Increasing Fundable Deals

Breakout Group D.

September 22, 2010

Growing More (and more savvy) Entrepreneurs

1. 38% of venture capital comes from Midwest, but only 4% stays here. Need better ways to network.
2. University Tech Transfer offices suffer from too few entrepreneurs.
3. Would be helpful to do education and training across state lines, so that serial entrepreneurs can find the next opportunity even if it happens to be in another state.

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1. Need an Internet-based tool through which investors and entrepreneurs can hook up (see Jump Start as an example). Have received a couple million to build out “www.ideacrossing.org” Will have private work spaces where entrepreneurs can manage all their information. Can seek feedback from just a few stakeholders or LOTS of stakeholders (this is a FREE service). The targeted user is the entrepreneur, but free to anyone.
2. This can be tailored to any state’s priorities (e.g., MO could highlight only MO resources/companies).
3. Coming out in January 2011.
4. Next Energy has a similar portal for the energy space. This tool is under-used because there are not a lot of entrepreneurs in this space.
5. Need to engage the region’s Fortune 500 to ID what the market needs are. Need to make sure that “fundable deals” have a real market waiting for them.

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- Proximity to industry/customers is important to access to capital. This is more important than when seeking VC.
- CHALLENGE: It feels like we may be coming up with a lot of new tools and strategies for encouraging more entrepreneurs, when what's really needed is a policy framework that creates the needed market pull.
- Need technical assistance beyond just people, time and money.
- Building entrepreneurs from scratch and hoping they will transform the region's energy system is the ultimate long-shot. What they LACK is access to capital.

How to get higher “quality” fundable deals?

1. Access to capital is the single biggest issue to be resolved.
   a) The cost to access what’s there is very high. Too complicated. Too time-consuming.
   b) It’s not a lack of fundable deals, what’s missing is capital.
2. Capital is often leaving the Midwest because it can fetch a better price for the resulting energy someplace else.
3. People need to be willing to spend a bit more for energy if they want to stimulate industry here, with the promise of lower and more stable energy prices longer-term.
4. This whole challenges comes back to profitability and cash-flow.
5. Tax credits aren’t enough because you don’t know if it’s going to be there in the future or not.

How to get higher “quality” fundable deals?

1. There is a huge disconnect between investors (who think there is plenty of deal FLOW), and economic developers (who see hardly any deals being DONE).
2. Is our goal to help new governors see the precise next steps they need to take, or help them understand the fundamental need and benefits of putting in place a policy framework that helps create a stable market?
3. Many Midwestern states are exporting large sums of money for energy (IA, MI, MN, etc.). Would be huge multiplier impact of keeping this money circulating regionally.

If you could get new governors to do three things to improve investment env., what would they be?

1. Simplify the process for accessing state-funded capital across the region (too many programs, too complicated, too many hoops).
2. Strong and unified low-carbon energy policy across the region— these technologies/projects are taking off in CA because they have a strong and unified policy(ies) in place.
3. Continue support for efforts like Third Frontier in OH (duplicate in other states).

If you could get new governors to do three things to improve investment env., what would they be?

1. Start with smaller, easier steps (e.g., seize opportunities to solve multiple problems– ag. waste).
2. Continuing investment tax credits and their cash equivalents and R&D credits (PTC and ITC). Governors should advocate for extending them.
3. Governors need to focus more on WEALTH and other economic metrics rather than JOBS creation per se, since jobs are a longer-term result.
4. Need to be MUCH clearer in the next draft of the Investment Platform WHY move in this direction. What are the benefits? What's in it for consumers?
5. Should establish mandatory energy efficiency. Costs SO much more to do this with a voluntary approach. A bit more pain (via regulation) in the short run would save more money long term because rate-payers would not have to help fund all the promotional efforts around trying to change people's behavior.