

Quarterly Report 1Q13 April 15, 2013



As outlined in the Agreement between the UCF Research Foundation and the Volusia County Economic Development, UCFBIP-Daytona Beach International Airport is to submit quarterly reports to the County. The UCFBIP must show the amount of leased space, the types of businesses present, jobs created, and the number of workshops held.

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Summary Report

During the first quarter of 2013 the UCFBIP at DBIA operation kept progressing as planned. Our focus for this quarter was to review and determine the clients' current business position and to find ways to help them find solutions to the current obstacles that they have been facing. After the discovery of client needs, we reached out to talent at local higher education institutions. Stetson University and Bethune-Cookman University joined our efforts as part of the Daytona Beach Incubator team with the common goal of helping the incubator clients. In addition, the Cairns Foundation expressed interest in working with the Daytona Incubator to support local technology students with their inventions.

While reaching out to multiple higher education institutions, we discovered that the Volusia County entrepreneurial ecosystem is growing at a high rate and that several local entities could provide support and can be successfully aligned with our efforts and program. The following were the endeavors coordinated under UCFBIP DBIA management with other institutions:

- Bethune-Cookman University's Entrepreneurship Program provided two free interns. The business students were trained in our facility and placed as the research staff for our clients.
- Stetson University MBA program students met with four of the incubator companies and did a second round with two clients, Fusion Fitness Designs and Choose Rain. For Fusion Fitness Designs the result was the development of the business plan and low cost manufacturing and sales strategies. For Choose Rain, the MBA students proposed a lower cost process and completed a survey to identify customers' preferences in terms of water consumption. These findings helped our incubator clients to redirect their marketing strategies.
- The Cairns Foundation's approach resulted in a team effort for the Cairns Foundation First Annual Innovation Challenge for university students in Volusia County. This initiative will start in winter 2013. *"The Innovation Challenge spotlights commercially viable technologies generated by the finest student minds at colleges and universities in our area. Both undergraduate and graduate students from Embry-Riddle Aeronautical University, Bethune-Cookman University, University of Central Florida (UCF), Daytona State College, Florida Institute of Technology, and Stetson University are eligible to participate. Finalists from the six schools will present their innovative ideas to a group of local investors, providing the student entrepreneurs with a possible opportunity to advance their technologies through commercialization and early-stage funding. Finalists will compete for the \$5,000 Cairns Foundation Innovation Prize and One Year Enrollment in the UCF Business Incubator Program. Both prizes will be awarded to the innovation deemed to have the greatest commercial potential. Only currently-registered students are eligible to participate"* (1).

This initiative will help the incubator to continue to examine ways to support Volusia County's young, technology-savvy students, so that they will find the assistance needed to launch future successful technology companies in this area.

(1) The Cairns Foundation

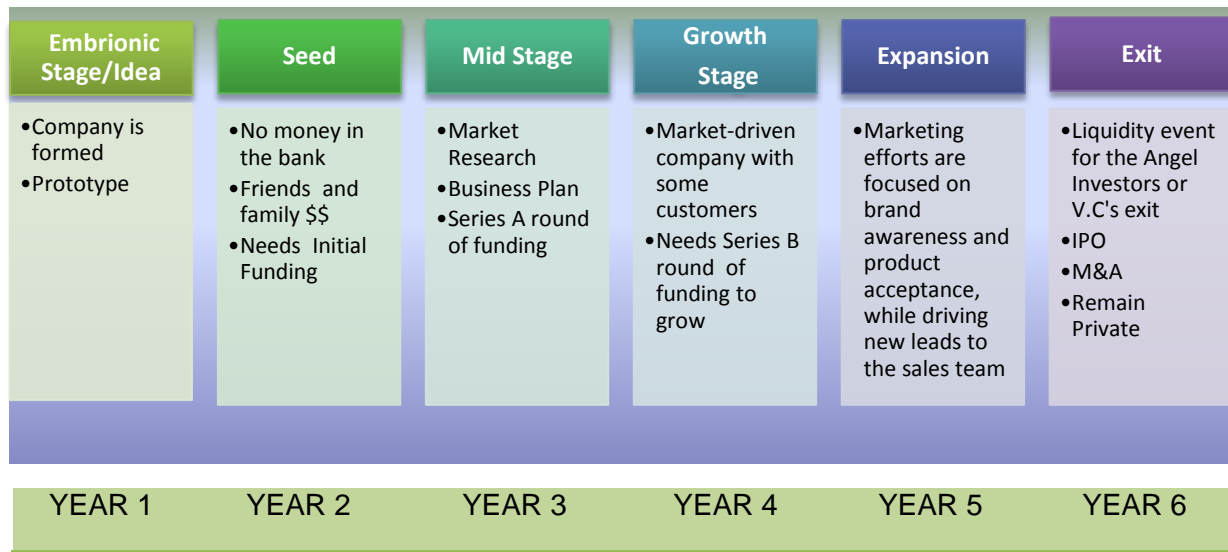
UCF Business Incubator at Daytona Beach International Airport

Once the current business position analysis was completed for each company, we created a series of sessions addressing the immediate needs identified. A persistent common obstacle to most entrepreneurs is the lack of time dedicated to develop a business plan and to do research about their industry. Consequently, we developed a three-day Business Plan Boot Camp for the incubator clients, which was held on March 19 - 21. The Boot Camp's objective was to help the entrepreneurs to work on their businesses not in their businesses. The goal was achieved by allowing the participants to step aside from the regular activities and concentrate on the planning, strategy, and leadership view of their companies. In addition, four individual speakers' sessions were opened to the public with 30-40 people in attendance. This event provided valuable information on hands-on business plan development. Attendees' evaluations indicated high ratings on the topics and methodology. Two of the outside participant companies expressed interest in joining the incubation program. The most important goal that we accomplished with this event was that most of the clients finished their business plans with very professional market analyses.

The individual sessions, along with the business plan development, helped us to know more about the growth of future incubator clients. Attached to this report you will find more information about the cycle and status of Daytona incubator companies.

As I have mentioned on different occasions, our region has an amazing potential to be the next successful technology region in Central Florida due to the proximity to several successful universities like Embry-Riddle Aeronautical University, Stetson University, Bethune-Cookman University, Daytona State College, and the University of Central Florida. The Innovation Challenge will be an annual event to encourage our young talent to remain in Volusia County.

As a result of our findings regarding the current incubator clients' business position, we confirmed that these Volusia County companies are following a growth pattern similar to the rest of the country based on U.S startup statistics. All companies go through some very distinct stages of growth before reaching their goal of sustained profitability or exit strategy. Following is the experts' view on these stages:



UCF Business Incubator at Daytona Beach International Airport

Entrepreneurs are constantly too optimistic about how easy it will be to acquire customers and establish a market. The reality is that startup companies have to work very hard and spend significant amounts of money in marketing to find their customers and get into the right market niche.

Among the current clients of the Daytona Incubator, approximately 30% have not passed mid-stage due to the lack of funding from investors. Multiple efforts have been executed in order to find investors for these companies. The remaining companies are following the growing pattern as planned. During the up-coming two years, most of the companies will be achieving a point where their businesses will stabilize and start producing the expected results. Growth is reached by consistency and perseverance. Renewal of the funding agreement between Volusia County and UCF Research Foundation will guarantee the continuous support required by companies participating in the Volusia County Incubator initiative.

Last but not least, we have added Mr. Gregory Smith as our on-site Coordinator, Research Programs/Services. He has a BS in Economics as well as a Masters in Planning and Development and is almost finished with a second Masters in Business Administration at ERAU. His expertise in Research and Development and Financial Management, among other areas, should prove to be beneficial to our clients.

1. 2013 Strategies Status:



Find SBIR/STTR Grants for the companies

- Incubator companies with potential to contract with the government were trained on how to find grants and contracts with the government.
- One Incubator client submitted a proposal to win \$100,000 prize from the Department of Energy . (waiting for response)

Find local Angel and VC Group

- One Angel local group has been identified. We are waiting for their launch. Clients who are seeking funding are ready to pitch.
- Stetson University VC group may start soon. Letters of support were submitted. Hopefully, they will launch in October.

Search Talent at the Universities

- Daytona Incubator partnered with the Cairns Foundation to start a Technology Challenge for Volusia County University Students.
- Several talks at the higher education institutions provided by Daytona Incubator Management led to excellent partnerships that have helped incubator clients.

Search Out Small Firms with Potential to Grow and to Export

- One new company has been identified to become an incubator client. This company needs help with their business expansion. It is a business with a lot of potential. CEO will take the EIE Class.
- We will continue looking for second stage companies to help with their growth strategy.

2. Incubator Metrics:

2.1. Incubator Metrics By Quarter:

| Metrics | 1Q13 | 2Q13 | 3Q13 | 4Q13 |
|----------------------------|------|------|------|------|
| # of Jobs | 37 | | | |
| # of Companies | 13 | | | |
| # of Interviewed Prospects | 4 | | | |
| # of Companies Applied | 1 | | | |
| # of Companies Accepted | 0 | | | |
| Graduate Companies | 3 | | | |

2.2. Clients' Websites:

| Company Name | Status | Company Website |
|--|-----------------|--|
| 1. AbM Engineering | On-site Client | www.AbMengr.com |
| 2. Abraham Rosa Seasonings | Off-Site Client | N/A |
| 3. B3B | Off-Site Client | www.Best3Bids.com |
| 4. Best iProducts.com | Off-Site Client | www.THEiERAISER.com |
| 5. Choose Rain | On-Site Client | www.chooserrain.com |
| 6. Fusion Fitness Designs | On-Site Client | www.fusionfitnessdesigns.com |
| 7. Bounce Forward | Off-Site Client | www.nobullyfear.com |
| 8. Better Firearms Designs / Network Custom Guns | Off-Site Client | www.betterfirearmsdesign.com |
| 9. Festival Designs | On Site Client | www.festivaldesigns.com |
| 10. Delta Dynamic Developments | On-Site Client | N/A |
| 11. Klein-Yaney Media | Off-Site Client | www.K-YMedia.com |
| 12. AquaSolve LLC | Off-Site Client | N/A |
| 13. First Response Disaster Team | Off-Site Client | www.thedisasterteam.com |

2.3. Training and Conference Room Use:

Company Name

1. Client/Tenants Use of Rooms – 8
2. Client Review With Gordon – 6
3. Outside/Community Use - 17
4. Incubator Workshops - 12

2.4. Incubator Presentations, CEO Roundtables, and Educational Events

Events

- Incubator Presentation/Tour – Leadership Daytona/Daytona Chamber
- Incubator Presentation/Tour – New Volusia County Council member, Deb Denys
- Incubator Presentation/Tour – Flagler County Council Member, Frank Meeker
- Incubator Presentation/Tour – Dr. M. Halkides, Bethune Cookman University
- Incubator Presentation/Tour – Dr. W. Andrews, Stetson Dept. Mgmt & Intern'l Business

- Entrepreneurial Mornings at the Incubator – Social Media by Ken Countess

- Three-Day Business Plan Boot Camp to teach clients business plan writing techniques. The event included four presentations by keynote speakers, which were open to the public

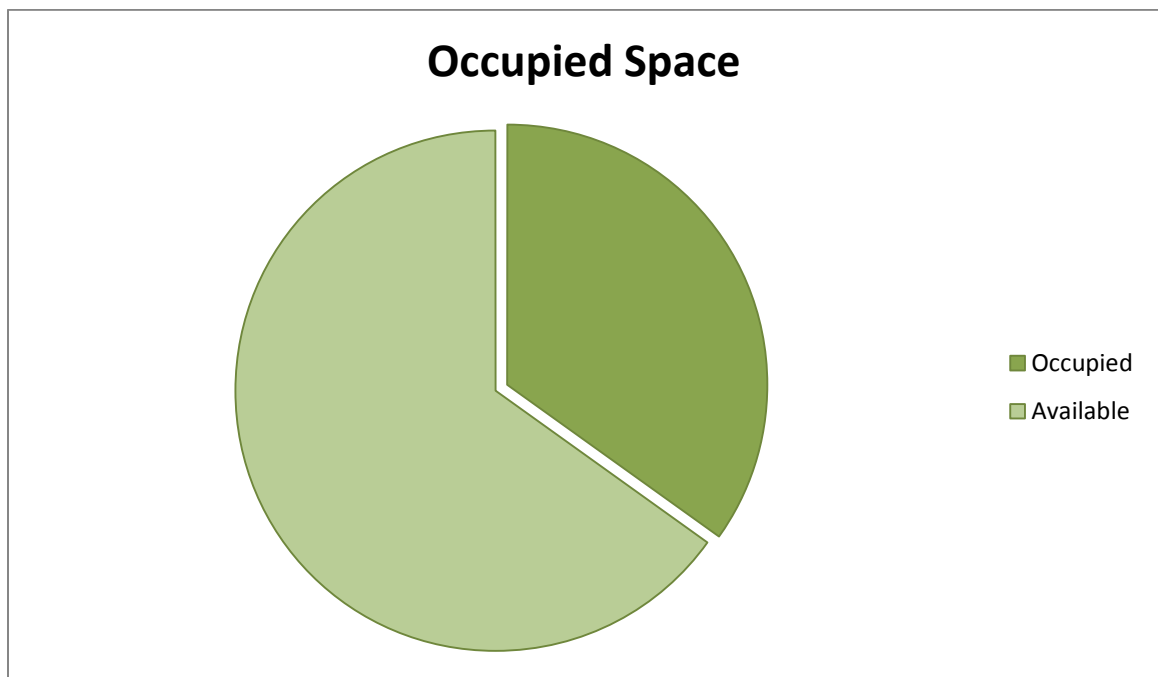
- Q/A with the Mentor – One-on-one meetings with experienced entrepreneur, Dr. Jim Cairns, allowed entrepreneurs of all levels to ask questions.

3. Anchor Tenants

| Company Name |
|---|
| <ul style="list-style-type: none">• SBDC – PTAC / Derek Hudson |
| <ul style="list-style-type: none">• Florida Virtual Entrepreneur Center |

4. Number of Visitors: 220

5. Occupied Space as of March 31, 2013: 1,232 sq. ft. = 34.9% of space filled



6. UCF Business Incubator Companies by Industry



6.1. Company Description and Status: See Appendix #1