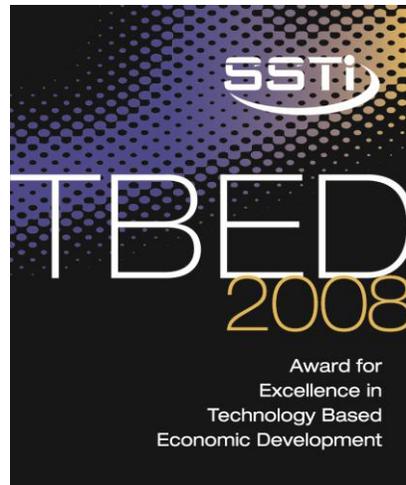


Podcast Interview



Dave McNamara, Senior Vice President,
South Carolina Research Authority and
Director of SCLaunch

Interviewed by: Phillip Battle, SSTi

*2008 Excellence in TBED Award Winner:
Building Entrepreneurial Capacity*

Mr. Battle: Hi this is Phillip Battle with SSTI. I'm speaking today with Dave McNamara, Senior Vice President of the South Carolina Research Authority and Director of SCLaunch. SCLaunch was the 2008 recipient of SSTI's Excellence in TBED Award in the category: Building Entrepreneurial Capacity.

Hi Dave thanks for joining us. Could you give us some background on how SCLaunch got started and what it does?

Mr. McNamara: Yes, the South Carolina Research Authority was formed about 25 years ago by the legislature in South Carolina. In 2005 they mandated with the Innovation Centers Act, that certain activities take place to be overseen by the Research Authority. One of which was the commercialization of research from the research universities, predominately Clemson University of South Carolina and Medical University of South Carolina. The idea being that they had put in place a series of initiatives; centers of economic excellence which were basically were endowed of the university. Then the Research Infrastructure Act which provided just what it says Research Infrastructure for these world class investigators coming into the university. It was a venture capital act that helped produced some venture capital in the state. The missing piece was an entity to help commercialize the research that came out of this activity. That's why we were put into place.

Mr. Battle: What sort of services do you offer potential entrepreneurs who are looking to take that initial leap of starting a company?

Mr. McNamara: We start with coaching and then training as most do. We like to say we cocoon them. We can provide some seed funding by way of some smaller grants that I can make on my signature, all the way up to investments, equity investments that the board has to approve. We formed a resource network of partners around the state in marketing, accounting, legal, and various services that we negotiated rates for them. We work with them to put on seminars and networking events, and trying to help them connect the dots as they move through the process.

Mr. Battle: You offer research grants, correct? Or just sort of very early stage grants for university researchers, right?

Mr. McNamara: Yes, not so much for basic research, but for the applied research. If there is something that looks like we've already found discovery with their intellectual property office, and are working towards commercializing, or toward licensing that out of the university that we can put money aside for

things like animal trials, or to help proof-of-concept prototypes, that type of thing.

Mr. Battle: You said you had a number of different ways you can invest in early stage companies, right?

Mr. McNamara: Yes. In the way of grants we help fund prototypes, we can do demonstration projects. Ultimately if we invest, and for example, there are about 139 companies that we work with and fund in some fashion or other at this point. About 30 of those are actually equity investments. We don't put equity investments in every company that we help.

Mr. Battle: What do you look for in a potential investee?

Mr. McNamara: Number one, for a South Carolina company, we see 51% of its payroll here, so it could be headquartered elsewhere. Look at the management team. We're looking for high impact in the way of job creation, company formation job creation.

Mr. Battle: You look for some specific industries too, correct?

Mr. McNamara: Yes, we were by the enabling legislation, we're supposed to focus on alternative energy, advanced materials and fibers, life sciences, biotech, engineering chemicals, and then related IT technology and software. We don't stick just to these, but these are the ones that we're supposed to focus on.

Mr. Battle: Okay. You mentioned too that you provide a number of other services that are more like connecting people to the source of capital and networking. Can you go a little bit more into the sort of mentoring and workshops and that sort of thing that you offer?

Mr. McNamara: Yes. We call it speed dating when we get companies together, some are small companies and maybe 15 or 20 of them are in a room during some seminars, and they can exchange information, share what they found in their journey and in their process. It helps. We have our resource network partners that will put on seminars, so we'll put on for intellectual property protection or tax consequences of the accounting folks. Basically again, for free help these people get services and information that would typically have to pay for.

Mr. Battle: Do you find there is an advantage to your approach in using a single organization to provide a whole pipeline of programs for many different stages of companies?

Mr. McNamara: Yes, it's hard as I said at the award's ceremony too. It's really a facilitator and coordinator as well as a source of the funds. We're told more often than not that the services that we're able to bring to bear are more important than the money. That bringing to bear is the key. It's not necessarily providing every instance by us. There are multiple entities involved in the state, regional, local level, economic development folks, universities, national labs. Some are not-for-profit; some are for profit. We try to make sure that we help them navigate through and select the best source of these services. Don't let them pay for things that they don't have to be paying for, or over paying for. We get a lot of help. We turned out to be a trusted advisor really to these folks, more so than just the sole provider of the services.

Mr. Battle: You mentioned that the research universities around the state are a big partner in what you do, and that part of SCLaunch's mission is to facilitate dialogue between research universities and private industry. How are you going about doing that?

Mr. McNamara: In a number of cases the companies that we are working with need further research to develop a product. It may be at the discovery stage and they need some help getting to the assessment, and into development of the product. So it requires more research. We marry them back to the research university that has that type of focus. These are the universities we need to know what their focus areas are in research, and keep up with the investigators who are working on what. It's easier than it seems after a while with some of the activities going on and networking that we participate in. We are able to know where to take someone if they need further research. We also look for companies to bring in, and landing parties that match up with research areas of the universities that we work with. It's worked and worked fairly well. There are a number of examples of successful marriage, if you will, of the university and private companies.

Mr. Battle: I know it seems to have been very effective. Something that keeps coming up during a lot of the conversations we've had about SCLaunch is the impressive impact numbers you guys have posted over a fairly short period of time. How is your organization able to move so quickly and how are you tracking the performance of the companies you deal with?

Mr. McNamara: Three years this month in April we've been in existence. We have some pinup demand here that was not really any type of organized cohesive effort to help the startup companies and entrepreneurs in the state. There were a lot of pockets and activities all very good in their own right. So we were able to come in and connect some of those dots. Again not doing it alone but going in as a part of – I guess it's a judo move. We don't try to create momentum in the market, but we take advantage of the momentum that's out there and try to use it to maximum effect. It's kind of what we've done. As a small state with limited funds, it's about the only way we could really get it done.

We track job creation, we track follow-on investment. Again today we estimate about 500 jobs and we know that they pay over \$77,000 average, and that's pretty good for the state.

Mr. Battle: I know people love hearing about job creation statistics. Have you found that's been the most impressive metric in continuing to make the case for support of SCLaunch?

Mr. McNamara: That plus the follow-on investment. There's been about over \$60 million in follow-on investment raised by 20 of the companies in our portfolio. That's pretty impressive in the state because we don't have any venture capitalists here, so we have to bring them in, we have entice them to come and look.

Mr. Battle: How are you making sure that people know about those numbers, the follow-on investment numbers and the job numbers? How do you get that information out?

Mr. McNamara: We publish a pretty well received annual report that we put out. It talks mostly about our companies, but it does talk about metrics, our programs and metrics. We produce it in-house. We are also pretty protective and pretty conscious of our brand equity, so we work on that and make sure that if we've got something going on we put out press releases in a timely fashion. We kind of keep beating the drum around the state to keep this momentum going.

Mr. Battle: Reading about you guys it sounded like you were making the transition away from state funding and starting to draw on private investment to keep the organization running. What's made that possible?

Mr. McNamara: Good question. Enabling legislation in 2005 said that the South Carolina Research Authority would take 12 million of its owned retained earnings, the strategic cash reserves, and place it over three years into this program. That was over 2005, 2006, and 2007 actually fiscal year 2008. The legislature came back in enacted what was called the Industry Partnership Fund – The Industry Partners Act. That allows us to go out and raise up to \$6 million from individuals and entities that pay South Carolina taxes, and issue tax credits. We go out and get contributions from individuals, backed up by tax credits. We are capped at \$6 million right now; we spend every penny of it so there is more of a demand than there is of supply of the cash right now.

Mr. Battle: Finally, just have you learned any other lessons that might be useful for anyone else starting up a similar suite of programs?

Mr. McNamara: I would say, again we don't do it alone. Not to be trite, but the quote I think it was Hilary Clinton – it takes a village, it takes a number of entities and people to make a company successful. So I would say be sure to take advantage if someone was starting from scratch, take advantage of what's already happening out there. Number two, I've already said, it's not a sprint; it's a marathon. If you look at some of the activities in North Carolina, the Research Park and others, a lot of the impressive job gains came later in the program. Early on it was the equivalent of about where we are today, but 25 years ago a lot of the jobs came in the last five years. I would say just persist, keep at it and hang on. It takes a while to get traction.

Mr. Battle: Dave thank you for talking to us. If our listeners want any more information about SCLaunch including that annual report, they can find it at www.sclaunch.org. Thanks again Dave.

Mr. McNamara: Thank you sir.