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It is a great honor to be asked to speak before this group, which contains so many fellow travelers on the road that leads to shared wealth and sustainable growth. While that road is often hard--and we sometimes get weary--it is the only road worth taking.

First I'd like to say...How cool is it to be in Palm Springs right smack dab in the middle of its film festival? Pretty cool, if you ask me. I have never been here...and as high winds and white out condition hit the upper Midwest, I say...thank you...thank you so much for having me here

Second, I want to recognize the great Dinah Adkins, who has fought the good fight on behalf of the NBIA through the years...we've got something in common...and that is, the town of Athens, Ohio...that mecca of venture capital and economic development...I kid you not...there's something in the water in Athens...Dinah...the guy who runs the SSTI, the guy who runs the National Council...This may not seem all that remarkable to you...but then you may never have spent time in Athens, Ohio.

There's a Chinese curse that goes, may you live interesting times. Well, I guess we are cursed. We live in interesting times, where the flip side of every threat is an opportunity.

I'm here to tell you that this meltdown just may be the best thing that ever happened to seed and early stage investing, or technology-based economic development, or whatever you want to call the stuff that most of the people in this room work on day in and day out.

Because all of you are about to be moved from the back of the bus to the front row. Have you ever been to a sporting event where some guy and his family, seated in the nosebleed row of the stadium, is moved from those seats to the best seats in the house, thanks to Domino's Pizza or Pepsi or some stadium advertiser. It's one of my favorite in-game attention-grabbers. I like it better than those car races or hotdog races. But I digress.

Those of us who are business builders are about to be brought front and center into a national debate over what constitutes honest capitalism, how to best promote genuine entrepreneurship, how to reconnect hard work, achievement, and accountability in this great country of ours.

I don't think I've ever quoted a French President before. Especially not one who is married to a supermodel. But I think Nicolas Sarkozy got it right the other day when he said that the current "financial crisis is not a crisis of capitalism. It is the crisis of a system that has distanced itself from the most fundamental values of capitalism."

Let me repeat that..."it is the crisis of a system that has distanced itself from the most fundamental values of capitalism."

I think that this is exactly right. Somehow along the way, we became a subprime nation. No money down. Push the bills out into the future. We became a subprime nation when it comes to housing, of this we are now certain; but we've also become a subprime nation when it comes to energy, when it comes to the way we feed ourselves, even or especially, when it comes to our politics.

And it is time that we get reconnected to the fundamental values of capitalism and small d , democracy.

I was reading the editorial page of The Wall Street Journal the other day—yes, that's right, not The Huffington Post, The Wall Street Journal, and came across a rather remarkable piece written by an economist named Judy Shelton. I do not know Judy Shelton from a hole in the ground. I can't tell you a thing about her politics. But I thought it was a pretty remarkable piece.

Professor Shelton issues a ringing appeal for honest capitalism. She lambastes the exotic financial derivatives that, in her words, “gamble on the anomalies of the global economy—currency movements, interest-rate disparities, governance incongruities, which mock the very concept of investment...which is to generate higher returns in the future from production.”

We need an economy she says, that accords primacy to the entrepreneurs...the true heroes of capitalism...folks who have the courage to start a business from scratch, the fidelity to pay their taxes, and the dedication to provide real goods and services to their fellow men.

Ladies and gentlemen, that's where we live, isn't it??

Let me tell you how I made the journey from politics to the world of venture capital. I grew up in southeastern Ohio, Appalachian Ohio, specifically Athens, Ohio; the son of a geography professor and a piano teacher...we were not poor, far from it, but I would have had to have been deaf, dumb, and blind to grow up where I grew up and not be aware of the economic challenges that confront the folks who live in those hills.

They are hardworking people, so different from the hillbilly image, lazy folks fueled by moonshine. In reality, they have done way more than their fair share of building up this country.

First it was the iron industry. The people of the Appalachian foothills cut down every tree they could to fuel the furnaces that made the iron that gave the North the edge in the Civil War. Some people got rich, the nation prospered, and mansions were built in cities like Pittsburgh. But the people of southeastern Ohio didn't get a slice of the pie.

Then it was coal's turn. No people on the face of the earth worked harder, under more difficult conditions, sacrificing their health and all too often their lives, to mine the coal that fueled the economic development of our nation. Again, some people got rich. The

nation prospered. Mansions were built. But the people of southeastern Ohio didn't get a slice of the pie.

Now Walmarts and sometimes prisons are sprinkled throughout the landscape. Wealth is created, but not shared. Wealth is created, but it is not sustained and is not sustainable...as in the case of coal and iron, which contained the seeds of their own ultimate demise.

And so I considered this and concluded that the only way to break out of this cycle of poverty and dependency is to rely on ourselves—our very own selves—our own drive, talent, business ideas—and do what we could to create a new regional mindset that contemplated the possibilities of entrepreneurship.

So with Ohio University as our lead investor and limited partners that include National City, Fifth Third, Huntington, AEP, WesBanco, BB&T, Key Bank, and the State of West Virginia, we raised a \$35 million fund...a number that includes over \$7 million for operational assistance for companies in the region.

And since there are relatively few Bain Capital offices or McKinsey offices in SE Ohio...OK, there are none...

The Voinovich School at Ohio University created an organization (the Appalachian Regional Entrepreneurship Initiative) that could and would provide that operational assistance to regional startups, a few that we invested in, many more that grew and thrived without the benefit of a venture investment. The leader of that effort, Kevin Aspergren, is in the crowd, along with several of his colleagues.

From those beginnings, the Voinovich School was recently awarded a \$15 million grant to further promote the building of entrepreneurial capacity in Appalachian Ohio—a grant that will support even more operational assistance, a seed fund, based in Athens called TechGrowth, and will likely lead to the creation of a regional angel network.

Folks, this is Appalachian Ohio!! We've got an early stage fund, a seed fund, a university-based operational assistance consulting company, folks ready to join angel networks...we at Adena Ventures are an investor in a textbook distribution company that has gone from \$0 to \$50 million in revenue and is now the third largest employer in Nelsonville, Ohio. We are an investor in a retail furniture company that has stores throughout the Ohio River Valley, ground zero of the mortgage meltdown, but succeeding nonetheless, and looking to grow through acquisitions. I could go through our entire portfolio, but I will spare you. But it's our little miracle.

We are going to make money and we are going to make money with a fund in which every single portfolio company is located in a low-income census tract.

Just last month, Credit Suisse cosponsored a gathering at the Voinovich School next week highlighting the many green energy startups that have sprung up in the Appalachian

area. Way down at the most southern tip of Ohio, Shawnee State hosts an annual conference showcasing employment opportunities in the video game industry that attracts hundreds. Hocking College has just launched an alternative energy school to train the green collar workforce of the future. Folks, this is Appalachian Ohio.

Ladies and Gentlemen, this is also hard work!! I'm not complaining. This is rewarding work. No one is getting rich off this...yet. God willing a few of our portfolio company founders will.

But here's my point. This stuff deserves to be lifted up. This story deserves to be told. And so I'm telling you. We are doing this the old fashioned way. Hands on work with actual companies and owners. Real connections with real people. Blood, sweat, and tears go into every investment we do. So different from what our economy has been telling us we ought to be doing, if all we cared about were monetary rewards.

I'm new to all this, right? So here are some observations. There's no easy money in what we do. This whole venture investing thing takes a long time to generate any returns. And, since our fund is relatively small, we don't always have the necessary bandwidth to protect our ownership stake through subsequent rounds of financing. We fight and struggle to maintain our position. But it's no day on the beach. No easy pickings, no huge paydays. A lot of psychic income, knowing that we're doing the right thing, making a difference each and every day.

I watch, sometimes jealously, the machinations of others. The explosion of hedge funds, the mega funds, the LBO funds, the growth of structured finance, the trading of securities, the fees that are paid. The fancy cars that get bought. The unbelievable vacations that are taken. And, even before the meltdown, I wondered about the fairness of it all, let alone the wisdom of it all

Because let's face it, the past decade or so has not been overly kind to seed stage or startup investing...or at least not by contrast to what's been going on in the world of private equity investing across the board. All venture related investing represented just over ten percent of all private equity investment last year, according to Dow Jones. By contrast, LBO funds were responsible for 75% of the total—and the top twelve funds were responsible for a full 28% of private equity commitments in the United States last year.

Then even within that 10 percent slice invested by venture funds, the share of dollars committed to seed stage businesses dropped from 16% to roughly 4% between 1995 and 2007. The share of dollars invested in later stage opportunities rose from 16% to 41%. Now, angel investors are making up some of that gap, but the bottom line is that the explosion of institutional private equity capital in the United States over the past decade has completely bypassed seed stage and, for that matter, early stage investing.

At the same time, Congress and the U.S. Small Business Administration have brought an end to the SBIC participating securities program, not to mention the New Markets

Venture Capital Company program that was central to our own development. This just doesn't make sense.

I'm sure that there are some LBO funds that create value in our society, slicing and dicing companies, packaging them for resale. But let's face it, the work they do is fundamentally different from the work we do each and every day. And the work we do has a lot more to do with America's standing in the world economy. So we've got a real disconnect at work here.

After all, it's risk taking; it's innovation—more than any other factor—that represents America's competitive advantage internationally. We're not the cheapest place to do business—and we don't want to be; it's not our education system or our system of health care that is the envy of the world; no, it's our entrepreneurial capacity, our capacity to innovate, and our ability to bring new products and new companies to the market that give us an edge.

Moreover, this funding gap represents such a disconnect from the way we view ourselves. The true hero in the American story is the entrepreneur. Just look at a recent poll commissioned by the Kaufmann Foundation in the midst of the economic meltdown: when asked “who do you have more faith and confidence in to guide the U.S. economy,”

56% said “the owner of a successful small business”

14% said “the CEO of a successful Fortune 500 company”

14% said “a Member of Congress.”

Just proves you can get 14% of the American people to say almost anything!!

70% agreed that “the success and health of the economy depends on the health of entrepreneurs” and 80% agree that “the American government should encourage more entrepreneurship.”

And so we have another disconnect...between the primacy accorded entrepreneurs by the American public and the short shrift given entrepreneurs by our political elites. It is rare to hear the benefits of an innovation economy touted by the presidential candidates of either party, despite what seems to be overwhelming public support for this idea...perhaps the word “ideal” is more appropriate.

Now I'm going to say something that may get me drummed out of the fraternity of private equity investors

One big reason for this political disconnect is that we—the early stage folks—are all too often used as tools, as cover stories—for the guys with all the money—the billionaires, the mega fund guys, the LBO guys. They want to keep the capital gains exclusion they receive for their share of a fund's “carry,” whether they have “skin in the game” or not. And so they put us forward as cover, arguing the benefits of innovation, because any other argument would be too self-interested to withstand the test of reasonableness.

Frankly, I'm with Ronald Reagan when it comes to the broad outlines of tax policy (fewer deductions, lower marginal rates)...but if there is to be an exclusion, there is only one group of venture capital managers and investors that deserves to receive it. And it is us. It is the seed stage folks, the true sources of patient capital, who roll up their sleeves and build the businesses that make our economy strong.

We need to pursue our own agenda—an agenda that calls for a new and improved SBIC program, a revitalized New Markets venture capital program, funding for operational assistance, funding for university research and technology transfer...the people in this room will know far better than I what this agenda should look like. Here's what I do know. The people in this room are the Main Street of the next economy. We represent the heroes. We are the true guardians of the entrepreneurial spirit. We are the authentic defenders of America's competitive advantage. The next President and the next Congress will listen to us.

And here's another disconnect that cannot and must not be allowed to stand as we move to a more honest form of capitalism. We say we love entrepreneurs, but forty percent of Harvard undergrads choose investment banking as their career track, more than double any other possible path.

To quote Rich Nathan, the senior pastor at the Vineyard Church in Columbus,

“We have communicated to our best and brightest young adults that our greatest value is not in creating art or writing music or plays or the great American novel. It is not discovering new drugs to cure disease, or promoting justice in the courtroom. It is investment banking, helping companies and governments issue securities and manage financial assets.

If we continue to say that the purpose of life is to accumulate as many possessions as possible and neglect other more fundamental purposes—to love, to create, to serve, to discover—then \$700 billion is not nearly enough to bail us out as a country.”

The way I look at it, the work that the people in this room do is much closer to creating art than selling securities. We need great investment bankers, just like we need great lawyers, but we need even more visionaries and risk takers and scientists and engineers to create a better world and a stronger America.

Now we are entering a period of great national self-analysis. And I believe the pendulum is about to swing back our way in a big way. Subprime America was bad for our industry; a new American economy that insists upon a more honest, transparent, entrepreneurial form of capitalism will be good for us.

Look, I'm no Pollyanna when it comes to stuff like this. I'm a realist. I know we may very well be headed for a deep and prolonged recession. I know that such an event may very well drive some seed and early stage businesses out of business. Businesses that are burning too much cash, that are too far away from profitability, that rely too heavily on

revenues from buyers that will be hardest hit...businesses that don't have the nimbleness to make changes that will allow them to weather the recessionary storm...are in trouble. I get that. Bad news for folks living high on the hog. Bad news for folks that had gotten soft, because it was so easy to always go back to the capital markets for a little more cash. Bad news for folks anticipating valuations that were never sustainable and are no longer realistic. Bad news for folks anticipating an IPO. Bad news for Silicon Valley and Boston and places where money has always been plentiful.

But I wonder whether those of us in flyover America will be hit quite as hard. We've always had a preference for running a tight ship, for short runways to profitability. We've always had a welcome focus on revenue. The idea of patience as a virtue is not a new one. IPOs have never been an integral part of our exit strategies. And our expectations with regard to price have never been too grandiose (as the founder of Village Ventures points out, companies in America's nonfinancial centers are priced about a half of what they would be priced in the vc capitals of our land).

Venture money is by definition more patient capital, with a longer-term investment horizon, able to withstand the vagaries of the market, at least for a while. Seed stage companies, living hand to mouth, in any event...have the greatest talent for making needed changes. Cost saving strategies can work and a slower investment pace allow greater focus on operations.

And it's a great time to be a buyer. Middle-market and small deals are attractive now: purchase prices are lower, there's less reliance on leverage, and large corporations who are likely future acquirers are hoarding cash.

All of these factors help explain why returns to venture capital were higher during the last two economic downturns than during economic growth cycles

These are the worst of times. But they may become the best of times.

But the big changes that will empower the people in this room go beyond the usual cyclical stuff. Because I think America just received a huge wakeup call. The days of easy credit and huge debt are over. The days when financial engineering takes precedence over managerial excellence are over. The days when 40% of all Harvard undergrads want to be investment bankers are over. The days when such a disconnect exists between the primacy given entrepreneurship in the American story and the short shrift it is given in the public policy of our nation, I believe, are over.

There will be other factors at work in the coming months and years. A demand for transparency. A movement toward things regional or local. A growing sense that the business models driving our food industry and our energy industry are fundamentally flawed. And a growing belief that the only way to resolve them are through the advance of new technologies and an explosion of entrepreneurial fervor on par with other great transformations in our history.

All good for the people in this room.

So, I got into this business because I wanted to do something that held out the hope of creating shared wealth and sustainable growth in the region of the country I grew up in. And I think at the end of our first eight years or so, we have made enormous strides toward that goal. We have worked hard. That is the Adena Ventures story. But it is not the story of America over the past 8 years. The American story has been a tale of ever-increasing concentrations of wealth and absolutely unsustainable financial models that brought our nation to the brink of economic disaster.

I guess, as usual, those of us down in southeastern Ohio were ahead of the curve!! I stand before you convinced that our country will return to the fundamentals, to an authentic form of capitalism that reconnects hard work, monetary reward, and accountability. There's no problem facing this country so great that a new burst of entrepreneurship and technological advancement can't solve it.

So, I'll tell you what I'm going to do over the next few months. I'm going to double down. I'm going to go out into the marketplace, along with my partners, and raise a new fund. I'm going with a regional strategy and an early-stage strategy. When others are pulling back, that can be precisely the time to move forward.

So to close, let me return to my new friend Nicolas Sarkozy, that keen observer of the American scene (did I mention he was married to a supermodel?)

“America did not tell the millions of men and women who came from every country in the world and who—with their hands, their intelligence, and their heart, built the greatest nation in the world: Come and everything will be given to you. We said, ‘Come, and the only limits to what you’ll be able to achieve will be your own courage and your own talent.’”

That's my sense of America. I know it's your sense of America. These are tough times. We've faced tougher. Thanks for everything you do. Let's get to work.