CONFERENCE CALL WITH SBA

Moderator: Chris Chan
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Hayley Matz: ...for joining the call. This is Hayley Matz from SBA. This is the Innovative Economies Cluster call. And I want to first turn this over to SBA's Administrator, Karen Mills who will talk about this exciting initiative that we're announcing today.

And then we also have some of the winners on the call as well who will be able to speak. And anyone who is on - from an area that is represented at - with an award winner but your person's not on the call, if you contact me after the call I can put you in touch with them around the country.

So with that, I'll turn this over to Karen.

Karen Mills: Thanks very much, Hayley, and thanks to all of you for being on this call today. Today SBA is launching something that I am personally extraordinarily excited about. It is our new Innovative Economies Pilot Initiative, and it supports a regional growth strategy known as clustering.

I hope some of you on the call have been hearing about clustering as things have been moving along in the clustering world and perhaps many of you

have - hang on just one second. I need to get my final things back on the computer here.

Many of you have been able to have been involved with clusters beforehand. But let me just take a second to say what clusters are. Clusters, before I get to the list which is I know what you all are excited to talk about, let me step back and talk about clusters which are - when - happen when a small core of small businesses team up with local researchers, the public sector, workforce development experts, economic development organizations and others in their regions.

And the cluster is focused on the local strengths and assets in a particular industry and field. What happens with small businesses and at the SBA, our focus is really, you know, as you know on giving small businesses the tools they need to grow and compete. And sometimes small businesses are small. And they get a lot of force, market force, by clustering together. They get the economies of really being much larger organizations.

And these clusters of small businesses and their affiliates which are these universities and economic development entities and other players give the region a strong competitive edge to compete in this particular industry sector that they have clustered in on a global scale.

So one of the foundation stones for our ability to help small businesses grow and create good paying jobs is this cluster format. We know that small businesses are a critical part of growth. And - I'm sorry, I'm just going to have to ask you to hang on one more minute. I'm having slight computer problems and we'll be able to get our list back in front of me because now we’re getting to the list.

Great. I'll give you one example before we get to the list of what I mean by these clusters from my own personal experience. Several years ago there was a base closure near where I live in Maine. The Brunswick Naval Air Station went on the space closure list. And it was clear that we were going to have to do something to create some jobs in this area.

And one of the things that we're able to do was look around and see what industry had the potential to create these jobs. Maine has been building boats for about 400 years. And in the University of Maine there was a cluster around the Composite Technology Center which had developed some new technology which made faster, stronger hulls for boats that was being used by small businesses.

And we were able to create a cluster around these boat builders that created enormous economic vitality around this composites and boat building sector. With that lesson, I was very pleased to be able to - when I came to the Small Business Administration - work with the rest of the administration on different kinds of clustering ideas.

We, at the SBA, are talking today about one of these pilots. The SBA is a natural place to have clusters happen because we already have an extensive network all around these regional economies of staff, counselors and other parties. And we know the small business community very well.

So we put out a call in July for proposals in two areas. One is focused on broad industry clusters in general and the other is focused on clusters that are related to Defense Department technologies and applications.

We wanted to know where clusters were already beginning to form and wanted them to come to us and present their best ideas so that we could make

strategic investments that were going to help take these clusters to the next level.

I have to say that the results have been way beyond our expectations. By the deadline last month, we had 173 applications. And they were very, very strong, diverse applications. Some came from rural areas, some from urban. Some clusters had been formed decades ago and grown. Some are relatively new.

They involve high-growth small firms in a whole variety of industries -- clean energy, robotics, food security. And we looked when we were assessing these at a number of important elements in the proposals.

First, what was the potential for commercialization? Second, how is the cluster going to measure job creation? Will the cluster fill an existing gap in a supply chain? And overall, how will the region grow and thrive because of this cluster, because as I've said earlier, our goal is to foster an environment where small high-growth firms can flourish and do what they do best, which is drive innovation, commercialize important innovation that's been created in other research universities, keep the area competitive and thereby create lots of good jobs for the working families in that community.

So today I'm pleased to announce that we are able to support ten clusters. Each will receive up to about $600,000 each, which is our maximum in this pilot. And the awardees in the clusters -- and I believe these have been distributed, but I'm going to read them because this is the official announcement -- the Illinois Institute of Technology in Chicago for the Illinois Smart Grid Regional Innovation Cluster; the Six County Employment Alliance in Escanaba, Michigan - I think I got that wrong - for the Upper Michigan Green Aviation Coalition; the Magnolia Business Alliance in Bay

Saint Louis, Mississippi for the Enterprise for Innovative Geospatial Solutions Along the Gulf Coast States - and I believe we have Craig from that Magnolia Business Alliance is going to talk to you in a minute - Barich Business Services in Santa Cruz, California for an agriculture-related cluster called Project 17; South Carolina Council on Competitiveness in Columbia for the Carolinas Nuclear Cluster in both of the Carolinas, the NorTech FlexMatters in Cleveland, Ohio for the Northeast Ohio Technology Coalition, and Rebecca I think from NorTech is going to be speaking to you in a second; the Connecticut Center for Advanced Technology in East Hartford for the Connecticut Hydrogen-Fuel Cell Coalition, and that covers a number of New England states -- Connecticut, New York, Massachusetts, Maine, Vermont, New Hampshire and Rhode Island.

And as an aside - and so those are the seven that are the regional innovation clusters. Total of all of our clusters, I believe we touch multiple states, so we are touching about 20 states with our ten awards.

The three advanced technology cluster awards where we are awarding for the clusters that are going to help in industries where our Defense Department is extremely interested in small businesses, helping them with new technologies: The first is the San Diego State Research Foundation for the San Diego Advanced Defense Cluster. The second is the Von Braun Center for Science and Innovation in Huntsville, Alabama for their advanced defense technology cluster. And the third is the Minnesota Wire in St. Paul for the Defense Alliance of Minnesota.

So I'm joined by two awardees, as I mentioned, who are going to talk a little bit about their cluster and have this come alive for you. First we’re going to talk about - we’re going to hear from Rebecca Bagley from NorTech FlexMatters and the Northeast Ohio Technology Coalition.

They are working with flexible electronics which are very exciting new innovations starting to take off now in terms of commercialization. Flexible electronics are electronic devices which are printed on flexible materials. And I said - we were talking about what they might be and somebody said ski goggles are an example. So you may hear about that. But they're usually lightweight and rugged and non-toxic and energy efficient.

And second we have Craig Harvey from Magnolia Business Alliance and the Enterprise for Innovative Geospatial Solutions Along the Gulf Coast. This is a very exciting area. It's one of 14 high-growth industries that have been identified by the Department of Labor. And they're combining GPS technology with GIS, Geographical Information Systems. They've nicknamed themselves the Silicon Valley of Geospatial Technology.

So with that I'm going to turn I'm going to turn it over to these awardees who can tell us how they planned to use these funds to help grow their clusters including the small businesses that are really a critical part of them.

Rebecca Bagley: Thank you, Administrator Mills. This is Rebecca Bagley. I'm the President and CEO of NorTech. NorTech is a regional non-profit technology-based economic development organization. We serve 21 counties in Northeast Ohio so just to acclimate people, it's Cleveland, Akron, Youngstown sort of region. And, you know, again 21 counties of that.

We serve as a catalyst for growing emerging technology industries in Northeast Ohio. And we've been leading efforts to develop regional innovation clusters basically that create jobs, attract capital and have long-term, positive impact on the economy.

NorTech's been around since 1999 and we've served many different clusters or enabling the aspects to make sure that those clusters thrive. Sometimes it's early stage capital, sometimes it's other aspects of that. Right now we're focused on advanced energy and flexible electronics because our most important thing for Great Lakes states really and especially in our 21-county region is making sure that we're diversifying the economy while we're leaning on our inherent assets of large industry base and on manufacturing base.

So basically we work in the clusters as Administrator Mills pointed out which basically is small companies, large companies, universities, certainly private and public funding mechanisms.

For the - specifically for the FlexMatters cluster, this funding could not have come at a more opportune time. As the Administrator mentioned, they really wanted to make strategic investments to be able to take this to the next level and that's exactly where we were at.

This cluster, we formed and branded it in 2006. It's been much - there's been a lot of activity around the research aspects of the cluster. So we had the Liquid Crystal Display Center at Kent State University who invented the first digital wristwatch, the evolution of the LCD screen, and others in that technology. We had both Case and University of Akron who had strong polymers expertise.

So we were able to bring together a lot of research expertise in this area. And now we have some spinout companies, just to name a few, Akron Polymer Systems, AlphaMicron and Kent Displays.

We also have some larger mature companies who are really either transitioning into manufacturing within these areas or as a user such as GE Lighting, American Greetings, Graph Tech. So we really have all of the elements coming together to be able to commercialize products and create jobs in this sector.

And again, just to highlight, we formed in 2006. So these things do take time. They take continued investment and focus. One of the advantages is that the state has a program called Ohio Third Frontier and they've invested $40 million since inception in flexible electronics activities to try to commercialize technologies in those areas. And obviously, we've come to a point now with a pipeline of technologies where that's really becoming successful.

So about six months ago, we pulled the cluster back together again in a very formal way to start what we are calling a road mapping process. So what's the global market opportunity now in this sector as we sit here in 2010? What are the assets that we now have considering the commercialization pipeline as well as the research assets? And then what are the - what's our vision for what we can be in that global market opportunity and what are the steps to get there?

So as we were putting this roadmap together was the same time as this solicitation was coming out. And we realized there was a perfect intersection that could really help the small businesses within their cluster leverage opportunities into larger companies to help create products and grow their businesses faster with an accelerated rate.

So that is basically what our funding will go to, is creating these partnerships, commercialization partnerships, amongst cluster members. So what is a problem or an opportunity to commercialize the technology and then making

sure that the cluster as a whole can react and help those small businesses with that opportunity - to accelerate that opportunity.

So we look forward to a strong partnership with the SBA as we move forward to create jobs within our small businesses in Northeast Ohio and also to leverage the network that they've created across the country to be able to building further in our FlexMatters cluster.

((Crosstalk))

Hayley Matz: Thank you...

Rebecca Bagley: I think I'm now turning it over to Craig? Yes.

Craig Harvey: Hi. This is Craig Harvey with Magnolia Business Alliance and it’s a great pleasure to be able to speak today. We represent the project for innovative - Enterprise for Innovative Geospatial Solutions. We represent a geospatial technology cluster.

Geospatial technology might sound very complicated but actually it’s involved in everyday life for virtually every citizen in the country. Common points of reference are 911 systems. It’s the system that powers the GPS in your car or your cell phone.

Other important services include defense intelligence and business services and environmental impact studies, precision agriculture and emergency management, just to name a few.

The Enterprise for Innovative Geospatial Solutions is located on the Gulf Coast. It spans parts of Mississippi, Louisiana, and our regional impact is from West Florida to East Texas along the Gulf of Mexico.

The cluster was initially funded from a grant through NASA and a partnership with the state of Mississippi. Over the - in 1998, and since that time, without being exact, I think the number's about $15 million of Federal and state money have gone in.

What's a little unique about this particular industry is prior to that time there was no geospatial industry in Mississippi. It was the foresight of NASA and the state of Mississippi to try to create an industry here in Mississippi that basically and, quite frankly, wasn't cotton-related or tourism- or Gulf fisheries-related. High tech and South Mississippi really didn't go hand-in-hand prior to that time.

It's been a stunning success. Just this year we grew to become self-sustaining in private sector-led, the state of Mississippi who had previously managed a cluster through the University of Mississippi transitioned it. And it's 30 member companies representing nearly 1000 jobs to Magnolia Business Alliance which is an alliance of small businesses.

So think about that, small businesses running the cluster. We think we have a unique perspective with what small- and medium-sized businesses use. And we think we have the ear of small- and medium-sized businesses.

This industry couldn't grow without collaborations. And we excel as an industry cluster by combining sensors, electronics, modeling, simulation, computers, high tech manufacturing, remote autonomous activity, earth science, along with other advanced fields of research.

Fields of research, geospatial technologies, as Administrator Mills alluded to, is recognized by the Department of Labor as one of the top growth industries in the country.

At EIGS we bring together researchers and companies in the government working together for workforce development, research commercialization, the rapid and high tech start-up of businesses, workforce development through industry and higher education feedback loops, public research and private industry collaboration for faster commercialization which equals more jobs, rapid start-up of new high tech companies to outpace a known statistical failure rate of new businesses and to reach economic development targets.

The side effect to that approach is the failure rate is ultimately reduced through identification of successful businesses, business models and effective assistance.

At the real - and really the highlights, the edge that a cluster creates through competition and collaboration, we strengthen our teams in our individual companies. Our companies are national and worldwide leaders in this high-growth industry.

The high tech job that we believe we - will keep America competitive, nationally and internationally. The average salaries of our EIGS cluster members are 30% higher than our region. In the past 14 months alone, a member company, NVision Solutions, added more than 35 new high tech jobs. And their growth is fairly representative of our cluster in our region wide.

America is still a leader in innovation. And it's our strength. And we must embrace that while America is behind, you know, in manufacturing traditional widgets cheaply, we're the most likely nation to invent and commercialize the next I-widget.

Our cluster products, if you will, include hyper-spectral surveillance systems that are used in both the medical industry and for food security. Systems like precision agriculture software that reduce the environmental impact of farming. Basically that's farming by the square foot using only chemicals where they're needed and when they're needed.

Emergency management systems for first responders, that's an important one in our region. The region, that is specifically designed as EIGS, is impacted annually by natural disasters and currently suffering a manmade disaster. We're quite expert at being emergency managers.

Sports stadium safety and security systems, the new DHS soft target, we have high levels of expertise in that realm. Dispense intelligence products that affect the frontline war fighters on a daily basis, advanced weather modeling and simulation products and utility corridor management and products for efficiency, again, are green type initiatives.

While these technologies all seem wildly different, they're all anchored through the geospatial technology and geospatial industry. Many of these particular products have numerous companies that collaborate on them. That's not to leave out the part that makes us strong. And that's the competition within a cluster.

You know, we borrow and even steal each other's employees from time to time, but that's what makes us better as individual companies. We have a number of EIGS...

((Crosstalk))

Karen Mills: Thank you Craig. Oh, I'm sorry, Craig. I didn't mean to cut you off but I know that there are several reporters waiting to ask questions.

Craig Harvey: Okay. I have one brief statement then. We have a number of stakeholders that we have - that are in our region. The NASA (Stena) Space Center is host to 20 Federal agencies for research, environmental monitoring and defense. The Gulf Coast is focusing on technology every day.

Technology is a sustainable business model requiring only one unlimited natural resource -- that's intellectual capital. The regional education system depends on EIGS to keep our brightest graduates in our region.

Magnolia Business Alliance applauds the SBA for its recognition of industry clusters for their important role in economic growth. Typically, government programs are top-down. This program provides a somewhat unique strategy by the US government, specifically by SBA, to exploit grassroots efforts and empower small- or medium-sized businesses to maximize your economic impact.

And I just wanted to thank the SBA for its expedience in making these awards.

Karen Mills: Well, thank you, Craig. And I have to say I'm sure everybody listening has, you know, got the idea that not only are these two, have extraordinary number

of exciting companies affiliated with them but, you know, we've got eight others that aren't even on the call.

We're very excited about these ten clusters. We are actually only a part of a much larger administration-wide effort in clustering which we can talk about at some point. We're going to learn from this pilot. We're going to build on it and we're going to continue to try to do what Craig just said, which is do public-private partnerships, and use taxpayers' money in a pretty efficient way. We're doing $600,000 in these grants. But they're building on huge amounts of private sector contributions, educational institutions, not-for-profits, and state monies that have already gone into these. And we are, we hope, a catalyst that can drive these clusters to the next level.

So thank you very much for joining us and we're happy to take some of your questions.

Operator: Thank you. Ladies and gentlemen, we'll now proceed to the question and answer session. If you would like to register for a question, please feel free to press the 1 followed by the 4 on your touch-tone phone. You'll hear a three-tone prompt to acknowledge your request.

If your question has been answered and you'd like to withdraw your registration, press the 1 followed by the 3. We'd like to ask that if possible to please lift your handset before entering your request.

Ladies and gentlemen, your questions and comments are highly valued, so feel free to press the 1 followed by the 4 now. And our first question comes from the line of Tanya Mannes from San Diego Union Tribune. Please proceed with your question.

Tanya Mannes: Hi. This is Tanya Mannes.

Karen Mills: Hi.

Tanya Mannes: I have a question about the cluster that San Diego is a part of. Could you tell me a little bit more about what it means to be a part of this cluster? I believe it's the Defense Department technologies and applications.

Karen Mills: Right. And I've got Christine Koronides here on the line with us who may want to talk a little bit about this one.

Christine Koronides: Sure. So as we've discussed, we had three clusters that focused specifically on advanced defense technology and we're looking to combine our efforts with the Department of Defense to really focus on growing technologies and businesses in those areas that are of strategic importance to our Defense Department.

The awardee in San Diego is the San Diego Advanced Defense Technology cluster. And they focus on autonomous systems and cyber security and other defense technologies. They've been a cluster since 1999 and they worked across California, mostly in the San Diego area. And we'd be happy to, as Hayley mentioned earlier, put you in touch with the contacts from the San Diego cluster so you can talk directly to them.

Tanya Mannes: That would be great. Thank you. Just one other question about them and all the other clusters. The approximately $600,000 for each cluster, is that money that has to be paid back?

Christine Koronides: No. No. These are contract awards.

Karen Mills: No. These are grants. Yes.

Christine Koronides: They're contract awards that we've made with the cluster area.

Tanya Mannes: Got it. Thank you.

Operator: And thank you for your question. Our next question comes from the line of Budd McLaughlin from the Huntsville Times. Please proceed with your question.

Budd McLaughlin: I'm calling in regard to obviously the Huntsville cluster. What part of...

((Crosstalk))

Karen Mills: Congratulations to that - cluster.

Budd McLaughlin: Part. Pardon.

Karen Mills: Congratulations...

Budd McLaughlin: And it just is - were there anything standing out among the three that - of - that received the ATD awards over any other nominations or applications?

Karen Mills: Christine, you might go ahead and answer that.

Budd McLaughlin: Think you can answer that?

Christine Koronides: Sure. Well, I think as we mentioned earlier, we were really looking for clusters that across the broader technology clusters and the defense technology clusters, we were looking for some of the same things.

Budd McLaughlin: Uh-huh.

Christine Koronides: We were looking for folks who were able to measure their job creation, who were focused on accelerating commercialization, and who kind of knew and wanted to fill in gaps in their supply chains to really develop small businesses in their critical areas. So that rung true for defense as well.

Budd McLaughlin: Okay. So the key I guess is...

((Crosstalk))

Karen Mills: And if those...

Budd McLaughlin: The key is to go right to commercialization then, as quickly as possible.

((Crosstalk))

Christine Koronides: To accelerate. I think the key...

Karen Mills: Actually I think - formation - yes. The key is to - is what kind of impact these investments could have in a regional economy...

Budd McLaughlin: Okay.

Karen Mills: ...and particularly in the small businesses in the regional economy and particularly in the things we're trying to do which is create jobs. So one of the ways...

Budd McLaughlin: Right.

Karen Mills: ...is to take great technologies and commercialize them. But there are many, many different other components too.

Budd McLaughlin: Yes. Okay. Thank you.

Operator: Perfect. Thank you for your question, Mr. McLaughlin. Continuing on, our next question comes from the line of Darrell Hughes from Dow Jones. Please proceed with your question.

Darrell Hughes: Hi. Thanks, SBA Administrator Karen Mills. A couple questions, one, I've been told that the awards are actually considered contracts as opposed to grants, and I heard you say grants a couple times. So I want to make sure that this is considered a contract in the sense that they could be re - the funds could be renewed on an annual basis.

And my second question is have the funds been doled out or are they just committed at this point?

Karen Mills: I - well my apologies. It's I who am misspeaking on this so I'm going to let Christine clarify because there is particular language around this and particular facts. Christine, do you want to explain?

Christine Koronides: Sure. Yes, these are contracts. They have mostly been awarded and any ones that weren't will be officially done today or in the very near future. We're just doing back and forth on forms. But most of them have gone out and we can update you on the status of that if you're looking for...

Darrell Hughes: Okay.

Christine Koronides: ...technicalities. As far as moving forward on an annual basis, each of these contracts was allowed with an option year. And we will be, you know, that will depend on funding we got for the program in future years.

Darrell Hughes: Okay. And just to get a - have a clear example of how the funds could be used, the various entities could spend money to pay for, let's say, consultant services that will help a particular company fees on whatever market activity? Is that a good example of how the funds could be used as opposed to just saying they could use it to like market it what they're doing?

Christine Koronides: Yes. The funds can be used, and these awardees will have some great examples of what they're doing with the funds. So I'd encourage you to contact Hayley and follow up with one or two of them. But in general, we were looking for partners who were going to use funds to counsel and train small businesses around start-up and commercialization activities and help them fill in any gaps they had with, you know, if it's patent acquisition in some areas, if it's exporting counseling.

It depends from cluster to cluster on what the needs...

Darrell Hughes: Okay.

Christine Koronides: ...of the small business...

Darrell Hughes: Got you.

Christine Koronides: ...community was. Okay.

Darrell Hughes: Okay.

Christine Koronides: Thanks.

Darrell Hughes: Thanks.

Operator: Thank you for your question. Our next question comes from the line of Marcia Pledger from the Plain Dealer. Please proceed with your question.

Marcia Pledger: Hi. This is Marcia Pledger. Actually he just answered one question. If you could expound, Rebecca, on how the money's going to be used in this area in Northeast Ohio?

Rebecca Bagley: Yes. Hi, it's Rebecca. How are you?

Marcia Pledger: Great.

Rebecca Bagley: So the main area of focus for our application and then the spending of our money is around these commercialization projects. So the idea is to have the partners within our cluster characterize, you know, in a very specific way, what their strengths are, and then that way we can be able to market those strengths here to companies who have problems in the flexible electronic space, or even nationally, and really become known as the national hub for solving problems and adding value in the flexible electronics space, you know, hence obviously creating jobs here.

So characterizing - some of the funding will be used to characterize with our partners what the capabilities are, and then some of the funds will be used to market those capabilities both in-region and out-of-region to make sure that we have problems basically that need solutions.

And then the third aspect is to bring together the groups that will be able to solve those problems and actually execute those problems, do manufacturing. You know, some of the examples are, you know, you have one technology hurdle left and a new product to be able to commercialize that. So that group could help to solve that.

Another example would be, you have a flaw in your manufacturing process that needs solved. So it's things like that. And so it's that process and going through and getting the detail behind that process that this money will be used for.

Marcia Pledger: Thank you.

Operator: Thank you. And once again, ladies and gentlemen, if you would like to register for the question, please press the 1 followed by the 4 on your touch-tone phone. If your question has been answered and you would like to withdraw your registration, press the 1 followed by the 3.

Ladies and gentlemen, please press the 1 followed by the 4 for the media outlets to register for a question.

There appears to be no further questions from our media outlets. I'll turn the conference back to our moderator. Thank you.

Hayley Matz: Thank you, everyone for participating. This has been a very productive call. And please follow - this is Hayley Matz with the SBA. Please follow up with me if you'd like to be put in touch with a cluster in your area. Thank you.

Woman: Thank you.

((Crosstalk))

Operator: Perfect. Ladies and gentlemen, that does conclude the conference call for today. We thank you all for your participation and ask that you please disconnect. Thank you once again. Have a wonderful day.

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