

Flashstarts Startup Accelerator Program and Mentor Overview

Executive Summary

Flashstarts is a Cleveland-based business startup accelerator focused on Software+™ and Healthcare IT opportunities. Software+ represents the belief that the most innovative new business opportunities lie at the intersection of software and other disciplines. Flashstarts focuses on opportunities that uniquely combine software plus (Software+) other disciplines such as engineering, art, geology, music, healthcare, and other disciplines. For example, Cleveland is home to a world-class healthcare ecosystem with top 10 hospitals, 700 companies and institutions, 230,000 workers, and has received \$1.3 billion in recent investment. A \$465 million, 1 million-square-foot Cleveland Global Center for Health Innovation will open Fall 2014. Flashstarts teams are ideally positioned to leverage these extraordinary assets.

Flashstarts offers an intensive, full-time, 12-week program that turns 12 two- to three-person teams into successful startups. The program is modeled after the successful TechStars approach. Each team receives up to \$25,000 in exchange for 8 percent equity. Flashstarts will take controlling interest in at least three teams where we provide the concepts and assemble the teams. Select graduates may continue the program with additional funding for up to nine months. Our process consists of business model-specific cycles of rapid iteration and feedback. The company defines an initial business model. That model is then implemented to test assumptions and concepts and obtain feedback. The testing/feedback steps may consist of simple white boarding, mentor engagements, customer interviews, presentations, wireframes, software prototypes, product development, sales or any number of activities appropriate to each business concept. Each iteration cycle may run mere hours to months in length.

Our accelerator program is driven by teams of volunteer mentors. Teams utilize three categories of mentors: Academic, Entrepreneurship, and Funding. Academic mentors serve as individual team advisors. They are professors selected from Ohio's 300 university campuses who provide teams with a thorough grounding in the essential concepts of entrepreneurship. Entrepreneurship mentors include people with hands-on successful startup experience. Funding mentors are drawn from venture capital and angel funding partners. In addition to strategic advice, funding mentors will provide eventual access to follow-on funding sources. Flashstarts extensive mentor network also provides teams with access to many customer categories for information, feedback, industry perspective and market validation.

Flashstarts 2014 applications open February 1st and close May 1st. The program starts May 27th and runs through August 15th.

Flashstarts was founded in October 2013 by serial entrepreneur Charles Stack. Stack founded Books.com (acquired by CUC/B&N) and Flashline, Inc. (acquired by BEA/Oracle) and has invested and/or consulted with scores of startups.

Sector Focus

Flashstarts will focus on two sectors: Software+ and healthcare information technology (HIT). Often, the most profitable startup opportunities occur at the intersection of software and another very different discipline. We are looking for teams that combine expertise in software with deep expertise in a non-software sector. Teams at most other accelerators tend to be comprised of two software development guys; and the resulting businesses reflect that focus. Some examples might involve combining software with music, graphic arts, or the performing arts. Others might combine software with law, engineering, medicine, materials, or electronics. HealthCare IT is an ideal example of this approach and leverages our extraordinary regional strength in that sector.

Mentor Driven

The mentor network consists of three groups: Academic Advisors, Entrepreneurship Mentors, and Funding Mentors. A mentor's commitment involves giving a presentation to all the teams in an area of the mentor's expertise, to formally critique team plans and presentations, and to assist teams on an ad hoc basis as requested.

Funding Mentors

Cleveland is rich in very early stage funding opportunities. Organizations such as Jumpstart, GLIDE, North Coast Angel Fund, Ohio Venture Association, North Coast Opportunities Technology Fund, AkronBio, BioEnterprise, Appleseed, Barberton Growth, Canton Launch, LCC Innovation Fund, other organizations, and numerous angel investors provide multiple opportunities for funding ranging from \$25,000 to \$250,000. This level of funding is generally the ideal next stage for companies emerging from accelerators. In addition, there is a growing level of interest in Ohio investments at the regional and national venture capital level due, in part, to Ohio Fund investments. Flashstarts funding mentors, drawn from many of the organizations listed above, will provide teams with invaluable feedback on their business concept, elevator pitch, executive summary, appropriate funding sources, and presentations in order to maximize the likelihood of obtaining follow-on funding.

Entrepreneurship Mentors

Entrepreneurship mentors are those who are, or have been directly involved in founding a startup or offer some another unique perspective and value to startup companies. Some are also graduates from other accelerator programs.

Academic Mentors

Academic Mentors will help design the curriculum, teach one-hour classes during the program, generally advise the teams, and participate in a post-program curriculum review for 2014. Flashstarts will offer Academic Mentors from 12 academic institutions.

We will continue to aggressively build our mentor network and an up to date list of mentors is available at: www.Flashstarts.com/mentors.

Customer Focus

The Flashstarts model begins and ends with customers. Customers help define the market, guide product/service development, confirm pricing, and ultimately validate the business with their dollars. Flashstarts employs a staged approach to customer validation. Once the customer portion of the Business Model Canvas has been identified the startup begins an iterative cycle of discovery and implementation. Flashstarts encourages early monetization within the customer development model. We have developed specific mentors with visibility into the broadest base of potential customers. For example, within the health-care space, in addition to the 700 local health care enterprises, we have drawn mentors from BioEnterprise and a national medical news organization. These mentors will provide startups with the necessary knowledge and enter into the Healthcare IT (HIT) space. Additionally, BioEnterprise exclusively offers Cleveland HIT startups direct access to Cleveland Clinic, Akron General, University Hospitals, SummaCare, Summa Health, Medical Mutual of Ohio, Metro Health, and Case Western Reserve University School of Medicine. Flashstarts founder Charles Stack and other mentors can also provide direct startup access to customers in the enterprise IT space, the traditional and digital publishing industry, plus the legal, accounting, and online retailer industries. We have memberships and direct access to members in the Ohio Venture Association, International Digital Publishing Foundation, and the Healthcare Information Management Systems Society (HiMMS).

Accelerator Methodology

There are two core concepts to the Flashstarts methodology: iteration and customer revenue focus. Flashstarts believes strongly that no single development model suits all startups equally. Each team will initially develop a custom, 12-week program that meets the needs of the startup's business model and correlates with team strengths and weaknesses. For example, teams in the B2B space, for whom direct sales techniques are important will receive sales training assistance. Other teams with B2C models may receive support on consumer branding and public relations. Each custom team program will be adjusted weekly according to their own business model refinements and to optimize team progress.

Best Practices Adopted

Flashstarts has extensively researched accelerator best practices including TechStars, YCombinator, RockHealth, and others. We have conducted recent on-site visits to Bizdom, LaunchHouse, 10x, and previously with Youngstown Business Incubator. In addition we interviewed numerous graduates of other accelerators including: the Brandery, LaunchHouse, DreamIT, Bizdom, and 10x.

Flashstarts has adopted a rapid cycle variation of Steve Blank's Customer Development Model as outlined in "The Startup Owner's Manual" which combines iterative cycles of agile product/service development with meaningful customer feedback. A basic business model concept is quickly designed using Osterwalder's Business Model Canvas. The underlying assumptions and concepts are then tested, adjusted, and continuously refined over the course of the program until a viable, scalable business emerges.

Innovative Practices

Our own decade-long experience with agile software development, project management, and rapid startups has resulted in a highly refined set of innovative practices. Some of the practices that will be applied to the Flashstarts Accelerator include: 15-minute daily internal standup meetings (scrums) highlighting the prior day's accomplishments/failures and the current day's goals and; short weekly meetings (sprints) showcasing the week's progress and next steps to mentors, other teams, and relevant parties. Our process also includes its own iterative, self-reflective cycles of feedback and improvement. Every week we will continuously add improvements and remove impediments to the weekly process itself. At the end of the 12-week session we will apply the same iterative improvement process to the overall program for next year.

There is no guarantee of graduation. Funds will be disbursed to teams on a monthly basis. Failure to follow the program or to make adequate progress may result in team termination. Former team members may recombine in the event of team termination or other failure. This Darwinian approach to startups is a key characteristic that differentiates accelerators from incubators. Flashstarts' aggressive approach will allow the more successful teams to receive greater focus and additional mentoring resources thus increasing their likelihood of success.

Demo Day

Flashstarts will coordinate its Demo Day with other regional accelerators, incubators, and startup programs. There is some “Demo Day” fatigue within the VC community and combining the numerous Ohio programs into one multi-day event will draw a much larger pool of investors. The event will be held either at the newly opened Global Health Innovation Center or at Quicken Loans Arena. Participants will include Flashstarts, Bizdom, LaunchHouse, JumpStart, Ohio Venture Association, 10x, the Brandery, CincyTech, Angel Groups, Youngstown Business Incubator, and other Ohio-based startup programs. While other accelerators may elect to run their own “Demo Days” they will be invited and encouraged to participate in this statewide event.

Facility

We have a 4,000 square-foot facility located in Playhouse Square, Cleveland, Ohio leased through February 2015. Our facility is located on Euclid Avenue directly on the public transit RTA Healthline serving Downtown Cleveland, the new Medical Mart, Cleveland State University, Cleveland Clinic, and all the University Circle institutions.

We have secured a partnership with OneCommunity which will provide our teams with 1 Gig fiber access to the NE Ohio region. This extraordinary opportunity (200x faster than the average home network) will allow our teams to experiment with an entirely new generation of low-latency, mega-bandwidth applications. The office facility is fully furnished with moveable whiteboards, dividing walls, chairs, desks, and tables and a mixture of open plan and private spaces. The suite contains an audio/video production studio containing recording equipment and large green screen. There is a newly completed lunch/meeting room with seating for 40.

Corporate and Professional Services

Flashstarts will provide a pool of 20 interns with a variety of skills: software development, design, marketing, journalism, etc. We have well-established contacts at local universities and have aggressively and successfully used this approach with other businesses (Flashstarts currently employs three interns). The teams will be able to draw on the resources of this intern pool to assist in their startup launch.

Legal services are being provided by Irv Berliner and Howard Bobrow at Taft, Stettinius, & Hollister. Accounting services are being provided by Cohen and Company. Additional design, development, and consulting services may be made available as needed

Team Selection

The single greatest determinate of startup success is team quality. Flashstarts has an excellent network of university connections and we will use those contacts to generate a flow of people and ideas into the Flashstarts Accelerator.

We have implemented a rolling admissions program whereby teams can submit applications both early and often. Every application will be reviewed upon submission and a response will be provided to each team within one week. We have developed a series of 11 sequenced elements that need to be in place before Flashstarts will accept a team into the interview round. The response to each team will include our thoughts on the viability of the business from multiple perspectives. If all 11 elements are met, the team will move along to the interview phase. If the application is insufficient we will indicate where the deficiencies lie and recommend the team take steps to ameliorate the problem. For example, team composition is often a reason for rejection. A team might need software development as part of its core offering, yet not have included a team member with adequate programming skills. Our response would suggest they add the missing skill set and reapply. Alternatively, the targeted product and customer segment might be, on its face, simply too small. We would then recommend they reapply with the product focused on a different, larger market. This cycle of application and rapid feedback accomplishes multiple goals: it continuously refines the business model in advance of the accelerator start date, it familiarizes the teams with the same iterative process that will be used in the summer accelerator session itself; it demonstrates willingness to listen to advice; and it builds a positive trusting relationship between Flashstarts and the applicant team. All of these benefits increase team quality and improve overall outcomes. The application process also utilizes DecisionDesk software to allow teams to submit video recordings of their pitch that can then be efficiently critiqued by multiple judges.

Flashstarts staff and mentors will continuously review the submissions and provide feedback. Once teams have met the preliminary requirements they will move to the interview phase. The interview phase will consist of a series of live remote team presentations and interviews conducted by Flashstarts and select mentors. Flashstarts will provide teams with additional feedback after each interview.

Final acceptance will be based on team member quality, team composition, overall business model, size of addressable market, competitive threats, revenue opportunity, and

likelihood of significant exit. Mentors will be used extensively to aid in team evaluations in specific areas of the mentor's expertise.

Accepted teams will be required to be incorporated and registered to do business in Ohio. Accepted teams will issue between 6-80 percent of their common stock to Flashstarts. Team members must be located in the Cleveland region during the summer program. Participation is full-time. Each team will set and be accountable for weekly goals. Failure to participate or meet weekly goals may result in dismissal.

Team cash disbursements will be monthly throughout the program.

Accelerator Timeline

Fall 2013

Mentor Commitments – continuing; Best Practices research and review; Curriculum Design; Budget Development

Winter 2013/14

Mentor Network – ongoing; Begin Marketing; Applications Open

Spring 2014

Continue Marketing; Iterative Application Reviews and Team Feedback; Initial Application Reviews; Team Interviews; 10 Teams Selected

Summer 2014

Accelerator Begins May 27th, 2014; Highly iterative 12-week education/development cycle; Demo Day August 16-23, 2014 (Flexible date. See Above)

Fall 2014 - Spring 2015

Selected teams continue within accelerator with additional funding
The above timeline is flexible and subject to change.

Marketing

Flashstarts will be able to generate significant regional media coverage given the high profile and excellent media relations of our extensive mentor network. In the HIT space we will be able to leverage our strong relationship with Chris Seper at MedCity News to generate national coverage within the Healthcare space.

Flashstarts will utilize our newly opened website www.Flashstarts.com and blog, plus standard SEO techniques, with inexpensive social networking tools like twitter, Facebook, email, etc., to assure maximum visibility. We recently sponsored 10 participants in the Cleveland Startup Weekend. We are participating in the *NEXT Facilitator Accreditation Program* to become an officially certified facilitator. This will establish a broader local and national reputation for Flashstarts and enable us to refine and test a highly abbreviated version of our startup curriculum.

Building a World-Class Startup Accelerator

True world-class status requires that Flashstarts build successful start-ups. The startup formula is simple to state. Get smart people with good ideas and complementary skills. Iterate as rapidly as possible with a singular focus on customer revenue. Score a big noisy exit. The formula for a world-class accelerator is the same. In all likelihood it will take

us a few iterations of our own to achieve world-class status. We believe that the execution details we have outlined within this proposal will set us on that path.

Goals

We believe our implementation of rapid customer feedback iterations and our focus on revenue will result in much earlier customer traction than generally exhibited by most accelerator teams. This customer traction will provide key proof points to investors that the startup is likely to be successful. Once a startup has established the ability to generate revenue for its product from actual customers, then follow-on funding can be used to expand sales and marketing and directly grow revenue. Follow-on funders are much, much more likely to invest when the question becomes “What are the margins?” instead of “Is there a market for this product?” We have selected funding mentors with a specific goal of increasing the likelihood of Flashstarts teams receiving follow-on funding. We will also schedule our Demo Day to ensure the largest possible audience.

Flashstarts plans to directly provide up to \$500,000 in additional funding to the best of the graduating teams. This additional funding, in the form of convertible notes will allow the best teams to continue developing their business model and take the next steps towards success.

With the recent passage of the JOBS Act it is now legal to engage in crowd funding of startups. This includes publicly announcing that you are raising funds, soliciting accredited and unaccredited investors, and utilizing a bevy of crowd-funding concepts. Flashstarts intends to be on the leading edge of this dramatic, disruptive, sea change.

Team Selection

While there are many varieties of startups, there are certain characteristics that make a team more likely to benefit from the accelerator model than others. Flashstarts looks for teams that have shown intelligence, flexibility, and coachability throughout the application process because the entire mentor driven model depends on those characteristics. Customer markets that lend themselves to multiple sequential revenue segments are ideal because each segment can be addressed in turn and the revenue used to finance conquest of the next segment. We expect this “bootstrapping” concept to be useful to a majority of our teams. Finally, the product should be one that will not require large amounts of capital or long development cycles.

Retaining talent

Northern Ohio has tremendous educational assets. Providing a seamless, directly linked accelerator opportunity in Cleveland will retain the best entrepreneurial talent following graduation. Flashstarts' deep ties into the regional entrepreneurial educational curriculums will familiarize students early with Flashstarts and increase the likelihood of them selecting Flashstarts as their accelerator. Beginning with locally sourced teams will increase the percentage of teams that will continue to reside in Ohio.

Most of the business concepts developed by Flashstarts teams will involve internet-based products or services and company location will not generally be an incentive to relocate.

The more Ohio-based bodies we can connect to each team the greater the positive Ohio inertia. The Flashstarts mentoring network is predominantly Ohio-based which further increases the chances that teams will continue to reside here. We anticipate that our intern pool will, in part, be assimilated as employees thus further increasing positive regional inertia. One of the criticisms we heard from several graduates of other accelerators was the sharp disconnection upon graduation between the Accelerator and the teams. While follow-on funding will not be provided to all teams, we intend to maintain mentor relationships and to continue to support and advise graduates as appropriate. Graduates become part of the growing Flashstarts network that will create an ever-expanding entrepreneurial ecosystem in the region.

Experiential education

The entire Flashstarts program is intended to teach practical entrepreneurship. Our summer intern pool, in particular, will teach undergraduate students invaluable experiential lessons. We expect many of the interns to serve as Flashstarts ambassadors within their schools and to return as team members in subsequent years.

The Flashstarts Organization

Flashstarts has five organizational components: management, mentors, advisors, outside services, and interns. Mentors, sponsors, outside services, and interns have already been named and their roles described elsewhere in this document.

Leadership

Management consists of four key roles of: Charles Stack, CEO; Jennifer Neundorfer, Managing Partner; Jodi Marchewitz, COO; Nikki DiFilippo, Chief Marketing Officer; and a Resource Coordinator.

Flashstarts founder/CEO, Charles Stack, has had a successful career as the startup CEO and angel investor of numerous ventures. Stack graduated from CWRU School of Law in 1982 and soon thereafter founded Parallax, Inc., which provided asbestos case management services to law firms and corporate law departments. In 1992 he leveraged development resources from Parallax to launch the first online bookstore – Books.com. Stack pioneered most of the features we now take for granted in today’s Internet retailers. Books.com offered millions of books, comprehensive searching, collaborative recommendations (patented), shopping carts, price comparisons (patented), real-time credit card processing, and affiliate programs, and he introduced many other now standard Internet retailing concepts. Books.com was acquired by CUC in early 1996 and subsequently by Barnes & Noble in 1998. In 1999, Charles founded Flashline to address the new opportunity in software components and web services. Successfully navigating the financial/investment/technology meltdown of 2001-2003 provided invaluable lessons in team leadership, perseverance, cash-flow, and bootstrapping. Flashline was acquired by BEA in 2006 for \$50 million and then BEA by Oracle in 2008 for \$8.5 billion. The Flashline product was the fastest growing piece of BEA’s most important product line and remains today as the core of Oracle’s web services platform. Flashline received the Venture of Year Award from the [Ohio Venture Association](#). InfoWorld Magazine named Stack one of the top 10 ecommerce Innovators in the World. After Flashline, Stack

focused on venture investing. He served as board member of the [Ohio Venture Association](#), invested in a wide range of startups, and worked with numerous startup organizations such as [North Coast Angel Fund](#), [Jumpstart](#), [Launchtown](#), and [NEOSA](#). Launchtown is a multi-university based business plan competition. Stack is a member of the International Digital Publishing Federation, and a member of the Healthcare Information Systems, (HIMMS), Innovation Community. Stack founded Flashstarts in 2013 to provide services to startups and entrepreneurs. Stack is, and will continue, working full time on the accelerator program.

Jennifer Neundorfer: Co-Founder, CFO/COO. Most recently, Jennifer was Director of New Business Development for Fox Networks Group, where she was responsible for identifying and implementing new and transformative businesses. In that role, in 2012 she launched Dyle Mobile TV, a mobile broadcast network that leverages the broadcast spectrum to deliver a truly scalable mobile video network. PC Magazine described Dyle as a “promising” technology with “great potential”, and CNN included Dyle as one of its 5 gadgets to watch at CES. In addition to establishing partnerships with major content owners (NBC, FOX, ABC, CBS) to secure video content, Jennifer worked with software and hardware partners to develop the product and deploy enabled devices.

Before joining Fox, Jennifer worked at YouTube/Google developing their new monetization strategy and launching the Promoted Video ad product (i.e., AdWords for YouTube), which has since grown to represent a majority of YouTube’s estimated \$3.5 billion in ad revenue. Prior to YouTube, Jennifer was a consultant and Team Leader at Michael Porter’s Monitor Group, where she helped build their new media and technology practice and advised companies on how to leverage technology as a strategic advantage.

Jennifer holds a BA from Harvard University and an MBA from the Stanford Graduate School of Business.

Jodi Marchewitz: Flashstarts COO, is an experienced startup Founder/CEO in her own right: iGuiders, Inc. (angel funded) and A Fresh Approach, Inc. Marchewitz has Fortune 500 experience with nine years at Eaton, Rockwell, and Ingram. She received a BSBA in Marketing from Ohio State and her MBA from Cleveland State University. Marchewitz possesses significant and highly relevant experience in the Cleveland startup ecosystem having raised money from JumpStart, numerous angels, and organizations like the Cleveland Civic Innovation Lab. In addition she has four years of experience working extensively and effectively with mentors and recruiting and managing interns.

Niki DiFilippo, Chief Marketing Officer. DeFillippo is currently the President of the Via Vera Group, a consulting group focused on high-technology companies. She possesses deep experience with a wide range of startups and mid-range companies. She previously worked directly with Charles Stack as VP of Marketing at Flashline, Inc. DiFilippo has extensive skills in Internet marketing, social networking, SEO, branding, and positioning.

TBD, Resource Coordinator. This is a key hire. Flashstarts model is largely based on effectively coordinating the teams, sponsors, mentors, interns, and outside service

providers. We have identified some potential candidates and will begin interviewing for this position in January. The position will be full-time commencing prior to June 1, 2014

Herding Cats

There will, in total, be nearly 100 people contributing to the Flashstarts Accelerator success throughout the year. While all will be highly motivated and mostly self-managing, there will be a great deal of coordination required. Flashstarts will use the web-based project management program BaseCamp to coordinate all the resources, tasks, events, people, documents, discussions, and projects. We have seven years experience using this online tool for distributed project management including integrating it into the previously discussed Agile project model. Each team will receive BaseCamp training to manage their own internal projects and all Flashstarts participants will have accounts to manage their contributions.

LinkedIn will be used throughout the accelerator process, particularly to assist in connecting teams to mentors and to the mentor's personal network. All mentors, team members, and Flashstarts staff will be part of a private LinkedIn group. LinkedIn membership will be encouraged from the outset. Team applicants will be directed establish and network a personal LinkedIn account. As part of the review process Flashstarts will be able to review each applicant's profile including prior jobs, educational history, and obtain additional information and references from common contacts. Teams will be able to use LinkedIn to select which mentors can provide the most value to them by reading the mentor's profile and personal network. Members will be able to participate in private group discussions between teams and mentors on important issues. After Demo Day mentors will also be able to continue assisting in the team hiring process by posting job listings to their network of connections.

Once a week a member from each team will be required to make a 5-minute presentation. The purpose and intended audience for the presentation will vary. One week the audience will be potential investors, one week it will be prospective customers, another week might be focused on presentations to industry analysts, peer groups, or press. Each presentation will be video recorded and critiqued. Team evaluations and critiques will be performed weekly by sponsors, mentors, peers, and Flashstarts staff.

Conclusion

We believe that the Flashstarts Accelerator can be a transformative force for Northeastern Ohio. Through coordination of our educational, financial, creative, and civic assets we can move our regional economy to a more entrepreneurial culture + 12 startups at a time.