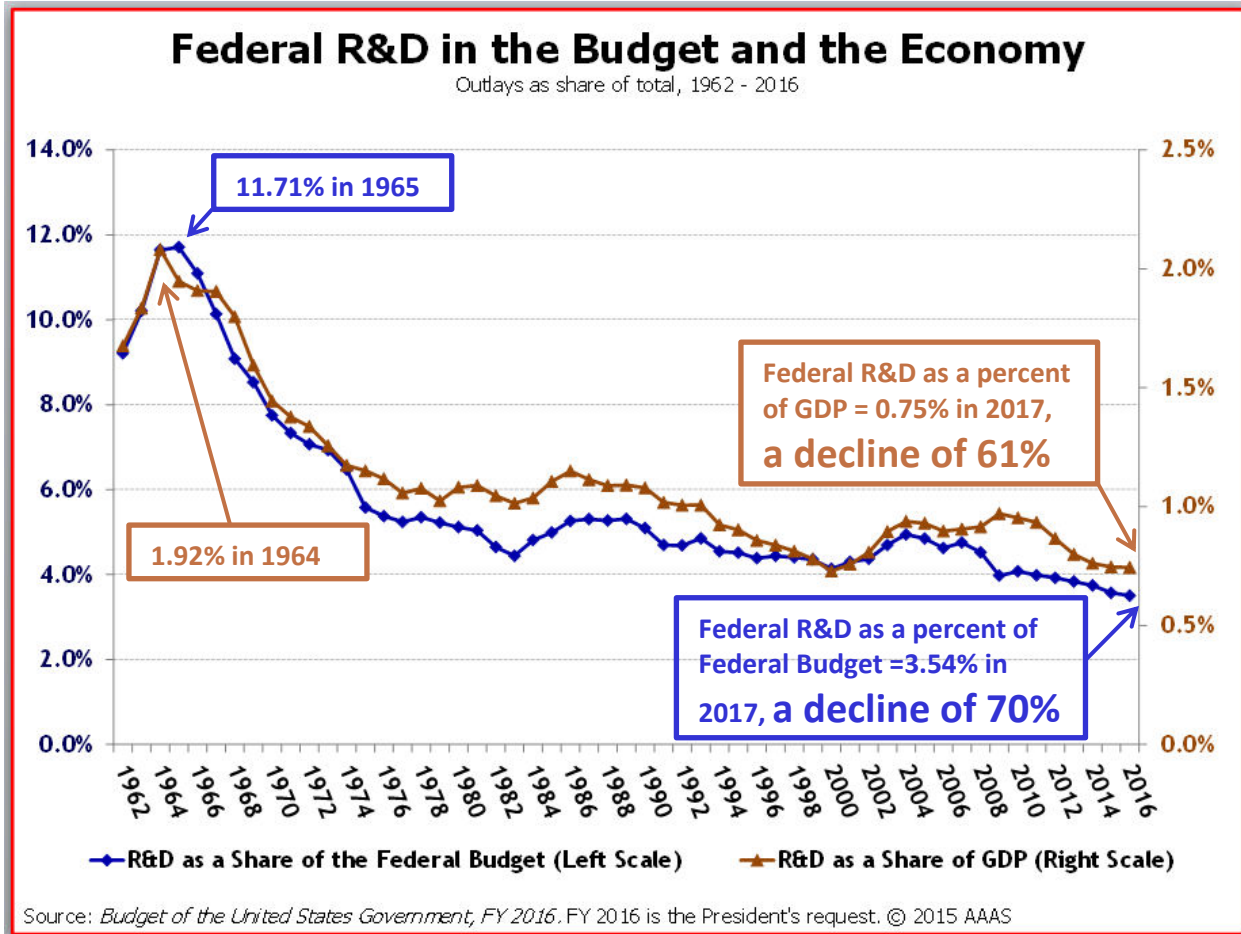
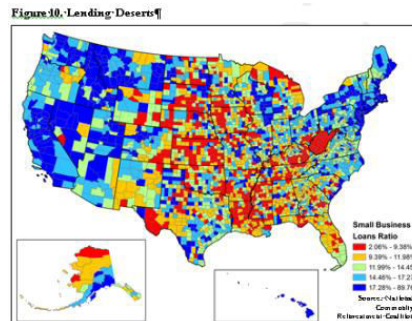
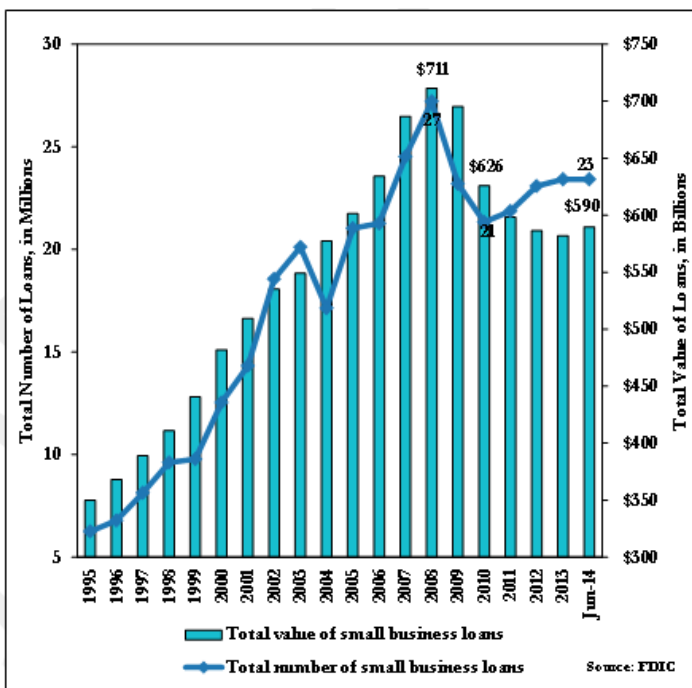


Four Reasons American Innovation Leadership has Become Unsustainable

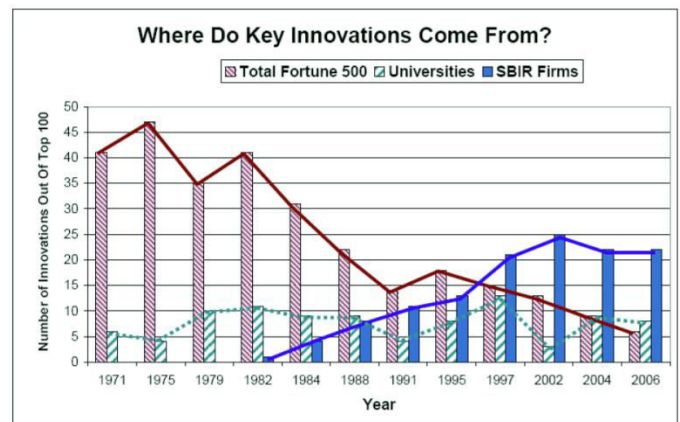
1. Reduction in Federal Support for Research



2. Banking drying up for Small Business (\$121B less), and Small Business is where the Innovation is



Small business is important because that is where the innovations come from.



3. Patent Valuation is Collapsing

IPO Offerings Patent Value			
Year	Dollar Sales	Patents Sold	Average Price
2012	\$2,949,666,000	6,985	\$422,286
2103	\$1,007,902,750	3,731	\$270,143
2014	\$467,731,502	2,848	\$164,232
2012-2013	-66%	-47%	-36%
2013-2014	-54%	-24%	-39%
2012-2014	-84%	-59%	-61%

Since the America Invents Act (AIA) was passed there has been a dramatic drop in patent values. Court rulings and legislation has cost to the American economy about one trillion dollars. The value of patents as an asset class has dropped about 60-80%

This chart shows a dramatic drop in the average price per patent over the three year period, with values dropping 61% from \$422,286 per patent to \$164,232. In that timeframe, the number of patents sold dropped from just under 7000 to 2800, showing a decrease in liquidity in the patent market. The overall sales dropped from \$3 Billion to well under one half billion in patent sales per year, or by 84%. Patent law changes and court rulings have caused many inventors to decide to stop inventing.

See: <http://patentlyo.com/patent/2015/06/america-invents-trillion.html> , http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2609415 .

4. Government Regulation is killing small businesses.

SBTC has seen its members adversely affected by variable audits that inconsistently apply the FAR.

Two companies with identical procedures, one passed with glowing comments, the other failed. This caused significant revisions, diverting management attention from growing the business. It caused the G&A rates to increase from about 40% to 70%, an increase of 75%, all to meet increased Government auditing and reporting requirements. This substantially increases the cost to the Government for conducting research, and significantly increased the company's cost of doing business, adversely impacting their ability to commercialize products.

And the result is that businesses are not being born faster than they are dying and we are out patented by China and according to the Federal Reserve, Patents are the number one indicator of regional wealth.

As a percent of GDP, the US is outspent by S. Korea, Japan, Finland, Taiwan, and Germany.

America needs to rethink our small business growth strategy.

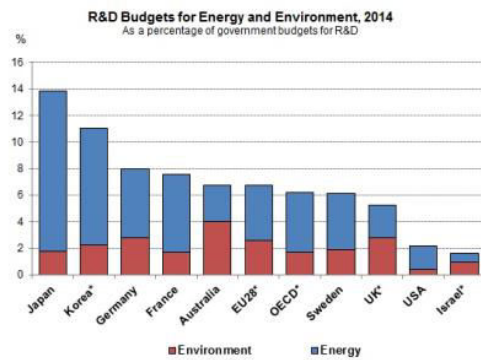
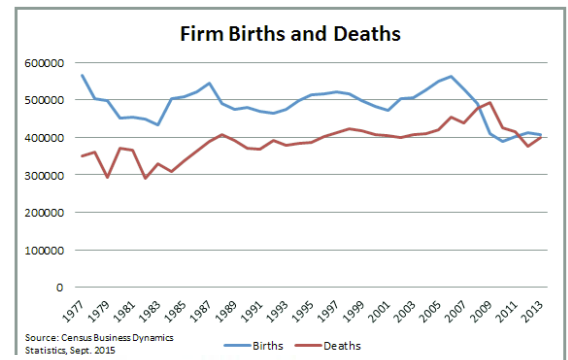
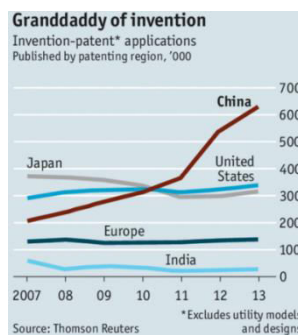
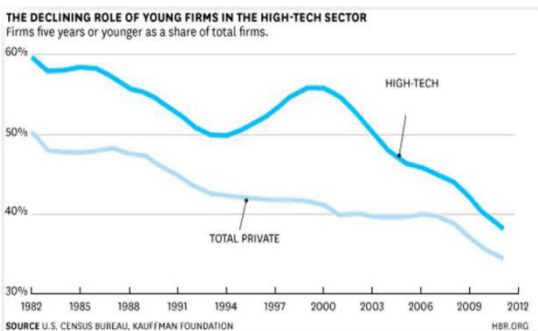
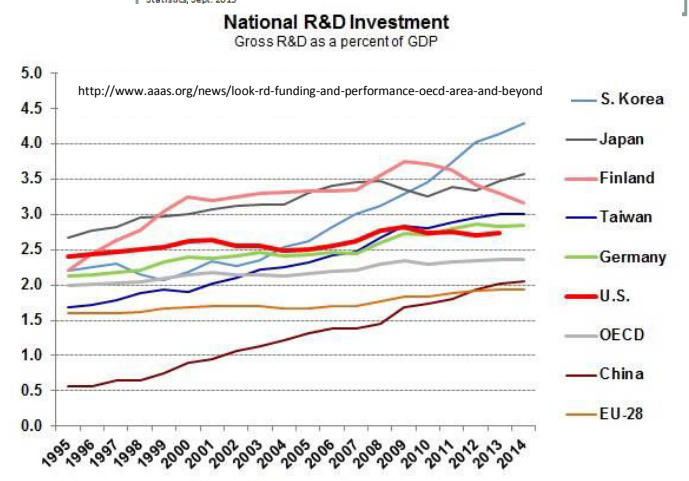
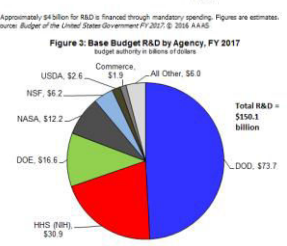
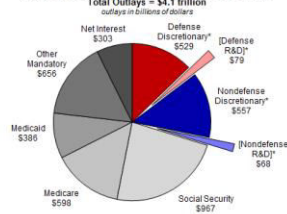


Figure 2: Composition of the Proposed FY 2017 Budget Total Outlays = \$4.1 trillion outlays in billions of dollars



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