

MEMORANDUM

DATE: July 30, 2012

TO: i-GATE NEST and Development Corporation Board Members

FROM: Rob White, Interim CEO

SUBJECT: CEO Transition Process

Boards Members -

As you recall from our last two Boards meetings, we briefly discussed that the CEO position is filled on an interim basis with a staff member from the City of Livermore. This arrangement is scheduled to be transitioned to a permanent CEO by the end of calendar year 2012.

A significant driver in this process is that the Livermore staff has built the organization to be as robust as possible, but is limited due to a primarily municipal perspective. Staff has actively worked to balance the Board and other elements to reflect equal inputs from industry, government, academia/research, and finance. This is evident in the Board makeup, in the foundational documents we are creating, and in the funding projections. But staff is limited due to a lack of appropriate and robust networks and relationships with industry and finance in the East Bay, South Bay, and the greater Northern California innovation system.

It is also necessary for the i-GATE organization to continue to grow for the leadership to have existing credibility in the industry side of the innovation and entrepreneurial ecosystem. Staff has succeeded in building the credibility for i-GATE in the federal, state and local agency networks, and has made significant in-roads in the academic and research sectors. It is apparent that in order to strengthen the industry and finance credibility it will be imperative to bring on leadership (a CEO) that has strong connectivity in these sectors, while being able to balance the established and growing relationships in the government and academia sectors.

Staff has worked diligently over the last 6 months to build these networks and relationships, but these connections take many years to establish and build to a level that gives the CEO credibility that can be then bestowed on the organization by proxy. It is with this in mind that we need to consider a CEO transition to someone that can take the organization and grow the industry and finance networks and the effort will require significant Board assistance to achieve the funding and relationship building that will be required to meet the approved budget projections from the May 2012 Boards meeting.

In order to effectively conduct this transition, the Boards chairs have asked for a volunteer group to create a framework for consideration of possible candidates for the CEO position.

This "CEO Search Committee" has met and identified three primary elements regarding the process: 1) total CEO compensation and sources of funds; 2) duties and qualifications; and 3) recommended search process.

Total CEO Compensation and Sources of Funds

The CEO position compensation was budgeted in May 2012 to start at an annualized amount of \$150,000, which includes benefits. It was estimated that this position would be filled by December 2012 and the budget reflected a \$75,000 line item for the FY 12-13. It was also estimated that the position compensation would grow to \$200,000 over the next year as the new CEO built funding capacity and brought online industry funding for the organization. The funding for the position continues to be based on an equal share of funding from the municipal investments (about \$75,000) and industry (also about \$75,000). The staff have been very successful in establishing and annualizing the funding stream from the municipal partners (about \$200,000 annually from the nine cities and Alameda County), but the Boards and staff have yet to create a strong stream of funding from industry. Minor event sponsorships and some project based funding have been secured, but these do not meet the budget estimate that requires over \$110,000 from industry in FY 12-13.

Additionally, though the interim CEO is a City of Livermore employee, the new CEO will not have the option to be a Livermore employee. It is possible that one of the other partner cities may be willing to bring the new CEO on as a city employee for the purpose of offering competitive benefits, but it is suggested by staff that the new CEO be hired by the i-GATE organization and be stand alone and apart from the municipal partners. Since the projected revenues are flat on the industry investment side, the Boards will need to identify how this affects the compensation package. A few options are listed at the end of this memo.

Duties and Qualifications

The CEO Search Committee has created a preferred job description that is attached to this memo. This represents the basic qualifications and outlines the preferred characteristics of the new CEO. To once again note, it is important to find a CEO that can balance as much as possible the four sectors that comprise the i-GATE ecosystem - Industry, finance, government, and academia/research. Although we have considerable support and networks on the municipal and academia side, finding a new CEO with considerable industry connections (especially in the South Bay) will build the organizational strength.

Recommended Search Process

The committee has suggested a framework for the search process as follows: 1) select a robust search committee; 2) develop and conduct advertisement for the position; 3) identify a candidate pool of 3 to 4 qualified applicants; 4) interview candidates; and 5) recommend the most qualified candidate for approval by the Boards.

1. Search Committee - it is suggested that this committee be made up of the following Boards members: Boards Chairs, four (4) Boards members (two from each of the Boards),

two (2) municipal representatives (suggest Livermore be an automatic position due to the large financial investment), a Laboratory representative, the interim CEO, and the CFO.

2. Advertisement - the committee would develop the advertisement for the position and place in appropriate industry publications and media.

3. Candidate pool selection - the committee would review the applications and select 3 to 4 appropriate candidates using a systematic approach for screening.

4. Interviews - the committee would interview candidates based on a prescribed list of qualifications and score the candidates accordingly.

5. Recommended finalist - the committee would recommend a finalist for consideration by the entire Boards in a closed session meeting. The finalist should be present and available for additional questions by the entire Board. The Board could ask the finalist to go to another room for consideration and discussion. The Board could then ratify the selection or choose another direction.

Since this will be the first time the Boards have conducted a process to identify, screen, and select a CEO, a few modifications and options could be considered as well.

Option #1 - since proposed revenues for CEO Compensation would come from primarily the municipal investment and some prospective industry sponsorship, the new CEO could be offered a contract position for 12 months at a level of \$75,000 with escalators dependent upon performance in execution and fundraising. This gives both parties an ability to try out a new CEO position and the contract should be based on agreed to activities and outcomes. Livermore staff will still be available through June 2013 to assist this new CEO while they build the organization.

Option #2 - another organization (possibly industry) could fund a position much as the City of Livermore has done. The industry partner might even title the position for brand awareness, much like academia does for chairs in a department or college. This would likely mean that the industry partner would then be able to select the candidate.

Option #3 - Shortcut the advertisement process and identify a small group of individuals already in the network that may be interested in starting at a lower salary and building the i-GATE organization.

Dependent upon the process committee assessment, the discussion for the Boards meeting on August 2, 2012 will have several recommendations for consideration by the full Board.