



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: November 27, 2007

SUBJECT: Participation With and Possible Funding of Golden Capital
Network

Report in Brief

This item involves City consideration of whether or not to participate in creation of a local/regional angel investment fund network (RAF) as proposed by a non-profit, Golden Capital Network (GCN), and under what terms. Part of this consideration includes a recommendation to create a “fund” to partner with other jurisdictions and UC Davis in creating a regional Davis/Yolo County Fund.

The GCN concept is to create this equity financing structure to facilitate “angel” investment in regional startup companies that do not have access to traditional venture capital. Angel investors are those that provide early “seed” capital to allow companies to grow to the point where they can attract venture capital. Access to sufficient start-up capital is a critical component of any strategy to retain new start-up companies including those that may be generated by research at UC Davis.

Staff recommends that the City Council approve City participation in the Golden Capital Network, authorize expenditure of City funds for this purpose and authorize the City Manager to:

- a) Initiate necessary steps to define local network partners, including UC Davis;
- b) Execute an Agreement between the City of Woodland, and/or interested partners and Golden Capital Network, including specific deliverables to be achieved by end of year one, and
- c) Agree to provide a proportionate share of required matching funds for a Yolo County Regional Angel Fund, with the City of Woodland share **not to exceed \$10,000 per year for two years, for a maximum total of \$20,000** as required by the GCN Economic Development Administration grant, and to authorize the expenditure of City funds so that City expenditures are limited to those amounts necessary to provide the City of Woodland’s share of matching funds. It is expected that the City’s share would be \$5,000 per year for two years, totaling \$10,000.

Background

On September 14, 2007 the Yolo County Economic Development professionals group (County and cities meeting regularly in the absence of the Yolo County Economic Development Commission) met to discuss a proposal made by the Golden Capital Network before the City of Davis Business and Economic Development Committee (BEDC). The proposal was to offer the opportunity to provide venture and angel capital investment funds for new high growth, high tech, companies starting out of UC Davis. Following this meeting it was decided that each jurisdiction representative would bring this item back to their respective Council/Board for consideration and authorization to participate in this opportunity. As is outlined in the attached resolution and below in the fiscal impact section, the cost to the City is minimal but the potential return is tremendous.

After further review, staff has determined that this endeavor is Consistent with General Plan Economic Development Component, section 9.B.5, adopted in 2002. “The City shall focus economic development efforts on projects that will maximize long-term net revenues to the City and diversify the City’s economic base”. Section 9.B.7. “The City shall strive to coordinate its economic development efforts with the efforts of the County of Yolo, other Yolo County cities, the University of California at Davis, Woodland College and economic development organizations, including the local Chamber of Commerce” and section 9.B.8. “The City shall develop programs to facilitate and foster entrepreneurial business efforts by UCD graduates and others by means of a loan program, mentor program incubator space, technical assistance and other tools available to the City” are all addressed through participating in this investment opportunity.

Thus far, the City of Davis, County of Yolo, City of Winters and the City of West Sacramento have all received authorization to pursue this opportunity. The respective staff of each jurisdiction and UC Davis are scheduled to meet and discuss the next steps in this program on November 28, 2007.

Discussion

Participation in this network can be considered to directly align with the City’s economic goals by facilitating attraction of new high tech, biotech companies. UC Davis is now among one of the 12 highest ranked public universities in receipt of research grants in the areas of clean energy, biotechnology, life sciences and others, with this trend expected to increase.

The City of Woodland, like other jurisdictions in Yolo County is uniquely positioned to take advantage of the proximity to campus and state capital, the generation of new intellectual properties, and the wealth and education of a community with strong UC Davis affiliations. This proposal represents an opportunity for the City to make a time limited investment to facilitate new startup companies in Woodland by creating a structure to solicit Woodland affiliated private investors and provide them with expert investment advice. This in one sense is contracting for consulting services and assisting in the creation of a new non-profit that should eventually be self-sustaining. Participation at an early stage increases chances to develop and strengthen a UC Davis/Yolo County region based network of investors. Their affiliations to Yolo County might more likely include benefits of a business location within this region as a factor in their investment decisions.

The proposed allocation of public funds would be to a non-profit 501 (c) 6 organization that has just received an EDA grant to create an angel investment network directed at building adequate angel and venture investment capital to support regional startup businesses. City actions to promote economic development are by their nature intended to support the success of private business ventures.

The action to support participation in the GCN offers an opportunity to address a particular need of business startups and better support UC Davis spin-off's in locating in this region. City participation in this program has the potential to actively facilitate the development of new growth, high tech businesses in Woodland which will diversify the local economy. Staff believes that Woodland has many potential investors within the community that could potentially benefit from this opportunity.

It is difficult to locate data that documents the direct economic benefit of investment in startup companies as many of the startups are in emerging industries with characteristics that don't easily correlate to existing industry analysis, and traditional economic multipliers. In addition economic studies generally assess economic benefits of new companies at later stages of development. Therefore information about the economic benefits of supporting startups at their early stages is not readily available.

Fiscal Impact

Cost to participation in the Golden Capital Network could range from between \$10,000 to \$50,000 split between two years depending on how many other local jurisdictions, including the University, participate in the development of a Yolo County Angel Investment fund.

The Federal EDA \$250,000 grant requires provision of \$50,000 in matching funds. Based on a commitment to create a minimum of five angel funds, each participating RAF (regional angel investment fund) would be required to provide \$25,000 (cash contribution) each year for two years for a total of \$ 50,000 (5 x \$50,000 = \$250,000). This sum will be shared among participating members and obtained from any non-federal source including private businesses or other sources, such as trade organizations. If Woodland were to join Yolo County, Davis, West Sacramento, UC Davis and Winters in creating a Yolo County fund, the costs would be shared, e.g. \$ 5,000 per year for total of \$10,000. The local fund would also have to commit to sponsor two events per year. The sponsorship would entail providing facilities for the meetings, assisting in outreach and marketing of events which would represent the allocation of staff time and use of City facilities. If any of the cities or UC Davis chose to not participate a greater contribution will be required by each participant.

If additional funds beyond the maximum of \$10,000 per year are required, staff will return to the City Council to request the additional amount.

Public Contact

This proposed program has been discussed with representatives (future participants/partners) of North Valley Community Bank; local agencies within Yolo County (cities of Winters, Davis and West Sacramento) and UC Davis.

The City Council agenda was posted.

Alternative Courses of Action

1. Approve City participation in the Golden Capital Network, authorize expenditure of City funds for this purpose and authorize the City Manager to:

- a) Initiate necessary steps to define local network partners, including UC Davis;
- b) Execute an Agreement between the City of Woodland, and/or interested partners and Golden Capital Network, including specific deliverables to be achieved by end of year one, and
- c) Agree to provide a proportionate share of required matching funds for a Yolo County Regional Angel Fund, with the City of Woodland share **not to exceed \$10,000 per year for two years, for a maximum total of \$20,000** as required by the GCN Economic Development Administration grant, and to authorize the expenditure of City funds so that City expenditures are limited to those amounts necessary to provide the City of Woodland's share of matching funds. It is expected that the City's share would be \$5,000 per year for two years, totaling \$10,000.

2. Cease further consideration of the program as described herein.

Recommendation for Action

Staff recommends Alternative No. 1.

Prepared by: Wendy Ross
Economic Dev. Mgr.

Reviewed by: Barry Munowitch
Assistant City Manager

Mark G. Deven
City Manager

Attachments

1. City Resolution
2. Draft GCN Memorandum of Agreement
3. GCN EDA Grant Work Scope
4. GCN EDA Grant Budget
5. GCN General Partner Qualifications

Approved Budget for EDA Grant

Category	Federal	NonFederal	Total
Personnel	175,000	260,000	435,000
Fringe Benefits	25,000	36,000	61,000
Travel	15,000	20,000	35,000
Equipment	0	5,000	5,000
Supplies	0	5,000	5,000
Contractual	25,000	75,000	100,000
Other	10,000	24,000	34,000
Total	250,000	425,000	675,000

Other includes items like printing, photography, production, and distribution, etc.

RESOLUTION 07-____

**RESOLUTION OF THE CITY OF WOODLAND AUTHORIZING THE CITY MANAGER
TO ENTER INTO AN AGREEMENT TO PARTICIPATE IN THE GOLDEN CAPITAL
ANGEL INVESTMENT NETWORK**

WHEREAS, the City of Woodland has adopted a goal to pursue economic development that balances the pursuit of new net revenue with maintaining and enhancing the community's unique character; and

WHEREAS, the specific actions adopted to implement this goal include developing a business attraction program to attract higher paid employment opportunities (such as high tech/biotech) that will provide economic growth for the community; reduce need for new taxes through increased economic activity and eventually pursue development of the Woodland Park Specific Plan; and

WHEREAS, supporting the efforts of Golden Capital Network, a 501 (c) (6) nonprofit, to create a network of local and regional angel investment funds will strengthen opportunities for business attraction and business retention of new start-up companies, particularly spin-offs of UC Davis research, by increasing their access to early "seed" investment capital from local and region based investors, increasing the companies' ability to grow and remain locally based; and

WHEREAS, the Golden Capital Network (GCN) angel investment network concept has been approved by the federal Economic Development Administration as the recipient of a \$250,000 support grant that requires matching funds of \$50,000 from non-federal sources from each participating Regional Angel Fund over a two-year period; and

WHEREAS, each Regional Angel Fund may include other jurisdictions that can contribute a proportionate share of the required contribution; and

WHEREAS, the City of Woodland may participate in this project to the extent that contingency funds are available as they have been set aside for the sole purpose of supporting the growth of business in Woodland. These funds are to be used as matching funds in whole:

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WOODLAND AS FOLLOWS:

1. The City Council hereby approves City participation in the Golden Capital Network;
2. The City Council hereby authorizes expenditure of City funds for this purpose authorizing the City Manager to:
 - a) Initiate necessary steps to define local network partners, including UC Davis;
 - b) Execute an Agreement between the City of Woodland, and/or interested partners and Golden Capital Network, including specific deliverables to be achieved by end of year one, and
 - c) Agree to provide a proportionate share of required matching funds for a Yolo County Regional Angel Fund, with the City of Woodland share not to exceed

\$10,000 per year for two years, for a maximum total of \$20,000, a portion of that required by the GCN Economic Development Administration grant, and to authorize the expenditure of City funds so that (1) the City expenditures are limited to those amounts necessary to provide the City of Woodland's share of matching funds.

PASSED AND ADOPTED THIS twenty-seventh day of November 2007 by the following votes:

AYES:

NOES:

ABSENT:

Dave Flory
Mayor

ATTEST:

Sue Vannucci
City Clerk

Draft MOU with Golden Capital Network

Below are draft terms of the MOU for the City of Woodland, Golden Capital Network and local participants (and, post modification, the ultimate agreement). ("Parties" refers to the City and other Yolo partners.)

The terms of this MOU are valid from November 28, 2007 through October 31, 2009. This MOU may be extended or shortened based on joint agreement of each party.

The Parties will contribute \$50,000 in EDA matching grant funds, payable in two \$25,000 installments and due December 1, 2007 and September 1, 2008. Though the project has budgeted 24 months of effort to build the Regional Angel Fund model, it is desired by all parties to complete the project sooner so that value to entrepreneurs, angel investors, and communities can manifest at the earliest possible juncture.

GCN will dedicate the necessary resources to create a regional seed- stage investment fund (e.g., Yolo Golden Capital Fund). Presuming the Fund is adequately capitalized, GCN will organize and facilitate bi-monthly investor (Fund Limited Partner) meetings.

GCN will organize and facilitate two regional education and networking events each year (four total) on behalf of the Parties. Each year, one event will target entrepreneurs/growth companies, and one event will engage angel investors. GCN will bear full financial responsibility for the events, and may pursue sponsorships and registration fees to offset costs not anticipated in the EDA grant. If desired, the Parties may assist in the fundraising effort to maximize impact, increase visibility, etc.

The Parties will provide marketing and logistical assistance for the events.

The Parties will receive ten (10) complimentary admissions to GCN's quarterly venture capital forums.

GCN will create and host a region-specific "Venture Communities" Web portal. The portal will serve as a communication, collaboration and marketing tool for the regional entrepreneurial economy, showcasing and enabling regional growth companies, the Parties and their partners, and investors. During the life of the EDA grant, the Parties are able to license the Venture Communities program and portal at no cost. At the conclusion of the MOU period, the Parties may continue to license Venture Communities at the standard license rate of \$15,000 per year. GCN's experience is that the cost can be offset by sponsorships, attendance revenue at events, Venture Communities memberships, and cost-sharing among multiple parties. The Parties are responsible for marketing and managing (non-technical functions) the Venture Communities portal.

GCN will provide the Parties and Venture Communities participants access to its Innovation Genome database, a Web-based database of investors, entrepreneurs and their growth companies, professional advisors, and economic development professionals. GCN will provide the Parties, as part of Venture Communities, utilization of Golden Capital Newswire, thereby enabling the Parties to effectively promote regional companies and their accomplishments to specific constituencies.

The Parties will have an exclusive regional license (Yolo County) to Venture Communities through the life of this agreement.

EDA Grant Workslope

Golden Capital Network will execute the following three primary task sets for its internal work unit, for the purpose of creating a hub and spokes regional equity financing system:

1. Build local private equity investment capacity by:

- Organizing local angel investor groups
- Organizing angel investment funds, using legal and financial templates
- Providing angel investor education seminars and workshops
- Providing angel investor group administrative support services
- Introducing qualified growth companies to venture capitalists in GCN's web
- Connecting local angels with existing angel groups in GCN's web, including Sierra Angels, North Bay Angels, Sacramento Angels, Band of Angels, and others
- Quantify and benchmark innovation and private equity capacity on an ongoing basis; and
- Formalize advisory board and professional services network for business assistance services.

2. Organize targeted business assistance services by:

- Organizing local mentor network in conjunction with local economic development, workforce investment, and higher education partners
- Building business advisory services relationships with key private sector firms
- Organizing executive roundtables for peer-to-peer knowledge sharing, particularly around specific technology sectors such as information technology, new media, clean technology, agritech, life sciences, advanced manufacturing, etc.
- Building a multi-regional database of entrepreneurs, investors, executives, industry experts, academia and service providers for accelerating relationships and for collecting primary data for workforce investment and economic development policymakers

3. Initiate and sustain deal flow generation programs and activities by:

- Coordinating economic development, university, and workforce investment boards with private equity value-added players through "spoke" funds
- Organizing local entrepreneur showcasing events
- Organizing entrepreneur workshops on issues such as raising capital, term sheets, investor presentations, and intellectual property

General Partner Qualifications

Jon C. Gregory, President/CEO, Golden Capital Network

In the entrepreneurial spirit, Jon Gregory co-founded the Golden Capital Network in September 1999 and has served as President and CEO of the organization since its inception. Companies featured at Golden Capital Network events have gone on to raise well over \$1.2 billion in angel or venture capital investments. In 2001 Gregory co-founded

the Sacramento Regional Technology Alliance (www.SARTA.org) as an 8-county network of private and public sector leaders focused on fostering technology-based economic development in the region, and served as its initial CEO. He continues to serve on the organization's Executive Committee. Gregory also founded GCN's investor-only Silver and Gold Venture Club, and created the organization's Investor Advisory Board, which is represented by over 50 leading venture capital funds, institutional investors and angel investor groups. Gregory also serves on the statewide board of directors of the California Association for Local Economic Development (CALED), is on the Board of Directors of the Butte County Economic Development Corporation, and is on the Advisory Board of the CSU Chico Center for Economic Development and the Northeastern California Small Business Development Center. In 2004 Gregory co-founded the Wildcat Angel fund in Chico. Gregory is also on the Venture Capitalist Advisory Council of the Entrepreneurs' Foundation of the Capitol Region, and is part of the Butte Pioneers' Regional Leadership Program Faculty and Advisory Board. In October 2007 Gregory was invited by the prestigious Washington, DC-based think tank, Council on Competitiveness, to serve on its Regional Innovation Initiative Expert Committee.

In his prior position as Deputy Director of Tri-County Economic Development Corporation from 1989-1999, Gregory authored or co-authored state and federal grants and loans totaling over \$50 million. Gregory attended California State University, Chico completing his major in journalism and his minor in political science. Gregory has also been actively involved in multiple community activities including leading the fundraising and planning effort to construct the multi-million dollar South Oroville Community Center and managing the Leadership Chico and Tomorrow's Leaders Today programs from 1997-1999.

His work has been recognized on numerous occasions by statewide and national industry trade associations, including the National Association of Development Organizations Innovation Awards in 1987, 1989 and 1995, the California Association for Local Economic Development Grand Prize award in 1999 and an Award of Excellence in 1996 for work related to the successful location of Swift Transportation Company's west coast relay station. He is a frequent speaker and guest lecturer across California and the United States on the topics of innovative economic development, methods for fostering high growth entrepreneurship, and building new public/private partnerships. Within the past 18 months he has been a featured presenter or trainer at the California Workforce Association Annual Conference, U.S. Department of Labor Workforce Innovations

Conference, International Economic Development Council (IEDC) annual conference, National Governors Association (NGA) conference, National Business Incubation Association (NBIA) annual conference, and the national EDA Symposium, among others.

Gregory started his career in the U.S. Army as part of the 32nd Army Air Defense Command in Darmstadt Germany from 1982-1984. Gregory, his wife Karen and 3 teenage daughters reside in Chico California.

Chris Soderquist, Golden Capital Network

Over the past 16 years Chris Soderquist has founded, capitalized, and managed numerous companies. Most recently he helped conceive and directed Crescendo, a luxury real estate investment firm that raised more than \$15 million in equity capital. He also created and sold a marketing strategy firm that he grew to 130 clients and two software companies he founded in the late '90's. Chris formally helped manage two business incubators, Technology Development Center and Venture Lab, and served on the board of the Sacramento Entrepreneurship Academy (of which he was president for three years), the Sacramento Area Regional Technology Alliance, UC Davis Connect, and Comstock's Magazine's editorial board. He earned a BS from Cal Poly, San Luis Obispo, and an MBA from the University of California, Davis, where he guest lectures in entrepreneurship and innovation. A native of Davis, Chris and his wife Karen have two children; Scott (8) and Ty (5).