

BOULDER INNOVATION CENTER

..an Entrepreneurial Community at Work

NEWSLETTER

Spring 2007

A Letter From the President

When the Boulder Innovation Center (BIC) launched in 2005, we had a vision of building a unique and innovative organization ... one that would bring together the many diverse talents, experiences, and networks that exist within Boulder's entrepreneurial community. We saw the BIC at the 'hub' of a broad range of entrepreneurial activities, taking the lead in helping to launch and grow new businesses. We envisioned teams of successful entrepreneurs, business consultants, and service providers working together in support of the next generation of Boulder entrepreneurs.

This progress report is intended to highlight some of the BIC's achievements to date. We believe we've accomplished a great deal in a short time and are well down the road towards the type of support system we set out to build. The fact that you received this Newsletter indicates that you are one of the many people who have already played a role in our success to date. We want to extend our sincere appreciation to you for the time, energy, and financial support you have invested on behalf of the BIC. We trust that this brief progress report will show you that your investment was worthwhile and created real value.

We look forward to continuing our relationship with you in the future.

Douglas J. Collier, PhD
President
Boulder Innovation Center

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BIC Economic Results

The Chart below offers metrics that quantify the progress the BIC has made to date. We anticipate additional growth in all areas throughout 2007.

Key Metrics	Period	Period	Period	Total
	07/01/05-6/30/06	07/01/06-12/31/06	1/1/07-3/31/07	07/01/05-3/31/07
Stage 2 Companies	1	7	0	8
New CU-TTO Businesses	3	0	0	3
License Agreements	3	0	0	3
Jobs Created	13	23	16	52
Investment Capital	\$400,000	\$200,000	\$580,000	\$1,180,000
Office Leases (SF)	3,500	11,000	6,000	20,500

Stage 2 Program

The BIC's **Stage 2 Program** was launched in 2006 to offer Boulder entrepreneurs affordable, in-depth advice related to business strategy, financing, and organization building. We recently implemented a new Scholarship Program that allows us to defer most of the cost of participating in the Stage 2 Program. Local businesses sponsor \$5000 scholarships, which are then awarded to entrepreneurs chosen by the BIC's industry-specific Blue-Ribbon Panels. To date, the Stage 2 Program has helped a diverse group of companies. [More Detail](#)



Stage 2 Clients

Natural & Organic

Boulder Ice Cream – This six-year old company had just completed the build out of a new production facility when they joined the BIC. We have been helping **Scott Roy** and **Glennise Humphrey** to refine their business strategy and launch a new line of 'organic' ice cream that will be rolled-out on a national basis. The Company recently obtained approval to distribute their product line in Whole Foods' Southeast region, the fourth region in which they now have distribution with this key retailer. The BIC has helped the Company recruit **Paul Repetto**, co-founder of Horizon Organic, as an advisor. We also helped them to develop the business plan that was used to raise \$400,000 through a private placement.

Justin's Nut Butters - This three-year old company came to the BIC with a revolutionary new 'squeeze pack' concept for their line of organic nut butters. They hope to use this new package to re-position the company in the marketplace. The BIC has helped **Justin Gold**, the company's founder, refine his business plan and (with the in-depth support of **EKS&H**) to develop a cash flow model for managing the company's growth. The Company recently received an order from the Boy Scouts of America for 100,000 units of its new squeeze packs. We are now working with Justin to help him formulate a financing strategy and conduct a private equity financing.

Third Street Chai – When this five-year old company joined the BIC, they had just moved into a new production facility and were preparing to experience explosive growth. For example, the Company has achieved 200% growth in revenues for the 4th quarter alone. Since becoming a client, the BIC has helped **John Simmons**, the company's founder, to refine his business strategy and build an organization capable of handling its growth. The BIC is helping John to define an organizational structure, recruit personnel, refine their manufacturing operations, and establish a long-term competitive strategy.

Phil's Fresh Foods – This five-year old company came to the BIC shortly after losing a major account representing almost 40% of their sales. The company employs made-from-scratch cooking technologies to create high-end, ready-to-eat, fresh and frozen burritos, dips and spreads, and Greek foods ... a concept called "grab-and-go cuisine". With the BIC's help, the Company has now achieved cash-flow positive operations and recouped all of its lost sales in less than 6 months time. The BIC is helping **Phil Anson**, the company's founder, to formulate a new business strategy and to improve its production processes. Phil's Fresh Foods was recently awarded the BIC's **Celestial Seasonings-Hain** Stage 2 Scholarship.

Software & Systems

Six88 Solutions – Prior to joining the BIC, this 3-year old company was in the enviable position of being first-to-market with a Web-based product that helps wineries comply with the government regulations related to selling wine directly to consumers. Direct sales to consumers is the fastest growing segment of the wine industry. The BIC helped the company's founder, **Jason Eckenroth**, and his team to establish a strong legal foundation for the company (so that it would be prepared for growth and future financings), to formulate a new business plan (including a new pricing strategy), and to build a cash flow model that could be used to ensure that the company is adequately financed. The BIC recruited **Dean Leffingwell**, a long-time serial entrepreneur, to advise Six88 Solutions. Six88 recently graduated from the Stage 2 Program.

metaWorks – This early-stage company is developing and selling easy-to-use Web applications that facilitate 3-D design, configuration, and order management. For example, a family looking to renovate their kitchen can use the Company's Configuware software to design a set of customized cabinets, create a three-dimensional view of the finished room, and then order and pay for all the components needed to make the kitchen a reality. The BIC is helping **Peter Saal** and **Scott Lininger**, the company's co-founders, to develop a business plan, raise an initial round of funding, and build the organization that will be needed to launch their products. Shortly after joining the BIC, the Company was approached about their willingness to be acquired by a major corporation. The BIC is currently advising the Company on these acquisition discussions.

Other Industries

University Parent Magazine – This three-year old company is a pioneer in serving the largely untapped market of 'university parents' (a market that spends in excess of \$35 Billion annually). In 2007, the Company will publish magazines for 27 different universities, achieving a circulation in excess of 2 million readers. The BIC has helped **Sarah Schupp** to formulate a strategy for taking her company to the next level, to establish a strong legal and financial foundation, and to build an organization that can effectively serve the needs of its clients.

Stage 2 Scholarship Program



The BIC kicked off a new Stage 2 Scholarship Program in mid 2006 and funded the first three (3) scholarships from Board designated funds. This program provides local businesses the opportunity to support Boulder's entrepreneurs, and just as importantly, to build relationships with the region's best young entrepreneurial companies.

The first two companies to sponsor Stage 2 Scholarships are **Hain-Celestial Seasonings** and **Wild Oats Markets**. Both companies established a scholarship for companies within the Natural & Organic Products industry.



The BIC is actively pursuing sponsors for both the Software & Systems industry and the Natural & Organic Products industry.

Special Thanks to Key Volunteers

The Boulder Innovation Center is dedicated to bringing the expertise of Boulder's entrepreneurial community to bear in helping launch and grow new companies. To date, more than 200 individuals have volunteered their time on behalf of the BIC. However, certain members of Boulder's entrepreneurial community have gone above and beyond the norm. The Boulder Innovation Center wishes to extend its sincere appreciation to the following individuals for their extraordinary commitment to Boulder and its entrepreneurs.

George Deriso (Founder of Solista and serial entrepreneur) has offered his services in support of a broad range of BIC activities, including serving on the BIC's Program Advisory Board and advising virtually every one of the BIC's various Technology Transfer projects. Most recently, George agreed to help BIC client *metaWorks* negotiate a possible acquisition with a major corporation.

Jeff Cohn (Founder of Allegro Coffee) has been working on a weekly basis with *Third Street Chai* for the past five months. His experience has been instrumental in helping the Company to build an organization capable of handling their exploding growth.

Blake Waltrip (Business Consultant and ex-VP Marketing at Celestial Seasonings) has been working on a one-on-one basis with *Phil's Fresh Foods* to help them define and implement a new strategy for expanding their product line.

Steve Demos (Founder of White Wave) volunteered two full days to meet with each of the BIC's Stage 2 clients in the Natural and Organic Products industry. He began each session with the question, "What's keeping you awake at night?" and the discussion proceeded from there. Steve then tapped into his industry experience to help the entrepreneurs understand and address the challenges they face.

Lee Johnson (Senior Manager of Process Development at Butterball) has worked with three different BIC clients to help them expand and improve their current manufacturing operations.

Joanne Baginski (CPA at EKS&H) and her consulting team have helped three different BIC clients to develop a customized Cash Management model that will allow them to better handle the cash requirements of growth.

Technology Transfer Program

The Boulder Innovation Center (BIC) established a partnership with the CU Technology Transfer Office (CU-TTO) shortly after it began operations in 2005. The goal of this partnership was to launch new businesses based on University technologies. [More Detail](#)

Center For Spoken Language Research

CU's Center for Spoken Language Research (CSLR) is Birthplace for New Businesses

The Center for Spoken Language Research (CSLR) has emerged as a major source of commercially-viable technologies. CSLR technologies include voice recognition, natural language processing, and other types of voice and language analysis. One technology, called "SONIC", is already one of the world's best-known and most-accurate voice recognition engines. The Center's research program in the area of Natural Language Processing (NLP) boasts some of the field's top scientists and researchers. Linguistic and spoken language technologies already play a leading role in helping to define the next generation of Internet-based search engines.

In order to foster entrepreneurial activity in the field, the BIC has been working with CU-TTO to bring together CSLR faculty and Boulder entrepreneurs who have expertise in linguistic and spoken language technologies. As a result of these efforts, Boulder is beginning to establish itself as a leader in this field in addition to becoming headquarters to some of the world's top linguistic and spoken language companies. A bevy of exciting young Boulder-based companies including *Gold Systems*, *Umbria*, *Collective Intellect*, and *Mentor InterActive* are already working to identify new applications and build viable business models within this exciting field.



Rosetta Stone comes to Boulder

In December 2005, the Boulder Innovation Center joined forces with CU's Technology Transfer Office to help two young research staff at CU's Center for Spoken Language Research (CSLR). **Bryan Pellom** and **Kadri Hacioglu** wanted to launch a business based on a powerful voice recognition technology called "SONIC". The BIC recruited members of Boulder's business community to help, including **Dean Leffingwell, George Deriso, Terry Gold, Andre Durand, Todd Vernon, Bob Gill, Ron Bernal, Jim Linfield, and Thor Hauge**. As fate would have it, before the new business could be formally launched, a company called Rosetta Stone decided to license SONIC from the University of Colorado and hire Bryan and Kadri to leverage the technology on their behalf. Rosetta Stone sells interactive software designed to help people learn new languages and they plan to integrate SONIC into their products. In part because Bryan and Kadri were asked to abandon their plans to launch a new company, Rosetta Stone agreed to establish a new research lab here in Boulder, rather than moving the two faculty members to the Company's headquarters in Virginia.

Rosetta Stone Labs is now firmly established in Boulder, recently signing a lease for almost 5000 sf of Class A office space on the Pearl Street Mall. The Rosetta Lab currently employs 4 full-time research staff and 10 part-time employees with plans to hire additional full-time researchers this Summer. The creation of the Rosetta Stone Lab, when combined with the research efforts of CSLR, establishes Boulder as one of the world's leading centers for linguistic and spoken language research. The addition of the Rosetta Lab will not only serve as a magnet for others in this field, but it will create a critical mass of research that will generate new entrepreneurial businesses in Boulder for years to come.

Mentor InterActive Brings Voice Recognition to Reading Education

The BIC helped three faculty inventors (**Ron Cole, Sarel van Vuuren, and Barbara Wise**) to launch a company to commercialize advanced teaching, language, and character animation technologies that they developed at the CU's Center for Spoken Language Research. The Company's software products will teach children basic reading skills using animated characters and sophisticated speech recognition technology. Children carry out a two-way 'dialogue' with an animated character on a computer screen, a dialogue that teaches them to read and correctly pronounce the words they see on the screen. Mentor InterActive will tap into the \$2 billion children's edutainment industry.

The Boulder Innovation Center helped the Company write its initial business plan and negotiate a license with CU's Technology Transfer Office. In addition, the BIC identified and introduced the Company to two key members of its executive team – **Hank Kaplan** (Chairman & CEO) and **Marty Best** (COO & CFO). Hank Kaplan is a 25-year veteran of the children's interactive entertainment industry and Marty Best has nearly 30 years experience in all phases of operation of small technology companies. This past Fall, the BIC helped Mentor's management team prepare for and ultimately win a \$100,000 Proof-of-Concept investment from the CU Technology Transfer Office.

BIC Targets Natural Language Processing (NLP)

Natural Language Processing (NLP) is the next major area of CSLR research in which the BIC is working to bring faculty and business leaders together. NLP technology can be used to automatically summarize large amounts of data, answer questions, extract information from vast amounts of unstructured data, and conduct sentiment and/or customer analyses. NLP is increasingly being used to capture, categorize, and catalog the vast amounts of data currently being generated on the Internet.

The Boulder Innovation Center recently hosted a meeting of Boulder business executives, CSLR faculty researchers, and Deming Center students to review a market feasibility project. During the meeting, two MBA students, **Jeff Dale** and **Will Schrode**, presented the results of their work on analyzing the applicability of NLP technology to patent searches. **Martha Palmer, Jim Martin** and **Neil Palmer** represented CU's Center for Spoken Language Research. Meanwhile, **Paul Berberian, George Deriso, Glenn Lenzen, Michael Sevilla, Michael Brooks, Steve Harris** and **Raymond French** represented Boulder's NLP-based business community, while **Kate Tallman** represented the CU Technology Transfer Office.

Other Technology Transfer Projects

Locomotion – The BIC helped launch this new Company with a technology that helps patients who suffer from strokes and brain injuries to re-train their brain to walk again (a process called 'gait training'). The BIC worked with a team of students from Frank Moyes' MBA class to formulate an initial business plan. With the plan in hand, the BIC worked with the students (**Geoff Snyder, Jeanine Lee**) and the faculty inventor (**Rodger Kram**) to launch a new business based on the technology. The BIC's support also included the creation of a legal entity, the negotiation of an initial license agreement with the University, and the creation of a management team. This new company was awarded a \$25,000 Proof-of-Concept grant from the Tech Transfer Office.

Craft Technology Lab – The BIC began working with this CU Research Lab last year to help identify commercially viable technologies within its research portfolio. The lab uses traditional crafts (i.e., blending computation and hands-on activities) to teach young children math and science concepts. Researchers in the lab have developed electronic textiles, smart tiles (computer controlled tiles that can be assembled to create dynamic patterns), laser guided 3-D models, and a computer-based approach to creating paper sculptures called 'javagami'. The BIC helped the Lab's Director, **Mike Eisenberg**, formulate a strategy for commercializing these technologies, while also introducing the Lab to local businesses interested in crafts. One of the Lab's technologies has already been identified as a possible candidate for launching a new business.

Market Assessments of University Technologies – Each summer, the BIC supervises student interns who conduct 'market feasibility studies' on a variety of different University technologies. The goal is to determine which of the many different technologies developed by University research staff have commercial potential. This past Summer, the BIC worked with two interns to assess the commercial potential of ten (10) different technologies. Those that emerge from this rigorous process become the focus of a comprehensive business plan, developed with the supervision and support of the BIC.

Special Thanks For In-Kind Support

The In-Kind support provided by the following individuals/organizations during the past two years was extraordinary. Their contributions to the success of the BIC are immeasurable and deserve special recognition and thanks. We couldn't have made the progress to date without them.

Faegre & Benson – The partners at Faegre & Benson have provided the BIC with a complementary suite of offices in their building for almost two years. Just as importantly, Chris Hazlitt and F&B's staff have gone out of their way to provide support and make the BIC and our clients feel welcome in their home.

Brenda Collier (RQ Innovations) - For the past two years, Brenda has served on a pro bono basis in the areas of Finance and Organization management. In this role, she has set up and handled all of the BIC's day-to-day financial management and reporting, including tax preparation and reporting; provided HR & IT support; established audit and office procedures; created marketing materials, client applications, and general office contracts; and designed and developed the BIC's web site. She also made significant contributions to the BIC business model and to client support. Her efforts have created a professionally managed organization and saved the BIC thousands of dollars in costs.

Rudy Rudolph (CBIZ) - Rudy has served as the BIC's Treasurer since our launch two years ago. In this role, Rudy has been invaluable in providing review, signatory, audit, and control functions for the BIC. In addition, Rudy's staff have been extremely helpful in maintaining a timely and efficient process.

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