



May 1, 2017

Thank you Chairman Chabot, Ranking Member Velazquez, and members of the Committee for having me this morning.

My name is Starr Marcello. I am the Executive Director at the Polsky Center for Entrepreneurship and Innovation at the University of Chicago. The Polsky Center drives the creation of new businesses at the University and on Chicago's South Side. We teach entrepreneurship courses, we commercialize faculty technology, we run a 34,000 square foot incubator, and we offer numerous programs to support and mentor those on their entrepreneurial journey.

I am speaking to you today about our capstone program and accelerator, the Edward L. Kaplan, '71, New Venture Challenge (NVC) [1]. The NVC has been recognized as a top-ranked university accelerator in the country for the past two years by the Seed Accelerator Rankings Project [2].

Now in its 21st year, the NVC has helped launch more than 160 start-up companies still in business today. NVC companies have raised over \$600M in venture capital funding, and have created more than \$4B in value for investors through mergers and exits. We have two national brands in our portfolio, Grubhub and Braintree / Venmo, as well as emerging national brand Simple Mills. Grubhub, an online food delivery service, completed the New Venture Challenge in 2006, merged with its biggest competitor Seamless in 2013, and IPO'ed in 2014. The company is now valued above \$3B. The NVC also helped launch Braintree, a payment processing company, which was acquired by PayPal in 2013 for \$800 million. Those under the age of 30 may know Braintree for one of its own acquisitions, Venmo, which enables friends to send money to one

another. By most recent count, Grubhub and Braintree alone have created 1,000 new jobs in Chicago and nearly 2,000 new jobs nationally.

The NVC's success can be attributed to its unique structure and the environment in which it operates. As a leading research university in the third-largest city in the U.S., the University of Chicago is an intellectual destination for the most innovative minds in the world. The reputation of the University, its Booth School of Business, and increasingly, the New Venture Challenge, draws creative, entrepreneurial talent to us. Getting top people into the accelerator is the first step in getting successful businesses to emerge from the program.

The New Venture Challenge is structured as a year-long, tiered selection process, which coincides with the academic year. Phase one focuses on team formation, phase two on business model development, and phase three on communicating the vision to potential investors. The program is competitive, with the number of teams reduced at each phase to enable those most viable to participate in the final "Demo Day".

Phase one of the program begins when students arrive on campus in autumn. We spend several months working with potential applicants on team formation and opportunity identification. We create connections among many constituents of our University and community, from scientists to MBA students. Eligibility requires just one current student. The others can be friends, family members, colleagues, or acquaintances.

We use our NSF-funded I-Corps program [3] to encourage these teams to better understand their potential customers and to understand how their business idea will solve a real problem. The staff and faculty at the Polsky Center spend time mentoring aspiring teams one on one. In early February, the hard work of this exploration phase results in 80 to 100 applications to the New Venture Challenge.

Of these, only 30 teams will be selected into phase two. In this phase, the entrepreneurs are enrolled in our New Venture Creation course, and spend 10 weeks testing and articulating their business model in front of faculty and members of the business community. The feedback they get is highly critical, but also constructive. More than 100 mentors and three full-time coaches participate in this phase, providing robust expertise, industry knowledge, and support to the teams. Our founders are working as hard – and as fast – as possible to show progress. They are building minimum viable products, launching pilots, and refining their value proposition. The deadlines create urgency. The urgency creates focus.

Based on their success in phase two, 10 of the 30 teams are selected to compete in phase three – the NVC Finals, our *Shark Tank*-style pitch competition. The incentives to reach this last stage are substantial. The finalists pitch to top-level investors and entrepreneurs who fly in from around the nation. We award a \$500K prize package, which includes direct seed funding from the University and from local VCs, as well as pro bono legal support, design services, office space and more.

Our portfolio of 160 companies includes many small businesses of 50 or fewer employees. However, the businesses are designed with growth in mind. When the NVC ends, the hard work of scaling these companies continues. The Polsky Center continues to provide mentorship, connections to capital, and workshops for these growth-stage entrepreneurs. We help them understand how to increase sales and how to hire and fire while maintaining an entrepreneurial culture.

During the last decade, we have also grown the NVC platform to support our global MBA students in Hong Kong, London, and the Americas, our undergraduates, and those who are focusing on social impact ventures. We also enable many of our local community entrepreneurs to leverage the resources that have been created as a result of the NVC.

Every entrepreneur I have worked with – hundreds over my 12 years at the Polsky Center – has been driven to create value in the world. To solve a problem people are faced with, and to find ways of making people’s lives better. Whether someone is a founder of a small business or a founder of a high-growth venture, these entrepreneurs are dedicating everything they have in pursuit of their dreams. It is an honor to do the work I do every day – to support these founder’s ambitions, and to see the effects not only on Chicago, but throughout the world. Thank you.

Starr Marcello

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[1] Visit the Edward L. Kaplan, '71, New Venture Challenge (NVC) website at: www.chicagonvc.com.

[2] To learn more about the Seed Accelerator Rankings Project (SARP), visit: www.seedrankings.com.

[3] More information about the Polsky Center I-Corps program, which is supported with funding from the National Science Foundation Innovation Corps (I-Corps™), is available at: icorps.uchicago.edu.