

## Minutes from the CED Board of Directors Meeting

February 17, 2010

Attending: Steve Nelson, Jason Caplain, David Hood, Garheng Kong, Chris Matton, Brent Ward, Karen LeVert, Win Bear, Brian Handly, Ken Tindall, Bill Greenlee, Rich West, Anastasia Pucci, Eric Linsley, Mike Elliott, John Stewart, Michael Parkerson, Steve Wiehe, Mary Musacchia, John Fogg, Rich Brown, Rik Vandevenne, Vipin Garg, Rich Lee, Wayne Hunter (by phone), Teresa Spangler, Kent Christison, Dick Daugherty, Jack Sheffield, Joan Siefert Rose, Stephanie Austin, Bob Pickens

Excused: Dave Spitz, Susan Acker-Walsh, Ben Weinberger, Greg Owen, Greg Anglum, Dave Samuel, John Paris, Chris Lynch, Rich Lee, Ted Zoller, Brooks Malone, Merrill Mason, Tina Valdecanas, Rob Orr, Dave Rizzo, John Glushik, Joel Marcus, David Finch, Chris Kroeger

Steve Wiehe called the meeting to order at 4:30 p.m.

Joan Siefert Rose reported that registration for the Biotech Conference February 22-23 was on track to set a record, and encouraged board members who had not already done so to sign up for the conference and the joint board lunch with members of the North Carolina Biotechnology Center and NCBI. Bob Pickens highlighted upcoming seminars on Global Business, in partnership with the Department of Commerce, and Leadership, in partnership with the Center for Creative Leadership, both new programs for CED.

Stephanie Austin thanked board members for their support and reminded them of the Venture Conference in Pinehurst April 20-22, with sponsorship packages available. Joan concluded by noting that CED would conduct an all-member survey online in March, with concurrent focus groups, to determine member satisfaction with CED's program and services. She also shared the second quarter financials, which show CED at or above projections for revenue in most categories, with spending below projections. Barring any extraordinary occurrence, CED is expected to end the fiscal year in June with a small operating surplus.

Mary Musacchia, chair of the Governance Committee, said the nominations for the Board of Directors would proceed somewhat differently this year, with nominations accepted online through the end of March. She shared a copy of the nominations form with members of the board, and said that forms also would be available through the CED website. Mary encouraged current board members to consider applying for a term on the CED executive committee. The Governance Committee intends to review applications in April, with the goal of presenting a slate of candidates to the board at the May meeting. Mary said work is underway to propose a new version of the CED Bylaws, and that a complete set of proposed changes will be presented to the board before the end of this fiscal year.

Steve Nelson spoke as co-chair of the Governor's Innovation Council, and invited board members to add their suggestions to the list. Steve said the Council was created to help Governor Perdue identify some short-term and longer-term high-impact proposals that could help the state have "an unfair advantage" when it comes to growing and recruiting innovative companies. The plan involves a series of meetings

of the Council held across the state over the next couple of months, culminating in a set of actionable recommendations.

Steve said the types of ideas under consideration include the following:

- Changes in tax policy to encourage growth of existing entrepreneurial companies
- Extension of QBV tax credits, perhaps lifting the cap
- Research and Development tax credits that can be used for a wider range of goods and services
- Refundable tax credits for companies that are not yet profitable
- Simpler procedures for University tech transfer offices, similar to the Carolina Express licensing prototype
- Some new initiatives to encourage talent recruitment and retention, perhaps through business incubators and accelerators
- Programs to address capital formation and gap funding
- Collaborations to bring new resources to the state
- Changes in education that expand training and fields of study that are more responsive to industries creating the jobs of the future
- Resumption of full funding for SBIR/STTR matching funds
- Addressing the culture and priorities of current economic development policy
- Taking some tips from research on the Creative Class – recognizing the role of the arts and culture in fostering innovation

There was a discussion on the North Carolina Innovation Fund, which is an initiative of the State Treasurer's office, but which has been linked to the Governor's Innovation Council. Steve said the fund will be up to \$250 million from the state pension fund, and that details would be announced soon by the Treasurer. He said he understands that the fund will have a local administrator, and will focus on getting the best return on investment, not serve as an economic development fund.

Board members suggested researching some other locations that have put initiatives in place that North Carolina might adopt or modify, including Quebec (government incentives), Indiana (BioCrossroads), Florida (pension fund seed money). Is there a possibility of establishing a manufacturing loan fund in North Carolina?

The board discussed the need to nurture smaller companies, noting that there is a photo op for recruiting large companies, but not for growing existing firms, which ultimately create more jobs. How can we change the narrative? There was the suggestion that the Innovation Council develop some metrics so people can see the benefit of small- to medium-sized companies in their communities. This includes keeping track of jobs created by venture-backed companies over time, and perhaps using some funds to attract firms under \$200 million in revenue. Do we know how many companies are here because of tax incentives? How many more could there be if they were extended to a wider range of firms?

Board members thought it was important to assign the job of recruiting mid-cap companies to either a new, specialized team in the Department of Commerce, or some group outside Commerce, to

encourage new thinking about recruitment. Board members said the State needs more expertise in small businesses and startups. For example, there is no one point of entry for many emerging companies to learn about incentives or technical expertise for which they may be eligible, and some incentives may vary by geography. Further, there is a patchwork of state laws and regulations that impair new company formation and growth, and these should be audited and simplified. All of this makes North Carolina less competitive in supporting emerging sectors like medical devices and greentech.

There was strong support for restoring matching funds for SBIR /STTR grants through the One North Carolina Fund, expanding the loan program offered through the NC Biotechnology Center, and in establishing a mechanism by which companies in the state can connect to encourage them to do business with each other.

Board members argued for more transparency for university tech transfer offices, and an alignment of incentives to promote commercialization and company development. This will require a culture change. Could we also find a place to spin out these technologies in a less expensive manner? The state should encourage people to buy empty buildings cheap and provide incentives to turn them into business incubators.

Current tax credits work only when companies are making money, which does not describe many venture-backed companies, especially in the life sciences. People should be incentivized to make investments. One idea proposed taking a page from the cap and trade concept to curb carbon emissions – could we create a new market whereby tax incentives are available for trade to help emerging companies? This may lead to a cash infusion for companies that are facing a funding gap at critical moments of growth. For example, companies facing a net operating loss could enter the market to trade write-offs in exchange for cash that otherwise would be hard to raise.

Board members said it's time to rally behind a consistent message: We are missing opportunities because we don't focus on small business. North Carolina has policies that other states have adopted, but North Carolina has not executed them as well as the competition. There is a need to sell these ideas to the General Assembly, and find ways of measuring success when it may take years to fully realize the impact of investment.

Steve thanked the group for its input. The meeting adjourned at 5:30 p.m.