

THE BROOKINGS INSTITUTION

IMPROVING THE ENVIRONMENT FOR ENTREPRENEURSHIP

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Introduction and Moderator:

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Keynote Remarks:

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Chairman and CEO, Revolution, LLC; Co-Founder, America Online
Chairman, Startup America Partnership

Panelists:

THE HONORABLE JERRY MORAN (R-KAN.)
U.S. Senate

THE HONORABLE MARK WARNER (D-VA.)
U.S. Senate

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P R O C E E D I N G S

MR. WEST: Good morning. I'm Darrell West, Vice President of Government Studies and Director of the Center for Technology Innovation at the Brookings Institution, and I'd like to welcome you to this forum on improving the environment for entrepreneurship.

And for those of you who are tweeting, we have set up a hash tag; hash tag Tech CTI, so you can make comments and post any reactions you have during the actual event. Entrepreneurship is crucial for job creation and building long-term prosperity. Research by the Kauffman Foundation has found that firms less than 5 years old are responsible for nearly all of the net job creation in the United States over the past 30 years.

So that constitutes more than 40 million jobs. But in the past decade, the environment for high-growth businesses has become unfavorable. The number of new firms with employees has dropped, and there've been a number of other challenges facing the startup community.

In response, the Startup America Partnership, which is the President's Jobs Council's working group, has proposed legislation called the Startup Act. This bipartisan bill seeks to reduce regulatory burdens, attract business investment, accelerate the commercialization of university research, attract and retain entrepreneurial talent, and encourage pro-growth state and local policies. Today, we are pleased to have three distinguished speakers who will explain what we need to do to create jobs and encourage entrepreneurship in the United States.

Our first speaker is Steve Case who is chairman and CEO of Revolution, LLC. Steve is chairman of the Startup America Partnership and also a co-founder of America Online. He also serves as chairman of the Case Foundation, the philanthropic

organization founded with his wife, Jean. And with Ted Leonsis, he recently launched a new \$450 million venture capital fund targeting later stage technology companies.

The honorable Jerry Moran represents Kansas in the U.S. Senate. He was elected to the Senate in 2010. Prior to that, he served for seven terms in the United States House of Representatives, and for eight years in the Kansas State Senate. He is a member of the Senate's Banking, Housing and Urban Affairs Committee, the Small Business Committee, and the Veterans' Affairs Committee.

He has carved out as a reputation of someone who has worked very hard to strengthen our economy, create jobs, and foster the growth of small businesses in the United States. The honorable Mark Warner is a senator from Virginia. He was elected to the Senate in 2008. Previously, he served as governor of Virginia from 2002 to 2006. And speaking of the devil, great timing, Senator. Just in time for your introduction.

I've heard of cutting it close, but -- he serves on the Senate's Banking, Budget, Commerce, and Intelligence Committees, and he has established a reputation for bipartisan and common sense solutions to reduce the federal deficit. So we will hear first from Steve Case, so please join me in welcoming Steve to the Brookings Institution.

MR. CASE: Well, good morning to all of you. Thank you for joining us. Thank you, Darrell, for that introduction and also the leadership you provided in Brookings on this issue when we were scouring the region last year for the best ideas around on entrepreneurship. Darrell was one of the ones who helped brainstorm with us, so we appreciate that.

And obviously it's a great honor to be here with Senators Warner and Moran who really have taken the lead with the introduction of the Startup Act that they'll talk to you about. Let me first set the stage which is -- I think sometimes we forget this here in Washington, but America is really built on the backs of entrepreneurs taking a

risk. We're not the leading economy in the world just by accident.

We didn't just wake up one day and suddenly, we're the leading economy. Fortune 500 companies don't just, you know, wake up one day and suddenly they're fortune 500 companies. They start as startups whom are backed by entrepreneurs who have a big idea and want to change the world, and want to build that idea, thankfully in many cases, here in the United States.

So as a nation, we need to recognize that entrepreneurship really is the secret sauce that has helped build us to get us to this point, and we need to re-double our commitment to that. And there are two particular things I would focus your attention on.

One is, just as we've seen the globalization of manufacturing, particularly over the last 10 or 20 years, which has gotten a lot of attention, we're now seeing in the last decade or so, the globalization of entrepreneurship.

You know, countries around the world have woken up to the fact that this is one of the, you know, one of the real defining characteristics of the United States and its robust economy, and are trying to build their own entrepreneur ecosystems, and their countries have the right government policy framework in place to support those entrepreneurial companies.

So they're stepping up their efforts. Meanwhile, our entrepreneurial engine -- our entrepreneurial economy is sputtering a bit. If you look at the statistics, since 2007 the number of new starts are down 23 percent. If it had stayed at the same level and the level of job creation in each of these starts had stayed at the same level, we'd have two million more jobs in the economy right now.

So this is sort of a big deal. So right now it is important as a nation that we focus on what got us here, which is this entrepreneurial innovative, you know, culture

that has driven our economy, insured our competitiveness, obviously is a huge job creator. As Darrell mentioned, the Kauffman Foundation that tracks this really well, their data says 40 million jobs have been created in the last three decades by high-growth entrepreneurial companies. And in their view, that accounts for all the net job creation in our nation in the past three decades. So if you're concerned about unemployment being too high at, you know, eight plus percent, focusing on an entrepreneurship is a way to get it done. If you're concerned our economy is too slow, growing at, you know, 2- 2.5 percent, entrepreneurship is the way to, kind of, get that moving.

If you're concerned about our competitiveness in what is now a more competitive global world, focusing on entrepreneurships so we really continue not just to build companies here, but entire new industries here, really is critical. So that sort of sets the stage. So I'm going to give you a little update on what's happened in the last, you know, year or so. A year ago this week, we actually -- our first anniversary was yesterday -- we launched the Startup America Partnership. And there's two parts to this, and sometimes it gets a little confusing.

One is a private sector effort that I chair, called the Startup America Partnership that is mobilizing resources from large companies to help small companies, so the next generation of entrepreneurial companies get started and scale. Over 50 companies in this first year have made commitments over a billion dollars of resources, discounted services, free services to help these companies get started.

And we are also launching regional efforts, what we call Startup Regions. And yesterday we launched in, I think it was 10 new places. Now we're up to 18 of these regions. I was honored to be launching Startup Virginia. And so we're, I think, showing great progress over the past year in mobilizing the private sector to do its part to try to help this next generation of entrepreneurial companies, and that work will obviously

continue. That's the partnership.

Separate from that, about the same time a year ago, the White House introduced their own Startup America effort, and started building momentum from -- both in terms of what the White House can do, and also trying to, you know, figure out what the right policy framework for the nation as a whole might be. And they asked the President's Jobs Council, which was formed about a year ago and chaired by Jeff Immelt, CEO of General Electric, to focus on this issue, and I in turn was asked to chair the area around high-growth entrepreneurial companies.

We met with the president -- all of the Jobs Council met with the president in October, and laid out our recommendations which are all available online. Since then, we've seen enormous momentum in Congress about a dozen different bills in the House and Senate, some from republicans, some from democrats, some which we prefer they come in a bipartisan way that have really built on some of these ideas.

And the key ones for us are winning the global battle on talent; looking at the issue of high-skilled workers, you know, these immigrant entrepreneurs and engineers are job-makers, not job-takers. We do a great job as a nation attracting people here to our great schools, give them PhD's, but all too often then kick them out of the country, forcing them to go to other countries to start companies that compete with our companies here in the United States, which is crazy.

It would be the equivalent of if we let people from China come to the Naval Academy, train them, and then kick them out and say, now you have to go to China and work for the, you know, the Chinese Navy. You know, nobody would think that would make sense, but that's effectively what we're doing right now. So taking a fresh look at our immigration policies, particularly around high-skilled workers, is critical. What we've recommended is dealing with that in a discrete way. Obviously, there are much

more complicated issues around Comprehensive Immigration Reform and the DREAM Act and other kinds of things, but we think it's important to focus specifically on this issue around high-skilled workers. So that's number one.

Number two is relaxing or just modifying some of the regulations around capital formation. Two in particular that we think are important are the issue of crowd funding, the platforms heavy merge in the past decade that will make it easy for people to fund projects. If you're, you know, doing a documentary for example, you can use platforms like Kickstart or IndieGoGo to essentially get, you know, dozens, hundreds, sometimes thousands of people that contribute to your project.

Though you cannot yet use those to fund the start of a company. We think that should be made possible and that's called crowd funding. And the other piece is relaxing or creating an on-ramp for IPO's initial public offerings. When AO went public almost 20 years ago, most of the offerings were relatively small.

80 percent at the time of the offerings in the 1980s were under \$50 million. Now only 20 percent are under \$50 million. The reason for that is it's gotten more costly and expensive to go public. So if your companies are doing it, or they're doing it later or more often, instead of going public they're being sold, and that's a problem in terms of our job creation engine because often when companies are sold, job growth decelerates. If they go public, job growth accelerates.

One statistic there is for venture back companies; over 90 percent of the job creation happens after companies go public. So having an on-ramp for IPO's we think is very important. So those are some of the key things. I'm sure we'll hear some more details from the senators on them, but I just wanted to set that framework in terms of some of the key things that we're focusing on.

In October two senators -- Senator Rubio from Florida, and Senator

Coons from Delaware introduced something called the AGREE Act. It basically said, let's look at all the proposals that have been made by Republicans and Democrats in the House and the Senate in the last, you know, couple of years, and let's take the ones that everybody kind of agrees makes sense, sort of the low-hanging fruit if you will, and let's put those in something and let's call it the AGREE Act.

And we can at least get that passed. You know, we may have -- we obviously do have disagreements on a lot of things, it's an election year and that's, you know, that's what elections are for, but can't we at least focus on the things we all agree should happen and try to get those things done. So that AGREE Act was introduced in October. And then the Startup Act that you'll hear more about, really built on that, but took it to another level and I think gives the best, you know, legislative approach that's currently out there with bipartisan support.

If we could rally to get the Startup Act passed, either as it's currently proposed, or maybe with a few little tweaks, I think that would be, you know, the best way to move things forward. And then last week in the State of the Union, and then yesterday, at his Cabinet meeting, the president came out, I think rather forcefully, that as a nation we now need to focus on entrepreneurship.

He made some of the points that I made earlier about the importance of that, and yesterday at his Cabinet meeting, Karen Mills, the head of the Small Business Administration is now formally a member of the Cabinet, and that was the first time she was attending as a formal, official Cabinet member. He introduced, what they called, the Startup America Legislative Proposal which really, is very similar to the kind of things that you see in the Startup Act and also some of the things in the AGREE Act.

So from my perspective, we're seeing more attention now in Washington on the importance of this issue. We're seeing bipartisan support and I -- you know,

obviously getting bipartisan support these days is hard. Getting an election year is harder still, but this is an area that we do have, you know, bipartisan support building. And the specific proposals that round the key issues there really is a fair amount of agreement on. So I think the real challenge is how do we get this done quickly?

The president said yesterday, if the Congress gets a bill to his desk, he will sign it immediately. I think it's imperative that we really use the next couple of months to capitalize on this moment. Kind of galvanize the entrepreneur community, galvanize the tech community. Ernst & Young has a program called the Entrepreneur of the Year award.

For example, in a few weeks they're having a number of people who have won this award before, kind of help get a march on Washington and talk to folks in the Congress to, you know, kind of put some pressure on this process. Yesterday I posted something on TechCrunch, a widely read technology blog, urging people in the tech community to kind of, stand up and have their voices heard.

We've got a moment here where -- on an issue that's critical to our nation and our future in terms of job creation, economic growth, and competitiveness, and that we already have specific proposals -- everybody kind of has a pretty clear sense of what needs to happen. Now it's time that we really come together and actually make it happen. And the leadership that Senator Warner and Senator Moran have provided here is really, you know, critical.

They spent a lot of time with their staffs in the fall timeframe, really trying to understand what really was the right approach here, came together with the Startup Act, building on some work the Kauffman Foundation had done, which was terrific, building on some of the work the Jobs Council and other groups had done.

But I think the time has ended for new proposals. The time is now for action around those proposals and building the right coalition and building bipartisan support. If we do that, if we seize this moment and we are able to get something passed by the Congress and signed by the president over the next couple of months, I think it really will put us on the right footing so our nation really will be able to preserve its position right now as the world's most entrepreneurial country.

There's a lot still going for us. I mentioned before, some of the things that are disconcerting in terms of new startups and the globalization of entrepreneurship and so forth, but if we act now we can preserve our lead in the world. If we're slow or we continue to debate this, I think we're going to be unhappy with the -- of the result. So we have a moment, let's capitalize on it, and thank you Brookings for hosting this. And thank you to the senators for taking the lead on this. And I think we'll now move into a panel discussion so you hear more specifics. Thank you.

MR. WEST: Okay. First of all, I want to thank Steve for his opening comments. And in terms of our discussion, I'll pose a couple of questions, then we'll open the floor to questions from the audience.

So I'll start with Senator Moran. I mean, you have introduced the Startup Act. What do you think are the most important things we can do to encourage entrepreneurship?

SENATOR MORAN: Well, I appreciate, again, Brookings hosting us today, and great to be with Steve and Mark, and I appreciate you, Darrell, for moderating this opportunity. What we're doing here today I hope highlights the things that we think are important. And I would outline those as a regulatory and tax environment in which entrepreneurship, startup capital creation and job growth is honored, is enabled.

We need to make certain that we do the things as public policy -- in

public policy that encourages people who have ideas to bring them to the forefront in the process of pursuing wealth, their own success. The great news about entrepreneurship is it brings other people along. It's job creation. So at the top of our list, I don't know whether Mark and I would rank these in different ways, but the Startup Act based upon Kauffman Foundation research, recommendations from the President's Council, we would say that a regulatory environment that is not a hindrance to beginning a business and taking it to market, acquiring the capital and hiring employees, a tax goal that encourages an ability to attract and retain a workforce, to encourage entrepreneurship by people who come to the United States from other countries and want to remain here and help us create jobs, and also competition among the states.

Our legislation requires certain reporting by states across the country, not for purposes of more paperwork and reports, but so that a person who is interested in beginning a business can look at those reports and determine here's a state that accentuates the things that I desperately need in my plan to succeed, and so we can compare Kansas to Virginia, or Oregon to Florida, as a place in which we can bring our entrepreneurial skills.

So it is the things that Steve Case just outlined, that when you say what's the most important, my interest in this topic, and I'll -- Mark and I were together on a television program last night and we got filibustered by a couple of House members, and I'll try not to replicate Charlie Rangel on (inaudible) last night.

MR. WEST: Not to mention specific names.

SENATOR MORAN: Oh, yes, not to mention specific names. But this issue to me came about as a result of -- as an individual member of Congress, as an American citizen who believes that the deficit has huge consequences to us in this country, and it has a huge consequence to our ability to create capital and to expand the

economy and to grow.

And the point that I would make is that when the deficits are as large as they are, it makes it difficult for many businessmen and women to reach the conclusion that the future is bright. You have to have concern that we're not the next country to have significant financial problems, and so I've been very disappointed in our ability as a Congress and an administration to come together and resolve the deficit issue.

I'm not walking away from that concern of mine, and I will continue to work on -- it wasn't mentioned, but I'm a member of the Appropriations Committee. We'll continue to work on the spending side of the financial issues that our country faces. But it occurred to me that the other way we can address this significant issue is to make sure that we are a growing economy.

Growth policies are in place, meaning more people are working and additional taxes are being paid, and we're reducing the deficit as a result of growth. So I think the reason this is so important is that it allows for people to pursue success. In the process of pursuing success, it brings more people to the employment in our country and allows them to pay taxes, reducing this tremendous difference between the revenues we bring in and the expenditures we make and therein of itself increases the chances that more people, more businesses are going to decide our country is on the right path, we can invest and grow.

So it's the five things I think that we outline in our legislation would be the things that we think are important in creating that environment.

MR. WEST: Okay. Senator Warner, you've been very active at looking at ways to free up capital for new businesses. So, what are the policy changes that you think would be most important?

SENATOR WARNER: Well, let me first of all, again, say thanks to all of

you, but echo what both Steve and Jerry said on a couple of areas. One, you know, this is something attractive to me because before I was in this business, I was an entrepreneur. I was -- you know, after failing miserably twice, I had this third chance to fall into the cell phone industry and a little company called Nextel came out of that, then was a VC.

So this notion of the research that Kauffman came out with and that Steve has lived, you know, I had the opportunity to live with a little bit, as well. And I think sometimes we think about a lot of the startup companies, high-growth companies being almost exclusively technology, and they're not. I mean, you know, look at just recently Lululemon, Under Armour, Chipotle, you know, these are across a whole series of areas. I'd also echo what Steve and Jerry had mentioned that, you know, this is kind of the moment.

One of the things that makes me crazy in Congress, and there's a long list, is this kind of sense that conventionalism right now, whether it's debt, this issue or anything else, oh, we're going to punt it all until after the election. You know, think about this. You know, you've got a business that's hemorrhaging red ink, revenues can't meet its expenses, and you'd say to your, you know, your shareholders, well, you know, we've got a problem but we're going to get back to you in the spring of 2013. That's crazy. So let's go ahead and see if we can find things to get done.

I still believe debt for another day, but this is one, echoing what Jerry said, where we can get something done that can have enormous, positive emphasis on growth. And one of the things, again, I think that Steve may have mentioned, we as politicians always like to celebrate small business. The secret that the Kauffman Foundation pointed out, and I think we all kind of knew in our guts, is that, you know, it really is a subset. It is the startup firms, the gazelle firms, whatever we want to call them,

where the vast preponderance of job growth has come. You know, the traditional small business, the barber shop, the hardware store, they're not the same growth engines as the kind of firms we're talking about here. And I think what we have done, and there are other pieces of legislation -- and I'll just simply reiterate what's already been said, let's take, you know, competition for talent. We've got a piece of legislation that finally does what we've all talked about for 10 years, staple a green card to those folks who get those graduate degrees in the STEM fields, as well as both lower and create a new category for entrepreneur visas. Let folks who are job creators actually start here. As well as there's other legislation about lowering caps and (inaudible) other issues.

Echoing what Jerry said, let's look at the regulatory standpoint, both in terms of overall regulatory, looking at cost-benefit analysis, but then the specific regulations, kind of the on-ramp proposals in terms of startup ventures, particularly Sarbanes-Oxley. You know, decide to look at what can we do on tax treatment? You know, again, there's a little bit of contradiction from me, who, wearing my deficit hat, wants to do massive tax reform in terms of simplifying, but -- and acknowledge that, but you know, then says, what can we do in terms of tax treatment? And we've got a variety of proposals in terms of making permanent exemption from capital gains, particularly giving those first couple of years accelerated or even full write-off from your corporate taxes that first year you go profitable.

You know, and again, there's variations the administration has, but how do you make sure you can put favorable tax treatment in place. So talent, regulatory, tax, as Jerry mentioned as well, how do we create a healthy competition between states so that states that are already regarded as the best ranked for business in the whole country, the Commonwealth of Virginia, states like Kansas can be competitive to them.

SPEAKER: Do I have an opportunity?

SENATOR WARNER: No, you don't get to rebuttal yet. And then --

MR. WEST: There goes the discussion, right there.

SENATOR WARNER: There goes the discussion. But also --

SPEAKER: Let's keep this bipartisan.

SENATOR WARNER: One other thing that we did that didn't get a lot of attention, that's not in a lot of the other proposals, that we put in place, and this will -- you know, if it gets a little more legs will cause some -- probably some consternation, is that it says, you know, I think the federal government in terms of sponsored research, those dollars under assault, I think they are extraordinarily valuable in creating the ecosystem of innovation in our country. But that area hasn't been shaken up for a while. We take a small sliver of those research dollars and say, you know, let's create a competition on how we can get those ideas from the laboratory into commercialization, but looking at that revenue stream. And I think that what we can do right now is taking our legislation, taking the Agree Act, and there are four or five other pieces of legislation just on the Senate side, almost all bipartisan, let's see if we can take the best ideas of all of these and get this moment as Steve has talked about and, you know, see if we can do the -- you know, let's try to meet the President's challenge and get him a bill this spring.

MR. WEST: Okay. Steve, the senator was just alluding to the role of universities in this, and we certainly know that universities are a crucial player in terms of innovation, startups, and entrepreneurship, but a lot of people have the sense that there are barriers that make it difficult to get the university ideas into the marketplace. So I'm just wondering, what is your take on what we can do to help universities do a better job of commercializing their knowledge and research?

MR. CASE: Yeah, I think the -- there's another initiative that the co-chair called the National Advisory Council on Innovation and Entrepreneurship that is part of

the Commerce Department, and one of the areas they focused on was this issue, and a couple of points came out of it. One is that continuing to invest in this research is critical. Obviously we do have a significant fiscal problem, but one of the areas we need to still invest in is some of the basic research. Bigger companies that used to do it, like AT&T when they Bell Labs, really haven't done it. Other countries are doing it. And it has been the way we've been able to pioneer not just technologies, but entire new industries. The Internet, for example, which obviously I'm a beneficiary of, really came out of basic research funded by the Defense -- DARPA 50+ years ago. And initially it was done with a security kind of orientation, but then that commercialized and created the Internet, which then created enormous economic growth and job creation.

So there's, you know, a long history and there are many other -- GPS and other technologies that people could point to that would only have come out of that basic research that was happening either at the federal level directly through things like DARPA or, more likely, federal funding into universities where innovation was happening.

At the same time, the second piece was the general sense, and a few do this better, but the general sense was that the research where that was happening in those universities was all too often locked within the walls of that university. And the interconnections with the entrepreneurial communities in those regions, let alone nationally, generally aren't very good in some cases. In some cases they are indeed part of the success. (inaudible) Stanford has a more porous approach, more flexible approach to how they have intellectual property and things like that, but that's somewhat rare.

So there are a number of different models that were being looked at and a number of different trials that were recommended to try to push that forth. And North Carolina, for example, a lot of folks in that region were -- you know, NC-Chapel Hill and,

you know, NC State, I believe, and a couple of others were working on coming together with sort of a regional approach there.

So I do think we need to figure out a better way to do it. So continuing to fund it makes sense, but we should be able to get a bigger bang for the buck in terms of how those technologies are then commercialized. But that's something that I'd put off on the side, frankly, because it's something that is happening where we could do a better job of commercializing that.

I think the real crisis that we should be focused on, which is why the Startup Act and acting right now is so critical, are issues where we actually do need significant changes in government policy to be able to move the needle. And as we all talked about this issue of talent and immigration policy is critical, the issue of crowd funding, you know, Sarbanes-Oxley, IPO's are critical. We can have a lot of experiments with the university commercialization in a lot of different places over the next 5 or 10 years, and some will work and some won't work, and we'll learn from the best and, you know, modify our things. That's a process that is underway and we'll need to continue. We cannot move on these bigger issues unless we have a change at the, you know, the national policy level, and that does require -- there are things in the private sector, as I mentioned, that Startup America Partnership is doing. They are things the administration is doing with the -- SBA has done a number of things that -- Sean Green, I saw the audience -- actually led the effort of the SBA around the kind of high-growth companies and how the SBA can be more flexible. Some things have happened in the Patent Office to try to put a process in place to fast track things for entrepreneurial companies.

Yesterday I saw the President (inaudible) Homeland Security to take a fresh look at -- with the existing immigration policies, how can they be a little more flexible. So some things are happening at that level. But the conclusion of the Jobs

Council -- certainly my conclusion is, even as the private sector continues to step up, even if the administration tries to do what it can administratively, we're going to lose this battle, global battle around entrepreneurship unless the Congress comes together with the White House to put this policy framework in place. So that's why the Startup Act is so important.

I think, as I understand it, the President and Gene Sperling as it was really driving within the White House, there was a desire to embrace some of the existing proposals, put a framework in place, which is why it was called the Startup America Legislative Package or Program or something, without proposing explicit legislation out of respect for the work that had happened in the Senate and the House with republicans and democrats and not wanting to be overly prescriptive in terms of exactly what it would be. But they laid out some pretty precise proposals in a pretty precise way, so hopefully that can now be the galvanizing event.

It goes back to the cynicism Mark mentioned. And I was doing this work in the last few months. We were saying, "Well, it's so nice. Of course we need to do it, but, you know, nobody's going to do it because it's election year and -- oh, by the way, you know, the President really hasn't led on this issue and really kind of focused the nations attention on this issue and called for action --" and so forth.

Well now that's happened. Now we've got things like the Startup back and the AGREE Act. And clearly the House Speaker Boehner yesterday put out a statement saying that the President's proposals made sense and they were highly consistent with proposals that had already passed in the House and he's happy to see that. So there's now this momentum around the issue but, you know, it's time to score. We're kind of using the super-bowl week, using a football analogy. We're kind of in the red zone here but, you know, you've got to score to have points on the board. We have

not yet scored. And it's great that we're in the red zone. It's great that people are focusing on this issue, but I think it's now or never, the next couple of months whether we can put some points on the board. And I'm certainly happy to do my part and I'm grateful that folks who actually can do something about it are doing their part.

MR. WEST: And we're looking for touchdowns here, not field goals, right?

MR. CASE: Exactly.

MR. WEST: Okay. I have one quick question for the two senators, then we'll open the floor to questions. I mean, there have been several examples of bipartisan legislation introduced, including the Startup Act and the AGREE Act. We have one republican and one democrat. I don't know if that makes you the D.C. version of the Odd Couple. I don't know who's Felix and who's Oscar here, but can you just describe how the two of you found common ground and whether this represents hope for the future in terms of other policy actions?

SENATOR MORAN: I'm happy to discuss that because perhaps this is a role model that could be replicated. And this I think is an area in which republicans and democrats ought not to have natural differences. There is a great opportunity in the topic of pro-growth policies that each party ought to embrace naturally.

As I said, I got interested in this from the perspective of trying to grow the economy because we were doing, in my view, an inadequate job, a willfully inadequate job in regard to the issue of the deficit. And the Kauffman Foundation in my backyard in Kansas City was a great provider of research and information. That's something I think that's very helpful. Kauffman has a solid reputation and it makes it easy to talk to my colleagues about the basis of the Startup Act coming from the Kauffman Foundation's academic research that reduces the political friction that could occur if you have a

different originator of the ideas behind your legislation. So I think that's helpful.

And we just started working our way down the Kauffman Foundation recommendation and I think early on decided, what Steve is reminding us is, this ought not be about introducing a bill that gets a headline in Kansas that says "Moran introduces bill." I think that's one of the problems with politicians or politics today, is that we judge our success on the media or the story that's told about actions that don't necessarily ever result in any real consequence. So you pat yourself on the back because you made the evening news with a story that you introduced a bill or that you're in the headline in your hometown paper saying you introduced legislation to solve a problem. It was clear to me that this issue is one that needs something more than just the political stamp of approval at home.

We have a senator who's doing something, he introduced to bill. And so then we started looking for the expertise and for senators who were held in high regard generally and specifically on entrepreneurial issues and that made it very easy for us to come to Mark and say, "We have an idea. You have a following and an appreciation for this topic and you have lots of leadership skills and abilities. We'd like to partner with you." And, you know, graciously Mark made the decision that we could do this. We're not in total agreement on every aspect of what ought to be in the bill, and the end result is something that we both support, we both agree with. I think the regulatory piece needs to be firmer, broader, more encompassing. But the realization there is that all the regulatory issues that I think business faces today is not going to be probably resolved in a piece of legislation.

Every member of Congress has a regulatory thought. We picked the ones that we think are the most important and the ones that consensus can be built around, the ones that are evidenced by the Jobs Council and their work and what the

Kauffman Foundation said.

I mean, the point I make there is that two individuals who don't necessarily have to agree on everything certainly have the ability to agree on a lot, and that seems to be something that Congress could pay some attention to. And this idea that is perpetuating that we can't do anything because it's an election year is so troubling to me. And I really do believe our country is in a circumstance in which we have little time to meet our challenges, solve our problems. But if you actually believe that Congress can never accomplish anything because it's an election year, we have elections every two years in this country. There will always be the excuse that we can't do anything because the election is around the corner. In my lifetime in politics we used to say, "Well, we're not going to get this done before the election." But we said that a couple of weeks out from an election. Now that it's become a year and a half away from an election, we have narrowed the window in such a way that it makes accomplishment, not headlines, impossible. And the goal here is accomplishment, not headlines.

SENATOR WARNER: Let me just echo Jerry has, one, been a great partner. He's brought a real energy and enthusiasm to this in terms of the work in the Kauffman Foundation, interest that he's got from Kansas. And I'd agree with what he said. We've probably got 80, 85 percent of the way there in terms of common agreement, but that's still a huge touchdown.

And the thing that is -- just two quick other points -- one is to Jerry's point about you can't take the election year off. It's not like the rest of the world is saying -- you know, China, India, Brazil are saying, "Okay, timeout in 2012 because American's got an election." You know. They're still racing ahead so we can't wait until this point.

The one point I would argue is that, in this space, at least, there's very little democrat versus republican. Each of the bills are out there, the four or five. And

there's the Coons Rubio bill; there's a Schumer Toomey bill; there's a Tester Toomey bill. There are a couple others. They are all bipartisan. So can we do a little bit of our own crowd sourcing here with guys and gals who are interested in this space, build this coalition, push it through.

SENATOR MORAN: Let me say one other thing. When I talk about a role model, it's actually been evident in my time -- I've only been a senator for, now 13th months. But as a result of Mark and partnering on the Startup Act, Senator Wyden and I partnered on opposition to PIPA and SOPA and introduced the Open Act as an alternative. And I've gotten involved now in the issue of unlicensed spectrum with Senator Kerry.

And so, I hope we can replicate this in a broader way on broader issues, a realization that the country demands, needs, requires some level of ability to reach a consensus even when you don't get everything you want. But there are these issues that are significantly important to our country that simply, when they see Mark and I working together it becomes clear -- and Mark is a perfect example of this because of his efforts on the Gang of Six Deficit Reduction. This is something that he's lived. And so I'm trying to emulate the circumstance in which he's found the ability to find --

SENATOR WARNER: Of course, we haven't exactly scored on that one yet.

SENATOR MORAN: Yeah. The jury is still out on that one. He needs a victory, so we need to win on the Startup Act. And I would just indicate finally that our efforts with Senator Wyden on PIPA and SOPA demonstrate, we've got to replicate that on other issues, that the ability for people to communicate -- and I would think that the entrepreneurial issues are ones that many of the people who cared about PIPA and SOPA would care about as well. And those people who have that interest have the

ability to replicate their political will that was demonstrated in Congress just a couple of weeks ago, and certainly that became a bipartisan retreat from a position that was believed by most of us to be firmly held by very powerful members of the Congress and broadly supported by significant interest groups, one of those issues you would think that you couldn't resolve because the conclusion has already been reached. And it was the efforts of Americans across the country who responded in a way that brought republicans and democrats together, and we've got to find a different solution.

MR. WEST: Maybe these green (inaudible) of bipartisanship will become a model for other people.

SENATOR MORAN: You said it better than I did in much fewer words.

MR. CASE: Obviously my particular focus is on this entrepreneurship issue. But I think what both senators are saying is really -- I think American people are sick and tired of this. They don't understand why we can't get stuff done. You know. It's like important stuff, for whatever reason it can't get done.

This issue, there are sort of three parts to it. One part is understanding the strategic urgency and criticality of doing the right thing to make sure we remain the world's most entrepreneurial nation. Got agreement on that. You know. Only your people say, "Oh, no, I don't think we should be the most entrepreneurial nature. I don't really much care what China or Singapore or other people do." People actually do recognize it's important, do recognize -- as I said, the history of America do recognize the job creation.

So I think a recognition of the nuances around -- it's not just about the private sector or business as sort of a monolith. There is a role for large companies, Fortune 500 companies. They're important. They play a significant role in terms of jobs in the economy. There is a role, as Mark said, in terms of small business, restaurants

and so forth on Main Street. They also count for a lot of jobs and play a significant role. They are both key foundations of our nation. But the real leverage is around these high-growth entrepreneurial companies. That's where the job creation happens. That's where the innovation happens. That's where the economic growth happens. That's the place we have to win the battle in terms of global competitiveness. That's one, and people have got to understand that and there's broad consensus there.

The second is, having acknowledged that that's important, what do we do about it? So what do we do from a policy standpoint to make sure we have the right framework in place? There also is tremendous agreement there. Bipartisan agreement.

There is some debate around the edges; how far should we go on the immigration? AGREE Act had one. The Startup Act had another.

How far do we go on regulations, on crowd funding? The general sense is it should be up to \$10,000 investments, but maybe there's some cap like it can't be more than 10 percent of your income because of fears that people will invest in something and it won't work out, and they'll be some problems. So they're debating around the edges of what the exact provisions are, but there's a general agreement that opening that up would result in more capital flowing, entrepreneurial companies that will drive job growth. And obviously some will fail but some will succeed and kind of creating a little bit more of an open system there I think makes sense.

There's agreement that the -- and there was agreement before when Sarbanes-Oxley was passed that there was something unique about young companies and IPOs. There was a carve-out for IPOs from small companies. They just set the bar too low. It basically is a market cap of \$75 million. So it wasn't a debate that there needed to be a carve-out, it was just a debate of what the carve-out should be.

And the reality is now, you know, no companies go public -- or very few

go public with market caps under \$75 million. We proposed to Jobs Council \$1 billion. I think the President's proposal yesterday was \$700 million. Yeah, that's the zone we need to be in where you still have significant precautions for investors, significant disclosures, but you're able to create an on-ramp so more companies can go public.

So there really is an agreement, as Mark characterized, 80/85 percent which is good. And so there is agreement -- there's strategic supports agreement actually on what are the right policy solutions and pretty clear agreement in terms of the specificity around each of those key anchor issues.

So then we come to the third point which is, okay, even if it's strategically critical to the future of our nation, and even if we can agree on what the right policy platform should be, policy approach should be, can the politics be handled in a way, particularly in election year where people come together on an issue of national urgency where they kind of agree on what we should do but they have to then make the calculation of how does this impact their election, their party and so forth.

And I understand that. You know. There is a little bit of a "that is the real world out there". But that's the part that we cannot let get in the way, given the other two issues. And if we do, if we don't capitalize on those moments and get something done in the next couple of months and really heed the President's call to Congress, get me something I can sign, and it will have broken down over politics, not strategy or policy. And we just can't let that happen.

SENATOR WARNER: And can I just add on one last thing? I know we've got to get to the audience. I think you hit it right on, Steve. You know. We've got agreement on need. We've got an agreement on the substance. How do we get it done; we really do need -- I mean, as somebody who was very supportive of what Jerry and Ron on the SOPA/PIPA stuff. This has got to be elevated so that we hear from tech

councils across the county, that we hear from the entrepreneurial groups, that we kind of touch a cord on this issue. If we can't do it on this one where we agree it's a need, agree on the policy -- and here, the politics is going to be interesting. I think the politics of this will not be why the component parts people are against, but almost the effort to try to say, "Hey, this actually might pass so what else can we label on?" You know. And our job may be fending off broadening this effort, picking these five bills that are out there, seeing what we've got common consensus on and then trying to make sure that, yes, these other issues are important but they may have to be dealt with on another day. Get this at least with your super-bowl analogy.

MR. WEST: Okay. Let's bring the audience in. There's a question right there on the isle. There is someone with a microphone. If you can give us your name and your organization. And we'd ask you to keep your questions brief just so we can get to as many people as possible.

MR. HARRIETT: Judd Harriet, documentary film-maker. My question concerns the regulatory framework. Now, we hear the republicans constantly railing against administration for onerous regulations that stifle entrepreneurship and investment, but they never say which ones. And we just came off of with a republican administration of eight years where it was definitely anti-regulatory. So my question to the panel is: which regulations does the entrepreneurial field regard as most onerous and what would be acceptable?

SENATOR WARNER: Well, I would just say that, you know, I think the regulatory challenge -- I think sometimes it's being characterized as just this administration and whatever. You know, there really is not anything in place that has any regulatory agency actually look back and ever have pressure on them or incentive on them to eliminate regulations that have out-lived their time.

I mean, you think about any business in the world that wouldn't go back and kind of occasionally look at its policies and procedures and change them. If they didn't, they'd be out of business. So, you know, I've got regulatory legislation that would kind of be variation on a paggle approach that would -- say you add one, you got to find one, take away. The Brits have actually done it in a way and you find that you can clean out things, overly burdensome reporting requirements, where there's a way to file electronically rather than paper, how you can consolidate things. So I think there is a place here.

I think, particularly, what has been mentioned about Sarbanes-Oxley on 404, the amount of regulations that are required in the act of going public is, as Steve mentioned, it used to be -- back in the heyday and the wild days -- I mean, let's face it, maybe in the wild days, somebody had a lot of companies in the late 90s that looked like they were going to be billion dollar companies that ended up as goose eggs. There was too much exuberance at that point. But now you've got this cap at 75 million. Nobody goes public at 75 million, so there needs to be -- in the administration democrats and republicans agree there ought to be this on-ramp where you don't have, in effect, the filings regulatory cost being hundreds and hundreds of thousands of dollars, which then provides a barrier to companies going public, even though going public would access capital that would allow the company to grow larger. That would be one in particular, Sarbanes-Oxley 404.

MR. CASE: Example: when AO went public 20 years ago, we raised -- I think it was \$10 million, \$10 million or \$15 million was the size of the offering. We had 200 employees. We had been at it for seven years. Eight years later, we had 10,000 employees. We were able to use that capital and then, you know, the currency for acquisitions and so forth that grow rapidly and create a significant company and create a

significant number of jobs. Those kinds of companies these days would more often get sold to some other company because they had a certain scale investor of venture capital. I think they'd been in for seven, eight years, kind of getting tired. And if you didn't have a path to an IPO, most often the companies will get sold. And as I said earlier, the statistics show that if companies are sold for a variety of synergies, the entrepreneurs leave and things happen, the job-growth usually slows. If they go public, you know, the job-growth usually accelerates. So that is one of the key areas.

SENATOR WARNER: Just one thing. Nobody's talking about if Facebook goes public at \$100 billion and they're raising \$10 billion. You got to have a full filing.

MR. WEST: Senator Moran?

SENATOR MORAN: I just would say that, you know, Sarbanes-Oxley is our example of the regulations in the Startup Act that is specific. And beyond that, it's processed. It's not exactly the concept that Mark outlined in his bill in which you offset a new regulation by eliminating an old regulation, but to put a cost benefit in place on new regulations and on independent agencies so that we can make certain that the regulatory benefits, that the benefits of the regulation exceed the cost, particularly to small business, to startup companies, entrepreneurs in the aggregate. I just want to make sure that the benefits exceed the cost.

MR. WEST: Other questions? Right over here. Sending the microphone over to you right now.

MS. PLAGMAN: Hi. Melanie Plagman; I'm the cofounder of a crowd funding platform called Motavie from Durham, North Carolina.

MR. WEST: So you must really like this session.

MS. PLAGMAN: I was very excited, yeah. I came all the way from

Philadelphia today.

MR. WEST: Thank you.

MS. PLAGMAN: So basically, in November I moved to D.C. -- I've been staying with family, living on their floors kind of thing to come to try to get involved in the dialogue because we wanted to go and do this crowdfunding platform in the EU because of an exemption. So when we found out this legislation, there's different bills, we got really excited and we wanted to be part of the dialogue. And so we already have a lot of companies from everywhere from the Research Triangle area to Minnesota to Maryland, security startups to the Bay area, all different ranges. And so, with all this legislation, we've done a lot of work to look at every different provision, every different issue that's been brought up.

And I guess my questions are: it's really difficult because there are so many proposals, like you were saying. It seems like there is, you know, the bill of the week, it's kind of like what -- you know. It's really difficult for us to figure out where we should be weighing in and where we should direct the political will. And so you're saying there might be some cherry-picking from here and there and that type of thing. But, like, I feel like we've really gone back to the entrepreneurs and asked them, "Okay, what do you think about this cap? How would that affect you or how would this rule that you would have to interact with investors affect you?" And we have a lot of companies that we're talking to and then trying to bring those stories. So, like, what is the most effective way for us to bring those stories and those ideas to legislatures who are working these issues, and how do we know who is going to be the best people to bring that to?

SENATOR MORAN: Senator Warner and I are the best people to bring.

SENATOR WARNER: Yeah. I was going to say that.

SENATOR MORAN: And that's a great story. I mean, what you're telling

me is very meaningful to me, very compelling. In a sense, you've taken a pause in your life for purposes of long-term improvement in our country's economy and yours I hope, as well.

What Senator Warner and I -- what Mark and I talked about just yesterday was, the two of us, our staff sitting down and looking at all the proposals out there determining, at least in our view, what we thought were the ones that were perhaps the best ideas, still fit within the 85 percent of doable, and then go to the authors of those pieces of legislation and say can we join together in a single bill, a single piece of legislation that incorporates the best of all the ideas. But I want to take that a step further, which is just the fact that Mark and I think it's a good idea or -- and let me be more personal -- that I think it's a good idea is insufficient.

Based upon what you're doing, your own experiences plus your conversations and dialogue with others, we would welcome your input in looking at those pieces of legislation about these are the things that would really make a difference in us getting accomplished in our business life what we want to accomplish. And how you communicate that to us is -- I'm sure Mark and I will offer our staff to sit down and --

MS. PLAGMAN: We have position papers.

SENATOR WARNER: Yeah. Let me just make two quick additions to that. One is, of all these ideas that are kind of make up this bucket, the crowdsourcing idea is probably -- because technologies move so quickly is one of the newest and the least vetted. So, you know, my ask particularly is somebody who's dealt with tech folks for a long time -- you know, the perfect can be the enemy of the good on this. You're going to have all these proposals, all these different company sources that have slight variations on this.

If you all can help come together on some common standard here and

recognize there are going to be constraints, there are appropriate, as the film-maker said, you know, consumer constraints, consumer protections must be built into this, you know, and no say, "Oh, my gosh, they put the limited \$10,000 and 10 percent and we wanted it at \$50,000 and no restraints." You know, you may not get a hundred of the loaf on that, particularly since it is such a new idea in a new category.

If we can start down this path and see this tool does not get abused, I think it can be expanded, but let's get it at least into the mix.

MR. CASE: I would encourage you to look at the legislative proposal that the President rolled out yesterday, because that was based on a fair amount of dialogue with different folks. And the SEC has been looking at this for some time. And the Jobs Council and the National Advisory Council, Innovation in Entrepreneurship, SBA. There's been a fair amount of work. And I'm sure it's not perfect but it's actually pretty good and moves in the right direction.

But I think that it goes back to the urgency point. I think your story is -- I hear there's a number of places where there's actually one company that I contacted probably about a month ago that started a couple of years ago doing similar kind of crowdfunding, credible entrepreneurs, initial backers. But basically they're running out of money and they weren't able to raise anymore money because people said, "Look, the government just seems to be not clarifying this. Why would we invest in something when we're not even sure it's going to be legal like next year or five years from now or maybe ever or something?" And so they're going out of business. And they were saying, "Well, would you invest?" No, I don't want to invest because basically we'd be arguing on behalf of all the people doing this.

But that may go under while we're having this little kind of debate inside the Beltway. And thousands of companies that could've stayed in business and maybe

had that chance to build a product or service, if they had access to the \$500,000 they need through a crowdfunding platform, you know, also we're going to lose. So there is a broader debate around the urgency of winning this global battle of entrepreneurship, but there's a much more near term debate about these crowdfunding companies and people like you that are trying to build these things are going to go out of business if we don't get this clarified quickly. And a lot of other companies that could've benefitted from that crowdfunding are going to go out of business, and obviously we need to have the right protection.

But the point I make is, you can go to Las Vegas and lose \$5,000. You don't have to be an accredited gambler to lose \$5,000. Why are we saying you can't invest \$5,000? And what might be the next to -- and particularly when the internet allows transparency in terms of information and protections. And we'll have to tweak it overtime depending on what we learn. But clearly it makes sense, so let's just do it and stop talking about it.

MR. WEST: Okay. We're going to make that the benediction on this but I want to thank Senator Warner, Senator Moran and Steve Case for sharing their views. And we do hope that this example of bipartisanship will become a model.

SENATOR MORAN: This moment of lack of bipartisanship, let me tout Kansas since (inaudible) was mentioned. Clyde Cessna, 12 times, tried to figure out how to fly a plane, crashed 12 times in a row, 13th time succeeded and built a company called Cessna Kansas. A couple of brothers that Wichita State University decided that they could deliver home pizza became Pizza Hut. Kauffman Foundation that we talked about originates with a man named Ewing Kauffman, that ultimately his drug company that he started in his garage became Marion Merrell Dow.

There are opportunities. And I would add that Google has now chosen

as Kansas City as the location for their high speed, so we would welcome the entrepreneurial spirit represented in this room for those who find Kansas appealing.

SENATOR WARNER: And I won't mention in a rebuttal at all, except that I am proud to claim Steve Case as a Virginian. And Startup America is proud to have Startup Virginia and Startup Kansas. Thank Y'all.

(Applause)

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