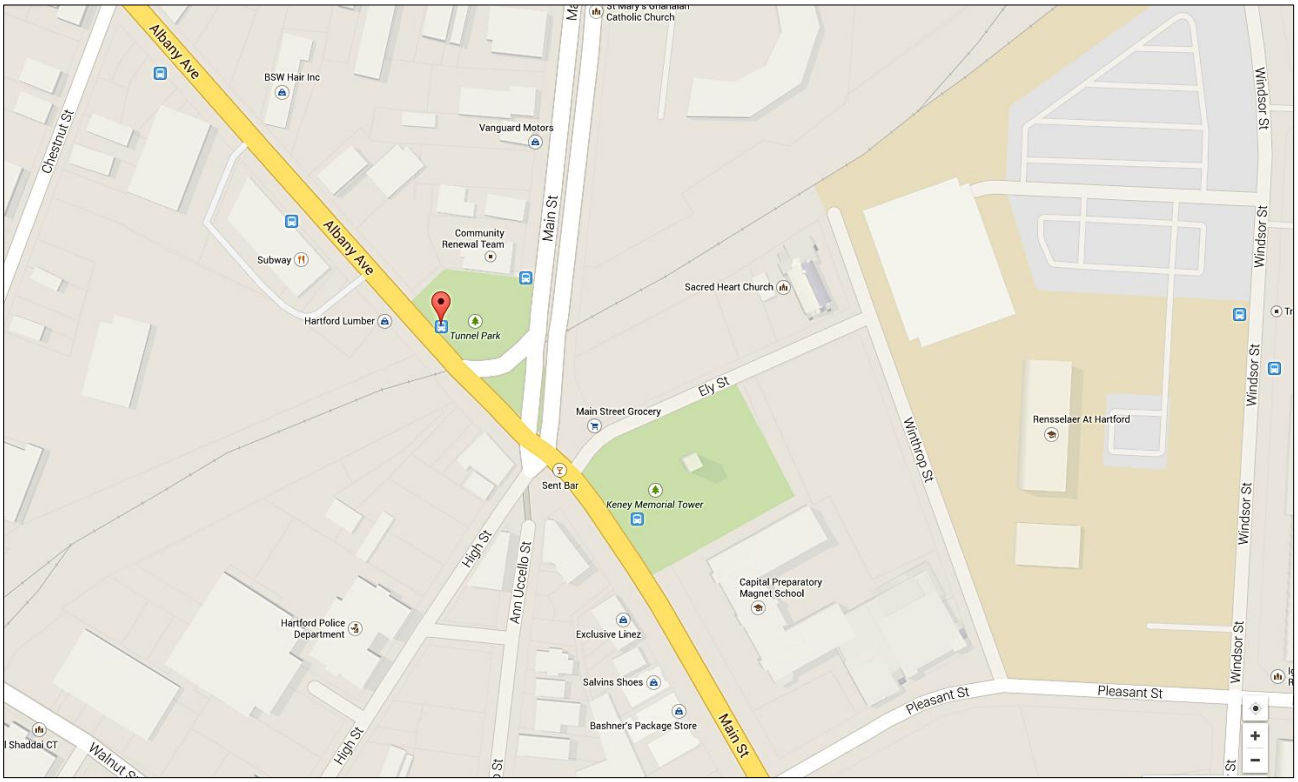
The next block of Albany, across High Street, looks a little shell-shocked. The billboards have to go. They blare "This neighborhood has no pride or self-direction. Anything goes here."



Just beyond the billboards is Hartford Lumber (above). With a new fence along Albany and some landscaping, it could be very presentable. Just beyond is a new strip mall (below) with a Dunkin' Donuts, Subway and three other establishments. This strip mall would anchor the western end of the envisioned Lower Albany development.



One challenge to this stretch of Albany Avenue from Pleasant Street to Chestnut, is that few people live within a short walk. It may therefore be more prudent to attempt to populate the commercial spaces in this area with an arts and crafts mall by connecting the shops with an internal hallway, using the empty lots for guarded but free parking. These arts and crafts shops would serve a driving clientele from a wider geographic area.





Crafts mall in Bangor ME

A retail incubator of, by and for local residents should find a better reception in the next three blocks, centered on Chestnut and Center streets.

Stores on Albany at corner of Chestnut (below). The facades show signs of a coordinated design scheme. There was a row of lights over the awnings, that has since disappeared, and the facelift is beginning to sag. We would suggest renewing this excellent older restoration.



Stores on Albany at Center Street (below). *This area, surrounded by residences, would thrive with façade improvements and mentoring of store proprietors.*



C. Renovating Existing Storefronts.

Signage/ Awnings/ Façade Restoration. There are federal funds available for standardized signage. Even wealthy neighborhoods like Fairfield take advantage of this opportunity. (See streetscape below.)



HUD has Community Development and Block Grants available for historic preservation and facades rehabilitation. See https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_14211.pdf

Dozens of cities have façade renovation assistance programs, including

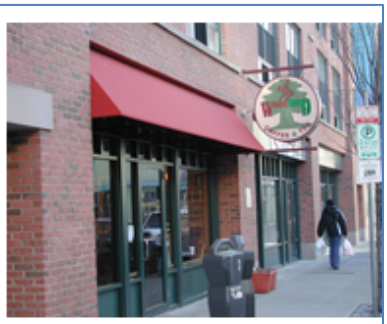
- St. Louis -- https://www.stlouis-mo.gov/.../sldc/.../Facade-Program.cfm
- Blue Springs MO -- http://www.bluespringsgov.com/1638/Downtown-Facade-Improvement-Program
- Portland ME – Funded by CDBG funds: file:///C:/Users/Mike/Downloads/Adapting%20Old%20Spaces%20to%20New%20Uses%20-%20SH2.pdf
- Worcester MA -- http://www.worcestermass.org/business-development/faade-awning-incentive-grant-program.

Closer to home, New Haven has a continuing façade improvement program. New Haven will often provide more than the $30,000 indicated below (up to $90,000) in order to incent development in targeted areas.

FACADE PROGRAM

The City of New Haven has undertaken a comprehensive development program in order to take an active role in the elimination of blight in its neighborhoods. The Façade Improvement Grant Program is geared to achieving this goal.

This Program offers a reimbursement grant equal to 50% of the cost of approved facade improvements to commercial and mixed use properties, with a maximum grant of $30,000.00. In addidion, an additional reimbursement grant of up to $1,500.00 may be available to support facade-related architectural/design costs.



Click image to enlarge.
Woodland, cafe on Orange Street

D. How a Start-up "PopupHood" Storefront Incubator Would Operate

1. HOURS OF OPERATION. The Incubator will be open to the public ….

WEDNESDAYS	10:00 am to 6:00 pm	(8 hours)
THURSDAYS	10:00 am to 9:00 pm	(9 hours)
FRIDAYS	10:00 am to 6:00 pm	(8 hours)
SATURDAYS	10:00 am to 4:00 pm	(6 hours)

Part-time and student entrepreneurs will be expected to help staff the store 3 hours per week: Thursday evenings from 6:00 to 9:00 pm or Saturdays 10:00 am to 1:00 pm or 4:00 pm to 6:00 pm.

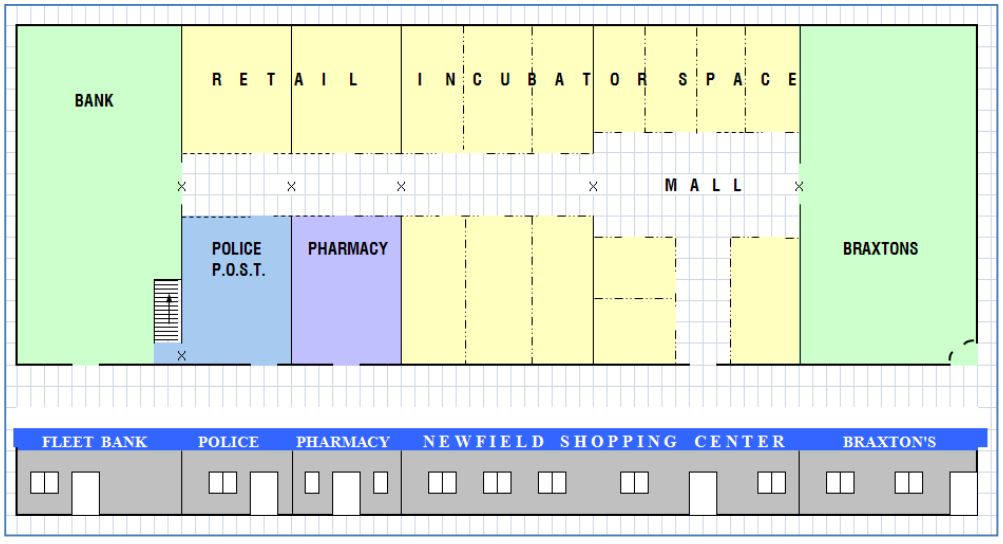
Non-students will be credited a reduction in their rent if they help staff the store for at least 8 hours per week. A paid Store Manager will maintain the work schedule.

2. MANAGEMENT. All payments (cash and credit card) will be collected by a Store Manager, who will deposit funds daily to the Incubator bank, and forward to the Bookkeeper a sales summary for each tenant. The store manager will be supplemented by college entrepreneurship students in training, and if needed, a paid Security Guard from a local agency.

   STAFF COSTS: The Incubator will be open 31 hours per week (plus allowing for a half-hour per day to open and close = 33 hours per week x $20/hr. with payroll taxes = $660 per week = $34,320 per person x 2 people = $68,640 per annum for staff.

3. RENT. Tenants shall be charged 20% of their gross weekly sales. These funds will be allocated 5% for marketing, 10% for staff, and 5% to the landlord. After 6 months, the tenants will be expected to pay market rates for space in the incubator or in Hartford communities being redeveloped, such as DoNo.

4. We will hold periodic "Pop-up" days when aspiring entrepreneurs can offer products for sale to the public (or just obtain feedback on an idea for a new product or service), without making a commitment to "move in." This will allow the entrepreneur and incubator operator to assess the likelihood of success before making substantial commitments of time and financial resources.



Schematic prepared by Entrepreneurship Foundation to convert empty Bridgeport storefronts into a vibrant social and shopping center.

E. Technical Assistance for Storefront Incubator Tenants

Tenants will receive counseling and training in marketing, sales and bookkeeping, so that one day they will be able to handle these functions on their own.

The incubator will provide the following services for new companies free for one year; assist the entrepreneurs to do it themselves in their second years of operation, and thereafter assist only if paid for services by the entrepreneur.

1. BOOKKEEPING. The bookkeeper, at the close of each week, will compute the amount of gross sales by each tenant, deduct the percentage rent, credit card fees, bookkeeping costs, marketing and other shared expenses, and deposit the monthly balance into each tenant's PayPal account .
2. ASSISTANCE WITH GOVERNMENT FORMS AND REPORTS. Also critical to the success of the enterprises and the repayment of micro-loans is ACCURATE AND TIMELY RECORD-KEEPING. Considering the bewildering array of forms that even small business must file: federal and state income taxes, Annual Report filings, FICA, FUTA, SUTA, mandatory Medicare contributions, sales taxes, workman's compensation insurance, and liability insurance; it is easy for a first-time entrepreneur to file a late or incorrectly prepared report, thereby incurring fines and interest charges on top of a myriad taxes. This is where a lot of new companies get into trouble.
3. PROVIDE ADVICE ON PERSONAL AS WELL AS BUSINESS BUDGETING.
4. ASSIST WITH PREPARING REALISTIC CONTRACT BIDS or PRODUCT and SERVICE PRICING. Many new companies fail not because they lose sales, but because they lose money on each sale from a lack of accurate cost-accounting.
5. ASSIST WITH MARKETING, either through cooperative advertising, a shared salesperson, or by creating networking opportunities.



***Storefront retail incubator** in Sacramento*

F. Operating and Fit-Out Costs for a Two-Year Storefront Incubator Pilot

The only way the project will work is if the space is provided as a temporary loss leader by a bank, landlord or a city, knowing that bringing traffic and activity, turning the lights back on, and unboarding the storefronts, is a necessary first step to attracting paying tenants to the commercial area.

The landlord would be expected to cover snow removal and exterior and interior maintenance. The Incubator and its paid staff will handle interior cleaning and lamp replacement to lighting fixtures.

1.	Renovation of interior, façade and signage (HUD CDBG)	$ 250,000
2.	Store fixtures and portable dividers	$ 40,000
	ONE-TIME CAPITAL COSTS ……	$ **290,000**
3.	Project Management, Entrepreneur Training and Mentoring	$ 40,000
4.	On-sight Staff (Store Manager and Security Guard)	$ 105,000
5.	Communal bookkeeping, payroll services, banking and government reporting	$ 45,000
6.	Marketing Retail Center on behalf of tenants (Great project for a college)	*funded by rent*
7.	Insurance	$ 8,000
8.	Computerized cash register accounting and other operating expenses	$ 2,000
	ANNUAL OPERATION COSTS……	$ **200,000**

A Note on Sustainability: The areas we will be targeting are by definition not sustainable now. The intention of this project is to reverse that trend by providing support and coaching to aspiring entrepreneurs. We know from other entrepreneurial endeavors that not all new businesses will succeed, but those that do graduate from the Incubator will have proven their viability and the entrepreneurs will have

"Hartford needs to nurture small entrepreneurial businesses for a bustling future."[56]

[56] Michael J. Crosbie, "Taking Hartford's Simmering Pots To A Boil," Courant.com, November 19, 2014.

G. Potential Types of Businesses to Occupy Storefront Incubators

While the suggested location is a retail space, and the shorthand working title is Retail Incubator, we believe we can help bootstrap a wide variety of entry-level entrepreneurial activities, including:

1. Retail

a) Dresses
b) Shoes
c) Hats
d) Gifts
e) Collectibles
f) Home-made Jewelry
g) Performance auto parts
h) Mobile phones
i) Auto electronic accessories (alarms, sound systems, remote starters)
j) Home theatre systems
k) Music stores
l) Florist
m) Toys
n) Sporting and recreational goods

2. Food

a) Candy
b) Popcorn/ pretzels
c) Convenience store

3. Services

a) Insurance sales
b) Real estate sales
c) Beauty parlor/ barber shop
d) Tailor
e) Shoe repair
f) Pharmacy
g) Appliance repair

In classes I teach in inner cities, the most popular personal businesses are Retail clothing, Food products, and Consumer Services.

4. Goods and Services that will be <u>prohibited</u>

a) Lottery ticket sales
b) Pawn brokerages
c) Chemical companies
d) Rock bands
e) Auto repairs
f) Gun sales or repair
g) Any noisy equipment

3.4 – Ongoing Training and Coaching

The underlying strategy of the entrepreneurship foundation proposal is for an holistic system for entrepreneurship–from concept to sustainability.

A. The Entrepreneurs Society (A Forum for Continuing Support)

1. **The Need.** Promising entrepreneurs are cut off from support once they graduate from school, a StartupWeekend, or accelerator. All of these existing programs have an arbitrary endpoint when support and motivation cease—whether or not the new venture has traction.

   Immigrants face special difficulties in starting and sustaining new enterprises. "Interest in opening a business is especially high among immigrants and refugees. Many have low incomes and less access to employment opportunities than the general population because they have limited English language skills, lack reliable transportation or an American diploma, and are still learning how American society works. However, these same limitations that make it difficult to obtain employment also lead to lower survival rates of immigrant businesses.[57]

   Encouraging our citizens to risk their time, energy and savings on self-sufficiency will result only in shattered dreams if we do not provide coaching until the business achieves adequate profitability to support the founders and their families.

2. **Format**. The Entrepreneurs Society will meet monthly for two hours, for ...

   a) NETWORKING with other entrepreneurs to share marketing and financing leads. Public planners have been advised to "Consider opportunities for immigrant entrepreneurs to network with each another and other businesses in the metro region, including the forums provided by neighborhood revitalization zones (NRZs), a trusted information source for immigrant entrepreneurs."[58]

   b) POST-STARTUP WORKSHOPS
      - Marketing!
      - Hiring and compensation
      - Government reporting,
      - Exporting
      - Server hosting,
      - Risk assessment and mitigation
      - Financial controls
      - Collecting receivables.
      - Contracts

   c) COACHING from successful entrepreneurs and consultants

[57] Desiderio, Maria. 2014. "Policies to Support Immigrant Entrepreneurship. Migration Policy Institute.
[58] Recommendations, "Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller & Associates, p. 73.

B. In-Processing Assessment and Case Management

Entrepreneurs will be allowed to enroll in the Society at any time during the year and at any stage of development. They will also be allowed to advance at their own pace along a sequential path to profitability, with training and the all-important motivation and recognition every step of the way.

The first step will be an assessment of the stage of the company by an experienced volunteer mentor. The assessment will resolve into a plan of action for the entrepreneur with agreed upon milestones and target dates for completion.

An assigned case manager/ mentor with meet with the entrepreneur at monthly meetings of the Society to review progress, discuss needed modifications to the game plan, and provide recognition and motivation.

Entrepreneurs Society members will receive name badges that highlight their progress

A	Concept and Elevator Pitch Created
B	Business Plan Drafted
C	Capital Needs Determined
D	URL obtained
E	Name registered with state
F	Legal Entity Formed (LLC, LLP, etc.)
G	Patent, copyright or TM applied for
H	Patent © or TM Received
J	Product or Service in Alpha Testing
K	Product or Service in Beta Testing
L	Raised Start-up Capital
M	First Sale
N	$50k in total sales
O	$500k in annual sales
P	Reached $1 million in annual sales
Q	Mentor

The need for an objective assessment

Each year hundreds of entrepreneurial projects fail to launch due to a deficiency that might have been corrected if diagnosed and treated.

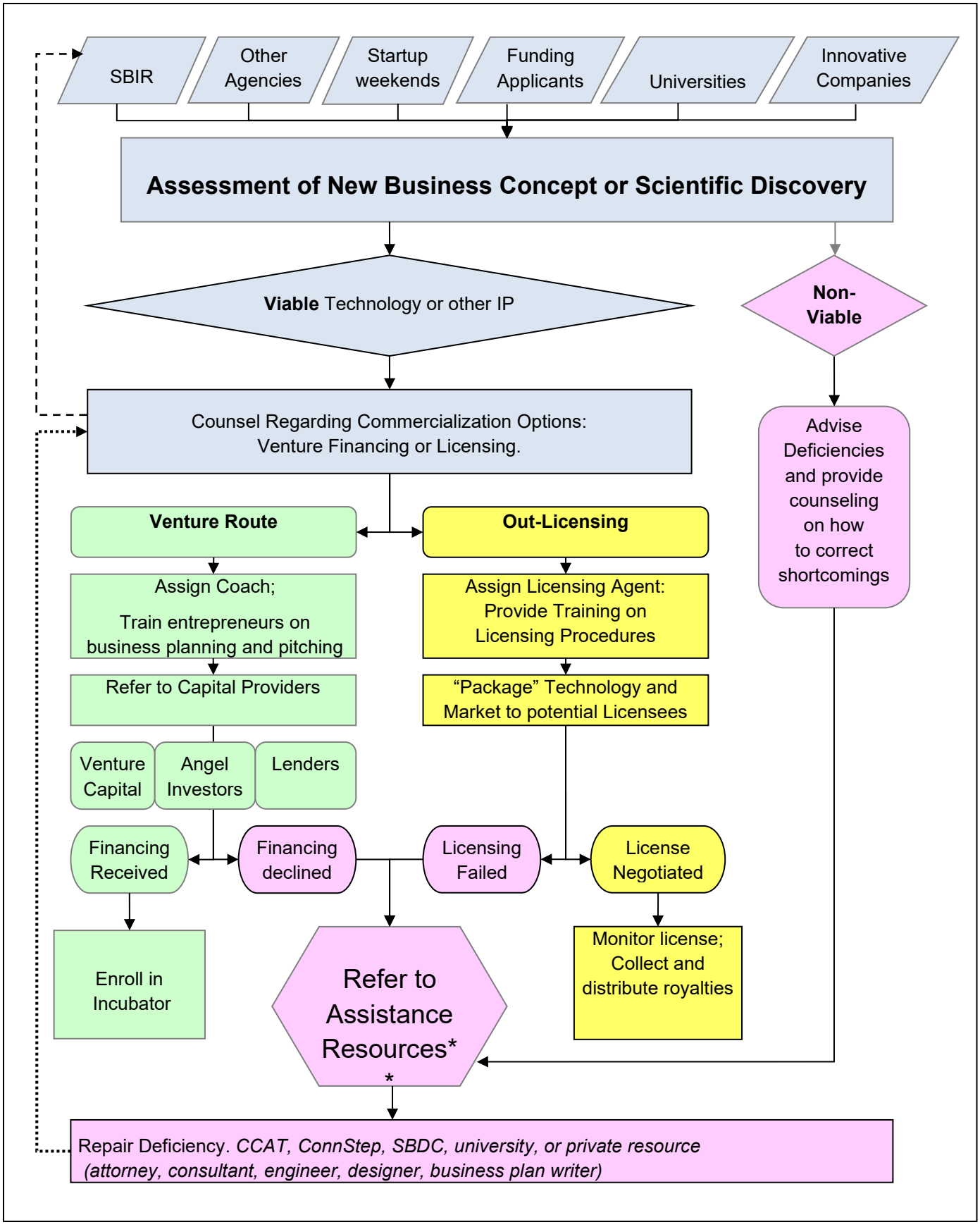
Unfortunately, in this era of rapid change, an entrepreneur has a brief window of opportunity to perfect, fund and initiate a new venture before advancing technology eventually surpasses even the most extraordinary ideas.

There are many new disruptive technologies emanating from universities, recent graduates, and small innovative companies that hold the promise for creating new employment–indeed whole new industries. But they are often deficient in one or more critical ingredients to be finance- or market-ready.

As a result, of every 100 business plans, only 5 will receive funding; whereas 70% might become bankable with some assistance.

Note: this will generally be a circuitous process in which capital providers typically reject the first and sometimes second and third applications from the entrepreneur. The role of the Case Manager will be to determine the shortcomings of the plan, product or management team (by interviewing the potential investor or licensee) and to provide counseling directly or through another agency to bring the proposal up to the expectations of the commercializing catalyst.

We have developed detailed procedures for concept assessment and triaging. In consideration of space restrictions, we offer the following graphical representation of the process. (See next page.)


SBIR
Other Agencies
Startup weekends
Funding Applicants
Universities
Innovative Companies
Assessment of New Business Concept or Scientific Discovery
Viable Technology or other IP
Non-Viable
Counsel Regarding Commercialization Options: Venture Financing or Licensing.
Advise Deficiencies and provide counseling on how to correct shortcomings
Venture Route
Out-Licensing
Assign Coach; Train entrepreneurs on business planning and pitching
Assign Licensing Agent: Provide Training on Licensing Procedures
Refer to Capital Providers
"Package" Technology and Market to potential Licensees
Venture Capital
Angel Investors
Lenders
Financing Received
Financing declined
Licensing Failed
License Negotiated
Enroll in Incubator
Refer to Assistance Resources**
Monitor license; Collect and distribute royalties
Repair Deficiency. CCAT, ConnStep, SBDC, university, or private resource (attorney, consultant, engineer, designer, business plan writer)

3.5 – Direct Tactical Support

A. Marketing

"Nothing happens until a sales is made." – Thomas Watson, IBM

Many entrepreneurs focus on outside financing to cover startup expenses, and feel they need to have that commitment before launching a business–and as a result many new ventures never get off the ground. There is a catch-22 regarding professional financing: investors want to see sales (if not profit!) before investing; and entrepreneurs believe they need investment to obtain sales.

While it may not work for every business, there are situations where a company can launch lean on personal savings or even advances from clients. Kickstarter is proof; and most mobile app companies can be started for only a few thousand dollars

Whether the goal is starting up, or advancing to sustainability, the key is marketing—customer acquisition.

The Entrepreneurship Foundation proposal therefore has a heavy emphasis on helping startups and existing companies find new customers. This will be effected by a series of marketing support initiatives:

1. Hartford New Products Festival

a) The culmination of the *Hartford Business Plan Competition* will be a major new products and services trade show by contestants and other Hartford startups and small businesses.[59] The show will run all day, at the Connecticut Science Center.

Contestant tables are free. Non-contestants with products and services created in Hartford may exhibit for $150 per table. This fee will allow the program to be self-perpetuating.

b) In the evening we will hold an ***"Innovation Night,"*** a product launch party and networking event. Innovation Nights, an organization founded by Entrepreneurship Foundation team member Bobbie Carlton, mobilizes the social media community to support entrepreneurs and innovators with grassroots visibility. Her organization has already helped launch more than 600 products in 5 years.





c) Business-financing and support agencies will staff information tables to provide a one-stop venue for entrepreneurs to discover services available from NGOs. Similar events we have managed have attracted participation by 14 state and federal agencies.

[59] Recommendations, "Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller & Associates, p. 73.

2. Pop-Up Shops and Flea Markets. Converted shipping containers make great pop-up stores because they can be moved around the city on a flat-back truck, to be deposited at event sites, ball game parking lots, and various sites around town. The strategy is to allow would-be entrepreneurs to test a product or business concept on a limited basis before committing to a significant inventory investment or space lease. There are a number of day-long flea markets around the state that typically cost only $25 for a table for the entire day.



DKNY Pop-up container store in NYC. *made byhttp://steelspaceconcepts.com. Other firms offering fit-outs of containers are http://whitecrate.co and http://www.popshopolis.com. SC2 team Frate also suggests utilizing containers for their strength and low cost. (There's a glut of these in U.S. ports, because we are not exporting the volume we should..)*



Booth at the BigE. *The Brothers Crisp, start-up footwear manufacturer from the Parkville section of Hartford, shown here at a booth that is provided free to startups by the Entrepreneurship Foundation and DECD. The footwear company is mentored by team member Eric Knight.*



The Old State House Farmers' Market *is open Tuesday and Friday between 10am and 2pm at 800 Main Street in front of the Old State House.*[60]

This would be a great opportunity for entrepreneurs to try out clothing designs, packaged foods, and other new product and service concepts. (I wrote to Betsy Bradley, vendor coordinator, who replied that the venue "is generally open only to Connecticut farmers and artisan vendors," but I will pursue to see if we can strike a compromise.)

60 http://www.hartfordfarmersmarkets.org/news/

B. Direct Support - Fulfillment Services

So Entrepreneurs can keep their day jobs.

The Fulfillment Center will be attached to the Accelerator and an Incubator with secure storage facilities. Since we recommend that entrepreneurs keep their day jobs until they can support themselves through their businesses, it can be awkward to take orders from customers or provide customer service during the day. The Fulfillment Service will handle those functions, plus pack and ship the order (if a product), or prepare a service order ticket (if a service such as tutoring or roofing) , issue an invoice, collect receivables, deposit the proceeds in the entrepreneur's account (less the service fee), and update the accounting records of the company.

The Fulfillment Service is an integrated element of this holistic proposal, in that it provides a source of revenue to fund the gratis services, such as training seminars, coaching and general overhead expenses.

The agency administering this program will only be as successful as its clients.

You invent it. We'll ...

Build it,

Store it,

Market it,

Take orders,

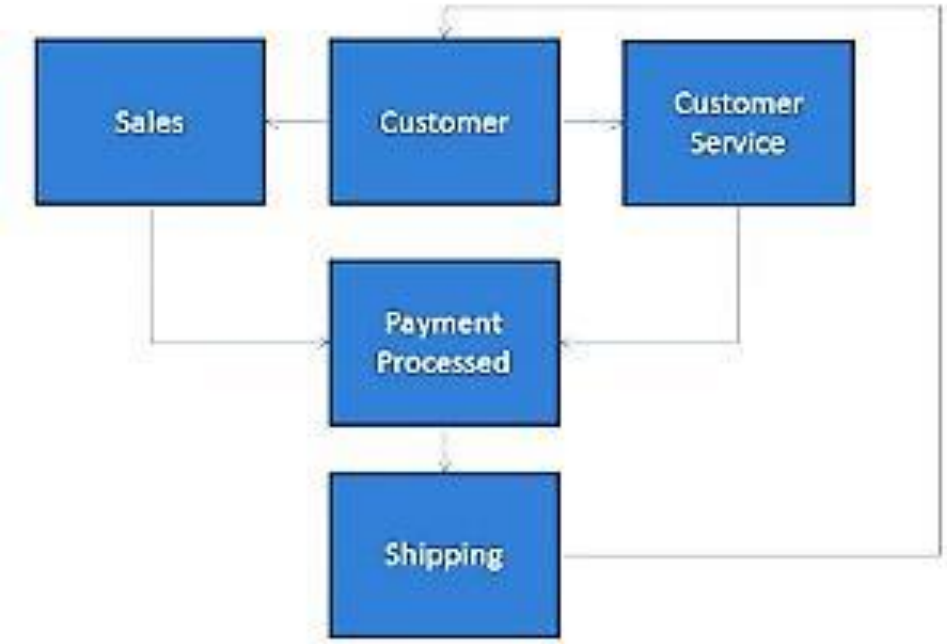
Ship it,

Collect payment,

Keep the books, and

Send you the profits





C. Direct Support - Programming

The Entrepreneurship Foundation is working with Connecticut universities to provide pro bono development services to startups. Fifteen projects have already been undertaken.

The types of projects that have been undertaken include ...

1. Software project development
2. Web site development
3. Mobile app development

FAQ For Companies

Student grade level. These projects are typically restricted to advanced or capstone projects for Juniors, seniors or grad students.

Languages and platforms. The students should be comfortable working with any current technology.

Confidentiality. Students cannot sign confidentiality agreements. The whole point for them is to be able to tell a prospective employer that they worked on a real-life project, and to describe the work they did. Of course, they would not have to reveal code or trade secrets to do so.

IP ownership. The client company retains full rights to the IP and any coding or design performed by the students or faculty.

Time frame for project completion. Fall or Spring semester: September through December or January to May.

Structure. These are not internships. Students will work on projects in teams, with guidance from instructor, and you, the "client."

Skill levels are high, but process will be slower with students. You will need to be involved frequently to answer questions, validate and test progress -- but no more, less than with any development source.

Sequence of milestones

1. Prepare requirements doc, based on interviews with client
2. Design on paper (wire frame)
3. When approved, transfer design into code
4. Quality assurance testing

Project Stage of Development. In deciding whether to submit, or which project to submit, think back to your days as a student.

The students -would naturally rather work on a new project than try to fix someone else's software project that does not work.

Of course, having a well-defined objective statement or even a wire-frame showing what you would like the software to do and how you envisioning it working is certainly a plus.

Past Client Ratings Of Student Skills[61].



[61] Survey by the Entrepreneurship Foundation in March, 2015, of eight participating companies.

D. Direct Support - Sourcing Talent

According to Jim Boyle, the Director of the Yale Accelerator, after capital, the ingredient for a successful startup that is in the shortest supply is software coding and web development; and this scarcity is not only limiting the number of viable venture teams being formed, but is making it increasingly difficult to retain successful fast-growing companies in the region. The Entrepreneurship Foundation has been retained to solve this problem for the New Haven community.

The long-range solution is to expand computer science education at our high schools and colleges. In the meantime, there are positive steps we can take to alleviate this deterrent to economic growth. The following programs have already been developed and tested by the Entrepreneurship Foundation in New Haven, and are ready for deployment in Hartford:

1. **Job Fairs for Startups**. We have held three successful events at Connecticut colleges in Fairfield and New Haven Counties, whereby 60 startups had the opportunity to pitch their concepts to an audience of 300 coders.

   The Foundation has also designed an online database where entrepreneurs can list available positions. Similarly, students and professional programmers seeking additional part-time employment may list their skill sets and the days and times they are available.

   We believe that face-to-face Computer Science Job Fairs for Startups, supplemented by an online matching database, will efficiently connect the supply of available talent to where it is critically needed.

Position Application

ACCOUNTING

Name _____
Phone _____
Email _____
Level [ ] Und
Will graduate: Month
Seeking *Check*

Position Application

MARKETING

Name _____
Phone _____
Email _____
Level [ ] Un
Will graduate: Month
Seeking *Check*

Position Application

PROGRAMMING

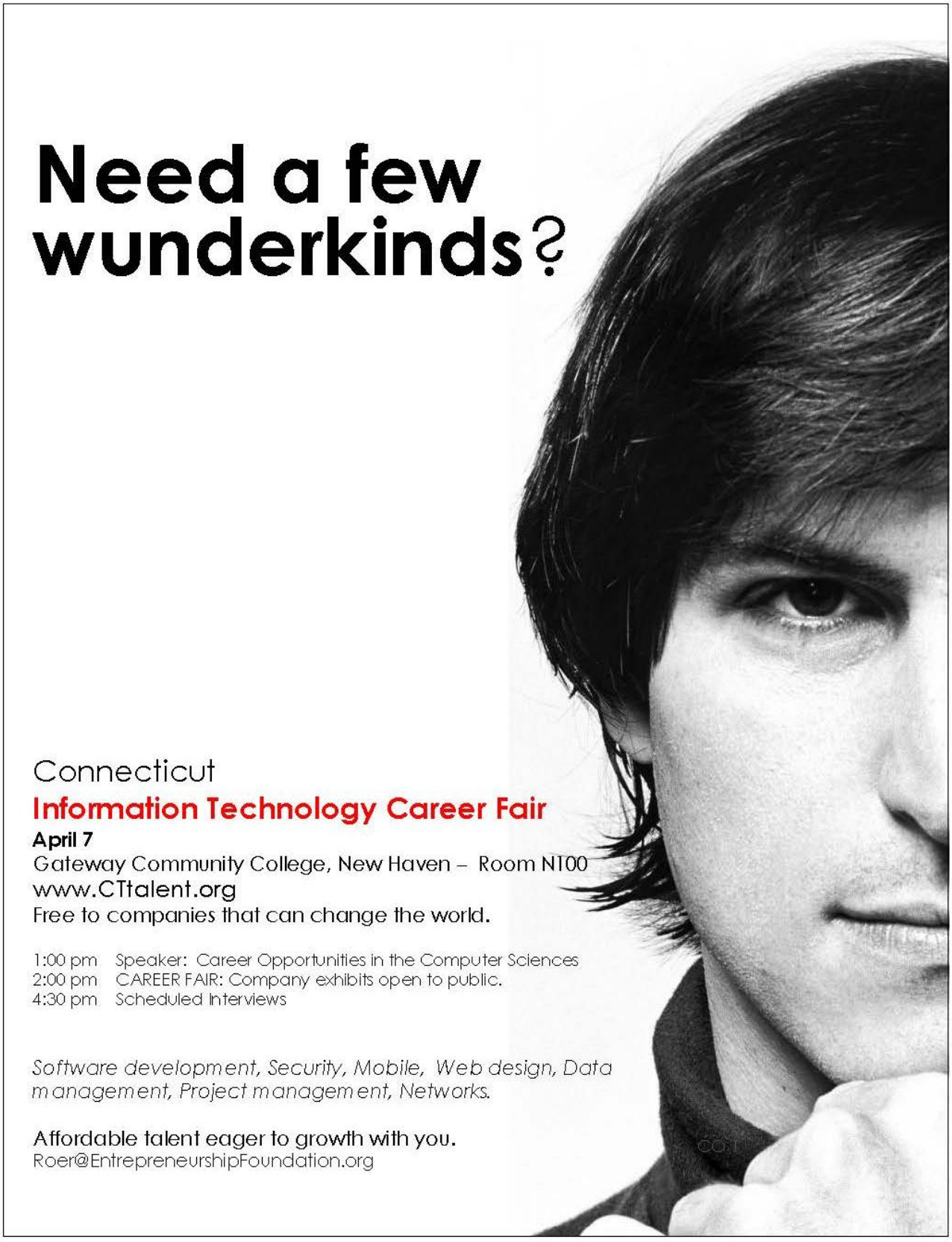
Name _____
Phone _____
Email _____
Level [ ] Undergrad [ ] Grad
Will graduate: Month _____ Year _____
Seeking *Check all that apply*: P/T F/T
Summer

Minimalist Applications *used to successfully recruit 50 students at one university to assist start-ups.*

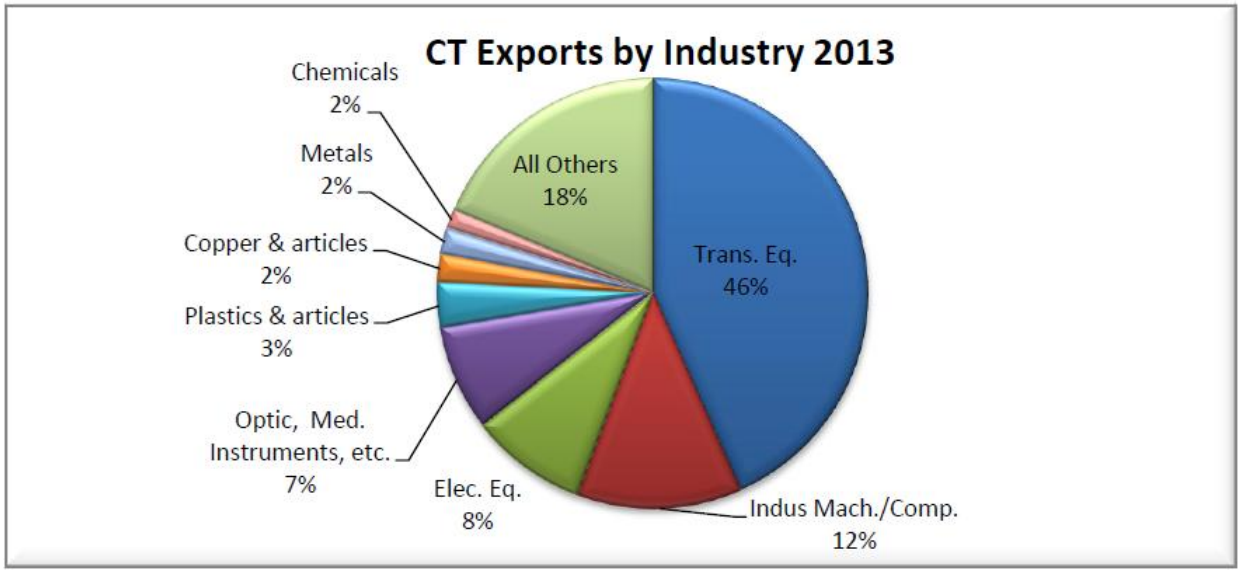
Entrepreneurship Foundation Job Fair *April 7, 2015, to help startups find critical IT talent. Over 120 attendees vied for positions with 24 young but fast-growing companies. Two-thirds of the attendees were students from 14 colleges. Seasoned programmers can command up to $150,000, which is a non-starter for a startup. However, the going rate for students looking for real-world experience to pad their resumes is $10-20 per hour.*



Flyer used to recruit companies for the Connecticut IT Job Fair on April 7 .



E. Direct Support – Exporting: The Hartford International Trade Center



SOURCE: Connecticut's Economic Development Strategy – Spring, 2014

The following is an outline of the structure, operations, and financing for a trade center, operated jointly with a local university.

1. Staffed Office

a) The Center must have a permanent home to convey an aura of long-term viability and reliability. A fixed site with signage also serves as a low-key form of advertising to remind the business and academic communities of the Center's existence. A portion of an existing building on the campus of UB would be a practical and desirable location.

b) The office would be manned by international students from 9:00 am to 5:00 pm in 2-hour shifts.

c) Catalogs and other literature would be displayed and filed in the lobby area of the Center office. Literature would be organized by SIC code to facilitate sourcing products, components, and services of area firms.

d) The office should have an accessible computer with Internet connection to allow visitors to stay in touch with home offices via e-mail and Internet phone connections. Video conferencing capabilities would also enhance the value of the Center.

2. Permanent Exhibition Hall

a) The exhibit area would house exhibits of Hartford-area companies

b) The hall would also be used for receptions of foreign trade missions and seminars on International trade.

c) SUSTAINABILITY. Space rental would be free the first 24 months as the Center developed. Thereafter, table space would be charged at the rate of $40 plus $40 per lineal foot per year, with a 4 foot minimum

3. Translation Service

a) Local businesses need sales literature, contracts, purchase orders, and correspondence translated. With the breadth of languages spoken by Hartford residents and students, the city is in a unique position to provide this critical service to area businesses wishing to expand sales into foreign markets.

b) This service would be provided for a fee: a flat charge of $10 (to cover administration) plus $35 per page (up to 250 words per page), with a one-page minimum, regardless of the brevity of the piece. The per page income would be split between the translator and the International Trade Center 75/25 %.

4. Consulting Service

a) Inquiries received at the Center would be forwarded by the Director to the appropriate member of the faculty for the country involved.

b) The Center would retain 10% of the funds collected for administrative purposes; the participating university 30%, and the remaining 60% paid to the faculty consultant.

c) The consultant may utilize the services of one or more students in a project. Students must be paid a minimum of $8 per hour if they devote more than 8 hours in any one week to the project, or more than a total of 24 hours to any one project in a semester, or more than 40 hours among various projects within one semester.

5. Series of Lectures on International Trade

a) Topics :

i. International Finance
ii. Emerging Markets
iii. Balance of Payments
iv. Letters of Credit

b) This would be a prestigious series. The return on investment by the University would be measured in press coverage, school reputation, and enrollment.

6. Concierge Services

a) Transportation for visiting buyers would be provided to nodes of transportation, government offices, local businesses, restaurants and entertainment venues.

b) Wine and cheese receptions would be arranged on campus for trade delegations and members of the local business community. (A business could host a reception $250.)

7. Membership

Local firms would be encouraged to join the Center for an annual dues of $25. This would place them on the mailing list for receptions and cover the cost of displaying, filing, and retrieving promotional literature.

8. Finance and Sustainability

The Center would need start-up funding (perhaps for remodeling; definitely for advertising) and an administrative subsidy for the first two years. The above plan is intended to allow the Center to be self-funding within two years.

Phase IV – Financing

4.1 The Incremental Venture Launch Program

4.2 The Entrepreneur Lerner's Permit

4.3 Available Grants

4.4 Microloans

4.5 Crowd Funding

4.6 Foreign Investment

4.7 Second-Round Financing: Angel Investment

We do not suffer from a lack of capital in Connecticut; we have a lack of bankable business concepts.

This comprehensive proposal will correct that.

Connecticut has more than its share of Capital. But, ironically, we have a net outflow of funds to other states. According to interviews I conducted with VCs, local investors cannot find enough well-researched high-growth-potential opportunities in Connecticut. According to a study by PricewaterhouseCoopers and the National Venture Capital Association, Connecticut trails in venture-capital investment:[62]

California	1651
New York	413
Massachusetts	374
Connecticut	54

The birthplace of Yankee Ingenuity has resources other cities would covet. We have five colleges (Capital Community College, St. Joseph's, Trinity, University of Connecticut, University of Hartford) and are centrally located in the nation's wealthiest state. These are resources we can leverage.

We can build new companies, from the ground up, using our most valuable resource—the talent and energy of the 123,512 people living and working in Hartford.

The strategic recommendations on the following pages for business financing are based on the experiences of the Entrepreneurship Foundation president as manager of the Connecticut Venture Group, founder of an Angel Investor Club, and director of the Crossroads Venture Capital Fair (below), and interviews of venture capitalists and angel investors.



[62] NVCA.org. *The disparity is even more striking when the total amount of annual invested capital is compared. The amount invested in California companies was more than 69 times the level of Connecticut investment.*

4.1 – The Incremental Venture Launch Program

An efficient business financing program to mete out industry-appropriate capital tranches at each successive plateau of development

Most funding programs provide a fixed amount of capital to each startup. This is not the most efficient formula and does not husband limited capital resources. The Entrepreneurship Foundation has developed the Incremental Venture Launch Program (IVLP), whereby the business plan is broken down into milestones.

Capital requirements are determined for each stage of development, and then invested in tranches as required—but only if/when the prior milestones have been attained.

STAGE OF DEVELOPMENT	CAPITAL SOURCE	DOLLAR RANGE
a) R&D, proof of concept, MVP[1] and test marketing	Micro-loans, personal savings	$ 1,000 - 5,000
b) Initial production and inventory	Crowd Funding (reward based)	$ 5,000 - 20,000
c) Full-scale marketing and ramp up ("Permanent" but part-time)	Crowd Funding (equity based), Angels, CI, DECD or EB-5	$20,000 - 250,000
d) Early stage expansion (Ramp up to full-time employment)	Angels, venture capitalists, bank loan	$250.00 and up

As has been mentioned, investing in new ventures without providing stage-focused technical assistance, is not tenable. The Entrepreneurship Foundation has developed and tested a sequential curriculum with the Connecticut Consortium of Entrepreneurship Educators, and the advice and counsel of early stage investors.

A section of field-tested entrepreneurship curriculum development by the Connecticut Consortium of Entrepreneurship Educators, an affiliate of the Entrepreneurship Foundation.

Business Launch Syllabus	Text
Legal Requirements for Launch	
Risk assessment and mitigation	
Financing the Business Launch	104-38
Marketing	
Building out the web site	
Obtain merchant credit card account	98-100
Creating customer awareness	60-69
Email campaigns	70
Ad words	71
Production and Distribution	
Designing the production model	
Sourcing components and job shops	
The build or outsource decision	
Estimating production TIME and COSTS	
How to Deliver Effective Presentations	
HR: Hiring, compensation and benefits,	
Government reporting	
Facilities. Finding the best location	
Information Technology	
Financial controls	
Business law	
Copyrights, Trade Marks and Patents	
Contracts	

4.2 – Entrepreneur Learner's Permit

An impediment to creating a vibrant laboratory for the natural trial-and-error process of discovering viable new businesses is the array of fees and taxes imposed by the state on its sons and daughters whom it desperately hopes will risk their time, talent and personal savings to try out a new business. Even forming a simple LLC (arguably the most logical legal structure for a new venture) puts the startup on the hook to the state for $470.

To remedy this discouraging scenario, the Entrepreneurship Foundation submitted the following proposal to the Connecticut State Legislature. It has been ushered through the necessary committees and stages to the point where it has been recognized with a bill number: SB 697. The bill was introduced by Sen. Scott Frantz.

Proposal to State Legislature

Entrepreneur Learner's Permit.

In order to promote entrepreneurship and new job creation, and to facilitate and encourage [aspiring entrepreneurs] to launch new businesses on a limited, trial business; it is hereby proposed that the State of Connecticut establish a Temporary Business License, as follows:

a. Cost: no charge;

b. Duration: two full calendar years, and balance of year issued.

c. Benefits: the *Learner's Permit* waives the following fees:

   i. State Registration (Reg-1) Fee, currently $100. This is, in effect, the Sales Tax License. New startups would still be expected to collect sales taxes on behalf of the state, just not have to pay for the privilege of doing so.

   ii. LLC Filing Fee, currently $120. Filing fees for other legal structures would not be waived. The LLC is a popular organization structure for new small ventures. A substantial new entity with significant capital would more likely choose a C Corp or LP structure, for which filing fees would not be waived.

   iii. Minimum income tax. Currently $250 every other year, beginning in 2014. The fledgling companies would still be expected to pay their fair share of taxes on income earned while the Temporary Permit is in effect. However, billing a startup $250 as soon as an entrepreneur declares he or she wants to try to make a go of it in Connecticut is not a tax but a fee, in this case for the privilege of betting their talents and personal fortune to help rebuild the state economy and create jobs.

The total risk reduction and savings in fees to a new Connecticut Business would be $470 during its critical formative years.

There should also be an indirect benefit to the state. Making it easier and less costly to register a new business will discourage an underground economy, with a hoped-for effect of increasing sales tax and business tax revenues. And of course, simply encouraging more new businesses should generate new sources of long-term revenue well in excess of the short-term decline in fees.

Keep our enterprising sons and daughters close to home: make Connecticut the Startup State.

4.3 – Available Grants

A. SBIR

The Small Business Innovation Research (SBIR) program encourages domestic small businesses to engage in Research and Development that has the potential for commercialization.

Funds are awarded in two stages.

> *Phase I.* The objective of Phase I is to establish the technical merit, feasibility, and commercial potential of the proposed R&D efforts and to determine the quality of performance of the small business awardee organization prior to providing further Federal support in Phase II. SBIR Phase I awards normally do not exceed $150,000 total costs for 6 months.
>
> *Phase II.* The objective of Phase II is to continue the R&D efforts initiated in Phase I. Funding is based on the results achieved in Phase I and the scientific and technical merit and commercial potential of the project proposed in Phase II. Only Phase I awardees are eligible for a Phase II award. SBIR Phase II awards normally do not exceed $1,000,000 total costs for 2 years.[63]

Connecticut Innovations maintains an office to advise Connecticut companies on how to access SBIR grants. See http://ctinnovations.com/funding/sbir.

B. Entrepreneur Innovation Awards

In 2014 Connecticut Innovations began awarding lo-doc seed grants of $10,000, under a new program titled Entrepreneur Innovation Awards. Any Connecticut startup is eligible. Funds can be used toward research and development-related projects including (but not limited to): prototyping, performance testing, compliance testing, product or service development, market research, licensing, and more. See http://ctnext.com/eia.

C. reSET

The organization awards annual grants from a $50,000 prize pool to social enterprises. Applicants may be from any New England state. http://www.theimpactchallenge.org/

D. Connecticut Collegiate Business Plan Competition

The state competition, run by the Entrepreneurship Foundation, awards over $30,000 annually in cash and business services to student startups.
http://www.entrepreneurshipfoundation.org/new-venture-competition.html

E. Hartford Business Plan Competition [Proposed herein]

F. Intramural College Competitions

Four Hartford colleges offer cash prizes to students in their own intramural business plan competitions: UConn, the University of Hartford (open to students from any school), and Trinity. CCSU, based in New Britain, also holds a competition that is open to students from other schools.

[63] http://www.sbir.gov/about/about-sbir

4.4 – Microloans

1. **The Need**. There are Connecticut government agencies that provide debt financing—but with restrictions that generally preclude all but scalable startups. Connecticut Innovations will lend up to $150,000, but requires a 1 to 2 match, and restricts lending to tech concepts. The Department of Economic and Community Development serves all industries, but requires a company to be in business for one year prior to applying for a loan.

   Nor will banks lend to startups. And now, even angel investors, stung by the loss of 40% of their wealth in 2008 (and 90% of their confidence) operate more like venture capitalists: "Come back when you have sales and it's a sure thing."

   So where are the new ventures to come from, if there are no sources for even modest sums of capital to develop new business concepts? What the economic eco-system needs desperately is affordable debt financing, seed grants, or low-doc risk equity in the $1000 to $20,000 range.

2. **Size of Fund.** Most individuals I know who have contemplated or founded early-stage investment funds have set a target of $5 million in order for the fund to be self-sustaining. However, these were equity funds.

   I suggest raising $1 million for a microloan fund. The Entrepreneurship Foundation will contribute $20,000 from the SC2 prize fund, if it receives the top award.

3. **Loan Application Process.** The process of accessing public capital must be made less arduous. Distributing capital efficiently and expeditiously is as important to empowering our residents as is fairness in the approval process.

   We need to be creative and pare some of the layers of barristers, bankers, and bureaucrats from the financing process. It currently takes a great deal of time (about a year), an intimate knowledge of the state bureaucracy maze, and deep pockets (for lawyers and accountants) to access state and federal funding programs. These realities of the application process make funds de facto inaccessible to most immigrants, veterans, students, and inner-city residents under the status quo.

   Entrepreneurs will apply online to a Loan Committee. Those with solid plans will be invited to present their business proposals live to the committee, to justify the amount requested and to enable the Committee to ascertain the entrepreneur's maturity and commitment to the endeavor, and to evaluate the applicant's ability to successfully manage the project. These will be, in effect, character-based loans.

4. **Due Diligence.** Business plan competitions—discussed in this proposal--can serve at least as a preliminary vetting and filtering process.

5. **Restriction on Use.** Borrowed funds will be restricted to direct business expenses: government licenses, insurance, equipment and initial inventory.

6. **Securing the Success of the Startup, and Thereby the Investment.** Since startups are high-risk investments, all micro-loan applicants should have successfully completed an approved set of business courses or a business accelerator program. Loan recipients must also commit to participate in an ongoing training, mentoring and reporting program.

7. **Sample Capital Costs For a Trial Launch ($300 to $2000)**

- SALES TAX LICENSE $100
- INSURANCE $0 to $500
- MARKETING $100 (signage, flyers and online adwords)
- INVENTORY $100 to $800
- EQUIPMENT $0 to $500

8. **Providing Connections to Follow-on Funding.** Micro-loan clients who achieve traction with their concepts will need follow-on rounds of funding.

9. **Leveraging Existing Assets: Fund Admin Costs.** Because there is little profit to be made servicing micro-loans, the logical administrators are non-profit agencies. (This was confirmed through requests made to three banks.)

   Through the offices of Dennis Brown, former head of CTCIC, that state agency and the SBA, per State Director Bernie Sweeney, have expressed interest in managing loans for a microloan fund.

10. **Sustainability**. Include warrants as part of the loan, so that if the company is exceptionally successful, or sold, the fund would share in the upside.

Insuring Equal Access To Capital: Equality of Opportunity

Reality 1: Most start-up capital comes from friends and relatives.

Reality 2: Most poor people have poor relatives.

Anyone creditworthy, according to commercial and public lenders, will own a home and car and have money in the bank and versed in accounting. This attitude by lends is understandable. Bank officers must answer to stockholders, public lenders to taxpayers. But this still leaves would-be inner city entrepreneurs red-lined.

a) ALLOCATE A PORTION OF THE MICROLOAN FUND for people in target areas, dispersed in the form of fully-reserved loans or grants. (By definition, the borrower has no collateral to back the loan.) Loans should appear on the expense ledger, not an asset ledger. Public servants must be allowed to make "bad" loans and keep their jobs. Think of the expense as very efficient courses in entrepreneurship for the poor.

b) PERSONAL FINANCIAL COUNSELING**.** With the support and participation by potential partners LISC, United Way, and Opportunities Hartford, establish financial opportunity centers , which in other cities teach financially low literate adults to manage their finances, debts, credit, understand financial instruments, and enroll in programs which incent savings (see City of New York Office of Financial Empowerment). National grants are available to implement this initiative. ("Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller & Associates, p. 74.)

The potential impact of a micro-loan fund can be seen in the table below.

Note that most businesses were started with zero capital or less than $10,000 (See shaded data.) This is most striking for foreign-born entrepreneurs, over 60% of whom started their businesses with $5000 or less.

Amount Capital Actually Raised by Connecticut Startups[64]

AMOUNT of Startup Capital	Foreign born	Native born
Less than $5,000	**36%**	**31%**
$5,000 to $9,999	**11%**	**11%**
$10,000 to $24,999	13%	12%
$25,000 to $49,999	11%	9%
$50,000 to $99,999	9%	10%
$100,000 to $249,999	11%	12%
$250,000 to $999,999	6%	9%

SOURCE of Startup Capital	Foreign born	Native born
Personal Savings	57.1%	64.2%
Other Personal Assets	5.5%	7.6%
Other Home Equity	6.0%	6.8%
Credit Cards	8.9%	8.8%
Government Loans	0.7%	1.0%
Government Guaranteed Bank Loans	0.7%	1.0%
Bank Loan	8.2%	13.0%
Loan from family/friend	2.6%	3.6%
Venture Capitalist	0.5%	0.7%
Grant	0.3%	0.1%
Used other	1.7%	2.5%
Startup capital not needed	24.6%	16.5%
Source not reported	10.1%	1.9%

[64] Source: US Census Survey of Business Owners, 2007; cited in "Immigrant Economics and the Hartford SMSA," August 27, 2014; International Hartford, CERC, Thomas P. Miller & Associates, figure 30, page 43.

4.5 – Crowd Funding

A. Reward Based

Kickstarter.com and IndieGoGo.com are two popular platforms for launching new products. Each keep 5% of the funds raised. The difference is that with IndieGoGo, the product does not need to meet its sales goal for the collected funds to be distributed to the entrepreneurs.

All enrollees in training programs will be versed in the fine points of raising capital on crowd funding platforms.

Novice entrepreneurs will also receive support in the creation of an effective marketing video—the key to a successful crowd-funding campaign. We will also create videos for 5 worthy entrepreneurs during the project pilot. We have a quote from a videographer to accomplish this for $3,500 per video. We will also use TestMyPitch.com ($2400 per year) for presentation analysis and feedback.



In 2014, an entrepreneur raised $13 million on Kickstarter for a cooler

B. Investment Based

The SEC has recently sanctioned equity crowd funding by announcing a new set of rules implementing Title IV of the federal 2012 JOBS Act.[65] These changes affect Regulation A for small public offerings, and are colloquially referred to as "Reg A+."

Even before the release of the SEC procedures, equity crowd funding has been doubling in size every year, and is expected to do so at least through 2015:

YEAR	EQUITY CROWDFUNDING (billions)[66]
2011	$ 1.2
2012	$ 2.7
2013	$ 5.1
2014	$ 10.4
2015	$ 20 est.
2017	$ 57 est.

The Entrepreneurship Foundation is currently working with a venture capital firm to underwrite a crowd funding initiative.

[65] "SEC OKs Equity Crowdfunding," TechCrunch, Chris Tyrrell, Mar 27, 2015
[66] http://www.informationweek.com/healthcare/leadership/crowdfunding-the-next-healthcare-hit/d/d-id/1141654

4.6 – Foreign Investment

There are two immigration visa programs that grant Green Cards for investment by a foreign national in a U.S. commercial enterprise.

The E-2 provision allows a visa for a "substantial" (interpreted from precedent to mean as little as $50,000 to $100,000) equity investment in a U.S. commercial entity, which can be their own startup. The investment may even be in the form of an intangible asset, such as a patent.

As a longer-range strategy, we will establish an EB-5 Regional Center. As a federal Targeted Employment Area (TEA), foreign investors in Hartford projects need only commit $500,000 (versus $1,000,000) to obtain a Green Card. To qualify as a Targeted Employment Area, the town in question must have an unemployment rate of at least 150% of the national average. According to the U.S. Bureau of Labor Statistics, the national unemployment rate in February of 2015 was 5.8%, 150% of which is 8.7 %. As of the same date, the unemployment rate in Hartford was 12.1 %.[67]

A. The EB-5 Regional Center

Congress established the EB-5 visa program that allows foreign individuals who invest in eligible projects to receive temporary visas. To qualify, their investment must create or preserve ten full-time jobs for at least two years in new or existing businesses.

1. **Status**. The Entrepreneurship Foundation has prepared an application to the USCIS, a 103-page business plan for the Regional Center, a detailed business plan for Innovation Accelerators (that will be funded by the EB-5 Regional Center), and a 7-page Due Diligence checklist to screen entrepreneur proposals prior to funding by the Accelerators.

   The Foundation has retained an economist to provide the econometric supporting documentation;

   One of the advisers to this proposal, Dana Bucin, is an immigration attorney at Updike Kelly and Spellacy in Hartford, and one of the most knowledgeable about EB-5.

2. **Differentiating Strategy.** The mission of the Connecticut EB-5 Regional Center is to promote investments into an Innovation Accelerators—thus financing the critical role of business accelerators in this holistic proposal.

   The Accelerator in turn will Invest cash and services into companies it accelerates – for 10% of the company stock plus 30% of sales while the company is receiving services. The support rendered to entrepreneurs will include ...

   a) Business modeling and planning
   b) Product design, prototyping and testing
   c) Market research
   d) Patenting
   e) Legal representation
   f) Workers' Comp and Liability Insurance
   g) Bookkeeping
   h) HR ("employees" of company would be reported on Accelerator's 941)

   The EB5 Investor will receive a 50% stake in the Innovation Accelerator and a 10% stake in each accelerated company + 2.5% of gross receipts from service revenues of the Accelerator (e.g. – telemarketing sales), or 5% of net profit from operations, whichever is more.

[67] http://www.bls.gov/regions/new-england/summary/blssummary_hartford.pdf

B. EB-5 Regional Center Revenue Model

Startup accelerators must expect a high degree of failure in their portfolio companies, but are able to structure their investments so that they can create the performance they need even with a low startup success rate.

Our research indicates that approximately 50% of portfolio companies will fail. Another 25% will break even, achieving either a small exit or result in an ongoing business and eventual repayment of the investment. Of the remaining 25% of startups, 20% will achieve a "good" exit, and 5% will achieve a large exit. The accelerator makes its returns from that final 25% of startups. Here is an example showing one year of results, with 30 companies:

	Per cent of Startups	**Exit Size in millions**	**Ave No. Startups in Cohort**	**Amount Invested**	**Accelerator Equity at Exit**	**Accelerator Share**	**Total Share for the Cohort**
Failed	50%	$ --	15	$20,000	6%	$ --	$ --
Break Even	25%	$ .5	7.5	$20,000	4%	$20,000	$150,000
Small Exit	20%	$5	6	$20,000	4%	$200,000	$1,200,000
Medium Exit	4%	$15	1.2	$20,000	3%	$450,000	$540,000
Large Exit	1%	$50	.3 **	$20,000	2%	$1,000,000	$300,000
TOTAL	100%		30				**$2,445,000**

*** With 1% of startups achieving "large" exits of at least $100-million, they have been included here as occurring every five years, since our annual cohort is 30 companies.*

We will solicit $900,000 from investors per annual cohort. The expected five-year return will be distributed as follows …

	RATE	**AMOUNT**
Investors repaid		$900,000
Surplus Remaining		$1,715,000
Investors' share of surplus	70%	$1,200,500
Management	15%	$257,250
Mentors	5%	$85,750
Endowment – Management	5%	$85,750
Endowment - Investors	5%	$85,750
Total to Investors		$2,100,500
5-Year IRR		41.3%[68]
Contribution to an endowment for sustainability		$171,500

[68] IRR is calculated using the net payment stream to investors from an average cohorts calculated over five years.

C. INVESTMENT DECISIONS.

EB-5 investors will be invited to participate on the Investment Committee. The Investment Committee should have at its disposal documents showing the original concepts and strategies of the companies, subsequent pivots, milestones established, and progress toward those objectives.

1. Due Diligence Methodology

. The Due Diligence process will include the following verification of Business Plan Assumptions:

a) Market Validation

b) Cost and Price Assumptions

c) Competitive Analysis

d) Technical Feasibility (will it work?)

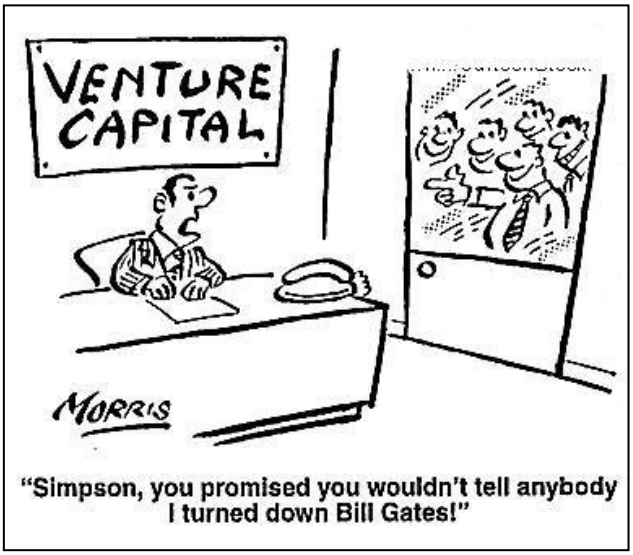
e) Background Checks on Principals

2. Potential Role For Universities

Due Diligence would offer educational experiences for MBA candidates.

The UConn Innovation Accelerator program at CCEI already performs market analysis for established companies as student projects. The University of Hartford and CCSU also have programs and capabilities to assist with the labor-intensive process of due diligence.

One caveat is that the academic calendars may not always provide a fit with the requirements of the Accelerators. However, there should be adequate work among the Incubator companies to keep multiple student teams occupied in productive endeavors for all institutions that would like to participate.



"Simpson, you promised you wouldn't tell anybody I turned down Bill Gates!"

D. EB-5 Regional Center Implementation Timeline

YEAR >>	**1**	1	1	1	**2**	2	2	2	**3**	**4**	**5**
By End of QUARTER >>	*1*	*2*	*3*	*4*	*1*	*2*	*3*	*4*			
Create Website											
Raise First Round											
Workspace Setup											
Publicity and Project Applications Collected											
Projects selected											
Matching funds raised											
Innovation Projects Developed for testing	1	2	3	4							
Project debugged and in Beta Testing		1	2	3	4						
Projects with first paying customer			1	2	3	4					
Project with $50,000 in sales			1	2		3				4	
Project with $250,000 in sales				1		2			3		
Project with $1,000,000 in sales										1	2

4.7 – Second-Round Financing: Angel Investment

There are a number of investor clubs in the northeast: Angel Investor Forum, New York Angels, Hub Angels, and River Valley Angels. The Entrepreneurship Foundation has a relationship with each of these clubs, and has its own account on GUST, the largest online matching site for angel investors.

There are also a great many wealthy individuals in Connecticut, who, with the proper orientation and support, may be converted into angel investors.

Having founded and managed the Connecticut Angel Guild, the Foundation is in a unique position to replicate this economic development engine among individuals and institutional investors with a stake in Hartford's economic vitality.

All entrepreneurs receiving training and coaching under this proposal will receive guidance on how to source early-stage capital and pitch to investors.

1. **Structure**. Based on experience with two angel groups in Connecticut, we recommend a managed subscription fund, whereby participants will be asked to commit a minimum amount to the fund ($25,000 for individual "qualified investors", and $500,000 for institutions.) Each member of the Limited Partnership would have one vote to exercise on investment decisions for every $100,000 of investment, or fraction thereof.

2. **Due Diligence** will be conducted by the professional manager(s) of the fund; and will include verification of business plan/model assertions:

    f) Market Validation
    g) Cost and Price Assumptions
    h) Competitive Analysis
    i) Technical Feasibility (will it work?)
    j) Background Checks on Principals

3. **SUSTAINABILITY**. An angel club sustains itself with dues and a carried interest in investments.



A meeting of the Connecticut Angel Guild

Appendices

Team Members

Name	Affiliation	Industry
Dana R. Bucin, Esq.	Updike, Kelly & Spellacy, P.C.	Immigration and Business Law
Bobbie Carlton	Innovation Nights LLC	General Marketing
Bill Kenney	TestMyPitch	PowerPoint and video pitching
Eric Knight	Remarkable Technologies, Inc.	Business/ Technology Innovation
Frank Kuchinski	Healthcare 2.0	Serial Entrepreneur
Mike Roer	Entrepreneurship Foundation	Business Training and Financing
Michael Zacchea, Lt. Col., ret.	University of Connecticut	Entrepreneurship for Disabled Vets



Dana Bucin, Attorney, Updike Kelly & Spellacy (Hartford)

Dana R. Bucin is an attorney practicing in the areas of Immigration Law and International Business Transactions at Updike, Kelly & Spellacy, P.C., a Hartford law firm affiliated with Meritas™ law firms worldwide in over 70 countries around the world.

Ms. Bucin regularly represents foreign investors and entrepreneurs, including EB-5 investors, in structuring foreign investments to meet the immigration goals of such foreign investors, as well as local economic development goals. She serves on the Executive Committee of the MetroHartford International Business Council and is a founding member of the Central and Eastern European Network, a cross-border business matching organization. Ms. Bucin is fluent in Spanish, French, and Romanian, and has a basic knowledge of Italian, German, Hungarian and Latin.



Bobbie Carlton, Founder, Innovation Nights

Bobbie Carlton founded Innovation Nights, a free monthly launch party and online product showcase, started in the Boston market and now expanding across New England and eventually the country. The Innovation Nights team helps to mobilize the local social media community to support entrepreneurs and innovators with grassroots visibility, and have helped to launch almost 700 products. The team combines a website, a newsletter, a live event and social media visibility to help connect entrepreneurs with first customers, important partners and advisors, funding and more. In the Boston market, of the first 500 products launched with Mass Innovation Nights, more than 394 were still in business more than a year later, 91 had launched new products since the initial launch, they had collectively received more than $800 Million in funding, there had been 25 mergers or acquisitions and created more than 1200 new jobs.



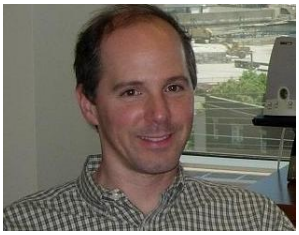
Bill Kenney, **President, Test My Pitch and Score My Pitch**

Sharing your ideas and gaining support isn't easy. Pitching can be intimidating. Choosing words that will capture audience attention and accurately convey your idea in a finite amount of time is a real challenge. Many great ideas and people have failed to get traction because the author couldn't tell a compelling and succinct story. Test My Pitch is an online platform where entrepreneurs draft, share, and receive feedback on their pitches. Before founding TestMyPitch with his wife, Kelly, Bill was a reporter with the *Hartford Business Journal*.



Eric Knight, President of Remarkable Technologies, Inc.

Eric is a serial entrepreneur, inventor, and mentor to startups. Over the last 20 years, Eric's company has focused on providing innovative products and services that enhance business and empower people. Eric created one of the world's first global "e-commerce" systems in the 1980s and one of the first online travel agencies in 1996. As an inventor, Eric's been on CNN, The Discovery Channel, the BBC -- even a guest appearance on the Late Show with David Letterman. Eric also had a wide-ranging 13-year career as a Vice President, an Associate Creative Director, and a Senior Copywriter at Connecticut's largest advertising agency, Mintz & Hoke.



Frank Kuchinski, Founder, Health 2.0

Frank is a Business Process Improvement consultant to Fortune 500 firms and advises startups on business model development and achieving product / market fit. He has deep product knowledge in Health 2.0, brokerage, trading, financial services, startups, and cleantech. His skills include business analysis, project management, product design, user experience, and web design. He has successfully launched and managed two businesses and excels at taking technical and business ideas from concept to product launch.



Mike Roer, President, Entrepreneurship Foundation Inc.

The Foundation is an organization supporting entrepreneurship through educational programs, business plan competitions, StartupWeekends, and connecting new ventures to talent and capital. Roer is an adviser to business incubators and a frequent lecturer at universities on business modeling and financing. Previously, Roer was the Executive Director of the Connecticut Venture Group, Connecticut Angel Guild and Crossroads Venture Fair.



Michael Zacchea, Director

<u>Entrepreneur Bootcamp for Veterans with Disabilities</u>

Hartford-based EBV serves a critical function in helping disabled vets work through physical limitations, psychological challenges, and social obstacles to achieve successful post-military, post-combat reintegration. EBV brings together a dedicated UConn ccommunity of faculty, staff, students, alumni, and others to rally around this special class of exceptional individuals. others to rally around this special class of exceptional individuals. In 4 years EBV has graduated 84 veterans from the program. Of those, 55 veterans have started 65 businesses, with 56 continuing to succeed, and employing more than 130 people. Michael also has experience successfully leveraging relationships for no-cost or very low-cost legal advice through the UConn Law School clinics located in Hartford: the tax clinic, the Urban Law Clinic, and the Intellectual Property and Entrepreneurship clinic.

The Entrepreneurship Foundation

The Entrepreneurship Foundation was established as a 501c3 to manage projects that cannot be funded through the market system, but are nevertheless necessary components to the economic revitalization of the region.

Mission

To encourage and support entrepreneurship, and to assist startups achieve profitability faster, with less capital and a lower rate of failure.

Collaboration

We collaborate closely with other agencies in the economic development and entrepreneurship area. Former collaborators include:

- ACG,
- AIF,
- B:Hive,
- Bridgeport Chamber of Commerce,
- Bridgeport Innovation Center,
- Business Council of Fairfield County,
- CCAT,
- CEDF,
- CERC,
- CI,
- CTC,
- CVG,
- DECD,
- Golden Seeds,
- the Grid,
- the Grove co-working space,
- PTAP,
- SBA,
- SCORE,
- SBDC,
- SBIR,
- StartupWeekend
- Various chambers of commerce,
- Law firms, banks and other service providers for pro bono support.

A division of the Foundation is the Connecticut Consortium of Entrepreneurship Educators (CCEE), an association of twenty colleges and universities in Connecticut:

Capital Community College
Central Connecticut State University
Coast Guard Academy
Eastern Connecticut State University
Fairfield University
Gateway Community College
Housatonic Community College
Manchester Community College
Quinnipiac University
Sacred Heart
Southern Connecticut State University
Three Rivers
Trinity College
U.S. Coast Guard Academy
University of Bridgeport
University of Connecticut
University of Hartford
University of New Haven
Western Connecticut State University
Yale University

Governance

The Entrepreneurship Foundation, Inc. continues to fulfill all governance requirements for a 501(c)3, and has on file with State of Connecticut Annual Charity Registrations and Reports.

The Foundation has a board of directors and an advisory board (the CCEE).



Meeting of the Connecticut Consortium of Entrepreneurship Educators (CCEE), Yale University, January, 2013. Professors from participating universities oversee the competition and meet regularly to exchange best practices.

Endorsements

[See separate pdf file]

ConnSTEP

EB5 Regional Center “Live in America”

General Counsel of Romania

Metro Hartford Alliance

Quinnipiac University Central and Eastern European Institute

Remarkable Technologies

SBDC

SCORE

The Latino Way

University of Hartford Entrepreneurial Center

World Affairs Council

World Business Capital

Accelerator Postulates

THE SCIENTIFIC METHOD APPLIES TO ENTREPRENEURSHIP, suggesting...

- The importance of well-structured experiments to confirm or disprove hypotheses about uncertain business model elements, thereby securing what Eric Ries (*The Lean Startup*, Crown Publishing Group, 2011) calls *validated learning.*[69]
- The need for metrics to gauge whether business model hypotheses have been validated, (e.g., viral coefficients, customer retention rates.)[70]
- The advisability of Initially building the *minimum viable product* (MVP); i.e., the smallest set of product features and business initiatives needed to secure the next round of validated learning. MVPs can be counter-intuitive for those who assume fully-featured products as better. However, building more features than necessary risks wasting time on functionality no one wants. It also compromises experimental designs, because it can be difficult to determine why a customer rejected a new version that incorporates many simultaneous changes*?* In the Accelerator phase, participants will rapidly evolve the MVP based on customer feedback obtained through interviews, focus groups, usability tests, customer support interactions, etc.

TRADITIONAL BUSINESS PLANS DO NOT APPLY TO STARTUPS. "Elaborate business plans do not survive first contact with customers."[71]

- Traditional business plans and pro forma financials presume they must be written to support the founder(s) on a full-time permanent basis (a legacy from their genesis in large-company planning) and that the business will be an instant success.
- Long-range financial projects are at best works of hyperbolic fiction, and are heavily discounted by investors. It is not an efficient use of time and energy to prepare elaborate 20-page pro formas on untested concepts.[72]
- A new-business concept is at best a set of unproven hypotheses that include: amount of demand per price point, production costs, feasible distribution channel, cost for post-puchase customer service, production lead times, customer retention, preferred features and most compelling benefits.
- "The goal of an entrepreneur is to find a repeatable and scalable model, and THEN execute. Execution requires [a traditional business plan:] operating plans and financial forecasts."[73]

TWO HEADS ARE BETTER THAN ONE. Based on the experience of TechStart and the Yale Entrepreneurship Institute, it has been shown that teams of two or more entrepreneurs are more successful than solo entrepreneurs.

ANGEL AND BANK FINANCING ARE NOT APPROPRIATE FOR PURE STARTUPS.

- Investors should not risk their money—nor entrepreneurs their time—on ventures without a proven revenue potential to achieve their financial goals.
- Entrepreneurs should avoid large investments in marketing and infrastructure until business model hypotheses are validated.
- The time to pitch investors is after a business model is proven.

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[69] http://platformsandnetworks.blogspot.com/2011/01/launching-tech-ventures-part-i-course.html
[70] http://www.forentrepreneurs.com/lessons-learnt-viral-marketing/
[71] Steve Blank, Stanford University
[72] Interview with John Seiffer, President of the Angel Investor Forum
[73] Steve Blank blog article, "Lessons Learned"

BUSINESS MODELING IS MORE APPROPRIATE TO STARTUPS THAN BUSINESS PLANNING.

A current refinement in entrepreneurship curriculum gaining acceptance is Business Modeling. This approach to business planning postulates that traditional curricula was based on common practices in large established firms as a guide to execute a growth strategy—but new ventures require a much different type of blueprint. Champions of business modeling (Steve Blank at Stanford, Bob Dorf at Columbia, and Thomas R. Eisenmann at Harvard) assert that startups need a plan to FIND a sustainable business model in the first place. Nathan Furr, a contibuting writer to *Forbes*, differentiates the two approaches this way: "In a business plan, you are trying to plan, inside the building, the optimal solution that you can go execute on. In a business model process you recognize that everything is a guess that has to be tested, outside the building, with the goal of learning" what will and will not work.[74]

According to Eisenmann, "Most startups fail usually due to lack of customer demand, not product development problems. These new ventures burn through their capital, wasting money on engineering and marketing before discovering they have built a product no one wants.

"Startups are more likely to succeed when they rapidly and iteratively test assumptions about a new venture's business model based on customer feedback, then quickly refine promising concepts and ruthlessly cull the flops. New ventures that follow this approach are lean startups, derived from Toyota's management philosophy: short production cycles to reduce inventory and eliminate waste. Lean startups similarly rely on short product development cycles to eliminate waste and gain rapid market feedback."

Rather than jumping into writing a detailed plan that may be a blueprint for failure, we will follow the Business Modeling approach. The Entrepreneurship Foundation developed the Accelerator curriculum based on the above conventions. The syllabus is based upon staff experience, discussions with members of the Connecticut Consortium of Entrepreneurship Educators (CCEE), interviews with angel investors and venture capitalists, research into current best practices in Entrepreneurship Education, and insights gained from the Connecticut Venture Group, the Crossroads Venture Fair, and the Connecticut Angel Investor Guild.

LAUNCH LEAN. Bootstrap the business with what you can save or borrow comfortably. If your dream is a restaurant, start with a food cart, second-hand. What can you get started while still a student?

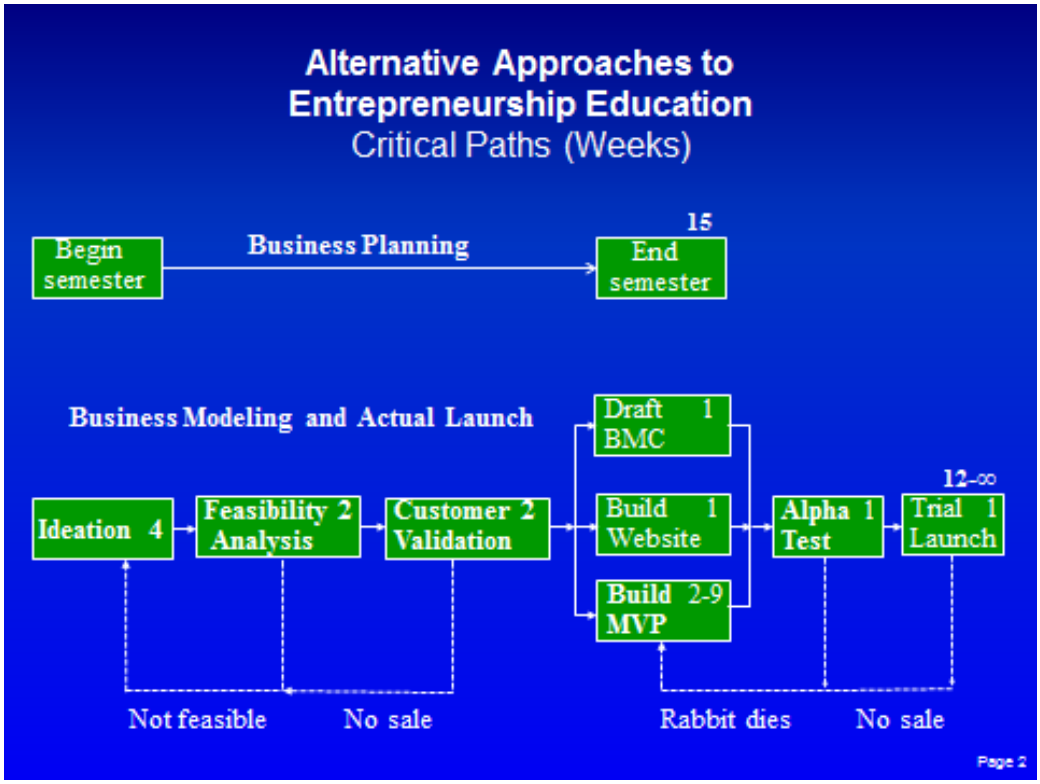
Grow organically. Use the proceeds from your first sales to buy the materials for your second round of sales. You should be able to gradually increase the volume of purchasing or production to grow the business, hopefully without ever having to raise serious capital.

TO CONSERVE CAPITAL, NEW VENTURES SHOULD ALSO LAUNCH INCREMENTALLY.
This process establishes a business in stages, with each plateau confirming the assumptions necessary to advance to the next.

If you do need outside investment, raise only the amount of capital required for each stage, rather than raising in advance the entire amount necessary to take an unproven idea into the marketplace. The amount needed at each successive level will probably increase as you grow, but successfully mastering each stage will provide a more secure and reliable platform for the next.

The incremental approach also allows the entrepreneur or investor the opportunity to withdraw from the venture at an interim stage if expected results are not attained.

[74] Nathan Furr, *Forbe*s, February 2, 2012, "Practical Insights on the Management Science of Entrepreneurship"



Why traditional business planning (upper chart)does not work for new ventures.
Unlike carbon-based life forms, businesses require an indeterminate time to gestate.