



Establishing Local Capital Markets

Access to capital fosters innovation



Problems:

- ▶ Montana lacks an institutional capital market to fund entrepreneurial endeavors and growth equity for business expansion
- ▶ State is geographically isolated from traditional business centers
- ▶ State not viewed as “business friendly”
 - ▶ High business equipment taxes hurts capital intensive R&D, Energy businesses
 - ▶ Labor – union strength creates concerns after recent renewable developments
 - ▶ Regulations – strong presence and influence from environmental groups
- ▶ Energy is a capital intensive business
- ▶ Montana is competing against states aggressively pursuing energy
- ▶ Companies are lured to markets where capital is available



Opportunities:

- ▶ Montana has significant natural resources to support innovation and production of energy.
- ▶ Montana's labor force is educated, motivated and loyal
- ▶ Montana has an abundance of experienced talent looking to come home with business plans in-hand.
- ▶ Montana has strong cornerstone businesses to build upon in the energy sector and adjacent industries
- ▶ Montana is home to and attracts some of the wealthiest people in the country.
- ▶ Unprecedented access to our government representatives



The Plan:

- ▶ Take an inventory of Montana businesses and assets in Montana
- ▶ Establish business “clusters” leveraging current successful businesses
 - ▶ mineral extraction, bio-fuels, energy generation, energy storage, energy conservation, software/controls, etc.
- ▶ Identify state support mechanisms - tax policies, promotional campaigns, export support, etc.
- ▶ Create a state sponsored investment package that identifies and contains funding mechanisms and policies to support key targets.
- ▶ Present investment package to local investors to build public/private venture fund to “make bets on Montana”.
- ▶ Promote venture fund to business “cluster” opportunities.
- ▶ Focus and execute



State Competition: Texas

- ▶ Texas - The TETF is a \$485 million fund created by the Texas Legislature in 2005 at the governor's request and reauthorized in 2007, 2009, 2011 and 2013.
- ▶ Highlights
 - ▶ TETF has allocated nearly \$220 million in grant matching and research superiority funds to Texas universities
 - ▶ TETF has allocated more than \$205 million to over 145 early stage companies.
 - ▶ Since the inception of the TETF, *more than \$2.2 billion in additional investment from other non-state sources has followed on to the TETF investment, more than quadrupling the amount invested by the TETF*

State Competition: Massachusetts

- ▶ **MassCED** - The Massachusetts Clean Energy Center (MassCEC) is dedicated to accelerating the success of clean energy technologies, companies and projects in the Commonwealth—while creating high-quality jobs and long-term economic growth for the people of Massachusetts. Established by Chapter 23J of the General Laws, MassCEC receives funding from the Renewable Energy Trust Fund, which was created by the Massachusetts Legislature in 1998 as part of the deregulation of the electric utility market. The trust is funded by a systems benefit charge of \$0.0005 per kilowatt hour paid by electric ratepayers of investor-owned utilities in Massachusetts, as well as municipal electric departments that have opted to participate in the program. The average Massachusetts household contributes \$0.32 to the Renewable Energy Trust each month.
- ▶ **MassVentures** - Formerly known as the Massachusetts Technology Development Corporation (MTDC), MassVentures was formed in 1978 as a quasi-public corporation by the Commonwealth of Massachusetts to address the capital gap for start-up companies and to encourage the growth of early-stage technology firms. MassVentures' enabling and governing legislation is Chapter 40G of Massachusetts General Laws as amended in 1993 and 2002. Companies backed by MassVentures have employed over 7,500 individuals in the Commonwealth with an annual estimated payroll of \$612 million. Over its 30+ year history, the MassVentures Traditional Fund, an evergreen fund, has enjoyed an excellent rate of return.
- ▶ **Highlights:**
 - ▶ •MassVentures-backed companies have raised more than \$1 billion in additional capital
 - ▶ •MassVentures-backed companies currently employ over 2,500 people in the Commonwealth
 - ▶ •MassVentures-backed companies have an annual \$216 million payroll
 - ▶ •Sixteen companies in MassVentures' portfolio have gone public
 - ▶ •Over its 32-year history, MassVentures' Traditional Fund – an evergreen fund – has generated a positive gross return on capital



Other States Are Following Suit:

- ▶ **Colorado** - Colorado Governor John Hickenlooper disclosed today at the Venture Capital In The Rockies conference that the state is hoping to change that, by raising its own, \$100M to \$150M venture capital fund. Gov. Hickenlooper is tapping into the state's technology leaders to create a fund specifically to invest in only Colorado startups, which is reportedly looking to launch by summer
- ▶ **Georgia** - Cagle's proposal would dedicate \$100 million in state money over the next five years to the fund, which would be overseen by an independent investment board. To do so, the state would offer up either tax credits or draw from its OneGeorgia fund, which it uses to seed economic development. The board would recruit large venture capital firms to throw private money into the pot. It would then choose which startups to invest money in. If all goes well, based on each contract, it would recoup its original investment plus 80 percent of profits — which would go back into the fund. The firms would get the remaining 20 percent.



Business Inventory: Example

- ▶ Kalispell - Electrochemistry
 - ▶ Companies – Applied Materials, ViZn, ZAF Energy, Thompson Group, ClassOne
 - ▶ Current number of employees in sector - ??
 - ▶ Current payroll in sector - ??
 - ▶ Adjacent industry opportunities – list here
 - ▶ Related university research
 - ▶ Projected growth in industry(s)
 - ▶ Etc.



State Support Mechanisms:

- ▶ Taxes
 - ▶ Reduce business equipment tax across the board
 - ▶ Eliminate business equipment tax on pre-revenue R&D companies
 - ▶ Focus tax incentives on what you want to support. OPEN DISCUSSION
- ▶ Promotional Campaigns
 - ▶ Actively promote Montana success stories in and out of the state
 - ▶ Build website clearinghouse of MT's energy assets and companies
 - ▶ Bridge gap between New York and MT. Leverage MT relationships
 - ▶ Landing page for outside venture/PE firms to easily obtain information
- ▶ Export Education and Support
 - ▶ Focus on businesses that can export value outside of Montana
 - ▶ Interstate and International business introductions



State Investment Package:

- Determine targeted funding to spur interest
- Imitate and duplicate – review programs in TX, MA and CO
- Separate funding plan for R&D from growth equity opportunities
- Combination of public and private investment dollars to leverage state funds and provide reduced risk to investors
- Establish reporting and accountability functions for investment