

Member Quarterly

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NASVF UPDATES AND ORGANIZATIONAL NEWS

ISSUE TWO



A Message from President Jim Jaffe

NASVF held an exciting and stimulating 17th Annual Conference in Baltimore in October. Hosted by the Maryland Technology Development Corporation (TEDCO), we had over 250 attendees from the U.S. and overseas. The theme, "Funding Innovation – Accelerating the New Economy" featured impressive keynote speakers: Aneesh Chopra, US. Chief Technology Officer, Sean Greene, Associate Administrator for the SBA, and Steven Welch, entrepreneur, venture capitalist and author. We kicked off the Conference with a panel of Innovation Capital leaders from the Angel Capital Association (ACA), National Venture Capital Association (NVCA), Community Development Venture Capital Alliance (CDVCA) and NASVF discussing trends in Innovation Capital over the past eleven months. In addition, there was a great deal of discussion on the difficulties facing organizations trying to raise new capital.

We are working hard to involve our members in NASVF activities, mostly through participation in one of our six committees. If you want to help guide our association, let me or Kelly O'Day hear from you. Equally important, is our increased emphasis on Advocacy. We are involving our members in helping us determine those activities we need to emphasize to our government.

At this year's conference, we introduced our new logo, look, and mission: "Advancing Innovation Capital". We communicated our new mission at several national conferences on innovation and will continue to promote this mission in our NetNews publication, our website (www.nasvf.org), our annual Conference and in our presentations throughout 2011

We are pleased to announce next year's NASVF Conference will be held in Arlington, Texas on October 17-19, 2011. Our host sponsor is the Center for Innovation at Arlington which represents a collaborative public/private sector partnership, led by the Arlington Chamber of Commerce and the University of Texas at Arlington. They're focusing on the commercialization of technology based research as a means of supporting the evolutionary development of integrated clusters supported by UT Arlington and community research.

We look forward to serving you in 2011 and introducing new programs/benefits to our members. Best wishes for a joyous holiday season and a Happy New Year.

In this Issue:

- NASVF Conference Award Winners, Future Dates
- Conference Session Highlights and "Take-Aways"
- Best Practices Tips from i2E
- Membership Committee Achievements and Updates
- Member Benefit Highlights
- Welcome Wagon: Our New NASVF Members

NASVF's Mission: Advancing Innovation Capital.



GOALS

- Increase availability, effectiveness and impact of innovation capital
- Expand and enhance membership value

STRATEGIES

- Advocacy
- Federal Programs
- Membership
- Conference
- Communications

OUTCOMES

- Funding
- Commercialization
- Job Creation



Phil Singerman, Ken Anderson, Ray Leach and Mel Ustad on the "Initiatives Driving Economic Development" Panel



Julie Lenzer-Kirk, Daphne Dufresne, Ruth Shuman and Karen Kerr discuss "Women in High-Tech Entrepreneurship"

NASVF Award Winners

Congratulations to the Recipients of the 2010 NASVF Award for Excellence in Entrepreneurial Capital Formation. This recognition is awarded to a person or entity who exemplifies outstanding and professional excellence in seed and early-stage capital.



Steven Lazarus, ARCH Ventures

Mr. Lazarus is Co-Founder and Managing Director, Emeritus of ARCH Venture Partners, a seed and early stage venture capital fund with \$1.5 billion under management. He is a director of the RAND Corporation Health Board, a former director of the National Venture Capital Association and chairman of its research committee.



Ben Franklin Technology Development Authority, Pennsylvania

The BFTDA is one of the largest single state technology development programs in the nation, providing a vehicle for investing in economic, community, and university-based innovation. Through the Authority, a continuum of services has been created to provide both funding and technical assistance to Pennsylvania's early-stage technology related businesses.



Governor Martin O'Malley, Maryland

Recipient of the NASVF Government Technology Leadership Award. Christian Johansson accepts on behalf of Governor O'Malley. As Governor, he is applying his knowledge, experience and energy to making State government work again for the people. His administration has been credited with "accomplishing more in one year than most administrations accomplish in four".

2010 NASVF Conference



We wish to acknowledge and thank so many...

- *Thank you to everyone who joined us*
- *Thank you to our conference committee for their invaluable assistance*
- *Thank you to our many Sponsors*
- *Thank you to the 63 Speakers who gave of their time, and at their own expense gave us the incredible content we could all share*
- *Thank you to our Staff and Volunteers*
- *Thank you to our Board of Directors*
- *Thank you to the NASVF Membership*

FUTURE NASVF EVENTS

Save the date for next year in Arlington, Texas. October 17-19, 2011 hosted by the Center for Innovation at Arlington and held at the Arlington Sheraton.

NASVF then moves to Cleveland Ohio for the 19th annual event October 15-17, 2012. Hosted by the Ohio Department of Development and held at the Cleveland Marriott at Key Center.

2011 Host Sponsor



2012 Host Sponsor



The Crisptek Success Story: Kef Kasdin, Dr. Rick Brenner, June Blalock, Wayne Swann and Lee Huang

Conference Session Take-Aways and Highlights

If you're interested in seeing PPT slides presented by speakers at the conference, go to the NASVF website, Events tab, Past Events, "2010 Conference Presentation Slides" they're listed under the speakers' names (if they had slides).

Should States be in the Fund of Funds Business?

- Many proponents of the fund of funds strategy promised the impossible. "You can have it all! Tech Based Economic Development and it won't cost the state a penny!"
- When contingent tax credits have been called upon, some states have given up on the fund of funds strategy taking a short term view when state budgets are tight
- Some of the state fund of funds programs are being managed so conservatively, that to maximize profits the economic benefits have largely been sacrificed
- Some states have returned to direct investing by the state because of the abandonment of economic development objectives by private sector fund managers
- Designing and managing an effective fund of funds strategy is difficult and complex

New Paradigms Fostering Innovation

What spurs innovation is to build buzz and create an atmosphere of excitement. Offering prizes in the forms of money or connections to valuable resources helps stimulate the drive to innovate. Creating an atmosphere of like minds where entrepreneurs can meet and support each other is very valuable.

Dr. Amy Gardner, University of Maryland, spoke about the Solar Decathlon, which has launched new technologies for green buildings in a much more rapid growth than if the decathlon didn't exist to the private sector. Joe Gough, Brainstorm Creative Consulting, is creating a reality TV show following the emergence of several entrepreneurs.

Connecting Entrepreneurs with Opportunities

Key points: network with people who have been successful, don't hesitate to ask for expert advice on acquiring resources, pay attention to the fundamentals of good business practice, and be persistent.

Federal Labs: Un-mined Opportunities

The enormous opportunity for economic and tech development these resources represent to the country was explored. Internal research within federal labs, conducted by federal researchers, represents over \$20B of activity each year, nearly as much R & D activity as is contracted to universities by the federal government. Representatives of the NIH, DOD, & FLC presented new programs/opportunities for private sector connections with federal resources. Data mining techniques and making the private sector aware of technologies within labs was presented. Discussion of the difference between contractor managed labs, which have more flexibility, and government managed labs, which have less flexibility, was explored. Removing some of the barriers to the private sector connecting with federal labs by creating a Congressionally chartered intermediary organization that could broker more deals on

Bringing Entrepreneurial Leadership to University Startups

- Colleges and universities are valuable contributors to innovation ecosystems across the U.S. and represent a fertile but challenging environment for new venture formation.
- Successful formation of university-based new ventures is characterized by several attributes to include: Transparent deal structures that properly align the interests of the University, founding faculty, and other new venture stakeholders; and initial business leadership (organizing managers) with a track record of successful "greenfield" initiatives.
- Typically, these "organizing" managers are not faculty members; do not have Fortune 100-500 backgrounds; comfortable with a company's underlying technology; and connected to potential sources of capital.

Innovation and Entrepreneurship - A Success Story

Speakers told the chronological story of a technology which had languished in an Agricultural Research Service (ARS) lab; through a relationship between Wayne Swann and June Blalock. The technology was then used as a teaching tool in a local community college course, where a new market was identified by the students. A company was formed based on that work, which licensed the technology from the Lab, and the product is now on the market, growing in distribution around the country. An economic impact study was conducted, and the results released at the Conference, to gauge the net effect of this effort, starting with the relatively small investment from USDA through the impacts on the communities in which the company operates and distributes its products. Key lessons learned from ARS were to persevere and not give up hope for finding homes for technologies; from the company the importance of the ecosystem, especially economic development efforts by TEDCO and the help of Federal contracting mechanisms like the CRADA (Cooperative Research and Development Agreement). Interesting observation was made concerning leveraging community college students who are usually more experienced than typical college students and can bring that experience to evaluating technologies and starting companies.

A Woman's Place: Does Gender Matter in the World of High Tech Entrepreneurship?

The dearth of women in leadership positions at both venture firms and high technology companies has real negative consequences not just in terms of diversity for diversity sake, but in terms of what diversity can do in providing a different perspective. A perspective of over half the population, and a perspective of a segment which controls a lot of buying decisions.

While women make up better than a majority of graduates from high schools and colleges, these changing demographics are not enough to eventually address the paucity of women in leadership positions within high tech. We still need to focus on providing more women role models and to mentor and advise potential women leaders in high tech. That is a responsibility that each of us must take on.

You don't need to be a technologist to be the leader of a high tech company. Women who perhaps aren't taking as many degrees in these fields can still be effective leaders in these companies. Neither Fiorina nor Whitman had technology backgrounds.

Best Practices

**Richard Gajan,
Director Enterprise Services
i2E,**

In our first issue of Best Practices for Seed and Venture Funds, we'll review Board of Director issues as covered by renowned Angel Investor Dave Berkus. Dave's website is www.berkus.com and his blog and original source of material can be found at www.Berkonomics.com .

And now a summary of Board Advice from Dave Berkus:

Board Members have a Fiduciary Duty to represent the corporation, not the investors, firm, or shareholders that elected/selected them to a Director Position.

Boards need at least two standing committees composed solely of outside Board Members: Audit and Compensation.

Board Members should be elected annually in a perfect world. At a minimum, make allowances in the operating agreement to remove inactive and non-participating board members.

Hold annual shareholders meetings. If Warren Buffet can do it, so can you.

Noses in, Fingers out! Invite members of the management team to present their ideas and initiatives to the Board. Meet with the CEO outside of Board Meetings. But never meet with other employees without the CEO. This only undermines the CEO's authority.

The CEO should plan 10% of his/her time for Board matters. This begins with creating the package sent out prior to the Board Meeting with financials, minutes, and agenda items, etc.

No Surprises at Board Meetings. If, and when, a surprise happens, the CEO should notify Board Members immediately of the situation and be prepared to present a plan of action at the next Board Meeting.

Compensate Board Members through options of 1% of common shares vested over 4 years. The option price should be set by appraisal under IRS rule 409a and reflect the lower value of common to preferred. For Seed Companies, meetings should be monthly.

D&O insurance is a "cost of respect" for board members, so budget for it. The usual cost for such insurance is \$4 to \$6 thousand a year for \$1 million in coverage.

For additional information and interesting anecdotal examples, seek the source at www.Berkonomics.com .

About i2E

i2E, Inc. is a private not-for-profit Oklahoma corporation focused on wealth creation by growing the technology-based entrepreneurial economy within our state.

Originally founded as the Oklahoma Technology Development Corporation in September 1997, i2E was created to respond to a Oklahoma Center for the Advancement of Science and Technology ([OCAST](#)) initiative.

Vision

Oklahoma is known for an exploding growth rate of new firms who are providing new technology-based products and services. Achieving this vision will facilitate the growth of high performance, advanced technology companies in the state, which will increase Oklahoma's global competitiveness, per capita income, and quality of life.

Mission

Home grown economic development by fostering the birth and nurturing the growth of advanced technology companies in Oklahoma.

This mission is accomplished through a well-designed strategy that includes: providing technology development knowledge and know-how; delivering comprehensive enterprise development services; providing access to capital; and ensuring a quality enterprise.

Committee Happenings

We would like to offer a standing ovation to the members of the Conference Committee!! They began working on this year's event last November! Vetting through speaker submissions, forming session topics, volunteering as moderators and coordinating amazing panels. Thank you everyone for your efforts, it was a successful event and YOU are the reason why!

Thank you to the members of the strategic planning committee. In the last 6 months we finalized the core mission statement and identified 5 key strategies which NASVF will focus on in our future committee work. This was not an easy task and we thank you all for your patience and invaluable contributions.

The Advocacy committee (aka Policy) has worked diligently sharing information and updates about the SBIR/SBIC reauthorization, the innovation seed fund of funds proposal, support of angel tax credit legislation and more. NASVF completed an economic impact study for the USDA/ARS which was presented at the conference and is working toward securing another contract. NASVF is working closely with Sean Greene, SBA, and we can have a substantial contribution to the AURP bill, the NBIA incubator legislation, and the I-6 challenge.

Thank you to the membership committee. We have welcomed 33 new members in the last 5 months! They helped develop the Member Quarterly content, discussed membership pricing strategies and incentives, recruitment efforts, communication improvements, and we will work on creating opportunities for deal syndication among members.

Read Past Committee Minutes

All of the meeting minutes are available on the NASVF website. Log in to the Member Only area with your email address and the password: nasvfweb.

Join a Committee.

Contact: Kelly O'Day at Kelly@nasvf.org or 207-653-7648

2011 NASVF COMMITTEES NOW

Membership

Recommends long-term strategic membership goals, annual membership goals, and membership fees to the BoD for approval. It works with the CEO to retain and recruit new members.

Advocacy

Recommends long-term strategic policy goals and annual policy goals to the BOD for approval. It works with CEO to accomplish committee goals.

Conference

Recommends long-term strategic goals and annual goals and fees for the annual conference and other educational activities to BOD for approval. It works with the CEO to accomplish the annual conference and educational goals including site selection and the annual conference program.

Strategic Planning

Develops and manages the strategic planning process. This may include a biennial meeting where Board members, committee members and other stakeholders come together for a 2-3 day retreat to access and renew long term strategic goals for the organization.

Communications

Develops and manages the communications strategy including outreach through NetNews and other publicity vehicles. Would also include ways to work with other members of the Innovation Coalition.

Federal Programs

Develops and manages the strategy involving Federal Labs, grand and program initiatives and economic impact opportunities.

Members' Corner

- Complimentary [Angelsoft](#) software
- Discounts for [Delmarva Group IT Services](#) and [Basecamp Calendars](#)
- NASVF NetNews: 50% off Ads, free event promotion, post a job opening
- Network with your colleagues through [Linked In](#). Click [HERE](#) to join
- Your organization may have up to 20 people on your membership
- Share your fund raising successes with us
- Tell us of your investments, share with your colleagues
- **Network!** This is the key benefit! We are happy to make introductions



WELCOME 33 NEW NASVF MEMBERS!

Please join us in welcoming these new members. Reach out to those in your region!

You will find more information about these companies on the NASVF website.

- ☼ American Councils for International Education. Washington, DC
- ☼ Altria Client Services. Richmond, VA
- ☼ Baker Technology Commercialization. Bethesda, MD
- ☼ CDC Development Solutions. Washington, DC
- ☼ Community Capital Development (Roland Chaiton). Seattle, WA
- ☼ DLA Piper, LLP, Washington, DC
- ☼ Duane Morris, LLP. Newark, NJ
- ☼ Ewing Marion Kauffman Foundation. Kansas City, MO
- ☼ Federal Labs Consortium. Washington, DC
- ☼ Georgia Research Alliance. Atlanta, GA
- ☼ Johnson & Johnson. New Brunswick, NJ
- ☼ JouleWatt USA, Inc. Stamford, CT
- ☼ Marcum Capital. Tullahoma, TN
- ☼ Meritus Ventures, LP. Oak Ridge, TN
- ☼ MGH Advertising. Owings Mills, MD
- ☼ Michigan Accelerator Fund I. Grand Rapids, MI
- ☼ Micro-Dose, Lansing, MI
- ☼ Mindforce Consulting. New York, NY
- ☼ New Jersey Entrepreneurs Forum, Inc. Somerset, NJ
- ☼ Pennsylvania Nanomaterials Commercialization Center, Pittsburgh, PA
- ☼ Science & Technology Center. Kyiv, Ukraine
- ☼ Southeastern Louisiana University. Hammond, LA
- ☼ St. Louis Regional Chamber & Growth Assn. St. Louis, MO
- ☼ Tech Council of Maryland. Rockville, MD
- ☼ TechGrowth Ohio. Athens, OH
- ☼ The Patuxent Partnership. Lexington Park, MD
- ☼ The Trendlines Group. Misgav Israel
- ☼ Trailblazer Capital. Dallas, TX
- ☼ UNeMed Corporation. Omaha, NE
- ☼ University of North Texas Discovery Park & Tech Transfer. Denton, TX
- ☼ Watkins Meegan-Financial Advisors. Bethesda, MD
- ☼ Y-12 National Security Complex. Oak Ridge, TN
- ☼ STARTech Early Ventures, Richardson, TX
- ☼ National Council of Entrepreneurs. Washington, DC