

Defy Ventures: Inside-Out Entrepreneurship

Organizational Background:

In communities where legal business opportunities are scarce or educational and economic inequalities disadvantage those from underprivileged backgrounds, many would-be entrepreneurs end up as gang members or drug dealers – and ultimately as prisoners. Upon release, the harsh reality is that many Americans, and many American employers, are unwilling to provide second chances to people with criminal records.

Defy Ventures serves currently and formerly incarcerated men, women, and youth. At enrollment, 90% are minorities or women, nearly all live below the poverty line, their average age is 34, and their average time served in prison is 10 years. They suffer the stigma of being known for the worst thing they've done, instead of who they are today. Defy's mission is to transform the lives of business leaders and people with criminal histories through their collaboration along the entrepreneurial journey. Defy's programs harness the innate entrepreneurial talents of people with criminal histories and redirect them toward the creation of *legal* businesses and careers. Defy has demonstrated the effectiveness of an "inside-out" solution to the problems of recidivism and mass incarceration that allows Defy to journey with incarcerated Entrepreneurs-in-Training (or EITs) from serving their prison sentence to economic independence. Defy provides rigorous employment readiness and entrepreneurship training inside prisons, a "warm hug" back to society that eases the reentry process, and robust post-release services including job placement, mentorship, startup incubation, and funding. Leveraging a blended learning model, Defy combines the scalability, efficiency, and cost-effectiveness of video-based training with life-transforming opportunities for growth through in-person coaching and mentoring. The result: EITs "defy the odds" and break generational legacies of poverty and incarceration.

Since 2012, Defy has proven its ability to generate transformative change through Chapters in New York City, San Francisco, Southern California (Los Angeles/San Diego), and Nebraska; a National Distance-Learning Program that has served formerly incarcerated EITs in 24 states; and an in-prison program that has served incarcerated EITs in 22 correctional facilities. To date, Defy has served 1,850+ currently or formerly incarcerated EITs with impressive results, including a 3.2% recidivism rate and 165 incubated/funded businesses founded by EITs that have created 350 jobs. Essential to the continued growth and success of its programs, Defy has built a tight-knit community of 3,500 executive volunteers who have donated over 15,000 hours to coach or mentor EITs. By "transforming hustle," Defy uses entrepreneurship to level the playing field and bring redemptive opportunities to America's most overlooked talent pool — men, women, and youth with criminal histories.

The reentry markets in the places Defy serves are highly fragmented and consist primarily of government programs and small nonprofits. Most focus on short-term fixes; very few are holistic in nature; only a handful emphasize entrepreneurship for people with criminal histories; almost none have proven their ability to scale.

Background of Management Team:

Catherine Hoke, Founder & CEO, has 13 years of experience designing and leading two social entrepreneurship organizations, Defy Ventures and its predecessor organization, Prison Entrepreneurship Program (PEP), a nonprofit that serves men throughout the Texas prison system. At PEP, Catherine developed the vision, led a staff of 25, raised a \$2.5 million privately funded budget, and taught PEP's curriculum to men in prison. Catherine was named an Ashoka Fellow in 2013, was recognized by Fast Company as one of the 100 Most Creative People in Business in 2014, and received the MDC Partners Humanitarian Award in 2015.

Denis Calabrese, Chief Strategist, recently joined Defy from the Laura and John Arnold Foundation, where he served as President for six years and lead the \$1.8 billion foundation in its mission to employ strategic entrepreneurial philanthropy to address some of society's most complex and urgent challenges. Denis is also an entrepreneur with multiple successful business startups to his credit.

Charles Hoke, Vice President of Growth (and Catherine's husband), oversees Defy's fundraising, volunteer relations, and growth initiatives. Charles is the official contact person for this grant and can be reached through email at charles@defyventures.org or by phone at 205-616-8020.

Defy Ventures: Inside-Out Entrepreneurship

Entrepreneurial Education Delivery Solution:

The program that Defy provides inside prisons/jails is *CEO of Your New Life (CEO YNL)*, which is an entrepreneurship, employment readiness, and character development training program that prepares incarcerated EITs not just for successful reentry, but also for “life beyond reentry.” *CEO YNL* gives EITs hope through a positive vision for their futures and equips them with the skills, training, and community to legally sustain themselves and their loved ones through meaningful employment or entrepreneurship.

CEO YNL’s six-month program consists of:

- 100 interactive DVD courses, all produced by Defy and taught by prominent experts in entrepreneurship, career training, and personal development (e.g., Harvard/Stanford Business School professors, Goldman Sachs’ career coach, Emily Post etiquette instructor)
- Daily peer group meetings and course discussions led by Defy-trained inmate facilitators
- Written assignments (e.g., quizzes, journal prompts, projects) that are submitted to Defy’s correspondence program
- Individualized coaching from business professionals on interviewing, reentry planning, and business ideation at volunteer events inside prison
- Leadership, teamwork, and character development training events inside prison
- Family strength services, including graduation ceremonies with families inside prison, community events outside prison, and access for families to Defy courses online

Through *CEO YNL*, EITs assemble a portfolio of key deliverables, including:

- Entrepreneurship pieces (ideation worksheets, business concept summary, business pitch)
- Employment readiness pieces (resume, cover letter, references, LinkedIn profile ideas, career plan)
- Personal growth pieces (identifying self-limiting beliefs, writing meaningful apologies, life vision plan, personal SWOT analysis, parenting plan)
- Reentry pieces (Business Plan for Your New Life—a 20-page, detailed and realistic reentry plan)

Upon completion of *CEO YNL*, which includes passing a final exam (94% pass rate), EITs are awarded a Certificate in Career Readiness from Baylor University’s Hankamer School of Business. Especially because many EITs have sparse resumes and minimal formal education, this certificate is a huge boost to their self-confidence and career prospects.

CEO YNL is a self-paced learning program, and the frequency, duration, and number of participants are flexible and up to the discretion of prison administrators at each correctional facility. The program can be provided in any classroom or dormitory space where DVDs can be shown. The recommended “dosage” of training is four days per week for three hours per day over the course of a six-month program cycle. The number of participants varies, but on average cohorts have 50-75 EITs. Defy accepts 100% of prospective EITs if they complete a 20-page application and are found suitable by the prison to participate.

Once released from prison, EITs can continue their training by enrolling in Defy’s post-release program that offers an additional 18 months of education and support, including 175 online courses, job placement, executive mentoring, “Apprentice”-style team challenges, brainstorming/feedback sessions with venture capital partners, field trips to business schools, and startup incubation and financing. Through a partnership with Google, each EIT who enrolls receives a Chromebook laptop and Pixel smartphone free of charge. The post-release program is delivered across six martial arts-style training cycles, with each cycle devoted to a specific stage of growth for EITs’ personal lives, careers, and businesses:

- 1) Intro Training: ESTABLISH FOUNDATIONS (2-4 months) - EITs learn employment readiness skills and the basics of entrepreneurship so they can decide which path is best for them – employment or entrepreneurship. EITs also focus on character development, helping them to strengthen their inner lives, rebuild relationships with family and friends, and stay free.

Defy Ventures: Inside-Out Entrepreneurship

- 2) White Belt: IDEATE (4 months) - EITs create ideas that will build the foundation for future entrepreneurial growth, and invest significantly in personal development and career growth. By the end of White Belt, EITs will have been placed in jobs with the aid of Defy's employment team.
- 3) Blue Belt: FORM (4 months) - EITs put organizational shape and form around their business idea. They craft a business plan, build a financial model, create a business pitch and slide deck, and officially incorporate.
- 4) Purple Belt: LAUNCH (4 months) - EITs launch their businesses and develop goals, key performance indicators, hiring plans, and a comprehensive branding strategy for their businesses.
- 5) Brown Belt: SCALE (4 months) - EITs scale their businesses and gain sales traction, with the goal of gradually phasing out of their day jobs and working full-time for themselves. EITs who complete Brown Belt earn a Certificate in Business Administration from Baylor University's Hankamer School of Business.
- 6) Black Belt: MASTER (ongoing) - Black Belt is an exclusive honor for EITs whose businesses achieve specific revenue, profit, growth, and stability milestones.

EITs participating in Intro Training or White Belt will:

- Complete 2-4 courses per week through Defy's online learning platform
- Be matched with a volunteer life mentor, who meets with them weekly to guide them towards stability in their personal lives and help them work their career plans
- Engage with Defy's employment team to prepare for and land a job
- Attend two in-person business coaching events per month

EITs participating in Blue Belt and beyond will:

- Complete 2-4 courses per week through Defy's online learning platform
- Be matched with a volunteer executive mentor, who meets with them weekly to work through their startup's challenges
- Attend two in-person business coaching events per month
- At the end of each Belt, present their businesses in "Shark Tank"-style business pitch competitions that award startup grants of up to \$15,000 to winning EITs

To enroll in the post-release program, prospective EITs are required to complete Defy's admissions process, which includes an online application, an interview with Defy's admissions manager, a background check, and a drug test. Defy uses the admissions process to vet applicants' honesty, ownership of past mistakes, and commitment to a positive, legal future. 95% of people who complete the admissions process are allowed to enroll. Applications are accepted on a rolling basis and new cohorts of EITs begin Intro Training at the start of each month (average cohort size is 25 EITs). Defy's primary sources of new EITs for the post-release program are *CEO YNL* graduates released from prison, referrals from current EITs or other nonprofit organizations, and people with criminal histories who heard about Defy in the news or on social media.

Throughout the *CEO YNL* and post-release programs, Defy intentionally builds a life-giving, authentic community between EITs and executive volunteers – allowing them to bond in their humanity – which breaks down barriers, shatters perceptions, and often leads to mentorship, employment, and investment opportunities for EITs. Defy partners with corporate executives, entrepreneurs, investors, and other business professionals, who have donated 15,000 hours to provide one-to-one coaching, personal support, and guidance to EITs. Defy has funding and employee engagement partnerships with leading companies like Google, Facebook, eBay, LinkedIn, Yelp, American Express, Capital One, Bloomberg, Techstars, Upfront Ventures, and PIMCO. These partnerships provide the financial and volunteer support necessary for Defy to have high-impact programs in the markets it serves.

Defy Ventures: Inside-Out Entrepreneurship

Access to Capital:

Defy does not let EITs start just any kind of business, and only supports the launch of businesses that will produce fast, legal cash flow (so EITs don't fall back into old temptations!). These businesses do not need to be genius concepts; through Defy's business ideation courses taught by Seth Godin, EITs learn to identify customers' problems and to create profitable business models that efficiently solve those problems. Defy's ideation guidelines require EITs to pick ideas that can become cash flow positive within three months of incorporation with less than \$20,000 in startup capital. Appealing Defy business ideas can also offer employment to other EITs who do not want to start their own business. Some of Defy's 165 incubated/funded companies include: a catering business that has hired 20 formerly incarcerated/at-risk dads (secured \$1,250 through Defy); a tailoring company that generated \$150,000 in revenue and employed 10 tailors during its first nine months of operation (secured \$7,100); a company that makes "criminally delicious" granola bars and has five formerly incarcerated salespeople (secured \$22,800); and a pet care/dog walking business that has hired four Defy EITs (secured \$1,025).

Defy has provided \$575,000 to EITs' businesses through startup grants and microloans. Grants are awarded to winners of Defy's business pitch competitions that take place at the end of each Belt. Every year, Defy distributes \$225,000+ of grants ranging from \$100 to \$15,000 to ~100 EITs' businesses. Winning businesses are determined by esteemed panels of judges made up of top investors and business executives like Sheryl Sandberg (COO, Facebook), Brad Feld (Managing Director, Foundry Group), Andy Weissman (Partner, Union Square Ventures), and Bill McDermott (CEO, SAP). EITs can also apply for microloans from Defy when their businesses have small working capital needs. Defy microloans are typically deployed at 5% annual interest, \$1,000-5,000 in loan amount, with one- to two-year terms. Microloans are determined by C-level Defy staff.

Defy does not take equity stakes in EITs' businesses and has no plans to do so in the foreseeable future. Defy eagerly connects EITs with larger funding needs to its network of 1,000+ angel investors and venture capitalists (e.g., after Coss Marte used \$10,000 in Defy winnings to start ConBody (a prison-style fitness boot camp), Defy connected Coss to angels who invested \$250,000 in ConBody and allowed Coss to hire 12 employees).

In addition to direct funding, Defy provides EITs with comprehensive education and training on preparing for and obtaining funding from other lenders and investors. Sample courses include:

- **Opening a Business Bank Account** by Ashley Gretch, VP at Chase Bank
- **Building and Maintaining Your Credit** by Dara Duguay, ED at Credit Builders Alliance
- **How to Access Interest-Free Microloans** by Katherine Lynch, Program Lead at Kiva
- **Using Crowdfunding to Raise Capital** by Nick Raushenbush, Co-Founder at Glass & Marker and expert on crowdfunding campaigns through Kickstarter and Indiegogo
- **Financing Your Startup** by Steven Rogers, Senior Lecturer at Harvard Business School (17 EITs played MBA students for a day and were trained by Steven and four other professors in a HBS classroom!)
- **Wowing Investors** by David Hornik, General Partner at August Capital
- **The Entrepreneur's Motivation** by Randy Komisar, General Partner at Kleiner Perkins
- **Negotiating Equity and Debt** by Ilan Nissan, Senior Partner at Goodwin Procter LLP
- **Preparing for VC Investment** by Andrew Romans, Co-Founder at Rubicon VC and author of *The Entrepreneurial Bible to Venture Capital*

Defy is collaborating with Credit Builders Alliance (CBA) to create a Credit Building Toolkit for people with criminal histories that will support service providers (like Defy, lenders, etc.) in helping their clients to develop and repair credit, increasing returning citizens' eligibility for funding (Defy is a CBA subcontractor for a SBA grant for this project).

Defy also collaborates with Kiva and Working Solutions, who host regular workshops for EITs in CA and NY to educate and advise EITs on their lending resources.