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Investment Fund Strategy 101

JumpStart's Mission is to strengthen the economic vitality of Northeast Ohio and the U.S. by helping communities realize their entrepreneurial potential.

STEP 1

Investment Fund Strategy 101 IDENTIFY A FUNDAMENTAL NEED

A funny thing happened in the last decade. Communities all over the country finally began to notice that smokestack chasing, i.e. massive tax incentives to attract or retain big business, has done nothing to transform their faltering local economies.

Increasingly, these communities have realized that high-tech, growth-oriented startups account for nearly all net new U.S. jobs, and that the entrepreneurs who build these startups are the cornerstone of our future economy.

Unfortunately, these communities have also come face to face with the reality that U.S. entrepreneurs, and the startups they create, are facing a feast-or-famine situation.

Last year, 70 percent of all venture capital investment in the U.S. went to companies in either California, Massachusetts or New York. California ventures pulled in roughly 50 percent of those dollars all by themselves.

It adds up to this; if you don't have an ocean view, capital can be very hard to come by.

The rest of the country clearly needs more robust investment activity if we hope to grow our local economies. But private investors are not running charities, they are persuaded by growth and profit.

Investors cannot be shamed or coerced into supporting ventures in your community. The only way to change the future is to show them a strong entrepreneurial ecosystem with documented investment potential.

Communities that are currently unable to do this have essentially two choices. One, keep trying to beg, bribe or shame large, existing businesses into sharing their crumbs. Or two, take the necessary steps to build up the local ecosystem from the inside out with some form of community backed early-stage investing.

It's not a quick fix—because there is no such thing as a quick fix— and it can be challenging at times; but done right, a well-planned fund with a well-executed investment strategy can help homegrown startups in your community stay alive long enough to reignite the local economy.

STEP 2 PURSUE A CLEAR GOAL

It's important to understand that community investment funds are not meant to replace private investors. They are meant to build up a fledgling ecosystem to a level where it can attract attention (and ultimately cash) from traditional angel investors and venture-capital firms.

This process is a marathon, not a sprint. It takes years for early-stage investment funds to generate returns.

We know, because we've been there.

We began laying the groundwork to create an entrepreneurial ecosystem in Northeast Ohio more than 10 years ago. At the time, our region was up against the wall. Entrepreneur Magazine had just ranked us dead-last out of 61 other regions for "startup-friendliness," and local entrepreneurs had very few funding options.

JumpStart launched in 2004 as one of the first venture development organizations (VDOs) in the country. Prior to our existence, Northeast Ohio's entrepreneurial assistance efforts consisted primarily of networking events and advisory services. The few nonprofit economic development organizations that existed were limited to offering business plan advice and assisting with fundraising leads and PowerPoint presentations. They held events where entrepreneurs could mix and mingle or play golf and they organized recognition dinners, venture fairs and business plan competitions, which often focused on rewarding contestants with business ideas, not entrepreneurs who had actually taken some initial steps toward starting a company.

While very well-meaning, these types of organizations did nothing to help entrepreneurs with the thing they needed most — investment capital.

Our mission, and that of our other regional partners, was to help the best and brightest of our local startups stay alive through the infamous "valley of death" by giving them access to the kind of essential early-stage capital that they were not yet ready/able to attract from the private sector.

Investing in these local startups before the private sector was willing to buy-in was a calculated risk. We reasoned that if even a few of these ventures became successful, they would not only bring a return on our investment, they would start a chain reaction of private investment and growth in our region.

10 years later, we are beginning to see the kinds of outcomes we had hoped for. Several local tech startups we assisted in their earliest stages have now been acquired by large global players or received major investments from private venture-capital firms.

These deals are bringing cash, jobs and tax revenue back to Northeast Ohio. They are also sending an important signal to potential investors and entrepreneurs that our startup ventures are capable of making real money.

STEP 3 PICK AN EXPERIENCED PARTNER

JumpStart's early-stage investing efforts have injected \$29 million into 76 unique Northeast Ohio companies across a variety of industries. These companies have gone on to raise over \$426 million in additional growth capital and collectively generated more than \$75 million in annualized revenue in 2013.

That's not bad, considering many of these ventures started out as an idea on a piece of paper in a part of the country very few venture capitalists were willing to visit.

For 10 years we've done the research, made the mistakes and put in the hard work to refine our investment model, learning what works best in terms of deal intake, due diligence, the deal closing process, continued oversight/monitoring and assistance with follow-on funding and exits.

Now, we're applying what we've learned in Northeast Ohio in several other regions, helping them to increase the breadth and depth of resources available within their existing entrepreneurial ecosystem.

They say it takes 10,000 hours of practice to become an expert.

At JumpStart, we've spent more than 1 million hours helping communities create economic growth.

We're ready to help you too.



We're backed by first-hand, real-world experience.

We've either been where you are or we know someone who has. With a decade of on-the-ground venture development experience, JumpStart offers access to seasoned, expert practitioners.

We're focused on quick implementation.

From assessing the potential for entrepreneurial activity to creating a new source of capital, certain needs are shared across communities. JumpStart can deliver practical, targeted solutions to address your areas of opportunity.

We build your capacity.

Whether we help roll out pre-packaged, customizable opportunities, provide back-office support or directly assist with in-region program delivery, we can expand your bandwidth and enhance your efficiency.

We're focused on faster results.

We leverage best practices, cutting-edge solutions, an experienced team and a national network of support so you can begin generating real outcomes sooner.

Let's Talk...

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