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Innovation and Entrepreneurship Task Force
September 03, 2010

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The Innovation and Entrepreneurship Task Force met at 9:00 a.m. on Friday, September 3, 2010, in Room 1510 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing. Senators present: Danielle Conrad, Chairperson; Galen Hadley, Vice Chairperson; Deb Fischer; Heath Mello; and Rich Pahls. Senators absent: Ken Schilz.

SENATOR CONRAD: I think we'll get started. Good morning, good morning. My name is Senator Danielle Conrad. I represent north Lincoln in the Nebraska Unicameral Legislature. Welcome to the Innovation and High Wage Task Force meeting for September. I do know that Senator Schilz will not be able to join us today. But we are expecting participation from other task force members. And they will be here as time and schedule permits. So let's go ahead and start with introductions, self-introductions of the task force. And again, since we have a manageable group and a friendly group here in the audience this morning, we'll just ask people to identify themselves as well. And we'll get started with the introductions. Senator Fischer.

SENATOR FISCHER: I'm Deb Fischer. I'm the senator representing the 43rd District here in the Unicameral.

SENATOR HADLEY: Galen Hadley, and I represent the 37th District.

SENATOR CONRAD: Senator Hadley is also the Vice Chair of this task force. Yes, please.

SENATOR PAHLS: Rich Pahls, District 31, which actually is Millard of Omaha.

NANCY BOWEN: Nancy Bowen from Senator Conrad's Office.

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DAN HOFFMAN: Dan Hoffman with Invest Nebraska.

JAMES LINDER: Jim Linder, today representing the Nebraska Angels here.

KEN MOREANO: Ken Moreano, Scott Technology Center in Omaha.

JEFF MEESE: Jeff Meese, Invest Nebraska.

PETE KOTSIOPULOS: Pete Kotsiopoulos, President Milliken's office.

TIM MITTAN: Tim Mittan, Southeast Community College, Entrepreneurship Center.

GLENNIS McCLURE: I'm Glennis McClure, Nebraska Enterprise Fund.

ROSE JASPERSEN: Rose Jaspersen, Nebraska Enterprise Fund.

TOM JORDISON: Tom Jordison, Nebraska Renaissance Project.

JULIA HOLMQUIST: I'm Julia Holmquist, Senator Conrad's office.

RON WITHEM: Ron Withem, University of Nebraska.

JOSEPH YOUNG: Joseph Young, Nebraska Department of Economic Development.

BRUCE BOHRER: Bruce Bohrer, Lincoln Chamber.

ROCHELLE MALLET: Rochelle Mallett, Senator Fischer's office.

CRAIG HEAD: Craig Head with the Nebraska Farm Bureau.

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SENATOR CONRAD: Great, and I see making a grand introduction the good senator from south Omaha. Senator Mello, if you'd like to introduce yourself.

SENATOR MELLO: Heath Mello, state senator from District 5, south Omaha and Bellevue.

SENATOR CONRAD: Great, great, good morning. Just a couple housekeeping notes before we kick off and dump into...jump into the agenda: When you're addressing the committee, please state and spell your name for the record so that we can have that information clearly identified. If you do have a cell phone with you, I'm guessing everybody does probably at this point in time, go ahead and either shut it off or turn it to vibrate so that we're not disruptive to the task force process. And then finally, if we...I will entertain any potential amendments or changes to the agenda before us today. But we're a pretty flexible crew, so we can see how things move as we go forward. And we do have a two-hour meeting set this morning and a lot of ground to cover. So I'm going to go ahead and turn it over to Dan Hoffman. Welcome, Dan.

DAN HOFFMAN: Thank you, Senator. My name is Dan Hoffman with Invest Nebraska. Two things I wanted to talk about before we get into our speakers: first off, the survey, which in our last meeting in July we talked about the survey and we did a brief overview, that survey closed on Monday. And we just have the preliminary numbers and Jeff and I will go ahead and put together a report for the committee and send it out here in the month of September. But we had about 511 responses that completed this survey, 153 respondents partially completed the survey, meaning they answered some of the questions but not all of the questions. The percentage breakdown from the entire state: 23 percent completed the survey from Omaha, 16 percent from Lincoln, 19 percent from communities of 5,000 or less, 20 percent from communities 5,000 or more. And then the breakdown of the respondents: 27 percent were business owners, 22 percent current entrepreneurs, 19 percent economic developers, 9 percent aspiring entrepreneurs, and roughly 2 percent students, which they self-identified that at the beginning of the survey.

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So we will get put together a more formal report and send it out to the full committee in September, breaking down all of the questions. Today's speakers, we have four speakers. The first speaker will be Ken Moreano, who's the executive director of the Scott Technology Center in Omaha, to talk about the Scott Technology Center but also about the SBIR program, the Small Business Innovation Research program at the federal level that encourages technology ideas coming forward. And so Ken will talk about that, followed by Dr. Jim Linder, who is representing the Nebraska Angels, to talk about the Nebraska Angels, what they've been doing in the state, why Angel investing is important to this whole entire spectrum of innovation and entrepreneurship. The third speaker is Tim Mittan, who's the director of the Southeast Community College Entrepreneurship Center, which is also an incubator. Tim will talk about what's going on at the community college level. As you know, the community colleges are very important to this endeavor, especially with business incubators. And then the last speaker is Rose Jaspersen, who's the executive director of the Nebraska Enterprise Fund. And they administer one of the state programs dealing with microenterprises, which is businesses that have five or fewer employees or in ways of providing loans of \$35,000 or less. So with that, all the speakers know they have about 15 minutes for their presentation, about 15 minutes for Q&A. And I've told them all that this is a very informal process. So as they go through their PowerPoints, please feel free to ask questions and actively engage.

SENATOR CONRAD: Thank you, Dan. Are there any questions for Dan at this point? Okay, thank you.

KEN MOREANO: Good morning.

SENATOR CONRAD: Good morning.

KEN MOREANO: (Exhibit 1) Hello. My name is Ken Moreano, M-o-r-e-a-n-o. I am the executive director of the Scott Technology Center in Omaha, Nebraska, at the old

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Ak-Sar-Ben racetrack, the historic grounds there. Thank you very much for the opportunity to speak today. I'm just going to jump right in. Just a quick background snapshot of Scott Technology. The first facility opened in 2002. We are on the campus of the University of Nebraska-Omaha. We're governed by a public not-for-profit foundation, the Suzanne and Walter Scott Foundation. The relationship with UNO is a partnership really with the university system. Effectively, there's a land lease that really is about an 80-year all-in, 40-year initial agreement, 10-year rolling renewals with the university to use the land and develop the land. The intent is to collaborate with academia, business, and government. That's really been the evolution of the center. The impetus was the Peter Kiewit Institute and the collaboration between the engineering college in Lincoln and the newly formed IT school in Omaha, which I believe was in 1996 by charter and the Kiewit Institute's opening and founding in 1999. The chairman of the Board of Policy, by way of history of the Kiewit Institute, is Walter Scott, Jr. And through the opportunities in research development and collaboration at PKI the history, basically, encouraged the Scott Foundation to look across the street and develop the complex that we have today. So the partnership does extend throughout the university system. Because we are across the street from PKI and now the newly opened Mammel school, those are primarily our partnership relationships. However, in the last month or so, I did visit with Prem Paul and we're looking at opportunities with research in Lincoln. The campus does have 200,000 square feet of facilities to date, they're comprised of research laboratories, both at...the Med Center has in collaboration with PKI, as well as some engineering labs and IT from UNO. A large part of the campus is comprised of small companies. We have an incubator operation to help fledgling companies, early stage opportunities, typically from entrepreneurs in the community, not grown from students, not that we dismiss those but we've only had one that's actually been student-born. All of the organizations on campus do have collaboration activities with the university and a large part is work force development. They hire interns and then ultimately they become employed through these companies. So the incubator function, from an annual standpoint we probably have five to seven companies at any given time in the incubator. Probably the poster

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child for success for us since 2002 is a company by the name of Proxibid. They're an on-line auctioning group. Actually was started by four college...I think they were fraternity brothers. But they attended school here in Lincoln, had an opportunity overseas in Europe in an auction-type business, took that concept, developed a business in Omaha. They were in the incubator in 2002. They were fortunate to cross paths with Bruce Hoberman, who is a successful entrepreneur in our community. He decided to jump in and help shepherd them along. They've had tremendous success. And by measurement, four entrepreneurs starting a company, as of a year ago they had 80 employees, and now they actually have recently hired Ryan Downs, who just left PayPal as their global operations director, to become the president of the organization and scale it. Because they were in our incubator, we actually fielded phone calls from interested parties looking to acquire them. So we think they're well on their way to being one of the success stories that we can hold up. Won't belabor the point, but some of the early technology was developed by grad students at the Kiewit Institute that helped them move forward. And then the last point here, our Data Center operation, we...photo there on the bottom right, we have an 80,000-foot facility. We allocate some of that facility for fledgling companies. So we subsidize not only their office Internet and phone infrastructure at the incubator, but we also subsidize their computer space, rack space in the Data Center to help them move forward. So they can leverage infrastructure that's pretty robust. Any questions? Some of this is difficult to read. Basically, the SBIR program, Small Business Innovation Research program, there are 11 agencies that fund research and development. We have a particular interest in the National Science Foundation and their program, several different reasons. One, they were really a trigger or the impetus behind the SBIR program. They were basically the model that developed it. They have the broadest touch and reach as far as market and industry. So the bullets here--you have biotechnology and chemical, that will cross into agriculture, that will cross into other aspects of industry; education applications, so again not focus only in the education department but across multiple disciplines; information technology, pretty self-explanatory; nano, advanced materials and manufacturing. So when we looked at the community at large, investigated programs, we aren't, from our standpoint, looking

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at Scott Technology in partnership opportunities and companies that could present high growth, high technology development. We were looking for what is the broadest reach. Also, we do have some companies we're affiliated with and have in our facilities that are Department of Defense contractors. It's been our history that typically SBIRs from Department of Defense are procurement-based, so the Department of Defense is the end customer. With the National Science Foundation, it's very much commercialization-focused, so the end customer is the marketplace. Some of the superstar examples that came out of NSF funding through this program are Google, Symantec and QualComm, pretty well-known brand names. In the early days, their research and early technology was developed through NSF resources, again, broad array of applications. But there aren't many that have come out of this program that are name brand, but the ones that have are certainly high-impact. As I mentioned, not a procurement program and the NSF is not the final customer. The program is geared toward commercialization of the next great technology companies, innovative companies in the country. So that's our particular interest. May I move on? Some of the opportunities, I think, that maybe could be considered, maybe we are positioned to take advantage of as a community--matching SBIR grants. Are you familiar with the SBIR programs? Is everyone? So the matching components, typically there is contemplated phase 0, which is idea, providing early capital for idea generation. May be obvious, but those are typically very high-risk, low success ratio. Phase 2 are typically applications or grant recipients who are in research labs, not in all cases but typically, a \$150,000 grant by way of the NSF program. And the intent there is about a six-month period to develop a concept to a prototype. Again, very high-risk, very early stage in that development. And the due diligence, typically, into technology and in particular the market opportunity is not as in-depth, it's just not as robust because it's such an early endeavor, very early in the stage. The phase 2 grantees, so they've been able to reach milestones in phase 1, they now have been awarded a \$500,000 grant by the NSF. Again, this is an NSF-geared matching scenario. What takes place there then is due diligence is typically much more in-depth. The marketplace has typically been identified. Usually, the team of technologists and management have been assembled or identified to join that effort. So

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the risk profile is very different, still very early stage, still a high-risk proposition. However, many of the early technology and business risk aspects have been minimized or addressed. So one of the ideas here and one of the program attributes that lends itself if there is a match made into the company, the NSF provides matching funds. So that is a trigger for an additional matching. And these are all grant dollars, nonequity, nondebt, and it extends the life cycle of the opportunity. Some of the other programs that we've been able to identify--the phase 2CC directly has a matching component where community colleges get involved in these high tech companies. The Research Assistant directly targets high school students, getting them exposed into high technology companies. These are again incremental funding, a two-year type time frame for exposure and experience. One that we find very interesting because of corporate partnerships that we're involved with is the TECP program, Technology Enhancement for Commercial Partnerships. So what happens is typically a phase 2 company is looking for a first customer, someone to prove that anyone will pay for what they've developed. So this particular grant program allows a large corporate partner to effectively sponsor them or mentor them. They provide documentation that they are supporting the company, that they're willing to be a first customer or a beta customer for the company, therefore validating there is an opportunity in the market. And what happens then is there is a 20 percent allocation or additional matching grant from the federal funds level into the company. Approximately \$100,000 is typically what that 20 percent represents. Corporate partner then moves forward with that engagement. We have not directly been involved in this program. We have more of an ad hoc basis targeted large corporations. What we have seen is actually a real attraction where a company not only has become a beta customer but expressed interest of acquiring the business, so there's an exit for the entrepreneurs and wealth creation. Or actually, what we've seen more of the case being the company has said, hey, we have this problem that you've solving across our industry; let us help you understand our industry and you can now go to our competitors, effectively, and help the entire industry benefit. Finance and technology--financial technology and insurance are areas that we have seen that actually take place. A few other programs that I'll touch on briefly--the undergraduate

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program, the teacher program, and the minority institutions, all matching components, all additional grant dollars from the federal level that give undergraduate students and educators, during the summer when they're typically off K-12, opportunities to be directly involved in these high tech companies. So there's a work force development aspect, potentially lending itself to high wage and certainly exposing these folks to entrepreneurship activities that are high growth, high technology. Any questions? One other aspect that is not directly related to SBIR but I think helps and maybe some of Jim's comments here, I'm not sure if I'm jumping ahead a little bit here, but one of the aspects we found was Louisiana has a model for Angel investors where there's a tax incentive effectively spread over five years after they've made their initial investment. We've looked at this just from the aspect that we're dealing with early stage companies, technology development that we're trying to push out to the marketplace and what other mechanisms that may be contemplated to help encourage people to put the dollars that oftentimes our communities great, and I speak in the large sense of Nebraska, from a philanthropic standpoint. And as we've talked to some high net worth individuals, they've made a comment that this is a way that their money not only helps a nonprofit effort or a building that's named or another community benefit, but this is a way that it can growth wealth, and that those dollars can actually multiply in the community and not be exported. There are some requirements here in the Louisiana program that I'd be happy to speak to. But again, I don't want to be long-winded with you all. If you have questions, you can poke at me certainly. That's brief comment here. Any questions?

SENATOR CONRAD: Senator Hadley.

SENATOR HADLEY: Thank you, Ken. Just a quick question. Do you see any relationship between what you're doing up there and the fact the University of Nebraska-Lincoln now is going to be going into a technology campus or park or such as that? What do you see the potential relationship between what you're doing? And, I guess, the question is, are we going to end up with duplication?

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KEN MOREANO: I don't think there's duplication. In fact, when the original concept emerged, I reached out to Chancellor Perlman's office and asked, how can we be helpful? I think our evolution is different. We have existing businesses that aren't...actually none of them are really driven from university research, unfortunately, to date. We'd like to see more of that. I think we have strengths in information technology, certainly in data center infrastructure, we've built it, cyber security is an area that we think we do fairly well. But certainly not all the businesses that we will be interacting with and even to date belong in one facility or another. I think really what we have an opportunity to do is expand the footprint of what's been started by a nonprofit and really leverage that into where the university, it looks...again, I'm a little bit of a neophyte but where I believe they're going. So actually, I think there is quite a bit of synergy and opportunity. The collaboration has to be defined. One of the challenges may be when you have a technology coming out of the university, how quickly can that go to market? Licensing technology is certainly of value. But arguably, if you license a technology to a big (inaudible), that's certainly a benefit. But if you have the next Google emerge, it's a completely different complexion of wealth and visibility and technology development that takes place after that type of development. So we'd like to see both of those continue to move forward, those types of efforts. But as far as the campus here, we're very open to partnering and just trying to understand the road map they would like to follow and how we can be part of that. I hope that answers your question. But I've been asked very directly are we competitors, and I don't see how. Actually, I hope that we can help leverage infrastructure. We've made plenty of mistakes and we're happy to share those as well.

SENATOR HADLEY: Okay.

SENATOR CONRAD: Senator Pahls.

SENATOR PAHLS: Thank you. Ken, you answered part of my question in your response to the senator. I'm just curious, an additional one. How is your center,

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throughout the United States, what is your reputation? Do you have any idea?

KEN MOREANO: I think...well, I think it's positive.

SENATOR PAHLS: Well, I would assume, yes, but I mean...

KEN MOREANO: Over the last year and a half, two years, we've actually been very fortunate to develop a relationship with the National Science Foundation at headquarters. So I believe that our reputation is not just localized. I think, historically, it was probably more local. You have...and certainly the Scotts and Mr. Scott is involved in the Library of Congress, Horatio Alger. He's nationally involved in large enterprise. From our efforts, very small, I mean we're very thin as an organization. But our Data Center operation, 80,000 feet, has bubbled up as an area of collaboration with large data center operations from an incubator standpoint. Proxibid is getting some national visibility, but again that's one opportunity. So we're not boasting that we've had a lot of success. But from the standpoint of the relationship that we've been able to develop with the National Science Foundation, I'd say it's very positive, we've gotten very positive feedback from them. In fact, we happen to have opportunities to talk to folks at the program level and at least give them an idea of what we're up to and are there opportunities to maybe take advantage of these types of programs. That's really been where I've gathered most of my research over the last couple of years and why we've targeted them as an organization. Great pedigree, 170 Nobel Prizes trace back to the NSF, we like that. And the fact that they're giving us any attention to, you know, our little shop we think is significant and we'd like to leverage that for the community. But I don't know in a broad sense how we're viewed. I would tell you that, I think it was in 2004 or '05, I was asked to present at...in London, in the UK, regarding international incubators and they call them BICs out there in Europe, across Europe, business incubator centers. And so we did have an opportunity to present to a global consortium of incubators. So I think it's at least reasonably favorable that we've been included in those types of discussions.

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SENATOR PAHLS: Okay.

SENATOR CONRAD: Yes.

JAMES LINDER: It's just one anecdote. But maybe six months ago, I was traveling in the bay area and mentioned I was in Omaha. And I encountered someone who was aware of your institutes activities. They were in the IT (inaudible).

KEN MOREANO: Oh, thank you.

JAMES LINDER: So the bay area knows of PKI and the Scott Technology Center.

SENATOR CONRAD: Great. Thank you. Thank you for that insight. I did want to follow up in regards to the selection criteria for the incubators that cycle through your organization. How do you go about, because we've heard a lot in this committee over the past couple of months about good ideas that exist in the marketplace and fostering and shepherding those good ideas through the process and helping to target and identify the more viable applications or proposals that are out there. Do you have a flexible set of criteria that you utilize for accepting potential businesses into the incubator process? Or is it more strict parameters? Or if you could talk just a little bit about that process, I think it would be interesting.

KEN MOREANO: That's a great question. I will tell you where we were and where we're aggressively going. Historically, we were fairly loose in the criteria. We were anxious to try to help seed as many opportunities as possible. Having a mission orientation and having a nonprofit, you don't want to squelch and you want to try to encourage folks as much as possible. So we take all meetings, I mean, good or bad we take all meetings. However, as we looked at the opportunities and how were we really helping these companies, it's not an easy answer. I think you could ask any venture group, you know,

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in the bay area, out east, large enterprise, it's a tough...that's just a difficult process. So historically, you know, a lot of the types of businesses where what was typical, what we'd see in Omaha, so back office, transaction processing, those types of businesses. As we've migrated and developed, we've had a bit of success. I'm not going to say we're swell-headed and we're great, but we've made some progress. We've determined internally that we're going to allocate and try to develop a small capital resource to help develop companies. More often than not there was lack of capital. So as we've moved down that path and we happen to get connected more, at least more educated in the National Science Foundation SBIR program, we are more deliberate in the areas that we think we have the most impact or can have the most impact. And one of the, I guess, screening processes that we are now directing people to is the SBIR screening. In fact, we have one phase 1 SBIR grantee company out of the Kiewit Institute housed at Scott Technology. By way of history, Nebraska has not had many wins in the SBIR program. So not only is that dollars available, those are dollars that are grant dollars available, they've not historically been allocated here in a high amount because we just haven't...not only have we not had wins, we haven't had very many at-bats. So if you look at the map--I have this in my office--the East Coast, typically Massachusetts, Route 128, and the Silicon Valley are peppered with many grantees, and there are 10, 20, 30 a year. In Nebraska we may get one out of five or zero, zero applications. You know, and this is over the last ten years if you look. So what we're trying to do is encourage people to have an opportunity, and it's a rigorous application. So if they go through the rigors of the application and technology is vetted at that level, we know that there is a viable technology. So that's the starting point that we're pushing people to. Also, we've been very fortunate to have folks like Mr. Scott and other business community leaders that have said, hey, we have these issues in our business, help find a technology that may solve that. So now we have at least a perspective of a customer that may look for a technology. So our lens is very different, we're deliberately looking for business problems that these early stage companies may solve or could be coupled with another opportunity to solve. And we're strongly encouraging folks to go through the SBIR screening process. We have an application process, we look at financials, we look at

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the history of the entrepreneur, we look at their pedigree, the team, you know, is their intellectual property protected--typical incubator process. Going forward and in the last I'd say year, we've been very deliberate, focusing on what are the grant programs that are commercialization-driven and how do we help move you down that path and coach you? So that if we can get some wins there not only is that good for the company and the community, but we're bubbling up at a national level that we're getting more visibility, you know, there's something different taking place in Nebraska than historically. So that's been our thrust in the recent past.

SENATOR CONRAD: Great thank you. Other questions for this presenter? Yes, Senator Mello.

SENATOR MELLO: Just as a...thank you, Senator Conrad. As kind of a follow up, Ken, is it something that you could provide the committee, maybe some statistical information on the SBIR program since you...maybe since you've been with the Scott Technology Center, just for us to be able to look at options, since it sounds like we have maybe few people who apply and what opportunities really, I think, exist with the SBIR program?

KEN MOREANO: Sure.

SENATOR MELLO: And the data would be, I think, very helpful for us as we look to future policy options.

KEN MOREANO: So is that an opportunity to follow up with maybe a report or data points for you all to consider?

SENATOR MELLO: Absolutely, I think that...at least, I would request that and I'd ask the committee to request that.

SENATOR CONRAD: Sure.

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KEN MOREANO: Okay, I'd be happy to.

SENATOR CONRAD: That would be great. Okay. Pete.

PETE KOTSIOPULOS: I don't if this is appropriate or not, Senator Conrad, but just maybe a clarification or expansion on the question that was asked of Ken about the competition. I would go back and maybe share, because I probably do 25 or 30 programs around the state a year and that question has come up, obviously, the last couple of years, three to four years ago we encouraged the four campuses to try and focus on the X number of disciplines they felt they were best at, number one, two, three, four, five, whatever that number they identified; secondly, that they could capitalize on either reallocation of resources or attraction of private sector resources, that they could expand on those identified programs; and three, where they had the potential to expand their relationships with the private sector. And so NIC at Lincoln has attracted a lot of attention, obviously, because of the sensitivity of the State Fair. But...and so we have a tendency to look at things physically. So if you look at the campuses and what's been going on and drill down a little bit, you see the Med Center. Obviously, geographically it can't expand the footprint but it's going up. When you look at UNO, where Ken and his team have their relationship, you look at everything south of Pacific and what's happening with that campus and where their focus is developing. Lincoln is obviously what you've witnessed the last two years. At Kearney there's about 200 acres. In fact, there's an evaluation team there today, you know, looking at their strengths. So that's...if anything, it's going to encourage a collaboration between the campuses and community colleges versus competition.

SENATOR CONRAD: Great, thank you.

PETE KOTSIOPULOS: Excuse me.

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SENATOR CONRAD: No, thank you, Pete. Thank you.

KEN MOREANO: Thank you again for the opportunity.

SENATOR CONRAD: We appreciated your presentation, your information and good work in Omaha. And we'll be happy to distribute any additional correspondence or data to task force members. And look forward to an ongoing dialogue about these issues.

KEN MOREANO: Thank you very much.

SENATOR CONRAD: Thank you. Dr. Linder.

JAMES LINDER: Thank you. For the record, my name is James Linder, L-i-n-d-e-r. Okay.

SENATOR CONRAD: Welcome, welcome.

JAMES LINDER: (Exhibit 2) Thanks. It's great to be here today. Clearly, you're dealing with a very important topic for Nebraska. Everyone in this room who was born in or lives in Nebraska, you know, would like to see us grow and have an attractive place where people can earn good livings, keep their kids near home. Today I'm speaking on behalf of the Nebraska Angels. Dr. John Brasch is president of that organization, but he's traveling today and cannot attend. I do have a little footnote on my slide that my comments are personal and not related to my employers. I also work at the University of Nebraska. So if I say anything that's particularly obnoxious, don't hold it against J.B. or the Board of Regents. (Laughter) I'll share a little bit about my background because it does influence some of my perspectives that I'll share today. I've been on the university faculty since 1983, full- or part-time. Most of that is actually part-time because I've been involved in some other activities. I'm a pathologist by training, so my particular interest is in diagnostic medicine. In 1995, I became involved in a start-up company in Boston,

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called Cytoc Corporation. And we, over the course of 12 years, grew that from about 30 people to about 1,800. So had the full gamut of experiences there. When I came back here in 2007, I was asked to lead the Technology Transfer Office at UNMC. And that goes under the rubric of UNeMed Corporation. It's a separately owned corporation by the Board of Regents that has the charge to develop technologies that our faculty invent. So very interested in terms of start-up companies from that perspective. I joined the Nebraska Angels in 2008 because I thought there could be some synergy there between the university and the Angel activities. And then actually found a couple of interesting opportunities there that my wife and I, personally, became involved in as investors. Then for the last couple of years have worked with a company that's based both in Boston and in San Francisco to look at new medical technologies. And we see probably two companies a week. So we spend a lot of time doing due diligence and trying to decide what makes a good company and how you fund that sort of activity. So I really like this stuff. And it's very interesting and it's important for growing the state and the country. Now the Angels itself were formed in about 2007 and it's part of the national Angel Capital Association. It's one of several hundred different Angel groups. It involves currently about 35 members and those members are principally located either in Lincoln or Omaha, but there are also members from throughout the state. And over the course of the last three years, approximately 260 deals, if you will, have been submitted to the Angels. That number is a little bit artificial. Because we are a member of the national Angel Capital Association, we get submissions from throughout the country. And as you see on the slide here, although it's a little dim on the projection, our focus is really on Nebraska. So it's pretty hard for a submission that comes from outside of the state to get much attention by the Nebraska Angels. They would rather focus their energy and the money they have to invest on Nebraska-based companies. There have been six investments made. And right off the top of my head, of those six, two have I say either failed or will fail because of, you know, the viciousness of "Mr. Market"; one is still going along and it's not clear what will happen; one is about to close an A round of venture funding, so that looks promising, they'll raise some millions of dollars; and two are at or a little bit above cash flow break-even and have good prospects. And I think each of

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those companies, you know, by the time they are sold will have valuations that are at or exceed \$100 million. And they're hiring people and they're growing and they're doing well. An important thing to mention is that, although we bear the name Nebraska Angels, there are a lot of people in Nebraska that do Angel investing. It's just these 35 that work as a group. And the way this group is structured is worthy of a comment. When an opportunity is presented to the Angels and it is evaluated by a screening committee, if that committee thinks it's a reasonable opportunity then the company has the chance to present to all of the members of the Angel group. And if it's viewed favorably, then each individual makes the choice to invest on a common term sheet. The Angels haven't pooled their money and invested as a group. So hypothetically, if an investor was seeking, just for ease of math, \$100,000, four Angels might each contribute \$25,000 each to make up that sum. Or if somebody is looking for a half a million dollars, you might see some participating at \$25,000, some at \$50,000, some at \$100,000. So it's an individual choice on a common term sheet to make things easier for that company. Now looking at the background of the senators, you have a lot of experience in business. And so this is probably somewhat repetitive. But I found this table that nicely shows where Angel capital falls in the business life cycle. Typically, people say that most companies will start up by bootstrapping or so-called friends, family and fools, you know, that create some tens of thousands of money to get things out there and get the concept available. Then the Angels and Angel groups typically would be at the next stage where you might have \$10,000, in this case \$2 million invested. And at this point the company is formed, it has an identifiable management, and it really should be driving toward prototypes or getting products to market. And then the venture capital funds come in at higher levels, you know a few million dollars to tens of millions of dollars. And, obviously, there is overlap of these activities. And as the economics have changed in the last few years, the line is blurred between classical Angel investing and venture investing. So it's hard to draw definitive lines. But then as companies get mature, typically they would seek the public markets or undergo some merger or acquisition process to allow the individuals who invested in the company at its earlier stages to get some return on their money. So it's really...Angel capital is an

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essential component of growing companies. And if companies need capital at this stage, then I think it's great that Angel capital exists. Whenever I talk to somebody, I honestly tell them, you know, think long and hard before you choose to take other people's money. Because once you do that, then you don't have total decision-making power of what you're going to do with your company. And most Angel investments will seek to capture somewhere between 20 and 40 to 45 percent of the equity ownership of the company on the basis of their investment. And then you have a whole new set of friends that as a leader of a company you have to deal with. It's great if they bring advice. It's great if their capital helps you to grow more rapidly, but it does immediately complicate your life. These are some data that are from an article that was published as part of a Small Business Administration document and summarizes a snapshot of Angel investing in the United States. There's really a lot of people that are involved in this. You might not know they're Angels, they might not always act as Angels, but they do fund thousands of companies every year. They tend to be middle-aged, earn around \$100,000 a year, and have a net worth that allows them to invest in things that might lose money. And there are certain requirements that you're familiar with in terms of the salary and net worth that people will have to be an Angel investor. One of the interesting statistics I saw here is that most investments occur within 50 miles of the home of the Angel investor and that they are typically in small companies, fewer than 20 employees. And that really reflects what we've done with the Nebraska Angels. Angel investors should have the goal of making money. If it's done just kind of willy-nilly, it's probably bad for the company because it allows people to make mistakes they shouldn't make. It is an investment. You should try and make a fair return without harming the interests of the people who founded the company. A lot of people who become Angel investors do it because they've had success in some business activities in their life previously and they want to feel that adrenaline again of being part of something that's growing and claim part of the success. Successful Angel companies have many fathers, as that term often goes. And then there often is a genuine interest to give back to the community. And I think that's a sound attribute and certainly resonates with all of the people who are members of the Nebraska Angels, the majority of which were born and raised in

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Nebraska. And the typical investment profile is, again, low hundreds of thousands of dollars to between one and two million dollars. Now as I mentioned earlier, Angel investing is a high-risk activity. And people have studied this academically for a long time. And almost any study you read will show statistics similar to the next slide. About 10 percent of investments will succeed and yield a return; 20 percent will putter along for a long time, but the likelihood that the investors would ever see any return from that investment is very small; and about 70 percent will fail. Because of that, Angel investors typically, you know, when they're screening an opportunity, will look for a business that can return 30 times their investment. And you think, you know, that's a very greedy number to pursue. But when people look at the math of if you make ten investments and if you get 30X on one and the other nine die, then it gets to be a reasonable rate of return for the risk you've taken on the other nine. Now clearly, there are Angels that might seek a lower level of return if they're pretty confident in the business, that it might exit in five years and have a 2X to 4X return. That's great. But it's rare you see businesses that are that stable that are seeking Angel money that you can invest in. The most common companies that are invested by Angel groups are information technology, business services, medical devices, and biotechnology. It's not exclusive, but if you look at a pie chart of what happens, that's really been the case, particularly in the last 20 years with the intensity of change in computer technology. A lot of start-up companies happen in that space and get Angel funds. So if you think about an ideal Angel investment, and this is again not rocket science, but it's a product or service that there's a strong market demand. There's no doubt there's a lot of things that are interesting. But if it doesn't have the potential to really grow and realize that 30 to 50 percent growth, then it's probably not a good Angel investment. Without question, having excellent management is essential, people that are passionate about it, willing to put in the time. If they are serial entrepreneurs and have had success in the past and know the pitfalls, that's great. Having a competitive advantage is important. A lot of times, you know, particularly in the information technology space there might be five or ten ideas out there that, you know, all look like they're from the same family, they're very similar. And unless you can move quickly or have some advantage over that

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competition, you won't have the success that you want. Most companies will need to be able to grow so that their worth is in the range of at least \$30 million to \$50 million in order for them to be attractive, for something big to happen to that company. So you have to grow with sales about \$10 million to \$25 million or \$30 million in sales if you're looking at a typical multiple of sales in terms of what a company might be worth. It all depends at rate the company is growing. Is it going to peter out at \$50 million? In which case nobody is going to want to buy that company. They'll have a nice lifestyle business that, you know, will have employees with good salaries, but it might not be attractive for Angel investing because, again, having a liquidity event is the whole reason people will make the investment. So I thought about three different things that could be...facilitate Angel investment in the state and I've listed these in no particular order, but perhaps I'm more fond of a couple than the other. Tax credits are widely used. About a third of states have some tax credit program for Angel investors, including some of our neighboring states and new best friends in the Big 10. The value of that credit can range from 10 percent to 100 percent of the investment; 10 percent, obviously, doesn't motivate people to do much; 100 percent which (inaudible) offers, you know, is very attractive because it certainly limits the risk that the Angel has. Some interesting models have been discussed are if the company is involved in securing some of its own funds, investment, they can actually get credits that can be sold and used to raise additional money for the company. But there is undoubtedly a lot of opinions about the benefits of tax credits. It shouldn't motivate Angels to invest in bad companies, that makes no sense. And if you have a really good company, you're going to invest in it whether or not there's a tax credit or not. But clearly, for some investors the opportunity to get that credit and perhaps mitigate their risk somewhat would influence their choice to be an Angel investor or not. And I've listed a couple of sources relative to tax credits on the bottom of this slide. The second activity that could aid the growth of companies and aid the whole Angel process is the notion of grants and matching funds. I think that if a...you have a company and it has secured good quality investors that have put money into that company, and it's actually getting to the point where it might be suitable for venture funding, if it needs more money, making loans available to those companies could be

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attractive because they don't have to sustain the dilution and they can grow without that burden. And to the extent that the state of Nebraska invests its funds in different vehicles, it's not unreasonable for some wise economist to think if a small percent, less than 1 percent, of state funds were invested in companies in this fashion, you know, could it have a very positive effect on the growth of business in Nebraska? A second thing to think about is that if a company is hypothetically going out to raise half a million dollars, if it had secured commitments from Angels for \$250,000, if matching funds were available that would limit the dilution of those companies, it might be more attractive for entrepreneurs and would potentially spread Angel funds over a broader base of companies. So that's an idea, complex again and involves whoever is doing the match to be willing to accept the same level of risk that the Angel does. And finally, if you look at later stage SBIR activities, matching funds received by SBIR grant recipients is a way that could facilitate the growth of those companies. Finally, we have a couple speakers today who are talking about incubators. And I think incubators, if they're structured properly, can be really good for a community. If you look at different incubator models, some that have a bad reputation were simply real estate investments. People wanted to fill up some buildings and so they built some buildings, they called it an incubator, they brought in tenants who really didn't know what they were doing, they didn't have proper guidance, they didn't have enough capital, and the incubator failed and so did the companies. But incubators that include mentorship from people who have had experience in business, include proper connections to often university expertise, can be very powerful. And there's examples of that in Texas, in Boston, in the bay area. And it can also be useful to draw early stage companies to Nebraska. And that again has the potential to change our profile. And then finally, not being too self-serving, you know, there is technology that is being developed at the University of Nebraska. And one of the things that the tech transfer offices also often have is a difficulty in finding capital to get those companies started. If there was good incubator models to support those start-up companies that included funding, that could have a positive benefit for what everyone does and then be also attractive for drawing independent Angel funds into those companies. Those are all my formal remarks. I'm happy to try and answer any

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questions that you might have. For those in the audience or for your future reference, if you want to download a PDF of this document, I've included an address on the slide where you can download that PDF. Thank you.

SENATOR CONRAD: Okay. Yes.

SENATOR HADLEY: Dr. Linder, thank you. Could...maybe just a little more in-depth, the difference between the Angel groups and the venture capitalists. Is it strictly a dollar value or is there different goals or objectives? Or what's the difference? I guess, I've heard a lot about venture capitalists and this is...Angel network is new to me, so...

JAMES LINDER: Yeah. I think the...it's a good question. Clearly, the dollar value is a bright line distinction. A venture capital fund, in its classic way, may go out and raise \$100 million. And they get it from pension funds, from high net worth individuals, from companies. And they're charged with the obligation to invest that money and get some type of return. It's often said that you have to do the same amount of work for a \$100,000 investment as a \$10 million investment. And if a venture capital fund has \$100 million to invest, they have to be very selective where they spend their time. So they will typically look at making larger size investments. Now clearly, some of those investments are just as high-risk as an Angel investment. And if you look at the history of venture capital success in the United States, as people are now looking at it over a long period of time, it's not all rosy. I mean, a lot of these funds have not provided the return to their investors that were promised. There is a lot of overhead cost in a venture capital fund in terms of the percent of the fund that the venture capitalists take and also the carrying charges that they receive. So they always make money. I would view Angel investing as a more one-to-one personal activity that's usually local. And more often than not whoever is coming asking for money knows the investor in some way. And it's a little smaller. There may be more or less involvement in the company, depending on who the investor is. Venture capitalists are clearly involved in their investment. They'll sit on the board, they'll be highly directive of the company, and they'll really push hard to see that

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the company is sold at some time so that they can get their money out.

SENATOR HADLEY: Okay. Thank you.

JAMES LINDER: Um-hum.

SENATOR CONRAD: Yes, Senator Pahls.

SENATOR PAHLS: I have a question. One of your suggestions of (inaudible) our actions would make some of the Nebraska funds available,...

JAMES LINDER: Um-hum.

SENATOR PAHLS: ...which I, personally, have no problem with. I mean, I think it has many merits. But I don't know, generally speaking the people in the state of Nebraska who are so, you know, independent, I've done it my...you know what I mean? Would they philosophically agree with that if we, as a body, would say, let's do that? Do you think they would agree with it?

JAMES LINDER: Well, being born and raised here, I know some would not like the idea at all. On the other hand, if it's messaged in the right way that these are investment funds of the state and we are investing them in citizens of the state in state companies with the expectation that those companies will grow and benefit the entire tax base, I think, you know, you could get a majority of people that would say it's a good idea or it's a reasonable idea. And it would have to be a very small percent, I would think less than a percent. A half a percent, you know, would generate a lot of money. And you'd have to administer that. You'd have to have people who were knowledgeable in how that money was deployed so you're not investing in things that are not meritorious. One of the challenges is understanding the distinction between what's often called a lifestyle business versus a high growth business. The Nebraska Angels will sometimes receive

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proposals for investing in companies that are important for the community--bakeries, barbershops, grocery stores, gas stations--but they're not going to grow into big companies and create jobs. So any funds that were invested by either Angels or by the state couldn't be directed to those type of companies and they would have to look at other sources of funds in the state that already exist.

SENATOR CONRAD: Thank you. That's very helpful. And actually, I just wanted to follow up on that last point that you made there because I think it's relevant for two purposes in regards to the work of this task force. One is to conduct an evaluation of existing programs in...at the state level that make these kinds of investments or what other states have done in regards to these kinds of ideas and to evaluate it for utilizing our limited resources in manners that have the best returns for high growth, high-wage jobs, which I think is something that we're finding there is a gap maybe in Nebraska's public policy surrounding these issues. And the distinction between the lifestyle company and the high growth, high-wage kind of opportunities, I think, are...is a very critical distinction. So I'm glad that you've provided that, Dr. Linder. And then finally, thank you for providing very specific potential strategies for this task force to look at as we prepare our final report to our colleagues and look to next session. Finally, I wanted to go back to the lifestyle or the life cycle chart...

JAMES LINDER: Yes.

SENATOR CONRAD: ...that you had provided. I'd never really seen all of that information distilled so clearly, which I think is very helpful to thinking about these issues. Would it be fair to say that, and understanding that there is some gray area and overlap between Angels and venture capital along the spectrum, but that essentially, but for a strategic investment by an Angel group or an Angel investor at that midpoint between viability and success and ultimate expansion and growth, you wouldn't have that end product of extraordinary success? Is that a fair statement? If a company that was viable didn't attract an Angel investor, what are the other possibilities for them to

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eventually end up at the tail end of the spectrum? Are there any?

JAMES LINDER: Well, if they are viable in terms of having sales within their geographic area that allow them to, you know,...

SENATOR CONRAD: Slowly, organically build or...okay.

JAMES LINDER: ...yeah, then, you know, they may be a lifestyle business, and lifestyle businesses aren't bad.

SENATOR CONRAD: Right. Right.

JAMES LINDER: You know, a company that has \$5 million to \$10 million in sales and has employees and perhaps the owner of the company makes \$80,000 to \$100,000 a year, that's great. I mean, that's...a lot of those companies makes for a good community. But...and they can exist for a long time until they risk being "obsoleted" by other business models. My father used to run a typewriter repair store and he used to refill ink cartridges. He got crushed by Office Depot. And, you know, any small company is of that risk.

SENATOR CONRAD: Um-hum. And I'm...and this might be purely academic or too speculative to jump into. But if we remove that Angel investor...

JAMES LINDER: Um-hum.

SENATOR CONRAD: ...part of the chart there, the only other ways then for those great ideas or those initial start-ups to make the jump to extraordinary growth and success would be just dumb luck within the marketplace?

JAMES LINDER: Well, maybe richer friends (laugh). You know, there are some venture

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groups that actually (inaudible) and run the whole spectrum...

SENATOR CONRAD: Okay.

JAMES LINDER: ...that will make smaller investments. But, you know, what we classically define as an Angel investor is somebody who can be able to write a check for \$25,000, which is a typical investment, and that can help a small company a great deal. And if they lose that \$25,000, it doesn't affect how they live, whether they send their kids to school or not. If you look at the magnitude of Angel investing, you know, 30,000 companies a year get Angel funds, if that was suddenly to stop then it would be a huge disruption in the growth of companies in the United States.

SENATOR CONRAD: Great, thank you. And I see Ken has something to weigh in and, Senator Fischer, if you want to dovetail before we go to audience participation. I'm sorry, Ken, we'll get to you in a moment. Senator Fischer.

SENATOR FISCHER: Thank you, Senator Conrad. And thank you, Doctor, for being here. If I understood your numbers correctly, you said you had six companies that your group had invested in. And as you described those, I would say you had probably a 50 percent success rate to this point.

JAMES LINDER: To this point but, you know, the game is not over. You know, we have one company that I think, you know, will do well. But, you know, I saw a competing product the other day. And you know, if that product is better, you know, that company that we think now has good prospects could fail.

SENATOR FISCHER: Right. And I do thank you for the work that you do. And I just don't know if it's the state's business to be making investments. You said if your investors lose \$25,000 it doesn't matter. If you're looking at using state of Nebraska funds at some point, I think it does matter.

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JAMES LINDER: Yeah. Let me be clear. I think nobody likes to lose \$25,000. It doesn't affect whether or not they can maintain their lifestyle.

SENATOR FISCHER: Right.

JAMES LINDER: And I would never suggest that the state of Nebraska become an Angel investor. What I think they should...what would be valuable is if policies could be implemented that at the right time in a company's life cycle could increase the likelihood that Angel-funded companies could succeed. Because if that opportunity was there, then people who do Angel investing might do more of it. They might still have the same failure rate but you'll actually then numerically have more successes.

SENATOR FISCHER: But if you're investing state funds and on your point here that's one of your suggestions, that state funds be used to invest.

JAMES LINDER: That could be in a loan format.

SENATOR FISCHER: Right. Right.

JAMES LINDER: And you know, it's just a question of where your preference is in the...

SENATOR FISCHER: As a bridge...

JAMES LINDER: Yes.

SENATOR FISCHER: ...is what you're talking about. But if you're looking at that bridge, wouldn't that be the time that venture capital would step up? Shouldn't this be market-driven instead of looking for that next rich friend to come forward? If you truly have a company that is producing and is growing, shouldn't it be market-driven? I think

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we're looking at a, as Senator Pahls said earlier, it's a philosophical discussion at this point, too, if that's the job of state government to step up and be the banker at that point and take the risk.

JAMES LINDER: Well, I think every investment has a different risk profile. And, you know, to...

SENATOR FISCHER: I'm in the cattle business, I realize that. (Laughter)

JAMES LINDER: Yeah. So you clearly would not want this to be an open program where anybody can get money. And to the question of, you know, when will venture capital step in, sometimes it's a matter of size and the venture capitalists don't want to put \$5 million into a business until that business itself is making \$5 million in revenue. And a company, to get to that \$5 million level, you know, might have capital requirements that require them to buy equipment and other things that, you know, could be funded through loans.

SENATOR FISCHER: Have you looked at the current programs that Nebraska offers to businesses through LB775, Nebraska Advantage Act, any of those? Would they play a part in the Angel businesses that you've been investing in that have been successful?

JAMES LINDER: Those companies are not yet large enough to take advantage of LB775.

SENATOR FISCHER: The Nebraska Advantage, any part of that?

JAMES LINDER: The current companies that I'm involved in, the answer to that is no. But, you know, undoubtedly, hopefully those companies will sometime get to that size where they could.

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SENATOR FISCHER: Because we do provide incentives to smaller companies too.

JAMES LINDER: Uh-huh.

SENATOR FISCHER: But thank you.

JAMES LINDER: Sure, you're welcome.

SENATOR CONRAD: Great. Ken, did you have a comment to add?

KEN MOREANO: May I make two comments?

SENATOR CONRAD: Sure, please, briefly.

KEN MOREANO: (Inaudible) direction, Senator Fischer, just quickly. A opportunity that I think Dr. Linder presented and I spoke a little to is if there's a match of dollars as a, you know, going back to using state dollars, if that is a contemplated strategy, that could be an economic development strategy where the match triggers federal dollars that match (inaudible) leverage those and it's more of a high technology, science grant. So that's a strategy where I believe you could be an importer of talent into the state population, tax base, so on and so forth. Most of these SBIR grantees are Ph.D. level. They have high net (inaudible) high academics. The comment then on the venture capital, my knee-jerk reaction is they move. There's a history in Nebraska, not the best example, but Clarks, Nebraska, had Evan Williams from Twitter. He's had three start-ups. He's not a Nebraskan, he is but he doesn't live here, right? He's in the valley. So there's a litany of examples of people that without the Angel dollars available or the timing of that, they may have had friends and family, the opportunity was somewhere else to find that additional capital which led to venture. So, you know, typically they move. And we're not the only state. There's a giant circle in the middle of the country that that takes place.

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SENATOR CONRAD: Appreciate that, thank you. Senator Fischer.

SENATOR FISCHER: Do you think that's because of our tax policies in this state or the incentives we offer? Or is it just where we happen to live? My guess is it's just where we happen to live.

KEN MOREANO: I would say that's probably the right answer. I think...I don't know enough about all the policies, but if we're exploring opportunities to leverage policy to make this a more attractive, high-wage, innovative community or state, I think some of these strategies would be an importer and we'd become suddenly on the radar versus people going to either coast. Because that's really what happens to the entire middle of the country really. And there are some examples of other, but I'd say we happen to live in an area that's tough to make this happen.

SENATOR CONRAD: Dr. Linder.

JAMES LINDER: I think historically venture capitalists like to be close, like driving distance, to the companies that they invest in also. And it's a long flight sometimes from Boston to Omaha or vice versa. So, I mean, if...and then the other side of this is, you know, there's a whole ecosystem in some of these cities that have done this for a long time. So we might have one person here who is really bright and doing something. And there might be 10 or 20 of those people in an existing area. And so if a company is starting up, do you bet on that one person being available or do you go to the fact that there's a lot of folks that have been involved in these things before? So I think to the extent that we want to grow these activities here and, as Ken points out, to keep them from leaving, you know, the other thing that the task force might think about is focus. You know, you can't be everything. And if we try and pick a few areas where we would put our effort to grow these activities, get a critical mass of people, then that could be helpful. It's hard.

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SENATOR FISCHER: Do you think we've gone past that sense of focus already at the state level, though, trying to be everything to everyone? We're going to hear next from some investment people with the state. But you look at DED in the state, all the different programs and grants and loans that they have currently. You look at the business incentives that Nebraska has currently. I think maybe we've lost our focus already.

JAMES LINDER: I'm not avoiding your question. I'm not qualified to answer it, though. I haven't looked at that.

SENATOR FISCHER: Thank you.

JAMES LINDER: Thanks.

SENATOR CONRAD: Thank you very much, Dr. Linder, really appreciate your comments, specific suggestions and I think helping to distill and define the differences in terms of mission and scope of the variety of different investment opportunities available to encourage high-wage and high growth enterprises.

JAMES LINDER: Thank you.

SENATOR CONRAD: Thank you. Nebraska Microenterprise, Rose. Good morning, welcome.

ROSE JASPERSEN: (Exhibits 3, 4) Good morning, good morning. My name is Rose Jaspersen, J-a-s-p-e-r-s-e-n. I'm the executive director of the Nebraska Enterprise Fund, which is located in Oakland, Nebraska. I want to thank you for the opportunity to speak to you here this morning. What I'm going to do is talk a little bit later on about some key areas that I think relate to this whole discussion around innovation and entrepreneurship and how it relates to microenterprise work. But initially, I will also give you some background about how this all came about in Nebraska and what the work

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entails. A note that I have there, Microenterprise Development serves entrepreneurs, innovators, young professionals, high growth businesses. The microprograms are really an entry point for any individual that's looking to start a business. The first program started here in Nebraska 20 years ago. So we're developing a pretty long, rich history of this activity. At that time, there were occasional workshops for businesses, but there really wasn't access to capital for those individuals that weren't bankable. And so the microprogramming came in to work on that. The programs have grown in capacity and innovation by innovating over the years. And today, we now have three SBA micro lenders amongst our microprograms. We have three U.S. Treasury Department CDFIs in our microprograms. We have programs using USDA IRP money and SBA 504 lender money. So the industry has really grown here in the state to not only use state funds but to draw in monies from several resources. The Microenterprise Development fills gaps and it's using innovation to fill those gaps. They bring together...the programs bring together partners to help fill gaps when they're doing the lending, it reduces the risk for all. They collaborate and in an effort to avoid duplication it's been very important in microenterprise work that we take that approach. We...also in the end I'll talk a little bit about outcomes that we're starting to see in some couple of years of outcomes research that we have done in the industry. Definitions, it was early referred to five employees or fewer would be a micro business, \$35,000 or less. On the national level USDA just recently redefined that as ten or fewer employees and \$50,000 or less. And we really like that increase in the definitions because we've never made our boxes without doors to keep anyone out. A micro loan package, that's where the microprogram typically has money in the deal, but they bring in other partners. It may be banks. It may be other development organizations. It typically is \$105,000 or less. So this is earnest money for a business that's getting started and growing. And I'll talk...I'll use the acronym MDO in referring to microenterprise development organizations. Eighty-six percent of all the businesses in Nebraska will fit this category of micro businesses. The MDOs, the microenterprise development organizations, typically offer any of the four items that I have listed here and in some programs they do all four. But the training is typically classroom orientation and it ends in a business plan for the business. The technical

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assistance, the business coaching is a more popular term for that nowadays. But that's where that individual has a question today and they can call and visit with a staff person and get answers or directions as to where to go next. Loans and then networking, and some programs they actually have membership organization. And so there's opportunity there for people to network. I mentioned earlier that this work started in 1990 with the very first microprogram. In '91, that program decided at that point that it wasn't going to be able to serve the whole state. So it did training for other organizations to develop microprograms. And that's where we've come to have the group of programs that we have today. In 1994, the Nebraska Enterprise Fund was started. Originally, we were known as the Nebraska Microenterprise Partnership Fund, a much longer tag. We changed that name a couple of years ago when we reorganized. But our organization was started for the purpose of gathering funds, loan funds, grant funds for support of these programs. Historically, in economic development we saw where programs would start, they'd run a three- or four-year cycle and then they would die out and, you know, go on to something else. And what happens is I think you end up with a lot of wasted dollars when programming doesn't stay in place and be there for individuals. So that is our role. Our primary role is to serve as that intermediary, gather those funds and work with the programs. In 1997, I need to note that the Legislature passed the Microenterprise Development Act. This has been very, very valuable funding for the programs. And I'll talk later about how it helps leverage other dollars into the state. And then, of course, today, 2010 we're in our 14th year of that funding from the Legislature. So that's been very good. We are the intermediary. It's our mission to make sure that Nebraska micro, small businesses have access to capital, training, and TA. We have a vision where every small business owner has the opportunity and resources to realize his or her potential as a business owner. Everyone's level of potential is different and we help provide those tools. Also noted there the Nebraska Enterprise Fund is also a certified CDFI and that's very good for us from a capacity building standpoint, both for revenue and training. Glennis handed out to you a flow chart there that really lays out what it is we do, starting there at the top with different sources of capital that we gather. And it comes from various sources. We actually are a borrower. We borrow money from

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banks that we can relend so that our programs have loan dollars for businesses. The grants are used...that we get are used to support the operating costs of the organizations and then the loans. As of this point, we have actually granted \$5.4 million. A majority of that has come from the state of Nebraska, but we have had other grants from other...primarily federal sources. We bring training and technical assistance capacity building to the programs. We do twice-a-year, face-to-face trainings with them. And one of the major outcomes of that, of course, I mentioned earlier, is that we do have other CDFIs now in the state. This training is particularly valuable because we all know that in organizations people come and go. And when new staff come in they don't carry or they don't have that history of what's gone on. And so these trainings give them a chance to network and get together with other people in the industry and find out, you know, how they interface. The third...we track program performance and business outcomes. And quarterly the programs report to us on their performance what they're doing. We use that to report to the Legislature. You're familiar with the legislative report that comes out once a year. And we also, like I mentioned earlier, have started doing outcomes evaluation where we select a random sample of businesses and then ask them about where they were. We look at where they were when they started with the program and then ask them about what the difference is two years later. NEF does program design to help meet the needs of the businesses and the MDOs. For example, we developed a referral system earlier. It's been like, what, like seven years ago, I guess, now. And in that we maintain a directory that lists the programs--where they serve, who their contact information is--24/7 that is always current, both in hard copy and on our Web site. And then we assist...a new task that we've taken on just in the last six months is we're assisting and helping fill some of those gaps that happen. In today's lending market, you know, the banks don't have the flexibility to take as much risk as they had in the past or they're not taking as much risk. And so the microprograms are finding there's a lot more demand for their capital. But we're also finding that in some instances the bank could do the deal for the sake of a little bit of a boost, a little bit more collateral to make the deal happen. And so I'll talk a little bit later about some examples of where we've taken this product and are helping with that. Okay. As far as the

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microprograms, this is data as of the end of June 2009. Our 2010 data we haven't...we don't have that compiled into this yet. So it's 13 years of data. But you see there 22,713 individuals, financed a little over 1,100 businesses, with 1.7...and I should mention on that financing there's about \$10.9 million that was loaned there, average loan size of about \$9.5 thousand. An additional \$11 million of capital has been leveraged from other additional sources. So these programs not only directly loan their money but they work together with banks or they'll refer people and help them with a business plan, and then that person can get a loan from the bank or another entity. Individuals in all 93 counties of Nebraska have been served. And in looking at just the data for 2009, 80 percent of the counties in Nebraska had micro loans made by MDOs. In any given year, NEF and the MDOs leverage on average a minimum of \$8 for every \$1 that the state of Nebraska has in the pie. And typically, it's much more than that. It runs like \$10, \$12 in a lot of years. The state funds are very valuable because they help bring down those federal dollars. I believe Ken had talked about that earlier. And, you know, if you have some dollars here that can match those federal monies we can empower it.

SENATOR CONRAD: Rose,...

ROSE JASPERSEN: Yes.

SENATOR CONRAD: ...if I could just jump in and ask a question.

ROSE JASPERSEN: You bet.

SENATOR CONRAD: Because I think the state funding component is really important to this discussion...

ROSE JASPERSEN: Right.

SENATOR CONRAD: ...and it is relevant to the track record and performance of the

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MDO over the past 13 years. It might be a good time to refresh the committee's understanding of the state's commitment to this program. If you want to cover that or I can give an overview, but...

ROSE JASPERSEN: You mean in terms of the dollars right now?

SENATOR CONRAD: Dollar amount, yeah.

ROSE JASPERSEN: So this...we're just ending a funding year, September 30 will end. And in that year the state appropriated just under it looks like \$497,000 for that year, 10 percent of which can be used for administrative costs. And the other dollars then are granted out to the programs for use in operating capital. Three years ago, thank you for asking this, Senator, by the way. Three years ago, the state did increase the appropriation for two years by \$1 million in each year. And a majority of that was designated to be used for micro lending. So of that, NEF has loaned close to \$900,000 to microenterprise programs that are now relending that money to businesses. And a perfect example, I have a program right now that's going to be drawing down \$250,000 from us, and it's going to make it possible for them to get a \$1 million USDA IRP loan, so as an example of this leveraging effect that can take place. We are...

SENATOR CONRAD: And what kind of business is that, if you can say?

ROSE JASPERSEN: It's not a business, it's a microprogram...

SENATOR CONRAD: Okay.

ROSE JASPERSEN: ...that's getting the \$250,000 loan from us.

SENATOR CONRAD: Okay.

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ROSE JASPERSEN: And then they will relend that money to businesses. Okay?

SENATOR CONRAD: Oh, okay, okay. Yeah. Go ahead, Senator Pahls. I do want to follow up on some of these funding questions that I have.

ROSE JASPERSEN: Sure, sure.

SENATOR PAHLS: And I'd just like...so you're sort of like the conduit.

ROSE JASPERSEN: Right. We're called an intermediary, Senator, where we gather those funds and we get them out to the programs as the programs need them.

SENATOR PAHLS: Okay. Well, how much do you have in the bank right now that you have access to, just approximate? I'm not to the...

ROSE JASPERSEN: How much do I have for lending?

SENATOR PAHLS: Money to...right now to lend as of today, just a round number, a million, two million?

ROSE JASPERSEN: Let me think about it. Well, what I have is I have commitments. So I have money in the bank that's committed. So let me think about the number on it. It would probably be about \$1.5 million that I have that I can lend, yet to lend that I can commit.

SENATOR PAHLS: Okay.

ROSE JASPERSEN: Okay? But also, Senator, then backing up on the uses of those funds, we also then developed like the CD product and we developed a direct-loan product where we can more directly enter into some of these packages for the

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businesses. And so we also have monies going out for that, so...

SENATOR CONRAD: And do you typically utilize the full 10 percent for administrative costs in the appropriation each year?

ROSE JASPERSEN: Yes, yes. It doesn't...

SENATOR CONRAD: Okay. And even with the increased one-time appropriation, so then your administrative costs jumped dramatically over the past two years?

ROSE JASPERSEN: Yes, yes. Right, right.

SENATOR CONRAD: Okay.

ROSE JASPERSEN: What I did with that, Senator, at the time is I hired...we've been a two-person office for...since the start of the program. And so I hired Glennis McClure who has worked to develop this CD product and this direct-lending product, and it gives us the opportunity, the flexibility to be a lot more active in the lending side of this, so, in getting the dollars out.

SENATOR CONRAD: And is that a short-term commitment then, because then those one-time dollars go away but your administrative costs will remain high?

ROSE JASPERSEN: Ma'am, ideally, no, it isn't short term. I mean, ideally we'd like to stay a three-person staff because we'll be able to do just that much more. There's a lot more we'd like to do than what we have funding...or than we have staff to do. So ideally, no, but, yes, depending on what..how funding flows.

SENATOR CONRAD: Yeah, and I appreciate that. It's important to have qualified staff to administer...

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ROSE JASPERSEN: Right.

SENATOR CONRAD: ...the programs. But I guess I'm unclear why you would make a decision to increase overhead when you knew those were one-time dollars rather than an ongoing appropriation.

ROSE JASPERSEN: Our dollars, our operating costs come from several sources.

SENATOR CONRAD: Okay.

ROSE JASPERSEN: So the state money is...

SENATOR CONRAD: Is not paying for that position.

ROSE JASPERSEN: No, no, no, no.

SENATOR CONRAD: Okay.

ROSE JASPERSEN: So that, you know, also explains that. Yeah.

SENATOR CONRAD: Okay.

ROSE JASPERSEN: Okay. Going back to those key points then, as far as serving entrepreneurs, okay, I mentioned this legislative report, and just in the back of those we've put business profiles. And in this edition, half of the businesses in those profiles, in looking back through it the other night, are producing a product for resale. I mean, there are services, businesses there, but many of them are selling product, developing product and selling it, you know, within the state, across the nation, globally. For example, a couple of the businesses are machine shops, one of which is pictured there

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on the slide, and they're designing and fabricating products both for resale and for use by other businesses. Two years ago, one of the business profiles we had was on a business in northeast Nebraska that manufactures barns. And this business came to two microprograms and worked with them on business plan and getting loan dollars; and at that time they had 2 employees; today they have 35 employees. They've come back to the microprograms in talking with NEF to help them in developing a spin-off business in addition to their core business. So it's an example where I say...where microprograms are an entry point and we see all levels of business that come looking for assistance. There's various terms that are used in talking about business owners. You know, we hear self-employed; we hear entrepreneurs; we hear microenterprises, small businesses. I was at a meeting or a steak fry the other night at the West Point Chamber and, you know, it was very specifically stated all night long: You people are entrepreneurs; you are risk-takers, and you have started a business. So we really are looking at the full gamut of that, I think, in the microprograms. Microenterprise development in Nebraska has grown in capacity and experience and the programs continue to innovate. The very first microprogram in 1990 had a loan limit of \$1,500. That same program today can enter into packages as high as \$105,000. So these programs have, you know, developed capacity to do a lot more. Classroom training is something that we're seeing as changing. The typical individual today may not have, you know, several weeks to attend a two- or three-hour a night, week course, and so the programs are starting to do more interactive Web-based types of training. One program is known for helping businesses engage in social media, and these are just examples of how these programs are evolving. At the same time just in a brief adding or tallying of years of experience, there's over 170 years of experience in the programs we fund in their staff as far as working with microenterprises. The microenterprise development in Nebraska fills capital gaps and, again, being very innovative in doing that. I mentioned the CD product and the direct-loan product that we had started. And a couple of examples of how we've used this here just recently: We did a guarantee for a young professional who had just graduated from high school...or from college and who's looking to start her business. The bank was willing to cover the equipment cost but felt

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this individual also needed an operating line of credit, and so they talked with us to see if we would help guarantee that line of credit. We're just in it for a year at a time so that when the person gets that cash flow going and can go on their own, we won't be part of the deal, because we want our monies to be working where they're most needed. But it's an example of where someone right out of college who's looking to create her own job, and she, of course, has a lot of college debt so she doesn't have an asset base that can keep the bank comfortable. In another deal it's a young ag engineering graduate from the university, and he's back living in the rural area and he started...in addition to doing a lot of welding for farmers in the area, he has started designing and manufacturing small ag implements to be used primarily, Senator, in the cattle feeding business and the hog feeding business. (Laugh) I'll have to give you his Web site. But he...it was an instance of where he started doing this in a small shop and he needed a building now big enough that he can do a lot more production. So in that instance, one of our MDOs is involved in the package along with the bank, and then NEF is supporting it with a CD product for just a few years until this really gets off and running and there's good cash flow. Both of these cases are where the bank would not have done the deal for the fact that there wasn't enough collateral there, but with that little bit of boost it's enough that makes them comfortable. And the last point I guess I'll make here, produces positive outcomes. I mentioned how we were doing some outcome surveys. And we did this survey work in 2009. We had a graduate student from the University of Nebraska for the summer. And he did...we did...pulled a random sample of people who had received services in 2007. And in 2009, 71 percent of them that had received assistance from the MDOs in '07 had a business in '09. So...and then 92 percent of...71 percent of them had a business in '07--I'm sorry--and then two years later, 92 percent of that 71 percent were still in business. So we saw that there was continuity, I guess, to the businesses. Client satisfaction we measured, and that was very high--89 percent were completely or mostly pleased with the assistance that they had received from the microprograms. We work with the Aspen Institute on the national level--they have a program called MicroTest--to do this survey work and to provide our data to a cumulative database on the national level. And typically in this we found that 63 percent

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of the businesses had at least one paid employee, not including the owner, and the average number of paid employees per business was 2.8. So oftentimes we think with the smallest businesses there aren't jobs there in addition to the employer, but this particular sample proved that wrong. I'd like to conclude I guess by saying that work with entrepreneurs is not a cookie-cutter business. We hold ourselves open to whoever calls or finds us and we get that person...we either help them directly or we get them connected to someone who can. There is talented, knowledgeable resource staff out there in the micro staff and they're doing a great job with business development. I guess I would just, you know, state, I guess, that I think my microenterprise is a really valuable tool in this continuum of help for businesses as they start and grow. It's that entry-base point. And I think the work that the microprograms are doing is very valuable. Questions that you have?

SENATOR CONRAD: I have a couple of follow-up questions, Rose.

ROSE JASPERSEN: Certainly.

SENATOR CONRAD: Are there any sort of wage standards or other sort of parameters in place for the type of projects that you're funding?

ROSE JASPERSEN: No, in terms of what minimum wage they should offer you mean or pay...?

SENATOR CONRAD: Or just what kind of jobs they're creating.

ROSE JASPERSEN: Yeah. No, there aren't. And when we did that random sample in '09, we found the average wage that was being paid to those employees was \$11.10 an hour,...

SENATOR CONRAD: Okay. Great.

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ROSE JASPERSEN: ...which is not bad. I mean, particularly in the rural areas of the state, those are pretty good jobs, so...

SENATOR CONRAD: Great. And then the other question that I wanted to bring up is something that was brought to our attention during the Appropriations Committee deliberations over the past couple of years. But there was some concern that those one-time dollars, that were bestowed into this program when times were much better to make a strategic investment because of the value of these programs, that they're not actually getting out to the micro business people themselves but are rather sitting in some sort of endowment accounts or...can you clarify some of that funding history because if that is the case, I think that's problematic.

ROSE JASPERSEN: Yes. Thank you for the question. At the time we received the extra money in the two-year period, it was a total of \$2 million, \$1.25 million of that was designated to be used for lending only, and then the remainder of it could be used for pass-through grants. So we did the pass-through grants as we had done them. And our lending...this money came to us, our lending at that point was only to microenterprise development organizations. My organization had just been successful in gathering other loan dollars from other places. And my microprograms, there's a cycle that goes where one year it seems like there's a lot of demand and then the next year there isn't, they're busy getting it out and then there's demand. And so it kind of fell in a period where they had capital, available capital at the time. So there wasn't an immediate move or there wasn't an immediate demand to get that by the microprograms needing capital. At the same time...so what we did over time is we took those funds and we lowered our interest rate that we were charging the programs. We had always been at a 4 percent rate and we lowered it to 2 percent because they were able to get us VA money for 1 percent, you know. And so we lowered the interest rate, and that has created the demand such that, like I mentioned earlier, just about \$900,000 of it has gone out in the last, well, over...since that time period to the programs for relending to the businesses.

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So that's of the \$1.25 million. We also have done a little over \$100,000 in the CD direct-loan deals, so that takes us right up close to, you know, \$900,000, that \$900 million (sic) that's been committed and spent of those funds. DED came to us this summer and said we want you to take \$250,000 of that money, of that loan capital, and cover the grant obligations for the first and second quarters of the coming funding year which would start October 1. So we agreed to that. I mean, we're continuing to seek other loan capital because we want to do lots of lending, we want to really build our loan capital base. But we agreed that we would do that. So those monies basically, Senator, are going to be all gone by the end of March because we will be dispersing these grant disbursements to the programs.

SENATOR CONRAD: And then just one final follow-up question. Can you tell me, in your agreements with these other entities that are listed on your program sheet here, do they have an opportunity to capture administrative costs for their work as well? You're giving money, you're partnering with, say for example, Catholic Charities.

ROSE JASPERSEN: Right.

SENATOR CONRAD: Do they take a percentage for their own administrative costs for the people that they service in their program?

ROSE JASPERSEN: Yeah. The money we give them helps support their administrative costs so that they can deliver those services. In micro work, you'll never earn enough income from the loans you make or the fees you can charge to cover all of your administrative costs. So the money that we disburse to them, that's helping to cover that, but at the same time we're lending money to them so that they can make loans.

SENATOR CONRAD: Okay. And I'll tell you and I think it's worthy of additional dialogue and investigation because what I'm concerned about is these very limited resources aren't making it out to the intended beneficiaries but are instead getting caught in a

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morass of bureaucracy...

ROSE JASPERSEN: Yeah.

SENATOR CONRAD: ...at a variety of different administrative levels. And that's something that I think...

ROSE JASPERSEN: Right.

SENATOR CONRAD: ...that we need to examine really carefully...

ROSE JASPERSEN: Right.

SENATOR CONRAD: ...as we move forward. But thank you.

SENATOR PAHLS: I do have a question.

SENATOR CONRAD: Yes, Senator Pahls.

SENATOR PAHLS: You were directed to spend this money by March.

ROSE JASPERSEN: Well, the last grant commitments will go out by the end of March, Senator. Right.

SENATOR PAHLS: Okay. I'm just curious, who gave you that direction? You said the...

ROSE JASPERSEN: The grant funds?

SENATOR PAHLS: ...the Department of Economic Development?

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ROSE JASPERSEN: Right.

SENATOR PAHLS: And it's...what I find it very interesting, my committee right now is analyzing Department of Economic Development's budget. And you're telling me you've been told to spend this money...although it's legitimate,...

ROSE JASPERSEN: Right, right.

SENATOR PAHLS: ...it's not...nobody...but I find I'm very curious why we're analyzing the budget of the Department of Economic Development, my committee is, and I'm hearing that you've been directed now...it's like, oh, let's get rid of some of this, although I don't think we can touch that money, I understand.

ROSE JASPERSEN: Right.

SENATOR PAHLS: But it just is really sending a message to me like somebody is trying to milk the system, work the system, and I'm just a little bit irritated.

ROSE JASPERSEN: Yeah.

SENATOR PAHLS: I could be totally wrong and I'm not laying this on your desk, but it just surprises me. Not too long ago, (laugh) we've been analyzing this and then I hear these statements coming out. I'm hoping the individuals sitting with the Department of Economic Development are listening to me. I'm not saying anything is being done wrong, but it just brings my curiosity, it enlightens me a little bit to ask further questions. So I'm going to ask this question. As I read your information here, over the last 13 years--and I'm going to round these numbers up--you've financed basically 1,200 businesses. You say you financed 1,147 businesses.

ROSE JASPERSEN: Right.

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SENATOR PAHLS: Okay. I'm going to round that up to 1,200. And of those businesses, 1.7 jobs have been created on the average per business.

ROSE JASPERSEN: Right.

SENATOR PAHLS: So in 13 years, the amount of money...and I'm not saying...I'm just curious, that means approximately 2,500 people have been employed in the state of Nebraska because of these efforts.

ROSE JASPERSEN: Well, Senator, that would be...that's just the loan side of it. We also do...the programs do training and technical assistance,...

SENATOR PAHLS: Right. No, I understand. No, no, no. Yeah. No.

ROSE JASPERSEN: ...so that 1.7 applies to those...all those people also. Yeah.

SENATOR PAHLS: Okay. Well, then that leads me into the issue because I really think to community colleges...I'm being...I'm saying more than I should, some of this training...because I think we are duplicating throughout the state since we are in a little bit of a financial crunch, we ought to be...I would hope that the community colleges...because I have really have great faith in if we do it correctly, they could be actually even offering some of this training, maybe they do. Because you piqued my interest, again, when you said that so much of this is going on-line. Then that could be...

ROSE JASPERSEN: Right.

SENATOR PAHLS: ...whatever is on-line could be. I'm not trying to...

ROSE JASPERSEN: Right. No, this is a very good point, Senator. And I go back to

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1990, to 1985 with this.

SENATOR PAHLS: Yeah. Yeah, I know you...

ROSE JASPERSEN: ...and back when there was nothing. And so I am enthused, very enthused with the focus that the community colleges and the university both have put in to more and more direction and training in that area. And that's part of our job is to, you know, be continuing to watch and observe. I mean, if more training can be covered and technical assistance can be covered in some of these other locations, you know, then that allows us to move even more. I mean, I guess I really see the micro work going very strongly in that direction of micro lending because that is a place where the gaps continue to be. And I think we have some really good tools to expand and do that.

SENATOR PAHLS: Let me...and I understand because I know the good things, right.

ROSE JASPERSEN: Sorry. So it's changed, I guess, the field had changed.

SENATOR PAHLS: Yeah. Earlier...and the good Senator Fischer even made me do some thinking on this. Are we offering so many things out there, and then I hear the word from the previous speaker that we ought to focus. I know your mission is different than what the Angels because as I'm looking at the number of people you're looking at and I see them being more global. Do you think we should focus more instead of having a variety of programs out there? You could be yes or no. I mean, I'm not asking for it in detail because I'm catching you a little off.

ROSE JASPERSEN: Yeah, yeah. I mean, you know, we've typically granted funds to, like, ten programs a year on average, and it's been our charge to provide services across the state. And these programs grew up in different organizations where one organization's mission won't let it lend more than \$35,000 or one won't go over \$5,000 or, you know. I mean, there's that kind of diversity in it. And so we've been really careful

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to try and avoid duplication. But I think the fact that we can have a directory and say, here's who does what, let us help get you to where you need to be. I think that's the thing, Senator, that we need to do a lot better job on is this channeling of people.

SENATOR PAHLS: I just heard you say ten. I heard you said ten businesses a year.

ROSE JASPERSEN: No, ten programs.

SENATOR PAHLS: Ten programs. Okay.

ROSE JASPERSEN: Ten programs.

SENATOR PAHLS: That's good. Okay.

ROSE JASPERSEN: Right, that are providing services. Yeah.

SENATOR PAHLS: Thank you. Thank you.

SENATOR CONRAD: Senator Fischer.

SENATOR FISCHER: Thank you, Senator Conrad. The problem with term limits is, you know, we don't know the history.

ROSE JASPERSEN: Um-hum.

SENATOR FISCHER: And I'm older so (laughter) I know some history.

SENATOR CONRAD: Experienced. Experienced.

SENATOR FISCHER: And our first year, my first year and Senator Pahls's first year in

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the Legislature was only six years ago, but Senator Cunningham had a bill; it was the building entrepreneurship. And listening to the debate during that bill and the discussion during that bill I think gave us a sense of history of why these programs were developed. And I'm sure Dan Hoffman can speak to this better than I can. But these programs, my understanding is they have truly a different purpose than what we heard from our previous presenters. These programs are to help small businesses, to help those businesses with one or two employees. These programs are to help in poverty areas, whether they're urban or rural. I just asked Senator Mello about some of the Omaha ones and they're in poverty areas.

ROSE JASPERSEN: Um-hum.

SENATOR FISCHER: And I represent three of the poorest counties in the United States, and I have people who take advantage of these programs. Are they going to grow Nebraska, even though one is named Grow Nebraska and I have constituents that participate in it? Are they going to grow Nebraska? No, they're not. But these programs are going to help in those poverty areas, in my opinion. They're going to help keep someone living in Stapleton, Nebraska, because they get \$2,000. So I think we need to remember what the purpose of all of these are. It's political. I remember the debate on Senator Cunningham's bill; it was political. And, you know, rural Nebraska at that point was, if I remember the debate correctly, Senator Chambers wanted to cut it from \$500,000 to \$250,000 and we should be happy with it. I don't want to see that happen again because we have different programs for different needs. And we're talking here, you said you had \$10.9 million, I think, in loans in the last 13 years.

ROSE JASPERSEN: Right.

SENATOR FISCHER: If you compare that to the business incentives that have been given across the state, I think that, as Senator Chambers would say, it's just peanuts. So even though we're looking at making cuts in different programs and trying to

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focus...and I would be interested in having you maybe contact me in the future on which programs you think could be merged with something else or are they all needed. I think that would be beneficial. But I, as an old person sitting up here, I just wanted to make those comments. So thank you.

ROSE JASPERSEN: I appreciate your comments, Senator. The microenterprise field really started back in the eighties and it was focused on poverty alleviation. And here in Nebraska, the REAP program being the first program, they found early on that there were a lot of people, may or may not have been poverty level at the time but who wanted to grow and develop businesses, and these businesses are vital in communities, be they rural or urban. And so microenterprise makes it difficult to explain it, but we kind of are this open door where whoever comes...and, yes, you know, maybe a lot of them, they do have employees, but they maybe don't grow big, but we do have the barn manufacturer. And so, you know, it's...and we want to build and have our skills such that we can identify what the need is and we can move that person to where they need to go next.

SENATOR FISCHER: Your group just disburses the money to these other...like Grow Nebraska,...

ROSE JASPERSEN: Right.

SENATOR FISCHER: ...the REAP program with the Center for Rural Affairs. Listening to Dr. Linder, I was very impressed that they evaluate the business and how they do it. Do you know if those programs go through any evaluation? I mean, we all know the failure rate of small business is very high. And out of your 1,147 businesses that you've loaned or granted money to, do you know what the success rate is on that? I would assume it's not high. I would assume that most of those businesses are no longer in effect. You know, I know people who...their microenterprise is to make jelly or to make a sauce or whatever, and they do it for a few years and they quit. Do you know what your

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success rate is?

ROSE JASPERSEN: Right. We haven't gone back to do the 1,100, Senator, with the loans. That would be just the loans, not the training, TA.

SENATOR FISCHER: Okay.

ROSE JASPERSEN: And...but we have done this outcomes evaluation that I told about in 2009, and there was good survival rate in that two-year period of the ones who had gotten help in '07 and who were still there in 2009.

SENATOR FISCHER: Good.

ROSE JASPERSEN: So we...and there's a lot of things that complicate evaluation right now to do this. A lot of people have gone to cell phones only. So when you go to do a survey by phone, you can't find a phone number, you know, this sort of thing.

SENATOR PAHLS: I know.

ROSE JASPERSEN: And so we're working really hard to do more and more on the evaluation side of it, but...yeah.

SENATOR FISCHER: And just another comment since I talked about philosophy earlier. On your vision statement, it's every small micro business owner should have the opportunity and resources to realize their potential. Every, everyone should have that opportunity, you feel, whether they have a good business plan or not?

ROSE JASPERSEN: In some instances, that's another success of the programs is that they help that individual realize that, no, being in business for themselves is not for them.

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SENATOR FISCHER: And so you don't grant the money then or give the loan?

ROSE JASPERSEN: No, no, no.

SENATOR FISCHER: Okay. Thank you.

ROSE JASPERSEN: We never grant to businesses. We...it ends up being loans to the businesses. Yeah.

SENATOR FISCHER: Okay. Thank you.

SENATOR HADLEY: Yes.

GLENNIS McCLURE: Hi. I'd like to add to your question (inaudible) in that, yes. I think one of the things that we've seen with the loans that have been made, in particular in the training, a lot of training leads to doing those business plans. But if you look back historically at the default rate that the loans that have been made, the default rate for it is relatively low. And I'm going to say, you know, I'd love to look back and can let you know for sure, but I'm going to say like 10 percent or less is the default rate. Most of our programs (inaudible) and they're putting a lot of risky...I'm mean, they're taking on a lot of risk that banks don't take on. And a lot of the reason for that is they've done a lot of the training, they've done the hand holding, whatever it is. They've helped those people develop a business plan. And so, you know, those loans do get paid back. So we can, you know, follow up on that because that changes, obviously, from time to time. And I know the last couple of years, probably defaults have been a little higher. But historically it's been very, very good. Okay.

SENATOR FISCHER: Thank you.

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SENATOR PAHLS: I just have one question. Just for the benefit of the audience. Why don't you just read a few of the people on your booklet that have received your help.

ROSE JASPERSEN: In this booklet?

SENATOR PAHLS: Yeah. Just a couple of the names so we'd have feel of...are there wine makers?

ROSE JASPERSEN: Well, I mentioned the one picture there was Brian Remington, who's at Danbury, who has the machining business. There is an Auto Doctor in Lexington,...

SENATOR PAHLS: Okay.

ROSE JASPERSEN: ...an auto repair individual; a machine business at Platte Center, Nebraska.

SENATOR PAHLS: Okay.

ROSE JASPERSEN: Here's one, Glitter Grooming (laugh), and I visited this young lady because it's in my home community and she does grooming of animals. And she started up because she thought people would stop in West Point rather than go to Norfolk, and she's right. Her week is full; she's doing really good. Let's see. The marketing businesses, you know, where they've developed a product and they're selling the product; a hair salon was one; restaurants, Mexican cuisine is one.

SENATOR PAHLS: Is that the south Omaha?

ROSE JASPERSEN: Yes, yes. Uh-huh. This particular one is, yeah.

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SENATOR PAHLS: Yeah, because I read that I...also just to let you know, midtown by the cathedral, there's a bakery there that's also got this...I just wanted to show...see there was a variety.

ROSE JASPERSEN: Yes, yes. Yeah, there is.

SENATOR PAHLS: But they are very small, small groups.

ROSE JASPERSEN: Yes. Typically these that are here, yeah, yeah.

SENATOR PAHLS: Yeah.

ROSE JASPERSEN: We'd like to...like the barn manufacturer, we like to quote that because, you know, we do see those businesses that will, you know, spring off and really go someplace. But...yeah.

SENATOR PAHLS: Yeah. And that goes to show you that you do have a different mission than the previous speakers that Senator Fischer was speaking to.

ROSE JASPERSEN: Yeah.

SENATOR PAHLS: Okay. Thank you. I appreciate your response today.

ROSE JASPERSEN: We have had some discussions, going back to Jim's presentation, we did visit with Nebraska Angels. It wasn't Jim; it was another individual, but. And this individual toured us through the Halo Institute because she felt that there are businesses there who really do...

SENATOR PAHLS: Would qualify.

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ROSE JASPERSEN: ...could benefit from micro loans and...you know, so I'm...not to say that there's...there definitely is interface, should be interface between the programs.

SENATOR PAHLS: Okay. Thank you.

SENATOR CONRAD: Great. Thank you. Thank you.

ROSE JASPERSEN: You bet. Thank you.

SENATOR CONRAD: Next presenter, Tim, let's hear what the community colleges are up to.

TIM MITTAN: Thank you.

SENATOR CONRAD: And I apologize. We are running a little over time today.

TIM MITTAN: I know we're short on time.

SENATOR CONRAD: So I know if other people have schedules to keep and other appointments to keep, we'll make sure to pass the information along. But it's,...

TIM MITTAN: I will...

SENATOR CONRAD: ...I think, a benefit rather than an detriment that this task force has a lot of good questions. Yeah.

TIM MITTAN: Thank you. I will try to be brief.

SENATOR CONRAD: Sure.

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TIM MITTAN: (Exhibits 5, 6) My name is Tim Mittan, M-i-t-t-a-n. Thank you for inviting me. It's a pleasure to speak with you today. I am with Southeast Community College, the Entrepreneurship Center. I have been with Southeast Community College for eight years now. The Entrepreneurship Center has been open for four. I was hired as a marketing instructor. I came from the business world. I used to be in the airline industry, and unfortunately 9/11 ended that career for me. However, I was able to work with Southeast Community College as an adjunct and eventually became hired on. After my first year of employment there, the president asked if anybody would like to do research on entrepreneurship in the state of Nebraska, and I raised my hand. And so, thankfully, I did so because that actually changed my career and my path in life, and I'm very happy to be part of the Entrepreneurship Center and to have helped create it. We are located at 285 South 68th Street Place in Lincoln, Nebraska, which is the former Gallup building. When they left to go to Omaha, they left three buildings vacant: Snitily Carr purchased one and Southeast Community College purchased the other two, one of them with the intent to start an Entrepreneurship Center. We have 40,000 square feet that is dedicated to entrepreneurship education through our 15 counties and, thankfully, across the state of Nebraska. We have service organizations that are located in the building. We have SCORE; Community Development Resources is there; we have part of Nebraska Business Development Center, the procurement division; WasteCap, which is a nonprofit organization that helps businesses go green. We also are home to the Entrepreneurship Focus Program from Lincoln Public Schools. So that's one of the things that makes us extremely unique in the entire country, and we get a lot of attention because we have a focus program through our high school system and is also located within the community college. We have a business incubator which currently houses 14 businesses. We have all of the offices that are for the Entrepreneurship Center as well. There are two and a half staff members that actually run the entire center. And we are very thankful to Dr. Jack Huck and Dr. Dennis Headrick for their belief in everything that we can do and the impact that we can make at Southeast Community College and in our service area. What we do, we do education outreach and business support. We are a college. We do provide education. Our education is, again, through...we do work with

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the Lincoln Public School systems; we offer dual credit courses there so the students can go and achieve college credit if they desire. We have an associate's degree through our business program, and you do have some materials on that in your packet. So, therefore, we can actually give an entire associate's degree through our business program or they can actually go through 1 of our 50 training programs and obtain a certificate in entrepreneurship because we have found that over 85 percent of all of our students who go through our programs want to eventually own their own business some day. So we want to make sure that they're prepared, whether they use the information the day they graduate or ten years down the road. We do outreach. We are an open facility where people can actually walk in from the community and ask questions about starting a business. Our focus, because we decided that there are several organizations who do things very well throughout the state, is that we decided we were going to focus on the start-up because we found that was the largest gap in our area, is that anybody who wanted to start a business did not have a lot of physical people that they could go to and actually ask questions. And we do that for free. That is my job. I'm a business coach, I'm an instructor, and I'm a presenter. I also do janitor work, too, when need be, so. We offer business support; the support is for...mainly for our business incubator that is located there, however, anybody that comes in and asks an accounting question, we will try to field it, if not, we have an accounting business in our incubator. He is more than happy to come down and actually talk to the business for free. We actually have some lawyers in the city that have actually also agreed to do some work for free for people who are referred by us so that they can actually get the help and support they need to either make the decision to do it or to not. And as Rose said, the decision to not do it is a success for us as well because they realize it's just a little bit more than what they want to do. So we created a model. When we started the center, it was charged to us to create a model that was not Lincoln-specific. It could not be big city, as they said. It had to be something that could actually be placed in Scottsbluff at Western Community College or could be used anywhere around this country. So we created this model, and what we found is that several people who have created entrepreneurship centers throughout the country at the community college level have used this exact

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same model. And in the beginning it was by chance, and the reason why it's by chance is because those of us who started entrepreneurship centers generally came from the business world and coupled our education experience with it so we knew what was needed or we thought we knew what was needed. Turns out I think we did all right. We believe that you should have a professional staff; there should be incubation facilities available, if not physically at least virtually. We also believe that there have to be several deliverables that an entrepreneurship center should do; access to capital. We do not lend money. There are some community colleges who do. Iowa is very good because they get some funding through the Pappajohn foundation. We believe that we should develop partnerships, which we have done; education; business support services; and, of course, mentors and advisory boards. So that is the model that we used to create our center. And we also had to take into consideration the college's mission. And we needed to make sure that we fit in the mission of the college so our mission actually goes...is actually kind of tagged along with the community college mission, so. We are part of the Southeast Community College. We are not a separate entity. We are not a 501(c)(3), however, we are also not a line-item on the college budget. So I am a business owner in my own right. I direct the center and I have to make sure that I operate within my means. And when you don't charge for anything, that's a little difficult. This is our time line; it does need to be updated. It's not very easy to read in your packet unfortunately, I'm sorry. But we did start doing the research in 2003, and we did do our grand opening in 2007 for the center. So I was hired four years ago, and we did not open the incubator until a year after we opened because I didn't know what I was doing, primarily. But it turns out we're doing okay. We do have 14 businesses in our incubator right now; they would be considered the lifestyle business that you spoke of, Senator Conrad. However, we do have some major successes going on, in my eyes. Family Solutions is a counseling company, and she actually saw a failing business in Omaha and she actually took in all of the counselors into her business and was able to absorb them so none of them actually lost their job. And they still counsel in both Omaha and in Lincoln. Money Smarts is the accounting firm that I spoke of that actually helps; Floor Care; marketing; we have a graphic artist; we have a

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commissioned artist; we have a life coach; we also have SirkDot Innovations is a small...they're one of our only students at this point that has entered our incubator. We have had our incubator open for three years now and our students have not flocked to it like we thought. We have opened it up to the community and this is what we get, and we get a lot of great people. REDI Group is an engineering consulting firm, and he is in the process now of currently buying out a business in Columbus because the business owner wants to retire. So he's going to go in and take it over. Meridian Consulting is computer-based. Nebraska Air Quality Specialties is one of, probably, our biggest achievements. He is a graduating firm. These are the companies that have actually graduated. They have completed the three years within our program. We have a Health Massage. She actually does not have any employees but she has two contract therapists that work for her. She is now running her own business within an existing spa here in Lincoln. Meridian Consulting. David Hefley went through the three years incubation. He has three employees and he is probably, as we speak, moving into his office in the Haymarket. So he will be completing his three years on September 15. Piyush Srivastav is the owner of the Nebraska Air Quality Specialties. He used to work for the state of Nebraska. He does a very specific service where he can actually conduct air quality control and do readings. He has a Ph.D., couple of master's. I can't tell you what he does on a regular basis, but he right now has five employees. He will be...he is actually finished with his incubation process, but he's planning to buy a building in Lincoln and he's looking for the best one. And he's also going into his busy season, so we've extended him until he's actually ready to move. But he is one of our firms that will probably, within the next two years, triple in size, if not quadruple. He has 5 full-time employees, but I know that he has about 15 contract employees for his busy season. He has contracts all over the world, and one of them is...oh, my, it's not Dutch but...anyway, he travels all over the world to actually set up these contracts. He also has contracts with, I believe, every ethanol plant in the state. So he is very good at what he does.

SENATOR CONRAD: Yeah. I've met him. He's quite impressive. I didn't realize he

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came through your program.

TIM MITTAN: Yes, he did. He actually won entrepreneur of the year last year for the...

SENATOR CONRAD: Yes, he did, from the Lincoln Chamber, yes.

TIM MITTAN: ...from the Lincoln Chamber, so. Our program is basic. It is a three-year commitment to them. They must be ready to start their business the day they come in. We believe our definition of incubation is start-up. There is the research, the development, and start-up. We do start-up. We also do not do competing firms with the university. They do technology very well; we do not. And we were given some very sound advice in the very beginning that said, if you do not start an incubator that represents what you do as an organization, you will fail. And I took that to heart when I wrote this program. So I wanted to make sure that we brought in businesses that were going to reflect us as a community college, and so we did. We require a three-year commitment. They do get an office space and it's 100 to 120 square feet. That's all they get. It can be furnished. Some of them came with offices. Gallup had some very nicely furnished offices; some were empty. And so if it's empty and that's the one they get, they have to bring in their own furniture. They get one-on-one coaching requirements. They have to meet with me at least once a quarter. Most people who come in within their first year are in my office monthly if not weekly to learn about being a business owner. We believe an entrepreneur is a person; it's not a business. They happen to start a business. We want to make sure that we coach their life. I do more marriage counseling than I do business counseling a lot of times, because they ask me if I'll tell their wife exactly what it is that they do. So we do have collaboration with support businesses. Like I said, we have accountants; we have lawyers; we have a lot of great people, NEF. All these people that are sitting in this room, I know them because we work with them. We do have our education. We do continuing education. We do workshops and degree programs right now through our continuing education. What we have found that works best is that we partner with organizations such as NEF,

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Nebraska Business Development Center to actually put on training across the state. I think the more collaboration that we have as organizations through the education the better off we are. We do have conference rooms. We do have specific education requirements for our tenants. They have to complete nine hours of education. It does not have to be college credit; it can be continuing education. I don't care whether they pay for it. I don't care whether they get it free. They can get it at a conference in California. They can get it through what we just did the other day for them specifically to learn how to put together strategies. It does not matter. They have to have nine hours of education in three years. They have tenant-to-tenant agreements. They work with each other. I believe the accounting business has all of the tax business for every single business in our incubator, and they will stay with him when they leave. Meridian Consulting has actually become an Internet service provider and they all subscribe to Internet through him and they will after he leaves. We give them networking opportunities and we do require them giving back, although because we are a nonprofit organization and we are a community college, we do not believe in becoming part owner in their business. Giving back to them means that they can donate to our scholarship fund, they can hire our students. Our accountant hires our accounting students, especially during tax season; they're contracted at the time. They can...I also tell them, jokingly but I'm also half serious, I have a big building that has a lot of wall space on it and it needs a name, and for a million dollars their name can go on it. (Laughter) So the Srivastav Enterprise Center, I can do that very easily. We have resource relationships with the Nebraska Entrepreneurship Task Force. I'll talk about that in a moment. The NBDC, the SBA, SCORE, all of these organizations we work very closely with; the University of Nebraska, not just Lincoln but Kearney and UNO; the Center for Entrepreneurship. Kathy Thornton was actually an employee at Southeast Community College. She helped me build the center and she went on to be the director of the center there. We now collaborate and do several things together. We would like to build a two plus two plus two and it's very easy with the high schools now being engaged in what's going on in education, so. And we have allies in all areas and it's actually been a very fun several years making this all work. And then, of course, we

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have several state and local organizations that we work with. We also work with national organizations as well. The Nebraska Entrepreneurship Task Force was created about six and a half years ago by then-Congressman Osborne. He came to the community colleges and asked: Could you develop a way to get entrepreneurship education out to everyone within the state of Nebraska, and could you do that through the community college system? And they said, yes. And I was chair of the Nebraska Entrepreneurship Task Force for two years, a little over two years. Southeast Community College has been at the head of the Nebraska Entrepreneurship Task Force for almost the entire time. Right now, Glennis McClure is the chair of the task force. It brings together several organizations from the Department of Ed, the university, community colleges, several service organizations throughout the state. Because of the task force, we were able to create common curriculum. We got together and decided that if we are going to offer curriculum through our degree program, we want it to be the exact same so everybody is singing the same song throughout the state. We developed it in a year. It took us a half a year to get it approved, which apparently in educational standards is pretty darn good. And we wrote it, six classes and everybody teaches the same thing. Our outcomes are supposed to be the same. They can use their own teaching styles. We have a huge...I mean, every community college in the state of Nebraska does this. We do not all offer degrees, though, not all of them. However, Metro is huge. They're going great guns with it. SCC, we're leaders in it. Central Community College is a huge support. Mid-Plains offers some of the classes but they have huge community investment and development program there. We have used the standards set forth by the consortium for the entrepreneurship education based out of Ohio. Every community college in the state of Nebraska actually belongs to the National Association of Community College and Entrepreneurship. We are...Southeast Community College is as the number one--actually if you talk to Iowa we're number two--but we are known as the number one entrepreneurship center in the country. We have been picked to be on several panels because of what we have done. A lot of it has to do with the statewide collaboration that we have done. So that's my life story in a very short amount of time. I left a lot out. There's a lot of information in your packet, and I would take any questions

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at this time.

SENATOR CONRAD: Well, Tim, thank you for a quick and full presentation of...or a starting point of the many activities that you and your organization are involved in. It's clear your passion and excitement for these issues is an asset to your work and to our communities, so thank you for that. Questions? Okay.

SENATOR PAHLS: Yeah.

SENATOR CONRAD: Senator Pahls.

SENATOR PAHLS: I'm assuming, by listening to you and you...through the statewide networking, that you work an awful lot with any of the groups that are funded by the state.

TIM MITTAN: Um-hum. Yes, sir.

SENATOR PAHLS: There's a very good relationship.

TIM MITTAN: Yes, sir.

SENATOR PAHLS: Is there much duplication or...?

TIM MITTAN: Actually, Senator, no, there is not.

SENATOR PAHLS: Okay.

TIM MITTAN: What we have...what we did when we put together NET Forces, we tried to figure out who did what best.

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SENATOR PAHLS: Okay.

TIM MITTAN: And so, therefore, that's why we partner because we want to be an asset to them. So if Nebraska Department...or NBDC puts on a workshop on business plan, the one-day business plan, there isn't...there's very few other people who do the one-day business plan, and if they do, it's probably because it's not offered in a specific area. So we actually try not to duplicate. That was the largest effort that we had because we are, as you know, a little bit state funded, we're a little bit local funded, and we are tuition-based. So that was also our charge, was no duplication of effort.

SENATOR PAHLS: Okay. Thank you.

SENATOR CONRAD: Senator Mello.

SENATOR MELLO: Thank you, Senator Conrad. And, Tim, thank you for your presentation. I've heard an awful lot about the Southeast's program and you should be commended for the work that you do.

TIM MITTAN: Thank you.

SENATOR MELLO: And this is maybe more of, I think, a general statement as we're wrapping up today's hearing. And I would include...I would include the Nebraska Enterprise Fund as well, is that part of my understanding of LB1109 and the purpose was identifying more high-growth entrepreneurship opportunities for the state. And not saying that a lot of the important work that, I think, Nebraska Enterprise Fund does and that the community college entrepreneurship programs focus on, but it was mentioned earlier that really the focus has been for those programs are lifestyle businesses or businesses that generate money locally or help recycle some of that funding locally, money within communities, within businesses, not the Googles of the world, not the Proxibids or the higher growth, technology-driven companies. So I just want to make

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sure, you know, as we all acknowledge the important work that you do, that the other community colleges do, that Nebraska Enterprise Fund does that serves purposes and roles within the bigger umbrella of entrepreneurship and economic development, but really at the end of our proposal or at the end of our hearings in this task force is really to focus on that part that is missing, it seems like right now, which is those businesses above some of the great...the Meridian Group and the Air Quality Services Group, those technology-driven companies right now that we just aren't seeing or we're having a difficult time finding funding for, research funding or other resources for those companies to succeed in Nebraska. So it was more of a statement and, once again, I'm very appreciative of the work that you do and I have heard friends in Iowa actually reference your center an awful lot. I visited the Pappajohn Center there, and it's great work and it's needed work for entrepreneurship education as well as providing those resources to people who want to start businesses. But just for our purposes, my understanding was those higher growth companies and the higher growth opportunities right now that we just aren't seeing, I guess, as much of the climate and culture in the state not being really focused on.

TIM MITTAN: And just to comment on that, if I may. And I totally understand that and we know where we are in this, we really do. We would...it would be just a shock if Google came out of our center. It would just be pure luck, dumb luck actually. But it was asked of me early on if the University of Nebraska did do the Innovation Park what would be our contribution, what we could...and it was actually phrased, what could you possibly give them. Well, you know that 70 percent failure rate that Mr. Linder was talking about? Because of what we do at the community colleges, we can actually reverse that. It has proven that through education and incubation that the rate of staying within business and at least a success rate over a ten-year period of time goes from a 70-30 to a 30-70. So, therefore, what we could possibly do, we could be doing the coaching, we can give the workshops, and, of course, we're going to provide the support businesses that are needed for those large...because as soon as you start pouring large organizations into the state, you need more lifestyle to go along with it. So

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that is the one thing. The other thing is, is unfortunately Senator Fischer did bring up, are we unfortunate to be here. I did have the opportunity to attend a venture capital conference, actually it was a funding event in Boston back in December, and that was the exact same question--why would we send a business to Nebraska? Well, I had several answers for him, because he was from New Jersey, and I had several answers for him. And I think it's how we position our state. It doesn't necessarily have to be about the tax advantages and all that, although those are very nice, those are very attractive. Sorry, we can't be political; I'm from a community college. Those are all very nice and attractive and if they were there, that would be great and I would love you all for doing that. However, if we position our state as a place where we want businesses to be and the center of the country is the best place for them to start, because it is a cost of living and you can see the night sky and you can see a sunset and there isn't much traffic--20 minutes to get home, that's not bad--that's the best way to attract some of the businesses here to make it look attractive. That's just my personal thought on that.

SENATOR CONRAD: Great. Thank you. Senator Hadley, then Senator Pahls.

SENATOR HADLEY: I just...just a couple of quick comments. One of the common threads I do see here is education. And I hope it's a seamless type of education, whether it's the Med Center, UNL, UNK, community colleges, the State College System. It seems to me that nationwide a lot of the strides in technology have been built around education systems. And so I hope that when we're done that we can look at this and say, yes, we...you know, we have a good basis in education for doing this and helping with this technology, and I think that's very important. And the last thing is, is that they always talk about a shrine in I believe it's Palo Alto, the garage that Hewlett-Packard started in. So sometimes that little Hewlett-Packard garage could turn into be a pretty good-sized firm by the time it gets all done, so...

TIM MITTAN: Well, and I'm hoping that one of them might be one of my little offices that sits up on third floor, so. I encourage anybody who has any other questions they could

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actually come and actually tour the center, too, if you would like.

SENATOR CONRAD: Oh, fantastic. Thank you. Senator Pahls.

SENATOR PAHLS: Yeah, I just have one thing.

TIM MITTAN: Sure.

SENATOR PAHLS: Because I've heard about this education. I've been told...now, this may be purely gossip but since we've been talking about education, I have been told that Metro and UNO are very well aligned.

TIM MITTAN: Yes.

SENATOR PAHLS: I've been told...and I don't put you necessarily on the spot but you...not you but this college and UNL are not aligned.

TIM MITTAN: That's not true.

SENATOR PAHLS: That's not true.

TIM MITTAN: That's not true.

SENATOR PAHLS: Okay. I just needed to know.

TIM MITTAN: Now, actually all of the community colleges are aligned with all of the university system at this point. They all sit on, at some point, on the NET Force board. They have all seen our curriculum. And, yes, we are aligned with...and it took a while, don't get me wrong, it took a while, but we now all talk. And we...they do accept our credit. They do...

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SENATOR PAHLS: They accept your...that's what I'm concerned about.

TIM MITTAN: Oh, yes, they do. Yes, they do.

SENATOR PAHLS: In other words, the Southeastern credits, without too much of a hassle, are...okay. I'm glad to know that because I've been told that it has...

TIM MITTAN: And if Metro...if the classes transfer from Metro, they transfer from every other community college.

SENATOR PAHLS: Oh, okay. That's good to know. Thank you.

TIM MITTAN: You bet.

SENATOR PAHLS: Thank you.

SENATOR HADLEY: I can say from personal experience that the university system worked closely with the community colleges to make it as seamless as possible now for students to move through the system.

TIM MITTAN: Yes. And we are listed as number one...one of the number one states in the country as far as entrepreneurship education goes.

SENATOR PAHLS: Great.

TIM MITTAN: So we are known for what we do in entrepreneurship education and it is topnotch.

SENATOR CONRAD: Great.

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SENATOR PAHLS: Just got to get a mirror.

SENATOR CONRAD: That's right. (Laugh) Thank you so much, Tim, appreciate it.

TIM MITTAN: Thank you very much for your time.

SENATOR CONRAD: Okay. I will open up the mike for additional public comment if there is any. Please feel free to come forward and let your voice be heard. In addition, while we're giving people a few moments to come up, if they so desire, I did want to point out the task force has received some additional correspondence that's been passed around this morning from the Lincoln Chamber of Commerce and Lincoln Partnership for Economic Development, some additional research that they have contracted for and have been generous enough to share with us as we move forward. And they will be here at our next meeting to address this in greater detail and along with some other data relevant to our work. So thank you. I think Bruce already left, but thanks to the Lincoln Chamber for that. With that, I would entertain a motion for adjournment.

SENATOR MELLO: So moved.

SENATOR CONRAD: Second?

SENATOR PAHLS: Second.

SENATOR CONRAD: All right. All in favor? All opposed? Thank you. Thank you, all.