

# Economic Development Incentive Grant 2014-15 Annual Report

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## Directions

Please submit the annual report as a **Word document via email** to [ttalukdar@uwsa.edu](mailto:ttalukdar@uwsa.edu) (no hard copies please). The annual report is due by **Friday, July 3, 2015 at noon**. The following information must be provided:

<b>Institution Name(s): UW-Extension Division of Business and Entrepreneurship</b>	<b>Project Title: UW-Extension Business Development Program with WEDC Capital Catalyst Match (AKA Ideadvance Seed Fund)</b>
<b>Principal Investigator: Idella Yamben</b>	<b>Person submitting Report: Idella Yamben</b>
<b>Email: Idella.yamben@uwex.edu</b>	<b>Contact Phone #: 608.263.3315</b>
<b>Grant Award Amount: \$1,000,000</b>	<b>Report Date: July 3, 2015</b>
<b>Grant Funding Spent (as of 06/30/15): \$408,875.00</b>	<b>Date project began: November 2013</b>
	<b>Date project ends (projected): June 2015</b>
	<b>Note that we will continue to make awards into FY2016 and will track awardees for 5 years.</b>

## I. Status Report

*Discuss project activities in relation to meeting the proposal's expected outcomes for FY15. Please include any activities related to sustainability if appropriate at this time.*

### **Support entrepreneurship with early-stage capital:**

Since June 2014, the Ideadvance Seed Fund program has invested in 33 early stage teams and ideas. An initial \$25,000 grant was available to teams based on their completion of key commercialization activities to:

- Validate customer needs & pains, market size, and minimum product features
- Validate minimum viable product or equivalent learning objective
- Begin testing other critical business assumptions such as revenue model, cost structure, key partners, etc.

The Ideadvance Stage 1 process leverages grant funding and Lean Startup best practices to guide teams through this critical learning designed to reduce the risk in their business. Only teams demonstrating sufficient learning earn the full \$25,000 grant. To date, 18 teams have successfully completed Stage 1 earning the full \$25,000. Beginning December 2014, Ideadvance Stage 2 grants became available to companies completing Stage 1. The Stage 2 grant awards \$50,000 to companies focused on customer acquisition and follow-on funding goals. Companies must also show a 1:1 match to earn the full \$50,000. Since February 2015, five (5) competitive applicants have been selected for Stage 2 funding and have already reported \$166,350 in cash or in-kind match.

Table 1 details the Stage 1 and Stage 2 awarded teams by their affiliated campuses.

Table 1: FY2014-2015 Funded Teams and Associated Campus Affiliation

	Stage 1 Applicants				
	Faculty	Staff	WiSys	Graduate Student	Undergraduate
Eau Claire	1				1
Extension		1			
Milwaukee	4	2		4	2
Oshkosh		1			1
Parkside	1		1		
Platteville			1		5
River Falls					1
Stevens Point			2		
Stout	1				
Whitewater	1		2		
WiSys			1		
<b>Total</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>4</b>	<b>10</b>
	Stage 2 Applicants				
	Faculty	Staff	WiSys	Graduate Student	Undergraduate
Milwaukee	2	0	0	2	0
WiSys		0	1	0	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>0</b>

**Outreach:** Outreach continues to be a key Ideadvance activity. Applicants benefit from coordination between their campus contacts and Ideadvance. As such, Ideadvance aims to make potential applicants aware of the program and also of the entrepreneurial ecosystems that exists on each campus. This year, Ideadvance participated in a number of formal and informal events to learn of campus activities and network with potential applicants.

Highlights include:

- Co-sponsored and spoke at the July 2014 Wisconsin Science and Technology Conference hosted by WiSys.
- Attended several events for UW Milwaukee's Student Startup Program.
- Presented at UW Stevens Point's August 2014 Pathways to Entrepreneurial University.
- Presented at UW Colleges fall 2014 convocation to department leaders in Business and Economics & Computer Science, Engineering, Physics and Astronomy (CSEPA).
- Presented to UW Fond du Lac President Jon Short and several UW Fond du Lac faculty across various department.
- Presented in October 2014 to UW Colleges Deans and Directors meeting.
- Visited Eau Claire, Milwaukee, La Crosse, Platteville, Superior, and Whitewater throughout Fall 2014.

From these effort, Ideadvance has received Stage 1 applications from all UW System 4-year campuses except UW-Superior. Table 2 lists applicants by campus affiliation.

Table 2: Ieadvance Stage 1 Applicants by Campus Affiliation

Stage 1 Applicants					
	Faculty	Staff	WiSys	Graduate Student	Undergraduate
Eau Claire	1				2
Extension		3			
Green Bay				1	
La Crosse				1	3
Milwaukee	9	3		11	5
Oshkosh		1			2
Parkside	1		1	1	
Platteville			1		7
Stevens Point			2		1
Stout	2				
Whitewater			2		2
WiSys			2		
<b>Total</b>	<b>13</b>	<b>7</b>	<b>8</b>	<b>14</b>	<b>22</b>

**Offer faculty, staff and student entrepreneurs new pathways and new connections to sources of capital, business advice, and managerial talent:**

Companies received mentoring through the Center for Technology Commercialization (CTC), Small Business Development Center Network (SBDC), and the UW Law Clinic in collaboration with the Lean Startup Consultant. All companies engaged in a 7 session, virtual Lean Startup course that details how to assess and test the riskiest assumptions in their business model. The course also includes biweekly, virtual meetings where teams present updates to their business model and are assessed by a qualified teaching team of business consultants. To date, the teams have conducted 1820 customer interviews to test 1032 business model assumptions.

To create sustainability in the teaching material, each virtual meeting is recorded and posted on LaunchPad Central.

We have also begun to identify new connections to sources of capital for teams that complete the full Ieadvance program. We have visited with several follow-on investment entities such as angel and venture capital groups to better understand their investment criteria. These meetings help us create milestones for successful Stage 2 teams and allow us to market Ieadvance to these potential investors. Finally, we’ve supported several teams to pursue federal Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) funding. One team, Organic Research Corporation, submitted an STTR in April 2015.

**Provide enhanced educational opportunities for students:**

Since June 2014, 10 undergraduate and 4 graduate student teams have been selected as Ieadvance Stage 1 awardees. Through this structured program, student teams have identified early risks in their business ideas and have strengthened their professional networks. Additionally, the program offers valuable career skills as they work to solve real market problems. Below are highlights from two undergraduate-lead companies:

- Grypshon (June 2014 cohort): Company invents accessory products for the military. Currently, they are focused on manufacturing and distribution related to their first product, a Grip Mat for airplane mechanics. They have also invented a new scope, which they plan to license to the military.

- Health Connections (September 2014 cohort): Company aims to improve patient care during physical therapy by providing access to online exercise videos. Physical therapists (PTs) can save time and money through this online tool. The company plans to launch a pilot program in July 2015 with six (6) PT clinics.

Faculty, staff and WiSys teams also employ students to assist in their market validation research. To date, we know that these teams have worked with at least 10 student interns.

**Increase WI jobs and businesses through additional commercialization of innovative technology:**

To date, the Ieadvance has invested in 33 potential companies, 18 of which have completed all early Stage 1 funding to advance their business. Given the highly innovative and/or early-stage nature of these businesses, no increase in jobs as been reported. We continue to track progress of these companies for the next 5 years as planned. However, several companies have reported early impact as noted below:

- Organic Research Corporation (June 2014 cohort) submitted an STTR in April 2015. To quicken their path to market, they collaborated with Marshfield Clinic to develop two products. A successful partnership could result in a branded product for Marshfield and access to more customers through Marshfield’s network.
- NanoAffix (June 2014 cohort) reported \$450K investment from 3 collaborating companies to help advance technology. Additionally, they are participating in the NSF iCorp program for an additional \$50,000.
- Cyder Health (September 2014 cohort) reported a new focus on a product better positioned to offer immediate value to customers and bring in revenue. They are in final-stage negotiations with a pilot customer and are in early talks with 4 additional customers. They plan to launch their first pilot software program in August 2015.

**II. Updated Goals/Performance Metrics and Assessment Plans**

*Use the attached Excel spreadsheet and this document to report the current status of project goals/performance metrics, anticipated completion date(s), actual completion date(s), and assessment plans. If there were any changes in the project activities, outcomes or evaluation, they should be identified in this section. Discuss any key findings and how the institution used collected data to improve the project in FY15.*

This year, Ieadvance successfully assisted 33 new or early-stage business ventures. In total, \$737,750 in WEDC and UW System grant funding was awarded to teams and companies completing deliverables associated with the Stage 1 and Stage 2 grants as described above. Additionally, we provided enhanced educational opportunities for students and faculty through the combination of Lean Startup curriculum we designed and through advice offered by the teaching team, which includes successful Wisconsin entrepreneurs and business consultants. Program participants cited that while the grant was important, “[the program] really pushed us to form the value propositions in terms that the customer cares about.” Another participant said, “the challenge of thinking about problems from a business sense [was important]. The Steve Blank videos combined with the live teaching team input delivered a consistent message that forced me to organize ideas.” These teams, though, remain very early stage and have not reported any changes in jobs with their companies.

Another positive outcome is in the number of students supported through the program. Fourteen (14) graduate and undergraduate teams have been awarded Stage 1 funding (Table 1). These students benefit from the experience of the teaching team and structure of the process. A lesson we are learning is that a focus on student entrepreneurship may be critical in supporting entrepreneurial efforts from campuses. The innovative, high

energy of students combined with the experience of faculty can improve an idea. We continue to focus on student/faculty collaborations moving forward.

Finally, Ideadvance has made a change in the application timelines. Previously, Ideadvance held 3 solicitation deadlines for cohorts to begin in June, September and February, respectively. The February 2015 cohort significantly underperformed in the number of interviews completed. We suggest two reasons for this: 1) the ideas selected for this cohort were less refined and focused as compared to previous cohorts and 2) the teams were unprepared for the amount of outside customer facing work required for the program. Given that, we are suggesting to only have two cohorts, June and September, each year. Ideadvance will continue to outreach and offer comprehensive pre-application support to better prepare ideas and teams for the rigor of the program.

### III. Project/Program Budget and Expenditures

*Please provide a report of project/program expenditures detailed by category and source of funds.*

<b>January 1, 2014 – June 30, 2015</b>	<b>BUDGET</b>	<b>Incentive Grant EXPENSES</b>	<b>WEDC Match EXPENSES</b>
<b>Awards</b>			
Stage 1 (20)*	500,000.00	298,125.00	298,125.00
Stage 2 (2)	<u>100,000.00</u>	<u>70,750.00</u>	<u>70,750.00</u>
<b>SUBTOTAL</b>	<b>960,000.00</b>	<b>368,875.00</b>	<b>368,875.00</b>
<b>Operations</b>			
Salaries	22,125.00	20,531.47	0.00
Fringe Benefits	10,399.00	9,872.93	0.00
Travel Domestic	2,000.00	63.08	0.00
Marketing	876.00	3,845.00	0.00
Other	<u>4,600.00</u>	<u>5,687.52</u>	<u>0.00</u>
<b>SUBTOTAL</b>	<b>40,000.00</b>	<b>40,000.00</b>	<b>0.00</b>
<b>TOTAL</b>	<b>1,000,000.00</b>	<b>408,875.00</b>	<b>368,875.00</b>

*\*Since April 2014, 33 Stage 1 teams and 5 Stage 2 teams have been selected. 16 of these Stage 1 and 2 teams continue to progress through the Ideadvance program requiring an additional \$140,125 of committed funding not reported in the Incentive Grant and WEDC Match expenses above.*

### IV. Changes

*Describe any additional changes (staff, program direction, etc).*

If you have any questions, please do not hesitate to contact me at [ttalukdar@uwsa.edu](mailto:ttalukdar@uwsa.edu).