

COMMENTS PRESENTED TO NYS BUDGET DIVISION
NOVEMBER 17, 2007
BUFFALO

Good morning [or afternoon], Mr. Francis, my name is Al Culliton, I am the CFO and Chair of the Management Committee of the Erie County Industrial Development Agency. My comments today are based on ECIDA's involvement in venture capital investing over the last decade and on its involvement as one of the 13 founding members of the **Western New York Regional Partnership for Advanced Technology and Commercialization** proposed to be created under the NYSTAR Regional Partnership Program. I would like to welcome you and your staff to Buffalo and thank you for taking the time to allow input from Western New York.

My purpose for standing before you today is to emphasize the growing critical need for pre-seed and seed stage funding in Western New York. You will hear the same message later today in Rochester from Theresa Mazzullo of Excell Partners. In the last decade we in Western New York have grown aware of the need for pre-seed and seed stage capital as critical to transitioning our area from the smokestacks of the 19th Century to the knowledge industries of the 21st Century. The need has been brought into sharper focus by this community's almost 2-year collaborative effort to respond meaningfully to the Regional Partnership Program concept. Community work on the Regional Partnership has focused, to date, on life sciences and advanced manufacturing but the results are viewed as a prototype for understanding the other key industries identified in our area. Five strategic imperatives have been identified in life sciences and advanced manufacturing:

1. to drive innovation leading to globally competitive products, manufacturing processes and business models
2. to transition regional manufacturing from commodity to advanced
3. to develop a workforce capable of supporting innovation-based industries
4. to provide capital to support innovation, entrepreneurship, and business growth
5. to align regional research capabilities, economic development incentives, and government policies and programs to promote manufacturing competitiveness

The need for pre-seed and seed stage funding, along with the development of appropriate management and the availability of underwriting and due diligence resources, is the essence of the 4th imperative. Funding needs underlie many of the action plans of the other imperatives. Some facts for perspective:

- According to the Money Tree™ Survey¹, Upstate New York accounted for only 0.5% of the nation's total venture investment in the final quarter of 2003. In every quarterly survey since that report, Upstate has been at or near the bottom of the survey.
- In a report titled *A Recipe for Renaissance*² dated September 2004 on redeveloping Upstate New York, it states: "Without question, the scarcity of venture capital is the biggest obstacle currently standing in the way of Upstate's burgeoning high-tech and biotech economies."

¹ Data found on the Money Tree™ website at www.pwcmonetree.com (©2006 Pricewaterhouse Coopers, LLC)

² A Recipe for Renaissance: Redeveloping Upstate New York (draft): September 29, 2004

- "... according to a report by the National Governor's Association, venture capital is critical to growing the new businesses that will drive the New Economy. Finding ways to nurture the culture of entrepreneurs, and the capital that feeds them, must be a top priority of the states"³

The Upstate region is working hard to overcome these obstacles. Theresa Mazzullo will tell you about the efforts of Excell Partners, Inc to nurture the entrepreneurs in the Upstate region. We in Buffalo have a good story to tell as well. While many of our pre-seed and seed stage investments have yet to become "successes", jobs have been created and new companies are growing by commercializing technologies from academia and industry. Even at this early stage, in several cases ECIDA has been able to cash out of an investment and reinvest in the next opportunity.

1. The City of Buffalo, ECIDA and 3 private corporate investors have funded \$1.5 Million to start a technology commercialization company known as First Wave Technologies, Inc. to surround early stage technologies with management and funding necessary to move them forward.
2. In partnership with New York State (Tony Quennelle), the University at Buffalo, the Technology Development Center, the TDC Foundation and ECIDA, 7 pre-seed and seed stage investments have been made by the Western New York Business Development Fund for over \$1 Million.
3. ECIDA has made 30 near-equity or equity investments in Erie County companies for a total in excess of \$6 Million.
4. Major investments by the State and others have been made in the Center of Excellence in Bioinformatics and Life Sciences, the University at Buffalo, Hauptman Woodward Institute, Roswell Park Cancer Institute and many other technology drivers in Western New York.

We are pleased to stand before you today as one voice from Western New York requesting support for pre-seed and seed stage funding in Upstate New York.

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³ This report cited in the report A Recipe for Renaissance: Redeveloping Upstate New York (draft): September 29, 2004