

Launching a Regional Capital Task Force



Report from the “Expert Committee” on Sources of Capital

“Expert Committee” on Sources of Capital

Mark Montgomery, Chair
Axiom Healthcare Pharmacy, Inc.

Waymon J. Armstrong
Engineering & Computer
Simulations

G. Thomas Bland, Jr.
BizLife, LLC

Tom Cannon
BungoBox

Pete McAlindon, Ph.D.
Blue Orb, Inc.

Richard McCree, Jr.
McCree General Contractors &
Architects, Inc.

Rob Panepinto
Civic Entrepreneur

Shawn Seipler
Clean the World

David Taylor
WHOLESHEBANG

Summary

The *Orlando, Inc.* Board of Directors (Board) appointed an “Expert Committee” on Sources of Capital (ECSC) in the spring of 2014 to conduct a period of due diligence on project focus areas in the Regional Priority on Sources of Capital. This report advances a unanimous Committee recommendation of a singular project of regional scale that will perform as an entrepreneurial culture connector and accelerator supporting all phases of enterprises.

The ECSC examined scorecards that purport to demonstrate a region’s attractiveness to capital, reviewed the entrepreneurial progression of regions with reputations as capital destinations, and considered methodologies employed by other regions seeking to foster innovation economies which result in capital attraction. The Chair led individual conversations with community Peers to “double check” the team’s findings, conclusions, and direction of recommendations. Through this process, the ECSC developed a series of recommendations for the formation and development of a taskforce on sources of capital. Peers were enthusiastic and in direct alignment with the direction of the ECSC.

The resulting work product, embodied in this Report, includes: a summary of findings on capital scorecards and value of use; example activities in other regions and the parallels with Central Florida; commentary on the barriers, value, and opportunity of Central Florida; and a regional project that will support the growth and recognition of the entrepreneurial culture of Central Florida.

The “Expert Committee” identifies nine imperatives for the regional project (see page 10), including connecting entrepreneurs, funders, leaders, meta-mentors, mentors, and support organizations to accelerate the entrepreneurial culture in Central Florida. The project should provide an idea filter for entrepreneurs to support focus and speed of action, enabling to them to raise necessary capital and effect scaling. It must be built to record and drive the untold regional success stories of Central Florida entrepreneurs to the national and global market with an appropriate repository and delivery systems.

To assist in Task Force formation, the ECSC developed a roster of member attributes, culpabilities and commitments. The roster includes: applied experience in the scaling of companies to second stage through funding, governance and/or leadership engagement. To ensure sound data and decisive progress, the ECSC recommends members with national, hemispheric and global networks of peers, and an open door to out-of-market participation by leaders of value who have engaged in venture funding or second stage activities that help build understanding and effectiveness of the Clearinghouse

The ECSC recommends the formation of a Task Force to perform creative and operational functions to implement the proposed project.

Context and Timing of this Report

The *Central Florida Partnership (Partnership)* focuses volunteer and investment resources, and the activities of its four “lines of business”¹ through a recurring, regional priorities process. Using priorities in the past has led to a solid portfolio of successes, including the first phase of SunRail, “Project Hometown”/Strategic Venues, “How Shall We Grow”/A Regional Growth Compact between and among 85 jurisdictions, and Wekiva Parkway.

The most recent regional priorities process (December 2012 – August 2013) was titled “*Turning the Page*” and managed by a Leadership Council on behalf of the Board.

The results of “*Turning the Page*” were delivered to the Board in the form of a Leadership Council “Prospectus”² and approved as regional policy by the *Partnership* on August 21, 2013. The “Prospectus” expanded and continued focus on a

1 The *Central Florida Partnership* is a collaborative of business and civic leaders committed to procuring a better tomorrow for Central Florida’s seven counties - Brevard, Lake, Orange, Osceola, Polk, Seminole and Volusia. We are thoughtful leaders united by a single, guiding principle - that we have both the power and the responsibility to make change happen. Working together, through four lines of business – *Orlando, Inc.* (Regional Entrepreneurship), *BusinessForce* (Regional Public Policy Advocacy), *myregion.org* (Regional Research & Resolves) and *Leadership Orlando* (Regional Leadership) – the *Central Florida Partnership* is moving “Ideas to Results.”

2 *Central Florida Partnership* Leadership Council Prospectus <http://asoft11265.accrisoft.com/cflpartner/clientuploads/pdfs/TTP1/TurningThePageProspectusFINAL20130821.pdf>

series of preexisting priorities requiring sustained or additional attention. The Regional Priority on Sources of Capital was at the top of this list.

Advancing the Sources of Capital regional priority addresses the *Partnership’s* “Expectations and Values”. These “Expectations” include:

- ▶ **A Connected Civic Community**
- ▶ **Regional Prosperity**
- ▶ **Regional Reputation**
- ▶ **Globally Relevant Measures of a High-performing Economy**

Based on the topic’s connection to the work of the *Orlando Inc.*, the *Partnership* asked the Chamber to lead the due diligence for this Regional Priority. Shari Sandifer, Chair of *Orlando, Inc.*, appointed Mark Montgomery to serve as Chair of an “Expert Committee” on Sources of Capital. The “Expert Committee” was asked to report to the Board in approximately 6 months and keep *Orlando, Inc.*, and any other interested civic enterprise, apprised of its work every step of the way.

Mission and Purpose of the “Expert Committee” on Sources of Capital

The “Expert Committee” on Sources of Capital will respond to the Central Florida Region’s call for a Priority on Capital by:

- ▶ Providing recommendations on the **project(s) that have the highest potential impact** on the behaviors and assumptions of (in- and out-of-region) capital sources, and the reputation of the region as a destination for and high performance engager of capital
- ▶ Providing counsel to *Orlando, Inc.* and other *Central Florida Partnership* “lines of business” on the **changing definitions and measures of regional reputation and capacity in the capital arena**, balancing uniformly-established regional criteria with potential breakthroughs and innovations
- ▶ Providing recommendations on the **make-up, scale, mission, and principles of a regional Task Force**
- ▶ Identifying **changing conditions in and attributes of other regions** that support

changing behaviors, policies, and measures of success in Central Florida

- ▶ Identifying unique or discrete conditions in Central Florida that make **the case for change**

To achieve this mission, the “Expert Committee” will answer the following questions:

- ▶ Are there unique or discrete conditions in Central Florida that make the case for change?
- ▶ What definitions and scorecards matter most when building a reputation as a regional destination for capital?
- ▶ Do our behaviors line up with what a high-performance capital destination should look like? How should they change?
- ▶ Where should Central Florida be improving or leaping in performance?
- ▶ What projects should matter most to a future Task Force, and how do the make-up and mission of the group support project success?

Details on the Purpose of the Committee:

- ▶ Ensure sound and thorough situation assessment on capital source engagement in Central Florida
- ▶ Brainstorm the best approaches to gathering data and conducting “sweeps” of current information relevant to the Regional Priority on Capital
- ▶ Be in a position to provide on-demand and scheduled feedback on due diligence; leverage networks for value
- ▶ Vet discussion maps/third party interview scripts for leaders on capital matters
- ▶ Review and provide counsel on due diligence report and approach to sharing with external test audiences
- ▶ Engage in and complete draft report by August 21
- ▶ Edits and update report as required by the board no later than October 10
- ▶ Support delivery of report to Central Florida Regional Leadership Forum in March 2015
- ▶ Support/report on due diligence at *Orlando, Inc.* and *Central Florida Partnership* Board Meetings

Timeline

The ECSC’s activities, due diligence, meetings, and briefings occurred within the following timeline, and concluded with this report.

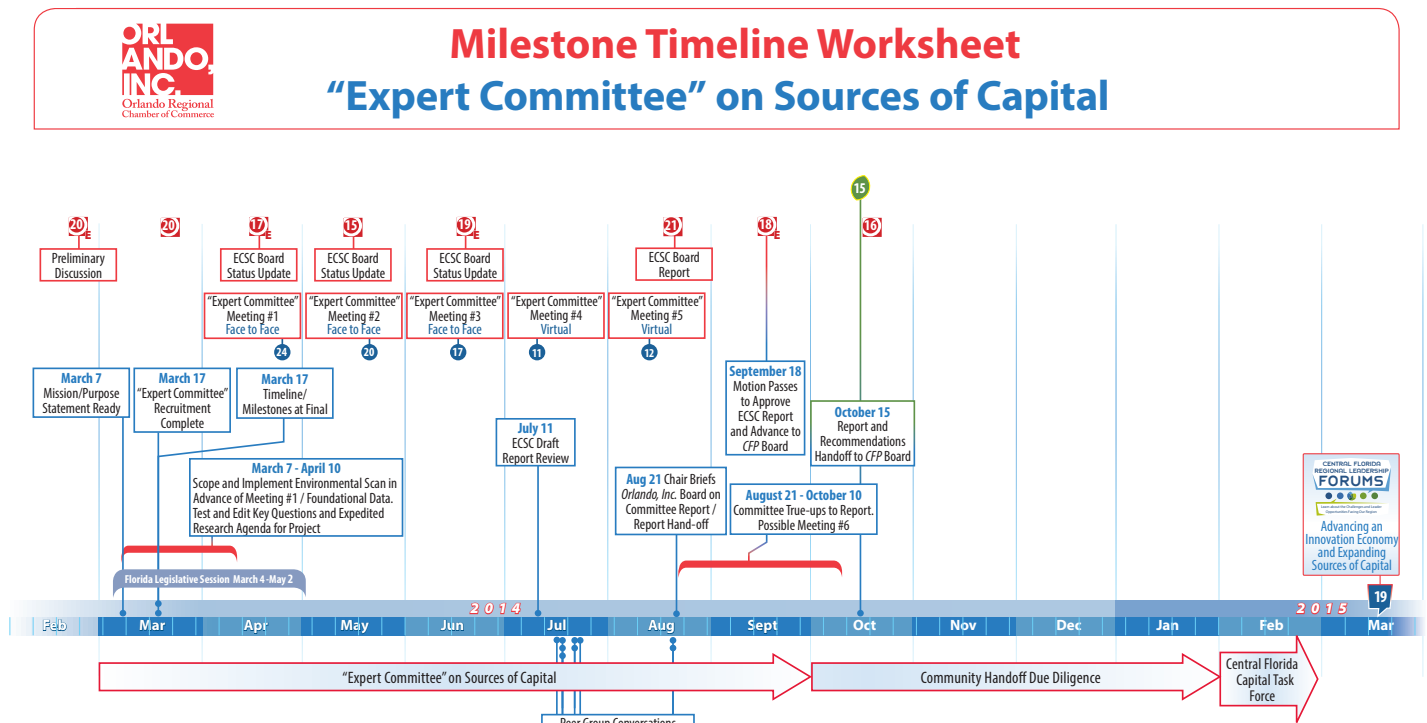


Fig. 1 Timeline

Prepared by Fairfield Index, Inc. Version 10.13.2014

Due Diligence, Scorecards, and Regional Case Studies

The future Task Force on sources of capital will be equipped with the findings of the ECSC which dispense with myths and distractions, analyze scorecards as a reputational tool, and review practices in the quintessential innovation economy and other regions.

The ECSC began its due diligence with research and analysis on products that advance regional reputations for destinations of capital. Following, examples of funding activities in other regions were explored.

Scorecards

Finding that Venture Capital focused scorecards are designed and advanced to promote capital destination reputation, the ECSC examined diverse existing scorecards found throughout the United States and internationally.

A milieu of metrics (see Fig. 2) emerged demonstrating a lack of consensus to determine globally relevant measures that define a region's capital destination reputation.

Selected regions appear to employ gap-filling metrics to support findings of progress or regression of benchmark regions such as perceived corruption, CO₂ emissions, and population growth. From the milieu, the ECSC pulled the trend of common repeated measures. The reduced scorecard includes:

- ▶ Number of investments/deals by location
- ▶ Dollar volume of investments/deals by location
- ▶ Share of number of investments by city/msa/state/region
- ▶ Share of dollar volume of investments by city/msa/state/region
- ▶ Volume of Patents
- ▶ Share of Patents

From the scorecard inquiry, the ECSC draws the following conclusions:

- ▶ The scorecard audience primarily includes

Merger regulation and its impact on private equity and venture capital • Pension funds as potential investors in private equity and venture capital • Fund structures • Company tax rates for small and medium-sized companies (SMEs) • Capital gains tax rates for individuals • Tax incentives for individual investors investing in private equity • Venture Capital activity • Taxation of stock options • Entrepreneurial environment • Fiscal incentives to enhance research and development (R&D) • Availability of Limited Partners and ease of fundraising • Dealflow • Size of market available to portfolio • Government support of Venture Capital • Availability and support for tech/biotech • Small Business Lending • SBA Loan Activity • Bank Deposits Commercial & Industrial loan availability • Small & Micro Business loan availability • Capital Investment in manufacturing • Average annual value of venture capital investments made in state • Average annual value of startup/seed venture capital investments made in state • State sponsorship of seed/venture capital programs • Competition with existing Venture Capital firms • SBIC Investments: Total value of SBIC financing, and value per business establishment • Company tax rates • Number of business incubators • College attainment • Migration of college educated per state • Migration of college educated from abroad • Occupations & wage ratio for managers • Occupations & wage ratio for professionals • Patents per capita • University spin outs • IPO filings • SBIR/STTR awards • National science foundation funding for universities • High-tech GDP location quotient • Individual income tax/capital gains tax • Small firms per capita • Venture capital investment per capita • New hires • Separations • Average monthly earnings • Workforce indicators by sector • High growth small businesses by sector • Access to global markets • Trade freedom • FDI stock • **Venture Capital** • Export diversity • Local market potential • Population growth • Old age dependency 2030 • PISA mathematics • Total students • Secondary enrollment • Infant mortality • Saving rate • Investments • Stock Exchange • Lending rate • Credit to GDP • WEF - Competitiveness Index • Digital inclusion • R&D expenditures • Technical students • Cost of human capital • Public debt • Net foreign debt • Loans to deposits • Political stability • CO₂ emissions • Starting business • Getting credit • Paying taxes • Enforcing contracts • Government revenue • WEF infrastructure measure • Corruption • Shadow economy • Share of state and us M&A activity • Share of state and us patents over time • Value added per employee • Share of patent registrations by state and US • Patent registrations by technology area • Venture capital investment by year \$s • Venture capital investment by year and sector • Angel investment volume by year segmented by Series A+ and Seed Stage • Share of state, US, and international IPOs • Growth of firms without employees • Regional percentage of non-employers by industry • Venture Capital Investment per million \$ GDP • Average investment per Venture Capital Firm • Average size of IPOs • High-tech employment (sector) • Number of patents per 100,000 population • Proof of Concept (survival rate, financed by paybacks, private investment) • Seed Fund • Venture Capital investment • Angel investment • Corporate investment • Grants investment • Seed/TBFP investment • Banks/Lending investment • Laws on private equity/venture capital fund formation and operation • Tax treatment of PE/VC funds and investments • Protection of minority shareholder rights • Restrictions on local institutional investors investing in PE/VC • Protection of IP rights • Bankruptcy regulation (encompassing bankruptcy procedures/creditor rights/partner liability in cases of bankruptcy) • Capital market development and feasibility of local exits • Registration/reserve requirements on inward investments • Corporate governance requirements • Strength of judicial system • Perceived corruption • Use of international accounting standards and quality of the local accounting industry • Entrepreneurship •

Fig. 2 Milieu

fundors with the intent to draw capital investment in a region.

- ▶ Funders focus on venture investment opportunities rather than regions.
- ▶ Investments, deals, and patents as primary metrics for the measurement of capital destination reputation is insignificant for regions other than Silicon Valley.
- ▶ Such a significant portion of investment receipt occurs in Silicon Valley/San Francisco that it statistically invalidates other regions, creating the appearance of the absence of an innovation economy.
- ▶ Adoption of this kind of scorecard creates a false image of Central Florida's thriving innovation economy.

Therefore, the ECSC recommends rejecting the use of regional capital reputation scorecards intended for funder audiences.

Regional Case Studies

The ECSC reviewed Silicon Valley and Boulder Colorado as examples of legacy innovation economies that organically grew to a status as a destination for capital. They also looked at activities in Cleveland Ohio seeking to revitalize a major decline, and in Las Vegas Nevada following a lead entrepreneur's large personal investment in reshaping the culture of a downtown district.

Silicon Valley

Stanford University sits at the heart of Silicon Valley. Founded in 1885, Stanford was a long standing institution of talent by the time Frederick Terman begins drawing World War II, and later Cold War, defense funding for electronics research to it in the 1940s.

The influx of investment for research into electronics, radio, and radar was catalyzing in generating related discoveries of disruptive technology. Terman, as provost and dean of electrical engineering, installed the Stanford Industrial Park, now Stanford Research Park, in 1951. The Park received its first tenant in 1953. William Shockley started Shockley Semiconductor Laboratories at the Park in 1955 and soon after shared the Nobel Prize for Physics for his work on the silicon transistor. Increasing numbers of business opportunities and spin-outs occurred based on the technological research ongoing. Eight former employees of Shockley Semiconductor alone founded more than 50 enterprises over 20 years.

Capital to support the growing enterprise cluster began to organize. Following additional installations, clustering of talent, and the generation of related business opportunities, what some consider the first venture capital firm formed in Silicon Valley in 1959 in the shape of Draper, Gaither & Anderson. The growth that followed led to Silicon Valley and the San Francisco Bay Area often receiving approximately 40% of U.S. venture capital investments.

Boulder Colorado

The University of Colorado Boulder supports a significant effort in research and innovation.

Boulder's innovation economy appears to have grown through talent attraction and industry based research investment and the decision to spread the geographic location of federal buildings.

The University of Colorado Boulder was founded in 1876. In 1949, President Truman issued a confidential policy to stop the clustering of major buildings in Washington, D.C. due to cold war concern over nuclear attack on the capital city. Based on this order, Boulder became the home of the National Bureau of Standards' new, larger, Radio Propagation Laboratory. The Boulder Chamber of Commerce raised more funds than necessary to purchase the property for the lab and used the excess funds to purchase an additional tract that would be known as the Boulder Industrial Park. In 1952, further federal investments added a 27 building nuclear weapons manufacturing facility and in 1967 Boulder became the site of the National Center for Atmospheric Research. In many where federal facilities were moved to or created in Boulder, talent was also relocated to Boulder.

The findings and discoveries made through the research performed were followed in some cases by Department of Defense orders for products. In 1956 Ball Aerospace formed to produce rocket controls. Additional private sector technology firms entered when IBM moved its tape drive manufacturing division to Boulder in the late 1960s. In 2010, Boulder generated six times more startups per capita than the national average.

Cleveland Ohio

Following decades of steep economic decline citing negative impacts of globalization and productivity losses, Northeast Ohio saw subtracting investment and businesses leave the region. The public and independent sectors both responded through economic development styled activities focused on resourcing entrepreneurship at with the goal to supply sufficient scale to inspire the private sector investment market and new ventures to grow and return. These activities occurred independently initially but grew more collaborative as the culture of entrepreneurship in Northeast Ohio was revitalized.

In 2002, the Ohio legislature engaged a \$2.3 Billion investment dubbed the “Third Frontier” with focus on investing in innovation, commercialization, capital and talent. The focus is on target industries that are of particular strength in Ohio and have likelihood of job creation, increasing tax revenue, and generating follow-on capital. In development, knowing that high scrutiny and perception that the state “choosing winners” would lead to failure, the Third Frontier requires matching funds and a review by an independent third party prior to award. This places selection under the expertise and standard rigor of venture analysis processes while reducing the risk for private sector investment.

From the independent sector, a coalition of philanthropies created the “Fund for Our Economic Future.” Also starting in 2002, the program contributes thousands of the leadership’s volunteer hours to provide regional leadership, award grants, and foster a collaborative environment for philanthropy to achieve their mission of philanthropic collaboration committed to promoting the well-being of the people of Northeast Ohio by shaping and sustaining a long-term economic competitiveness strategy. Initially \$88 Million was contributed to the fund to be leveraged by the coalition’s skill sets, convening power, networks, and other resources. Investments are able to be leveraged with public dollars by being the matching funds for public sector funding requirements.

In 2003, the public and independent sectors worked together to form “JumpStart.” This venture development non-profit was created with resources from the philanthropic and public sectors to serve as incubator and pre-seed/seed stage funder with investment and mentorship roles, among others. As of its 2014 annual report, the fund has received more than \$83 Million with 86% of those funds used directly to benefit entrepreneurs and the innovation economy in Greater Cleveland. This activity came from the perspective that where there was a declining market, the private sector had no incentive to invest to create one and the responsibility to catalyze entrepreneurship resided in the public and independent sector

missions. The goal was to build an “artificial reef” to inspire natural formation. As a non-profit, all generated resources cycle back into new investments. This creates a warehouse for metrics such as exit success, follow-on capital success, revenue generation, and job creation.

Downtown Las Vegas Nevada

The Downtown Project is a \$350 Million (largely personal) investment in the Downtown area of Las Vegas by Zappos CEO, Tony Hsieh and a few partners. The investment is divided with \$200 Million going toward real estate purchases, \$50 Million toward small business investments, \$50 Million toward education (including a private preschool), and \$50 Million in tech startups through the VegasTechFund.

Hsieh told *Inc. Magazine*, “I care more about making sure that we have the right community than I care about return on investment.” and “I’d rather have something that I can help curate and that people will actually care about.” The development is more reminiscent of a factory town than the Silicon Valley corporate campus trends like Google and Apple with the Hsieh curating a community where he and his employees would want to live. The primary goal of the project appears to be to influence the community’s culture through principles largely based on entrepreneurship by “empowering people to follow their passions to create a vibrant connected urban core.” Hsieh is reported to be operating this development and Zappos on values and philosophy that can be found on the Zappos website and expressed in his book “Delivering Happiness. The move of Zappos headquarters followed the beginning work of the Project.

In the start-up space, there is no formal contact information for the VegasTechFund. Instead there is a page that offers suggestions on how to develop a network of relationships to connect with the VegasTech community, like visiting the local coffee house, community shared workspaces, or the local Lounge/Bar/Grill. Some small businesses and start-ups are provided space in Project managed properties rent free while they establish footing or

deliberate relocation to Las Vegas. Hsieh plays a significant role in recruitment, and potential recruits are also often housed free of charge for months at a time as they acclimate and weigh whether to join the experiment.

The Project boasts more than 20 current small businesses and start-ups inside the community, though there is a reported churn. At least 4 enterprises that were enticed will leave at the close of their lease. One of the more successful ventures, Romotive, left to Silicon Valley to be in “close proximity to strategic partners” and be able to hire “brilliant senior talent.”

Central Florida Parallels

Central Florida has a talent and research asset base that developed much like the Silicon Valley and Boulder Colorado examples. The National Advisory Committee for Aeronautics (NACA) came to Central Florida in the early 1950s and activity continued with the conversion to the National Aeronautics and Space Administration (NASA) in 1958. Other significant investment started in 1961 with the Naval Training Device Center, now the Naval Air Warfare Center Training Systems Division. This moved to Orlando in the mid-1960s. Also, Lake Nona Medical City was founded in Central Florida in 2005 through a donation to the University of Central Florida by the Tavistock Group. It is now anchored by the UCF Health Science Campus, the Sanford-Burnham Medical Research Institute, a new Veterans Affairs Medical Center currently under construction, Nemours Children’s Hospital, and the University of Florida Academic & Research Center.

The University of Central Florida resides in the region as the second-largest university in the U.S. by enrollment. UCF does not have the legacy of institutions of Silicon Valley and Boulder Colorado with its founding as Florida Technological University approximately 80 years following that of Stanford and the University of Colorado Boulder. However, UCF has experienced explosive growth since the 1990s and its research and talent are major contributors to the region.

Peer Comments on Findings and Conclusions

The ECSC engaged peers to seek feedback on preliminary findings and conclusions from the due diligence process. This work was led by the Chair through a series of individual conversations with a group nearly the number of the ECSC. Insights came from people engaged in the wide array of Central Florida’s entrepreneurial community: Higher Education, Investment, Independent Sector, Mentors, Meet-up Leaders, Shared Workspace, etc. The “Peer Group” responded from the vantages of their enterprises, entrepreneurial involvement, experiences in Central Florida and other markets, and aspirations for the region. Peer comments provided agreement with the conclusions of the “Expert Committee,” support of the recommendations, and enthusiasm for the effort. Many individuals also offered further insight into the concepts as presented and expanded the perspective.

The Peer Group agreed with the findings on Scorecards presented by the ECSC and with the conclusion that significant resources should not be spent generating a scorecard product. One caveat was offered that the region may be flagged for not presenting a scorecard even if value for this product is low.

On the Regional Case Studies, the group cautioned that Central Florida should not try to be the next Silicon Valley. Central Florida is a unique place with world class assets. This is consistent with the ECSC opinion. Also, it was suggested that the future Task Force would enjoy a view of Silicon Valley’s Fairchild Semiconductor “family tree.”

When viewing the Central Florida Parallels and seeing a summary of assets, one added that UCF’s Research Park is the only one in the world to have all five branches of the military performing research.

In addition to general agreement, representative responses and other comments from the “Peer Group” on ECSC conclusions and recommendations include the following.

Comments on ECSC Conclusions –

The following representative remarks reflect the views, beliefs, and opinions of peers interviewed by the Chair from the entrepreneurial community regarding ECSC conclusions and recommendations as well as the Central Florida capital environment and innovation economy.

1. Central Florida possesses the elements of an innovation economy including marked success.

Agreed

We've planted the seeds.

2. Funders inside and outside Central Florida supply capital to Central Florida Ventures

Agreed

Having capital come from Central Florida will help and encourage companies to stay in Central Florida.

Yes, but not enough. It comes in drips and drabs.

Though, typically underfunded and undervalued.

We have low sophistication of both ventures and investors. It is more problematic with investors because it reduces their ability to perform as proper mentors and instead behave opportunistically.

We are sub-optimizing our investment.

We need to mature as a region and be nationally tied to investing.

If you are in the growth stage, there is not a requirement to have capital be local.

3. Capital follows ventures.

Agreed

And ventures follow capital.

Capital will follow opportunity.

4. Venture investment opportunities exist in the region but are not well known.

Agreed

We are doing better. There are more venues for promising companies to get exposure.

5. Central Florida ventures may move out of the region to increase speed and likelihood of achieving capital

Agreed

This may also be a condition of capital.

Ventures may move out to increase the Volume of funding too. Central Florida rarely breaks a \$10 million funding ceiling.

6. The dilemma is that there is a greater difficulty achieving capital to scale an enterprise in Central Florida because the market and region's support network is fragmented.

Agreed

Fragmented and Siloed is an understatement. Why do we only have 2 capital funds?

This may not be a core dilemma but is significant in Central Florida and must be addressed.

We have good components. We need more of them and for them to be collaborative. The silos and fragmentation are not just barriers, they are harmful.

We have to do something collective to achieve success.

I fear we are not developed enough.

Comments on ECSC Recommendations –

ROI is found in making the place we live better to live in.

Before ventures raise money they need to know how.

We need mentors who are also technologists so we have those who know how to evaluate virgin technologies.

We need to help connect wealth to an investment analyst fund.

For smaller ventures, before moving to raising money, we should help them grow their revenues with connections to make business deals.

For this effort, you want people who are not trying to build this in the media. We should not be reading about ourselves. We should be reading about the companies.

Celebrate the ventures exiting, staying, and setting up foundations. Thank the entrepreneur and encourage them to do it again.

Other Comments and Questions Raised –

Other regions reward failure if the failure is appropriate. We punish it.

The stories we promote need to be about the companies and ventures, not the process we use to advance them. Brag about the company and its impact locally, regionally, and nationally.

Incubators are good. We need to have more incubators whether University aligned or not.

Inspire more people to start-up.

Do we have a volume of investment ready companies?

Need to know why entities created here felt the need to leave. Also, Florida ranked in the top 10 of sources of top Silicon Valley employees.

Kansas City may prove an interesting case study. It inspired culture shift inspiration through technical infrastructure (Google Fiber).

Smart Money is key for Central Florida, just money is poison.

The region we work from may need to be the whole state of Florida.

Promising Priorities

The ECSC recommends the future Task Force consider a singular large project of regional scale that will perform as an entrepreneurial culture connector and accelerator supporting all phases of enterprises. The outcomes of this project intend to advance Central Florida's global reputation for innovation and foster an environment which supports entrepreneurial endeavors. The recommended agenda is based on 6 months of due diligence and deliberation on the source dilemmas and potential projects providing the highest impact on capital barriers facing companies looking to scale.

The ECSC finds that Central Florida possesses the elements of an innovation economy, including marked success. Funders inside and outside Central Florida supply capital to Central Florida ventures. The core dilemma is the greater difficulty achieving capital to scale an enterprise in Central Florida because the market and region's support network is fragmented. Knowing that capital follows ventures, venture investment opportunities exist in the region but are not well known, and Central Florida ventures may move out of the region to increase speed and likelihood of achieving capital, the ECSC proposes

the development of a regional, multifaceted network that builds on Central Florida’s wealth of experience and expertise growing thriving successful enterprises.

Clearinghouse/Funding Filter/Entrepreneur Concierge Service

A regional project that operates as a sophisticated, entrepreneur-driven, and regional meta-mentor network.

The project should be approached with consideration of nine imperatives:

1. Connect entrepreneurs, funders, leaders, meta-mentors, mentors, and support organizations to accelerate the entrepreneurial culture in Central Florida.
2. Work at a regional scale, bringing the combined assets of Central Florida.
3. Coordinate agreements and alignments between the fragmented/“siloes” components of the current ecosystem in an agnostic manner for the benefit of entrepreneurs and the advancement of the regional innovation economy.
4. Provide an idea filter for entrepreneurs to support focus and speed of action, enabling to them to raise necessary capital and effect scaling.
5. Focus on the capacity and capability of ventures seeking support to scale.
6. Be accessible from any point or entity in the support network.
7. Collaborate or partner with state-level initiatives where valuable and additive with attention to avoid risking bureaucratic slow-down to Central Florida progress.
8. Enhance the sophistication of both entrepreneurs and mentors.
9. Drive the untold regional success stories of Central Florida entrepreneurs to the national and global market with an appropriate repository and delivery systems.

Additional Inquiry

To support the recommended project, the ECSC advances additional questions that may require

investigation by the Task Force.

1. Where are the funding vacuums?
2. What is the “second stage” landscape in Central Florida and how is it supported regionally?
3. What is the breadth of start-up capital for the region?
4. Why do scaling companies leave Central Florida?
5. What does a successful “exit” in Central Florida look like?
6. How are the elements of the ecosystem in Central Florida aligned and defined?
7. What is the role of entrepreneur colleges and degrees?

Guidance on a Task Force

Though we advise the *Central Florida Partnership* to form the Task Force with a spirit of innovation and flexibility, there are a number of attributes that are of special value. They include:

1. Region wide representation in the context of member location, business focus and operations and/or understanding of the dynamics of the seven-county economic ecosystem
2. Applied experience in the imagining, resourcing and launch of new ventures

Definitions

Culture Connector

◆ For the purposes of this report, a culture connector is a platform where Central Florida ventures gain a superior level of access to global resources because of the catalytic potential their products and solutions have on the region, regional reputation, workforce and community wealth. In turn, a culture connector links Central Florida leaders and their global peers in special conversations about big-scale ventures.

Meta-mentor

◆ For the purposes of this report and the upcoming work of the Task Force, this term should reflect a mentor subset that concerns an individual or team that have confidence in a venture’s scalability and its foundational business plan to justify an unusual level and quality of intervention and engagement. They are distinguished from business planning coaches and other existing mentor resources by the tenacity of their commitment, power of their network and commitment to making a measurable impact on the region’s reputation as a destination for capital and center of new venture sophistication.

3. Applied experience in the scaling of companies to second stage through funding, governance and/or leadership engagement
 4. National, hemispheric and global networks of peers
 5. An open door to out-of-market participation by leaders of value who have engaged in venture funding or second stage activities that help build understanding and effectiveness of the Clearinghouse; or have engaged or desire to engage in Central Florida activities relevant to the values of the Clearinghouse
 6. An interest and experience in calling upon academic, research, policy and other experts to test concepts (a companion peer group)
 7. A minority but essential cohort of business service professionals, including the fields of accountancy and law (compliance, intellectual property)
 8. Whenever possible, a representation of a diversity of business clusters, including those of special relevance to existing assets and reputation of the Region
 9. A willingness to create communication pathways not otherwise available relative to investor behaviors and experience, regional reputation and the performance of the Clearinghouse
 10. A commitment to aggressively draw upon the values and insights of the “lines of business” and key partner organizations of the *Central Florida Partnership*
 11. A Task Force size that promotes effective engagement and crisp movement towards objective without giving the appearance or falling back to the position of an advisory role. Consider around 22 to 26 leaders
 12. A number of leaders who are particularly excited about the scope and scale nature of the Clearinghouse assignment
- ▶ A protocol that allows quick action, briefings and testing of ideas with “lines of business”, especially *myregion.org* (research and “c-suite” of the Central Florida independent sector), *Leadership Orlando* (the largest leadership program in the U.S.), *BusinessForce* (policy advocacy), and YPAC
 - ▶ Effect integration of Task Force activities and milestones with timing of other regional projects
 - ▶ Have the opportunity to brief regional leaders on this report and the significant scale of work and results expected through the Clearinghouse (Central Florida Regional Leadership Forum)
 - ▶ Understand how to appropriately draw on a range of sub-regional initiatives and organizations, from chambers to economic development organizations
 - ▶ Have a reasonable level of research and project management resources
 - ▶ Access to the Central Florida Congress of Regional Leaders
 - ▶ The ability to “call for help” or note turning points and changing conditions

The following draft commitments will provide Task Force members with the confidence and resources they need:

- ▶ Utilize a direct communications and briefing “line” to the *Partnership* and its Board of Directors
- ▶ Concentration (LQ) of high-tech industry
- ▶ Average income rank
- ▶ Average wage rank
- ▶ Volume & percent of population with higher education
- ▶ Share of foreign born adults
- ▶ Diversity
- ▶ Population density

Additional Perspectives

The following items and issues may serve as future or “watch” items after development of the ECSC primary recommendation. These items demonstrate potential value, but did not rise to projects that have the highest potential impact.

Venture Audience Scorecard

The metrics for this kind of scorecard should encourage entrepreneurs that the Central Florida region supplies the key components to successfully operate an enterprise. Metrics may include:

Standardizations Forms and Templates

The ECSC considered coordination of model legal documents reflecting “best practices” to reduce costs and duration preparation for financing rounds. The National Venture Capital Association estimates that approximately \$200 Million annually is spent on direct legal fees annually in the venture capital industry.

Entrepreneur Data Warehouse

This warehouse would track and store data on regional entrepreneurial activity from start-up stage, through financing rounds, to exit or death. The data from this warehouse would support fact based communications on enterprises and deal flow capacity of Central Florida. The ECSC

determined that much of this information would be collected as a natural outcome or by-product of the primary recommended project and that individual development may be more costly than its value.

ECSC Endorsement

The members of the “Expert Committee” on Sources of Capital provide this Report to the *Orlando, Inc.* Board of Directors with unanimous support and confidence. The ECSC Chair and members will make themselves available to the future Task Force as needed. Members encourage, adequately resourcing a Sources of Capital Task Force, and continuing the Central Florida legacy of focusing on a few, signature projects that influence all others.