

ASBDC Executive Board of Directors
Minutes
Marriott Crystal City
Crystal City, Virginia
November 13, 2012

Meeting called to order by Chairman King at 8:33 am Eastern Daylight Time.

Board Members present - Chairman Jim King; CEO Tee Rowe, Georgianna Parkin, Vice Chairman; Diane Howerton, Secretary; Mike Young, Treasurer; Allen Adams, Christian Conroy; Jim Heckmann; Marc King , Mark Petrilli, and Brett Rogers.

ASBDC Personnel: Donna Ettenson, Brett Thibodeau.

Approval of October Minutes – Upon correcting the minutes in the President’s report regarding the Jobs Act report to reflect \$225 returned to SBA, the minutes were approved. The motion was offered by Mike Young and seconded Brett Rogers.

Treasurer’s Financial Summary – Mike Young indicated the financial reports do not reflect a small amount from conference of approximately \$90,000 that was just paid. The financial report will report \$137,000 less \$90,000 by year end. He reminded the Board that we made a conscious decision to keep the registration rates the same as last year so we are marginally in the black or operating at a slight loss. Tee Rowe stated that there should be a net gain on conference because of additional sponsorships.

Jim Heckman questioned why are the auditing and accounting fees so high? Mike said audit fees are steep which caused us to cut back on the level of audit a couple of years ago. Today, audit standards require that all entities are treated like a public company.

There was discussion on two outstanding receivables: the Foundation and Prodecx. It was advised that an invoice for these funds be sent to the Foundation as they have funds in the account to cover this expense.

ACTION Items:

1. Tee Rowe to send a demand letter to Prodecx.
2. Mike Young will send the Foundation an invoice and pay the receivable.

Jim King asked about the investment account. Mike indicated the packet of financials reflect the accounting period through 9/30/12. The investment account fund performance continues to do very well, over 4%; well above the market performance.

Tee indicated that he and Donna Ettenson recently met with Peter Jennings, advisor at Morgan Stanley. The portfolio has been heavier into bonds and Mr. Jennings suggests moving some funds back into equities. Tee is hesitant until the fiscal cliff settles but he recognizes that Peter is the expert when it comes to investment issues. After some discussion, it was suggested by Jim King and Mike Young to meet with the advisor in January before the board meets at the end of the month.

A motion was made by Mike Young and seconded by Marc King to: Defer action on the reinvestment of the investment account until January 2013. Motion unanimously approved.

President's Report / Legislative Update

Upcoming Dates:

1. Spring Meetings: April 14-18, 2013

Board meeting, Sunday, April 14
Membership meeting, Monday, April 15
Accreditation committee meetings, April 12-13
Accreditation training, Thursday, April 18

It was noted that this is a change in the schedule from previous years beginning with the Board meeting on Sunday.

The meeting location is expected to be the Marriott Crystal City if some customer service issues can be resolved; a 2-year contract will be signed. The 2014 Spring meetings plans are for late March.

2. Executive Board Meetings: January 28-29, 2013; Orlando, Florida at the Peabody Hotel. January 28th is a travel day with all-day meetings on the 29th and a half-day on the 30th.

3. Executive Board Meetings: June 10-12, 2013; either Chicago or Washington, DC. Travel on 10th, all day meetings on 11th, half day on 12th. There was extensive discussion on these two locations as Chicago is more centrally located but the need to be in DC to meet with the legislators might be more important.

Mike Young reminded the Board that historically the June meetings are held in DC. Jim King said that he didn't see it imperative to be here because of the proactive legislative strategy that is being implemented. Jim then asked if there was something that we could do as an update or targeted interest as a focus for legislative meetings.

Tee suggested something based on exports. Jim asked about the chances on getting a hearing with Tee indicating it was pretty good, if we make these arrangements early in the year.

As potential topics, Christian Conroy mentioned performance on Jobs Act and Disaster Response efforts. Mike Young suggested having a Quick Response Force from around the county. Have a 2 week assignment with a core of 15-20 people using SBA funding set aside. This would receive bi-partisan support combined with being a unique program of the SBDC. Jim King indicated that they can provide disaster certification training.

Action Step: Recruit Mary Lynn Wilkerson to lead the ASBDC National Disaster Team. This would be of interest to Senator Landrieu (D-LA) for us to give a presentation to the committee in June.

Brett Rogers asked if we need to get more information on certification. Allan Adams indicated there are a few in his network that are already certified and could model off existing programs.

Motion: Christian Conroy made a motion that was seconded by Marc King that we as a Board encourage Mary Lynn to be the leader of this initiative. This would be a new structure and a permanent component of the Board. Motion approved

Discussion:

Jim Heckman expressed concern about SBA replacing some of the core funding with this funding source towards the SBDCs total allocation.

Christian Conroy said that EDA puts a lot into disaster response and the Administration has a pool of funds for disaster assistance.

Tee said this is formalizing the role that the SBDCs are already doing.

Further discussion about potential topics to include performance on the Jobs Act, along with topics that distinguish the SBDC from other service providers.

Legislative Update

Tee reported that Congress returns this week with a meeting at the White House this Friday. The question comes down to the math and the math is the tax code. Question is who is going to give and where. There is lots of debated on this issue. Tee expects

- Expect changes in the tax rate with another tax rate added.
- Entitlements are 60-65% of spending and fixing this is the hard part. Don't expect to get into entitlement reform.
- The focus will be on tax rates and spending cuts. It remains to be seen what this will be.

Georgianna Parkin asked about the Economic Development Coordinator position that's being discussed and the status of the reauthorization of the SBA. Tee indicated that the preliminary sequestration report from OMB, everything gets a haircut. President's budget has cuts at 10% or 2008 levels.

The questions being asked: What is the impact of the 2008 funding levels? What does this mean with state funding? There was concern expressed regarding a talked about a new organization, a Department of Business. It was asked: What does this do to small business; would this move SBA into another larger agency and the relevance of the SBDC program would be?

House Committee Briefing

Michael Day, Minority Chief of Staff for the Committee on Small Business

Paul Sass, Deputy Staff Director for the Committee on Small Business

Jim King welcomed guests and thanked them for their time to be with us. There were board introductions and Jim asked the guests to provide some insight on where you see discussions going in the next couple of months.

Paul Sass provided an overview on what to expect during the next couple of months.

November: set aside for organization and leadership decisions. He indicated there was an appetite for compromise in order to avoid a fiscal cliff and sequestration in December.

As far as the committee, it's done for the rest of the year unless leadership asks something specific; they play a supportive role.

With the New Year, there will be a clean slate to focus on the budget with January and February about process, oversight and planning like the last Congress. There is pressure to do more with less. They would like to see cost cuts within SBA to add more to the SBDC. By February, a recommendation will be made to the budget committee and there will be a hearing with Karen Mills.

Last year the committee had 80 hearings from 20 agencies. They want to make sure small business as a part of the process and strengthen the role of small business. Their game plan for 2013:

- SBA Reform Bill: cut duplicative programs and strengthen programs doing well like the SBDC.
- Tax Reform
- Reauthorization and issues relative

Michael Day's Summary:

They are dealing with sequestration through the tax rate. On appropriations, they are using the final offer the President made to Boehner. People are reading the election in different ways, there are different mindsets and it is difficult to get everybody on the same page. There are 80 new members and realistically it's window dressing to look like they are getting something done. Basically they are starting from scratch. There will be 3-4 new chairmen. Mr. Day expects delays on the budget for at least 6 months.

It was asked about the Committee's recommendation on SBA programs and can as a committee they require the Agency to make program cuts. Mr. Day said there are no rules that say the agency has to cut from every program, that's a choice. The Congressmen defer to us to give suggestions.

Allan Adams asked if agencies will pay attention to their recommendations? Michael indicated that the SBDCs are doing what district offices use to do, the change occurred during the Clinton Administration. A big advantage of the SBDCs is there are a lot of strong advocates in Congress.

Mr. Sass suggested that presenting the members on the results like jobs created, partnerships that show the results and leverage is extremely important. As a committee, their frustrations are pilot programs that are unauthorized without measurements, metrics and deliverables on how to measure success. Poor programs should not be funded like clusters and the cities initiative.

Both Mr. Day and Mr. Sass said to expect a short term extension with a long term solution. The programs with the stronger infrastructure have a better chance of survival.

A question was asked about potential reorganization of the SBA.

Tee Rowe: Paul mentioned the Dept of Commerce. This is another topic of discussion: conversation of merging all 3 programs as part of a collaboration – to create a Dept of Business. What, if anything have you heard?

Michael Day: There is a reason for USAID/Commerce Dept. as cliché as it is to say. The needs of corporate America are different than the needs of small businesses. I have heard nothing further since original mention.

Paul Sass: I have heard nothing, no follow up since the initial discussion. The House Committee has not been approached on this topic in over a year.

The biggest challenge is the increases on the 7A program with a \$350.0 million in subsidy.

The Board expressed frustration with the agency that a 10% cut to the program is what was proposed and they are creating new programs.

Messrs Day and Sass: Keep in mind sequestration was never intended to take effect. Congress tends to wait until the last minute. You are planning for the worst, which is good. We do not think sequestration will happen.

Allan Adams: Over the next few years, we cannot keep doing things this way.

Michael Day: We have had 2 serious catastrophic events that crushed our budget. Every agency has their own economic development program, until a budget happens you all need to keep letting everyone know how important your organizations are.

Question: You both talked how we define our results better than most. Is there another way we can report to keep us going?

Michael Day: Well there is hesitancy as seeing the SBDC not as a partnership; I think you all have been growing the past few decades.

Paul Sasson: Look at the narrative of today, small business is going to get us out of the recession. You need to continue this message; I happen to know more than the average committee member. It is up to you to tell the rest of the committee members

Georgianna Parkin: When do you think the reauthorization will be accomplished?

Paul Sasson: 2014. In terms of capitol access program, we are trying to streamline, I would like to have SBDCs to continue what they are doing. Our views will come out in February 2013 on SBA Authorization on our stance of the president's budget.

Tee: Basically the best case is some sort of framework will be in place.

Paul Sasson: It is possible of some sort of extension in 2013.

Mike Young asked what is the temperature for reforming the tax code? They said the tax piece is critical to help small business from moving to foreign countries

Senate Committee Briefing:

Meredith West, Professional Staffer
U.S. Senate Committee on Small Business & Entrepreneurship

The Senate has a long list of issues to address the main one being sequestration and the tax cuts. They are looking to adopt a process for saving some funds now and find a little bit of savings from the \$1.2 trillion deficit. They are currently working on the Cost Fix for Medicare reimbursement to physicians and DOD authorization. Usually this reauthorization is always done by August. The DOD

Authorization is a vehicle to move things along. Not sure if this affects SBA Authorization and the funding levels may not be the same. The big issue besides sequestration is the Women's contracting program.

The memo from the current administration is a possible 8.2% cut across the board versus specific programs.

The Board's criticism of the Administration – cut all core programs 10% but they want to create more programs. Tee and the board are doing well in protecting core funds with appropriations; however it is a continuing battle

TEE: Looking through the OMB report on sequestration – across the board cuts, with exemptions, but what is considered exempted accounts?

Meredith: Surety Bonds, Parts of 7a, parts of 504s anything that is part of the reserve funds. Not much is exempt and it is up to the administrators. I believe the sequestration will not happen – small businesses are looking for certainty, a 1 year fix will not give them any certainty.

Questions: What is the temperature for real tax reforms?

Meredith: There is a strong appetite for it; a lot of senior staff are working on this during the break.

Mike Young: Is there an interest in a Flat Tax

Meredith: No.

Tee: There is talk among Hi-tech businesses re taxes – it will be about 40% corporate tax rate which encourages people to move their operations abroad.

Meredith: The larger process to be setup to divert the sequestration for another year. No one wants to see business move abroad. Additionally a lame duck session of Congress is very tricky. Some tax cuts expired, Farm Bill expired. Cyber Security about to expire.

Tee: Senator Vitter is looking to become the ranking member for Small Business Committee

Meredith: Some Advice.....have your state directors become friends with the ranking congressional members. Expect the next chair of this committee to be from Idaho (Se. Risch) or Wyoming (Sen. Enzi).

Jim King: If they decide to punt, how far?

Meredith: Probably 1 year, (and it may be a fiscal year)

Question: How much is the set aside for the SBA Budget?

Meredith/Tee: About \$40-50 million

But the administration will not cut the LMS (Loan Monitoring System) or other management priorities, etc.

SBDCs will take a hit

Question: Does SBA handle their own default/collections?

Meredith: Treasury handles some of it, however it negatively impacts subsidies.

Question: Pushing a crystal Ball out past this year, what do you foresee?

Meredith: Modest cuts but not as high as high as 8.2%

Christian Conroy stated how devastating the defense cuts will be to small business, a ripple effect. Ms. West mentioned discussed opportunities in Canada. Defense contractors will find new contracts in overseas and the Canadian government is making big purchases. There is a reciprocal agreement between the US and Canada for defense purchases.

Foundation Board

Jim King said there were four SBDC Directors who expressed interest in serving on the Foundation Board and he talked with those directors. His recommendation is to appoint all four to the Foundation Board which will meet the requirement set by the Board to have state directors a majority on the Board for a least one year. A positive decision is the Board can be a grant recipient with minimal indirect and overhead. Jim is asking the Board to endorse that recommendation that will empower the Foundation. He also indicated that Citicorp's and Intuit have expressed interest in joining the Board.

All of the Board members support Mr. King's recommendation for the minutes to reflect the support the ASBDC Executive Board supports the decision to have the found SBDC State Directors serve on the Foundation Board. Tee emailed the interested parties over the weekend.

Afternoon Session: Legislative Strategy Discussion

Directors attending via conference call

Brian Zack	Alaska
Mike Brooks	Alabama
Ginne Rae Clay-Gilmore	Connecticut
Carol Lopucki	Michigan
Chris Bouchard	Missouri
Jamie Gosley	West Virginia
Jody Keenan	Virginia
Kristin Johnson	Northern California
Mary Collins	New Hampshire
Jill Burrogths	South Carolina
Nancy Jackson	Oklahoma
Bruce Strong	Minnesota
Becky Naugle	Kentucky
Deborah Schueneman	SBDCnet- UTSA

Tee Rowe summarized what was discussed during the morning general session indicating a lame duck session of Congress. There is a group in the Senate to establish a larger framework for tax issues as a grand strategy along with other pressing issues to address before the end of the year. On the House side, there are 80 people retiring or out and there is an appetite to not make a decision but delay actions to the next Congress. He expects a short term fix before the end of the year. Congress will kick the can down the road through March or September 2013. There will be a better idea on the spirit and focus after the meeting this Friday at the White House.

Tee also said the notice of award is based on the 2008 funding levels which is SBA's plan in case sequestration is in place. We could end up with larger payment at the end of the year if sequestration does not take into effect.

Legislative Strategy Session

Christian Conroy led the discussion the legislative strategy providing supporting documents in advance of this meeting. He stated that the legislative strategy is a living document which is based on an earlier meeting with his committee but after meetings this morning the documents will need to be revised. The overall strategy is to maintain our core funding level. Sequestration is going to occur and our biggest challenge is the Agency. Can we get Congress to speak for us to the agency?

Mike Young: Our funding is a line item.

Jim Heckman: I do not think that Congress will listen to us, they will defer to the agency.

Allan Adams: There will not be time for Congress to get into the weeds if sequestration kicks in.

Mike Young: The staff this morning indicated that they do not believe sequestration will happen.

Christian Conroy: So what do we do with SBA to avoid an 8% cut?

Tee: We need to impress upon Congress that crippling the SBDCs is crippling the SBA.

Christian: Do you buy that?

Allan Adams: If we make the case that Tee is discussing are we shooting ourselves in the foot?

Jim King: The longer Congress defers this, the better we are as this becomes a budget issue versus sequestration issue. I think we are wasting our time with this going to the agency.

Mary Collins: I agree, this is a waste of time. However where can we focus our efforts in Congress?

Jim King: There are new faces. We don't know who those key players are right now.

Brett Rogers: One of the things I heard this morning is that the SBDCs have an enviable position on producing results. We need to get the results to the new Congress immediately.

Jim King: There is an absence of data right now.

Christian Conroy: There is positive and negative impact with the 2008 data. To make sure we are heard, Tee can you send out information to the members on the implications of the cut?

Jim King: The SBA will fund partial year at 2008 Levels and if no sequestration, they will fund at 2012 levels at the end of the year, we need to be careful not to cry wolf.

Mark Petrilli: I agree with Christian, we need to prepare for the sequestration.

Christian Conroy: As sequestration occurs, our host institutions will lose funding. We need to prepare as this could cause our match contributions to be in jeopardy. We should ask the centers if sequestration occurs, how it will affect the center.

Tee: The ASBDC will create a survey and send it out by next week. I will send out the funding levels tomorrow (Wednesday). I will draft a letter template to give to Senators on here is how sequestration will impact the SBDC

ACTION Items from the Discussion:

1. Tee to send out the 2008 funding levels this week
2. Tee to prepare a survey to state directors on the impact of 2008 funding levels and the impact on the match. This is to be sent out before next Tuesday, before Thanksgiving in order to get good data before the end of the year.

3. Have a committee work with Tee on the survey. Suggest set this up in Excel so easy to tabulate the data.

4. Follow-up with a letter indicating the impact of what sequestration will mean to small businesses and job loss

Christian: What should our funding request be for 2014?

Tee: Assuming the continuing resolution occurs, we will have \$112.5 million for the year. We need something that's going to work everywhere and a suggestion is energy.

Question: How do we justify an increase?

Chris Bouchard suggests focusing on the economy that caters to both sides of the isle; our helping growth by increasing jobs and revenue. Deborah Schueneman suggested sustainability and survivability as part of the communication piece.

Carol Lopucki mentioned an article in today's WSJ that addresses much of the focus of this conversation and supports small business.

Christian: So if entitlements go away, does our funding goes up based on the Senate recommendation of \$117.0 million (3% on \$115.0 million)?

Christian Conroy: We need to work on establishing the distinguishing characteristics of our program from other resource providers. Why we are different, our results highlight our strengths. GAO identified these.

Chris Bouchard: We need to stay positive to talk about our unique programs, stress statewide network, national program, accredited.

Christian Conroy and Mark Petrilli both indicated that we do not need to address other programs but focus on the SBDC and referenced the SBA Advisory Board white paper as a resource on the positive impact of the SBDC program.

The question was raised by Christian on having a marketing organization help with our message. There was a healthy discussion on this suggestion with the agreement that professional materials are

Alan: Political or consumer message? If political, are our people the right to market the message?

Jim: Is it possible to have some of our partners to help promote our message? We need to step up our presence in the media and social network. Is this something that we should budget for?

A motion was made by Mike Young. To build into the ASBDC budget a staff position to help with communication, SBDC message, PR and stakeholder information with the recommendation that staff determine the criteria for this additional person. Jim Heckmann seconded the motion and the motion approved.

This expense will be factored into the 2013 budgets that will be presented during the January 2013 Board meetings.

There was discussion on other entities who could be partners. Tee mentioned AEO (Association for

Equal Opportunity), micro loan programs. They are willing to support us if we support them. Tee will be meeting with Startup America and the former Governor Keating. (ABA)

Jim Heckmann will follow up on the Farm Bill regarding funding.

Christian addressed the high default rate on 7A loans and proposed as a requirement for a SBA guarantee loan is to have the borrow meet with the SBDC at the beginning of the loan process. Have seed money from SBA and use the savings from a lower default rate funds to offset the SBDC costs.

As a wrap up to the legislative approach, Christian indicated that we need to aggressively keep the network informed and at the conclusion of the January board meeting have training for all staff.

OLD BUSINESS

We need to have SBA issue official statements on letterhead as host institutions will often not accept an email statement.

Excess reserves: Mike Young indicated that the excess reserves committee has not yet met. He plans to have a conference call soon and the committee will be ready to discuss at the January meeting.

Vendor Contacts: ASBDC does not sell contact list in the public domain. The sponsors at conference receive a list of attendees.

SBA Rulings, Goaling process: There needs to be some clear guidelines on the goals and the process. Tee will be working with Ann Bradbury and Carroll Thomas about the goals to have at the same time as the District Offices. Mark Petrilli stated that OSBDC says that we are supposed to get at the same time as the District offices, but this is not happening.

The NOA process was to start today as legal counsel gave the final approval on Friday. The changes that were suggested, 98% accepted. Thanks to Ann Bradbury for pushing this through for the SBDC.

Communications: The objective is to send out communications once a month to the Board Liaison groups. Jim/Tee to provide an outline of what is to be said in order to have a consistent.

ACTION Items:

1. Jim to provide an update on these meetings
2. Christian an update on the legislative strategy
3. Mark will have another meeting with the marketing committee and working with the graphics designer based on the comments from the Spring meetings. The target date is to have some designs in November before the December Board call. Then send to the membership before the January call. The goal is to have a decision at the January Board meeting.

There was discussion on the Chrisman survey and posting the comparative data with the bands on the ASBDC website. Allen Adams asked what is the status of the joint survey? It is the intent to have this occur beginning in 2013 and to work with Ann Bradbury on asking about their questions for the survey in order to have a collaborative effort.

Mike Young said that he will be working on the accreditation schedule and has a meeting at the Agency on Wednesday to develop the schedule.

Mark Petrilli asked about economic gardening indicating that we need to have some feedback to the membership and get ahead of this. We need to have some discussions and recommend a strategy. The cost per firm is expensive. Jim King will contact Carol, Chris and Jerry to get their feedback about what is happening in their respective states.

At 4:30 pm, the Board was introduced to the new OSBDC Associate Administrator, Carroll Thomas by Ann Bradbury. Chauncey were also in attendance. The Administrator provided the Board with her background, professional experiences and qualifications along with her process on making decisions. She expressed having a very positive experience a number of years ago as a former SBDC client in Philadelphia at the Wharton SBDC. The Board thanked Ms. Thomas for her time and expressed appreciation for her interest to meet with us during her first week in her new job.

With no further business, Allen Adams moved to adjourn, seconded by Brett Rogers. Meeting adjourned at 5:35 pm EST.