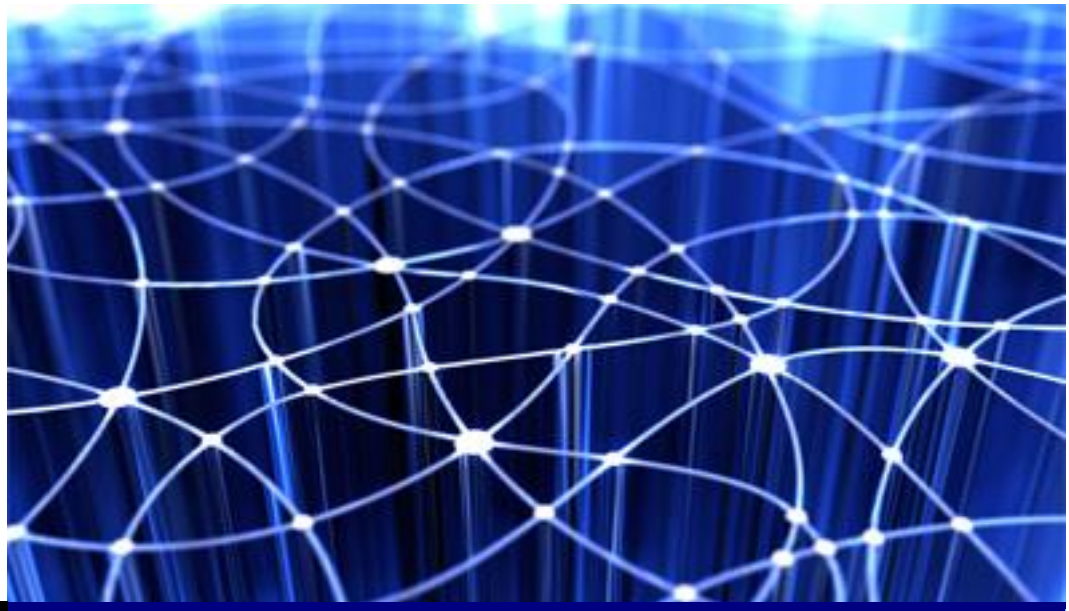
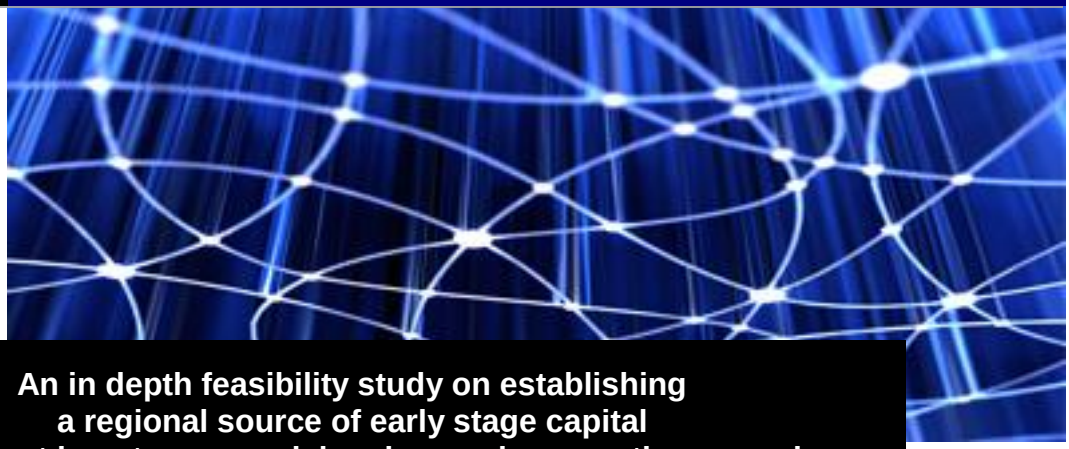
A coordinated assessment by the six counties of Southwest Florida



2008

Southwest Florida's Regional Angel Fund Assessment



An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

Prepared by | SW Florida Regional Angel Fund Assessment Team

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Southwest Florida Regional Angel Fund Assessment Team
Publication Date: October 25, 2008

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ABSTRACT

A COORDINATED ASSESSMENT BY THE SIX COUNTIES OF SOUTHWEST FLORIDA

An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

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With this note, The Regional Angel Fund Team (RAFT) wanted to acknowledge the generous contribution of research and time by Fifth Avenue Advisors, LLC, 350 Fifth Avenue South, Suite 203, Naples, FL 34102 – 239-262-6300 – www.5advise.com.

SPONSORING ORGANIZATIONS

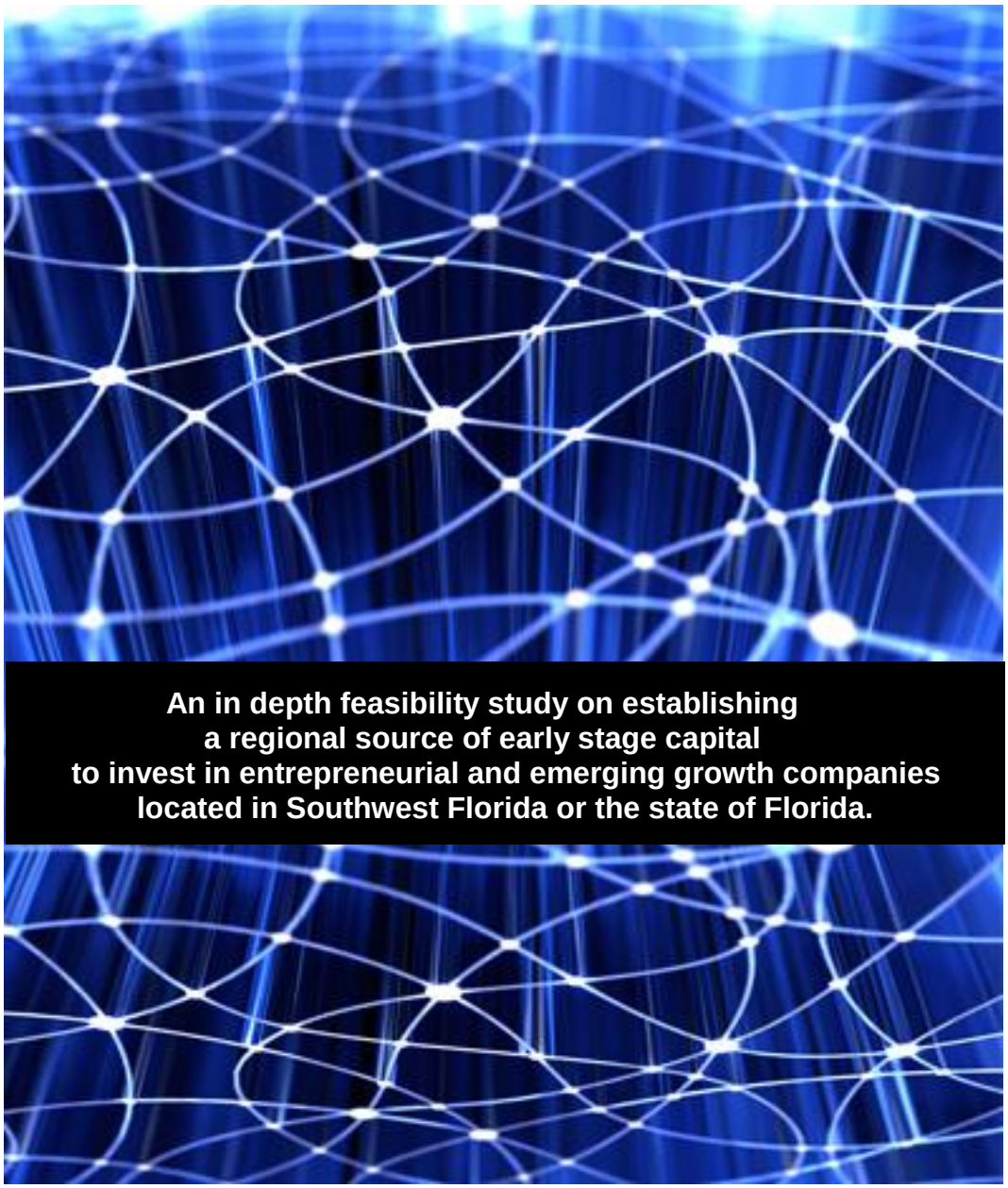
Ave Maria University	•Ave Maria University is a vibrant Catholic university that pledges faithfulness to the teachings of the Church and is committed to providing one of the finest classical liberal arts curricula available.
Charlotte County Economic Development Office	•The Charlotte County Economic Development Office's mission is to encourage the recruitment of diversified high impact industry to the county, to create high skill, high wage jobs, and to help diversify the economy and tax base.
Economic Development Council of Collier County	•Dedicated to improving the quality of life of all people in Collier County by promoting economic development initiatives, which will diversify the local economy, create high-wage, value-added jobs, increase the average wage, facilitate capital formation, preserve and enhance the natural environment, and enable all county residents to have a meaningful opportunity for upward mobility.
Economic Development Corporation of Sarasota County	•The Economic Development Corporation of Sarasota County's mission is to grow, diversify and sustain the economy of Sarasota County while enhancing our unique natural and cultural environment.
Economic Development Office of Lee County	•An office of Lee County government that works to attract new and diversified businesses resulting in high-wage, high-skill jobs; retain and encourage expansion of existing businesses; and improve the overall business environment in Lee County. Provides staff support to the Horizon Council, a public-private advisory board to the Lee County Board of County Commissioners on economic development issues.
Edison State College	•Edison College is a multi-campus, baccalaureate-degree granting public institution dedicated to educational excellence and committed to preparing students to be productive citizens by helping them develop academic and professional proficiencies.
Florida Gulf Coast University	•Florida Gulf Coast University, a member of the State University System of Florida, is a comprehensive university created to address the educational needs of the rapidly growing Southwest Florida population.
Glades County Economic Development Council	•The Glades County Economic Development Council, Inc. is an organization dedicated to providing leadership, encouragement and guidance to the citizens of Glades County in economic and industrial efforts while actively pursuing new business opportunities.
Gulf Coast Venture Forum	•The Gulf Coast Venture Forum provides a forum to encourage the participation of investors who commit growth and intellectual capital for the purpose of enhancing the economic vitality of the region.
Hendry County Economic Development Council	•Promotes economic development within Hendry County, Florida by providing an entity through which the economic development activities of governments, businesses and educational institutions within Hendry County can be coordinated in the most effective and efficient manner.
Hodges University	•The mission of Hodges University is to offer Associate, Baccalaureate and Graduate degrees as well as other programs which enhance the ability of students to achieve life or career objectives.
Regional Business Alliance of Southwest Florida	•The RBA is a private sector 501(c) (6) organization composed of notable chief executive officers and senior business executives - both active and inactive - who are committed to leveraging their talent, resources and networks to support and enhance the recruitment of small and mid-sized businesses to Southwest Florida.

The sponsoring organizations of the Southwest Florida's Regional Angel Fund Assessment listed above do NOT recommend financial investments and/or the purchase or sale of securities nor do they endorse or recommend particular companies, products, services, or technologies. None of the sponsoring organizations function as a securities broker-dealer, securities exchange or an investment advisor and are not registered as such with the U.S. Securities and Exchange Commission.

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I. Preface



An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

Southwest Florida Regional Angel Fund

LETTER FROM LT. GOVERNOR JEFF KOTTKAMP

Dear Friends:

It is my pleasure to provide introductory remarks for the Southwest Florida Regional Angel Fund Assessment. First, I commend the regional organizations that have pulled together to produce this important report that provides a vision for Southwest Florida's future. Leadership and public service is a great blessing – and a great responsibility. Service to others is the highest calling. Governor Crist and I take this responsibility to the people of Florida very seriously. Speaking on behalf of Southwest Florida, I want to thank the following organizations for their leadership and collaboration:

Sponsoring Organizations		
	Ave Maria University	Charlotte County Economic Development Office
	Edison State College	Economic Development Council of Collier County
	Florida Gulf Coast University	Economic Development Corp of Sarasota County
	Gulf Coast Venture Forum	Economic Development Office of Lee County
	Hodges University	Hendry County Economic Development Council
	Regional Business Alliance	Glades County Economic Development Council

A key component to the continued growth and diversification of our economy is to encourage ideas, research, and technologies created in Florida to grow into successful Florida-based businesses. In 2007, the Florida Chamber and Enterprise Florida worked to pass important legislation increasing the availability of seed and early-stage venture capital for emerging businesses in the state and build a bridge between research and commercialization in our state colleges and universities. This legislation was just a part of the $478 million economic development package that was passed in the 2007 session.

Part of that package, House Bill 83, created the "Florida Opportunity Fund" to invest seed and early-stage venture funds in emerging business opportunities with Florida-based companies. A total of $30 million was invested in the Fund, which will be overseen by Enterprise Florida. The bill also created the Institute for the Commercialization of Public Research to assist universities, colleges, and research institutes in the commercialization of products developed by their research activities. The Institute is



Lt. Governor Jeff Kottkamp, Speaker Marco Rubio and others watch as Governor Crist signs the $478 million economic development incentive bill in 2007.

designed to attract private investment into projects generated in the state. The Legislature invested $1 million for operational costs of the Institute. In addition, the new State University Research Assistance Grant Program included in the bill provides $4 million to state universities for the development and implementation of business plans to convert new ideas and research into successful businesses.

Governor Crist is working with the Legislature to nurture an economic climate that encourages diverse high-wage businesses to expand and locate here. Government's role is not to create jobs, but to create a business – friendly environment: keeping taxes low, limiting governments' growth and power, protecting our state's vibrant quality of life with communities where Floridians can afford to live, work and play.

By providing incentives, like the Florida Opportunity Fund, we hope to increase the amount of innovation that occurs within the State. This will ensure that Florida's workforce and economy are diverse, vibrant and competitive for years to come. Everyone reading this Assessment plays an important part in this mission.

Together on a state and regional level, we will continue to ensure the nation and the world know that Florida is open for business. Acknowledging and rewarding excellence in innovation and entrepreneurship lets the rest of the nation know that Florida's economy is booming. There is no better place in the world to work, live and raise a family than Florida. I look forward to the creation of early stage investment funds and the capital they will provide to entrepreneurs so they can pursue their dreams here in Southwest Florida and the state.

This initiative along with others that will follow, demonstrate the resiliency of our people and their desire to take positive steps to diversify our economy. With this type of regional leadership, having an open mind and an open heart, seeing the possibilities, when others see limitations, we can accomplish great things for region and state!

Respectfully,



Lt. Governor Kottkamp

INTRODUCTION

Angel investing has been an important source of financial support and mentoring for new and emerging growth businesses, bridging the gap between individual (i.e. friends and family) and institutional (i.e. venture capital) rounds of financing.

Enterprise Florida, Inc. (EFI) reports that since the late 1990s, venture capital investment in Florida has fallen sharply both in absolute dollar terms and as a share of the national total. Despite being the 4th most populous state, Florida continues to struggle for venture capital investment. According to the *MoneyTree Report* by PricewaterhouseCoopers and the National Venture Capital Association, while venture investment in the U.S. remained level in the second quarter of 2008, Florida fell to 24th nationwide, with deals totaling $28.3 million. Florida ranked 9th for all of 2007 and typically places in the top 15 each quarter.[1] Why are investments in Florida not in proportion to the states population?

According to EFI, there are 30 active venture capital firms headquartered in Florida, but no large early-stage venture capital firms. Venture capital firms have a preference to invest in later stage companies and, therefore, without early stage sources of capital, Florida faces a dilemma. Entrepreneurs and start-up companies are threatened with a funding gap and venture capital firms are left without adequate later stage deal flow. The funding gap exists as to time – during the earliest, most critical, stages of a start-ups life, and as to capital – for amounts under $2 million.[2] Over the past several years, the early stage sector of the private capital market in the U.S. has been strengthening in response to growing demands and has recognized its role as an attractor for economic development.

While other communities and regions throughout the United States have responded, Southwest Florida has yet to answer the call and has been content to let real estate development lead the way. For example, Southwest Pennsylvania, encompassing six counties and home to the city of Pittsburgh, was recently rated as the second fastest-growing region of the country in terms of venture capital investments over the last decade.[3] In 2007, it was home to 44 new venture-financed companies – up 267 percent from 1997 – which collectively got $198 million, (an increase of 513 percent).[4] In late 1999, as Pittsburgh's steel industry seemed to be literally rusting away, bold state and regional leadership established Innovation Works, a state funded early-stage, high-risk institutional investor, to service what the organization calls the technology economy in Southwest Pennsylvania. Certainly, many factors contributed to Pittsburgh's second place finish; however, what seemed to be impossible for a region trapped in an *old economy* did, in fact, become a reality.

In late 2007, a group of concerned community and economic development leaders in Southwest Florida region convened to discuss the creation of a coordinated strategy for developing new economic opportunities. The assembled group sought input on regional economic priorities through a series of meetings and ultimately commissioned a formal study to focus on the

[1] Richard Burnett, *"Central Florida Lags in Venture Capital Funding"*, Orlando Sentinel, July 22, 2008
[2] Jeffrey E. Sohl, *"The U.S. Angel and Venture Capital Market: Recent Trends and Developments"*, Journal of Private Equity, Vol. 6, No. 2, 2003, pgs. 7-17.
[3] Edward Iwata, *"Venture Capital Spreads the Wealth around the Country",* USA Today, March 11, 2008.
[4] "*Outside of Silicon Valley, Venture Capital Is Growing"*, New York Times, March 11, 2008.

feasibility of a Regional Angel Fund. Instead of discussing a replication or *"Me2"*strategy, the assembled group stated their number one priority was to forge a path toward regional, organic innovation. Together, this group of regional community, economic development and education organizations and institutions were asked to form a leadership team and cooperate on this feasibility study. The assessment called the Southwest Florida Regional Angel Fund Assessment ("**RAFA**") began in January 2008 and concludes with the publication of this study. Over the past eight months, each sponsoring organization demonstrated bold leadership by pledging resources towards the completion of RAFA and now can celebrate the publication of these joint finding. Special notice should be given to Hodges University and Dr. Joseph Heinzman, Chair of the Business Administration Program, who allowed our leadership team to take over their strategic management class and harness the energy of the students.

PURPOSE OF ASSESSMENT

It was decided early on that any effort to establish a Regional Angel Fund would need to be proceeded by a Regional Assessment in order to document the region's strengths and weaknesses. This seemed all the more important since a formal Angel Fund has never existed in Southwest Florida. While new to our region, this leadership team could cite numerous examples of regions from around the country where the development of early stage sources of capital had significant impact on the region. Rather than considering the lack of a formal fund a negative, our leadership team recognized it to be an opportunity for Southwest Florida to evaluate various studies and assessments, apply the lessons learned and implement best practices from other regions towards the establishment and operation of a committed Angel Fund.

> *"As a region we don't have to rip up old track to lay down new track on the path towards economic development."*
>
> Dr. Richard Pegnetter, Dean of the College of Business, Florida Gulf Coast University.

The underlying purpose of this assessment is to investigate the feasibility of establishing a Regional Angel Fund in Southwest Florida. Specifically, the **RAFA** goals are:

1. Conduct a SWOT analysis of Southwest Florida leveraging the Ewing Marion Kauffman Foundation's Community Assessment Template in *"A Guidebook to Developing the Right Angel Organization for Your Community"* written by Susan L. Preston and published August 2004.
2. Advocate a specific conclusion on whether or not to establish a Southwest Florida Regional Angel Fund.
3. Identify recommendations and a plan of action that enhances the prospects for Innovation and Entrepreneurship in the Region.

SCOPE OF PROJECT

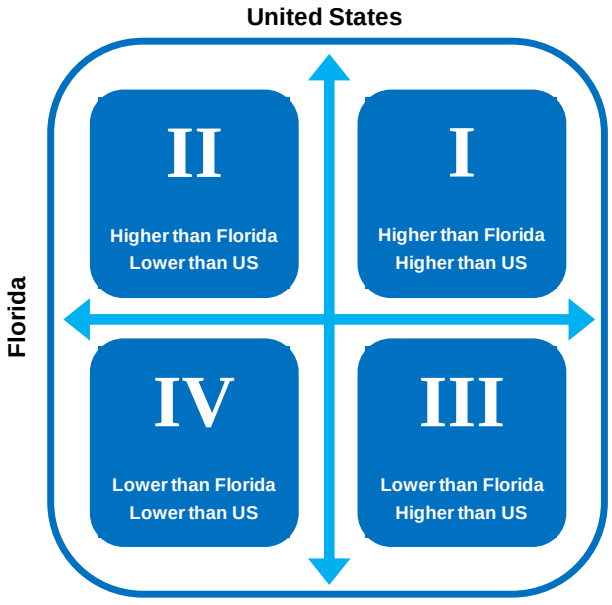
Success for a project that pursues a future vision of unlimited potential is dictated by clearly defining the project goals and project scope. Each of the sponsoring organizations offered an individual to serve on a leadership team charged with this responsibility. The first task for this leadership team ("Team") was to define the project deliverable or report that would accomplish the stated goals.

After reviewing a number of community and regional assessments from various parts of the country, the Team assembled a table of contents and organized them into seven major sections. At the heart of the assessment is *Section IV – Assessment Framework*, this section contains the results of the previously mentioned Kauffman's Community Assessment Template. The Community Assessment Template asks a community to rate the strengths and weaknesses of their community across six major categories:

Kauffman Foundation's Community Assessment Template	
1) Potential Angel Community	**4) Entrepreneurial Infrastructure**
2) Prevalent Industries in the Community	**5) Support Services/Teams**
3) Entrepreneurial Pool	**6) Follow-on Funding**

INTERPRETING RESULTS

The budgetary and time constraints of this project may have obligated us to limit the scope of the **RAFA**, however, it did not limit the number of recommendations. All of the recommendations are documented later in the document but only those with the greatest potential to deliver measurable results toward establishing a Regional Angel Fund are incorporated into the Strategic Action Plan.



As the mountains of research and data began to accumulate, the Team recognized that a particular challenge existed. That being how to present the results of multiple sets of data with different units of measures, scales, time periods and denominations, and present the data in a reader friendly format in which reasonable conclusions could be drawn. The Team decided to leverage a technique from The Gartner Group called Magic Quadrants. Utilizing this technique, the Team was able to plot results from many data sources regardless of unit of measure.

For all of the quadrants in this report, the X axis represents the State of Florida average and the Y axis represents the U.S. National average. The secret to understanding Magic Quadrants, is that the top right quadrant, Quadrant I, is the most desirable. Therefore, a concentration of values in Quadrant I for any particular Assessment category or section was a signal to the Team of a positive result.

PROJECT PHASES

The Southwest Florida Regional Angel Fund Assessment was broken out into two phases.

Phase I **Assessment (RAFA) and Recommendations**
The first phase entails research and the development of a framework portraying the essential components of an Innovation Economy and the feasibility of establishing a Regional Angel Fund.

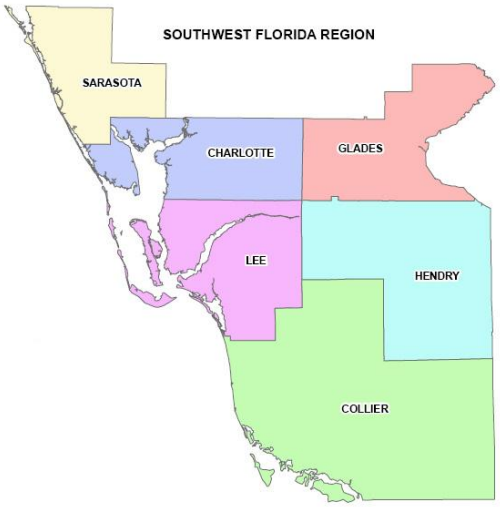
Phase II **Publication and Implementation**
The second and final phase includes the publication of **RAFA** to the Southwest Florida region and implementation of the Strategic Action Plan.

GEOGRAPHIC FOCUS

The Southwest Florida Region (the "Region") that expressed interest in participating consists of six (6) counties with a total area (land and water) of 6,663 square miles or a land area of 5,986 square miles. Four of the six counties border the Gulf of Mexico. Consequently, the Southwest Florida Region has a coastal orientation, with population and economic activity concentrated in coastal urban areas. The counties participating in the **RAFA** are depicted in the map below.

Southwest Florida Region

- Charlotte County
  - 690 square miles
  - Population: 154,438.
- Collier County
  - 1,894 square miles
  - Population: 314,649.
- Glades County
  - 763 square miles
  - Population: 11,230.
- Hendry County
  - 1,163 square miles
  - Population: 40,459.
- Lee County
  - 803 square miles
  - Population: 571,344
- Sarasota County
  - 573 square miles
  - Population: 369,353

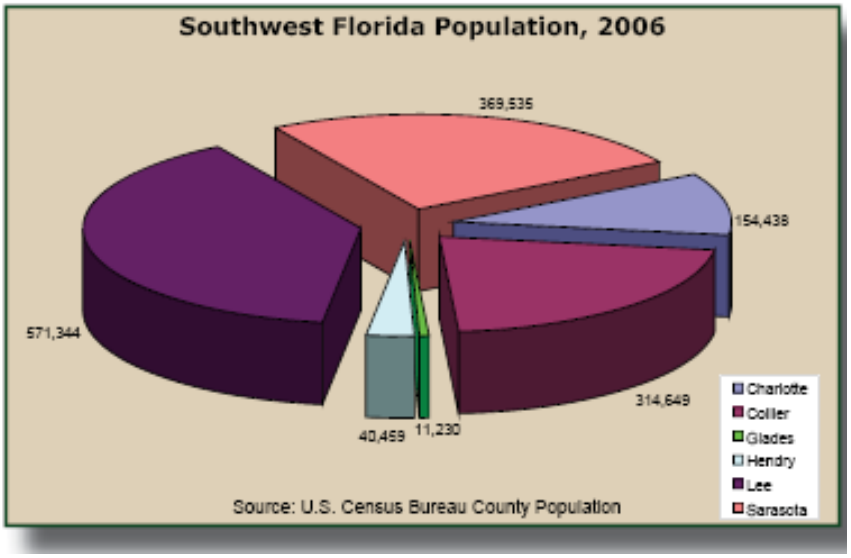


Source: U. S. Census Bureau County Population, 2006

The northernmost county, Sarasota County, is 573 square miles in size and was established in 1921. The City of Sarasota (established in 1885) is the county seat. Two of the three other municipalities in Sarasota County are Longboat Key and North Port, the Southwest Florida Region's third most populous city. The third municipality is Venice, one of the older cities in Southwest Florida. Englewood, an unincorporated area in the south coast section, is a growing population center that spills over into adjacent Charlotte County.

Charlotte County is 690 square miles in area. Established in 1921, it has seen the majority of its development around Punta Gorda, the county seat and only municipality, and at the Enterprise Charlotte Airport Park area. Major residential growth has occurred in recent years in the

unincorporated areas of Port Charlotte and the Englewood/Grove City/Manasota Key area on the coast. Punta Gorda has experienced growth primarily in the west and south.



The county with the greatest number of growth centers is Lee County, established in 1887, and now 803 square miles in size. Fort Myers is the county seat and the Southwest Florida Region's second most populous city. Cape Coral (the most populous) is the most rapidly growing city in the Region and is physically the largest. Sanibel is the County's third city, established in 1974. It has a strong tradition of controlling growth. The Town of Fort Myers Beach (1996) and the city of Bonita Springs (1999) are the county's newest municipalities, and are largely built out from pre-incorporation development. There are also numerous distinct unincorporated areas with the potential to become major urban centers, such as Lehigh Acres, Estero, and North Fort Myers.

The southernmost county, Collier County, was established in 1923 and is the largest county in the region with a land mass of approximately 2,025 square miles The Naples-Marco Island MSA encompasses all of Collier County; it is the seventh fastest growing metropolitan area in the nation with the third fastest growing job market. The City of Naples has been the primary focus of development in incorporated areas in the county. Everglades City is the oldest incorporated area of the county and was the county seat until Hurricane Diane in 1960, when the county seat was moved to unincorporated East Naples, the current location. The City of Marco Island is the county's newest city; incorporated in 1997, Marco Island was formed from an already established platted area. Immokalee is another center of significant size. Although it is unincorporated it serves as an agricultural/commercial center for northeastern Collier County.

Glades County, established in 1921, is the northernmost of the Region's two inland counties. It is 763 square miles in size. The only incorporated area is Moore Haven, the county seat. The major population center is unincorporated Buckhead Ridge in the northeastern corner of the county. Lake Okeechobee borders the eastern side of the County and is the cause for a burgeoning seasonal population. Glades County has experienced gradual growth since its establishment.

The second largest county in the Region is Hendry County at 1,163 square miles. Formed in 1923, it has two population centers, the municipalities of LaBelle and Clewiston. LaBelle, in the

northwestern part of the county, is the county seat. Clewiston is in the northeastern part, bordering Lake Okeechobee. The economy of Clewiston is primarily dependent upon the sugar cane industry, which will be impacted by the recent acquisition of U.S. Sugar Corporation by the State of Florida, and is located in the area just south of Lake Okeechobee. Winter crops and ranching are also important parts of the economy of the county.

WHY NOW?

During the 2007 Legislative Session, three new programs were created and funded to enhance early stage capital and technology commercialization within the State of Florida. One of these, the Florida Opportunity Fund, will invest in a portfolio of early stage venture capital and angel capital funds. The venture and angel capital funds must agree to invest State monies and a matching amount of their own private capital in early stage, Florida-based businesses with advantageous technologies and bright prospects for growth.[5]

By applying for a grant through the Florida Opportunity Fund, this newly-established Southwest Florida Regional Angel Fund potentially doubles the capital available to entrepreneurial companies. If Southwest Florida desires to participate as a region in this important State initiative, then a Regional Angel Fund needs to be established.

ACKNOWLEDGMENTS

The **RAFA** would never have been initiated without the bold leadership and enthusiasm of our sponsoring organizations. Their collaborative efforts to pursue novel approaches for growing the size of the regional economy and the potential establishment of an Angel Fund require our recognition and thanks. If established, the Regional Angel Fund would serve as an important catalyst in attracting additional entrepreneurial activity and, it is hoped, additional venture capital, to the region. Thank you for your sponsorship!

[5] 2007 State of Florida Legislative Session - House Bill 83

Additionally, we would like to thank the **RAFA** team leaders and Hodges University students who assisted in gathering the critical data and performed the necessary research to complete this assessment.

Team Leaders	Hodges University Students
Richard Botthof Ruth Buchanan Timothy Cartwright, Initiative Chairman Dr. Joseph Heinzman Dr. Gary Jackson Dr. David Kakkuri Susan Noe Susan Winchell, Initiative Coordinator	Joel Bozano Chesnel Desir Robin Forman Brian French Brandon Jarvis Germain Jean-Francois David Orel Yelena Padrova Prudence Pembridge Jeffrey Stready

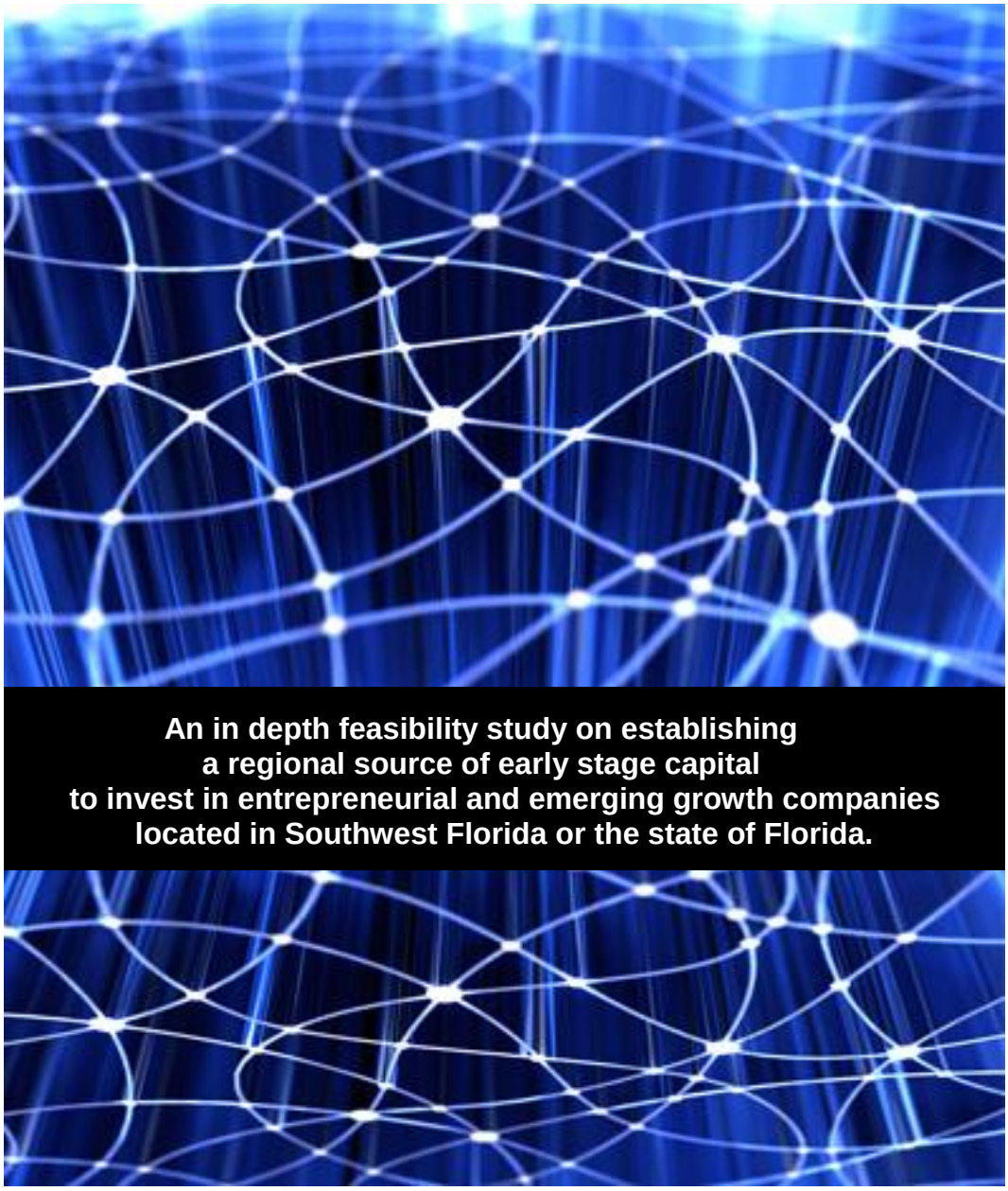
We would also like to acknowledge the numerous additional organizations and individuals whose support for this study has been invaluable. Lastly, we need to thank the more than 30 individuals and organizational leaders who, despite hectic lives and grueling schedules, took the time to provide meaningful input on our editorial review committee. We highly value your recommendations.

Regionally Yours,



Timothy J. Cartwright
Initiative Chairman

II. Executive Summary



An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

Southwest Florida Regional Angel Fund

THE CURRENT SITUATION

Florida was once a swampy rural backwater, the poorest and emptiest state in the South. But in the 20th Century, air-conditioning, bug spray and the miracle of water control helped transform it into a migration destination for the Baby Boomer population. But now the hangover for a century of growth and expansion is coming due. The housing bust has exposed a human pyramid scheme – an economy that relied on a thousand newcomers a day, too many of them construction workers, mortgage bankers, real estate agents and others whose livelihoods depended on importing those newcomers.[6] Predictions suggest 2008 is ripe for further drops in retail spending, a weakening of the dollar, reduced mortgage lending, falling house prices, increased unemployment, and rising oil, gas and food prices.

Southwest Florida is not an exception, as the region continues in the doldrums of the global and state economic downturn. Unfortunately, the performance of our region's economy suffers from high correlation among our prevalent industries. Evidence of this rapid decent is found in the U.S. Bureau of Economic Analysis report *"GDP by Metropolitan Area for 2006 and Revised 2004-2005"* which was released on September 26, 2008[7]. In 2005, Cape Coral-Fort Myers and Naples made the top 10 list of fastest-growing metropolitan areas. A year later, Cape Coral-Fort Myers dropped to 175th in the nation and Naples-Marco Island slipped to 240th. The best performer for our region in 2006 was Bradenton-Sarasota-Venice at 79th. The current situation, whether it is called an economic downturn or recession, highlights the need for economic diversification.

Real diversification happens only when a region is an innovator: a breeder of new firms, based on new ideas that add unique value. A blending of our prevalent industries with new clusters of innovative firms will create a proper economic foundation for our region to prosper in the long term. In summary, innovation is critical to Southwest Florida's future economic resiliency and the time to act is now!

THE INNOVATION ECONOMY

As recently as 20 years ago, the United States began a transition from a declining industrial and manufacturing economy to a knowledge based, innovation driven economy. An innovation economy is based on intellectual capital and the ability to translate ideas into new technologies, products and services faster and better than the competition[8]. Research by the Council on Competitiveness concludes that in the face of growing global competition, the only sustainable advantage for U.S. regions is continuous innovation. Innovation is the process by which individuals, companies, regions and even entire countries remake themselves in the face of changing markets. It is the driver of productivity growth and ultimately, of a rising standard of living.[9]

---

[6] Michael Grunwald, *"Is Florida the Sunset State?"*, Time Magazine, July 12, 2008.

[7] The report is based on gross domestic product or the value of goods and services produced and includes everything from real estate commissions to restaurant sales.

[8] Babco, Eleanor L., *"Skills for the Innovation Economy: What the 21st Century Workforce Needs and How to Provide It"* , Executive Director, Commission on Professionals in Science and Technology, June, 2004

[9] *"Cooperate: A Practitioner's Guide for Effective Alignment of Regional Development and Higher Education*," The Council on Competitiveness, March 2008

Cities and regions across the United States are also being affected by extreme changes in demographics and economics. Predicted population shifts during the next 50 years will dramatically change the face of many states and regions. Add to this the technology changes and the effects of the global economy, regions that do not adjust their business model will be dramatically behind those that do make the adjustments.

The dilemma with innovation is that it does not happen by itself. In the United States, our tendency is to believe that individual entrepreneurs are solely responsible for innovation. In 2002, the Edward Lowe Foundation exposed that myth in their study entitled *Building Entrepreneurial Communities.* Quoting from the study, the mythical image of "entrepreneurs is depicted as rugged individuals who single-handedly built great companies, however, the reality is that consummate entrepreneurs are networkers, who thrive in communities". The study further explains, "Networks are essential because they link entrepreneurs to potential sources of capital, new employees, strategic alliances, and service providers".

The **RAFA** Team found similar results. The Team's research indicated that a talented and focused entrepreneur can succeed at some level in almost any region, but taking lessons from the best regions, he or she is more likely to prosper in a region that has the following characteristics: i) access to seed and early stage capital, ii) a university with scale or a history of specialized research, iii) an enabling regional culture, iv) networks of all types, v) an entrepreneurial support infrastructure, vi) "entrepreneur-friendly" government and vii) a regional brand or specialization.

The focus of the **RAFA**, and by all accounts the most difficult aspect of innovation for any region, is connecting entrepreneurs with early stage risk capital.

Florida

Florida Chamber of Commerce's *2007 Cornerstone Report* found that Florida faced two major options at the dawn of the 21st century. One option is to continue the path the state had followed for the past several decades: attracting tourists, retirees, and service-sector businesses and competing on the basis of its climate, location, and low cost of living. These factors were likely to ensure continued economic growth for the State, but as the 1980s and 1990s showed, without major improvements in the quality of the State's jobs or the prosperity of its residents. An alternative option for Florida, and for that matter Southwest Florida, is to diversify and meet the challenge of an innovative, global economy.

As a critical factor for an innovation economy, the *Cornerstone Report* found the availability of risk capital for new and emerging businesses remains scarce in Florida. Total venture capital invested in Florida plummeted from about $2.5 billion in 2000 to $304 million in 2006, exceeding the national decline. Florida accounts for just 1.2 percent of the nation's venture capital investments, and less than one percent of seed and early stage capital, according to Enterprise Florida.[10]

Southwest Florida

Southwest Florida has been called "paradise" by locals and snowbirds for years. As a place to vacation or permanently live, the region offers much to support that label. However the need to

[10] Florida Chamber of Commerce's *2007 Cornerstone Report*

diversify our regional economy is real; outside the real estate development, agriculture or resort/hospitality sectors there are no dominating industries in the region that drive our economy. While these prevalent industries are important to our region, they are not innovative industries that generate small emerging growth companies, commonly known as "gazelle companies"[11], with rapid job growth, high scalability, large addressable markets, or disruptive technological breakthroughs.

Our region can claim Health & Life Sciences and Computer Software & Services as expanding fields that show great promise. However, our average location quotient across the top 10 innovative industries shows our region way behind other regions and states.[12] Southwest Florida's entrepreneurs, with unanimity, agree that early stage funding sources required to incubate, grow and attract innovative industries are lacking in Southwest Florida.

Importantly, Southwest Florida's economic development organizations are sharpening their focus, collaborating across traditional boundaries, and creating a foundation for future growth by recognizing the critical nature of innovation. The conclusion is that while innovation has not played a major role in the past, innovation will play a significant role in the future expansion of this region.

Handicapped, without an established early stage fund in our region, Southwest Florida's entrepreneurs, scientists, researcher, innovators and college graduates are forced to look to other regions and states for the critical early funding required to get past the proof of concept hurdle.

> *"Ideas take time to form, business plans take longer to implement and regions evolve far more slowly than any individual firm or industry."*
>
> Christopher Briem
> Economist, University of Pittsburgh
> Center for Social and Urban Research

STRATEGIC FRAMEWORK

The framework for this study is found in "A Guidebook to Developing the Right Angel Fund Organization for Your Community," authored by Susan L. Preston in association with The Kauffman Foundation. A regional study team composed of representatives from each of the sponsoring organization, as well as students from Hodges University and Florida Gulf Coast University, conducted the research for the community assessment and produced this document using the guidebook's six categories:

Section	Category
1.	Potential angel community
2.	Prevalent industries in the region
3.	Entrepreneurial pool

[11] Gazelles are defined as fast growing smaller companies by David Birch of Cognetics Inc., a Cambridge, Mass., research firm.

[12] Location quotient (LQ) is basically a way of quantifying how concentrated a particular industry, cluster, occupation, or demographic group is in a region as compared to the nation. It can reveal what makes a particular region "unique" in comparison to the national average.

4. Entrepreneurial infrastructure

5. Support services and teams.

6. Follow-on funding

As stated in the guidebook, no one community will have all these attributes nor will you find the relevant data for all categories. The more valuable part of this exercise is actually the process of conducting an objective analysis of your community strengths and weaknesses in considering the viability of an angel group/fund.[13] The body of this report describes in detail the Team's assessment across each of these categories.

A REGIONAL APPROACH

A regional economic development approach, like the one exhibited to complete the **RAFA**, seeks to improve the prosperity for all of Southwest Florida and does not seek to diminish in any way the work or importance of any of the county economic development offices. This new regional approach is necessitated rather by the economic development environment involving competitive pressures from other regions, states, sections, and countries. Virtually every region of the State now has a regional economic development partnership, which may range from an informal coalition of county and city organizations that participate in joint marketing activities to a more formal regional organization that leads marketing and deal-making for the entire region.

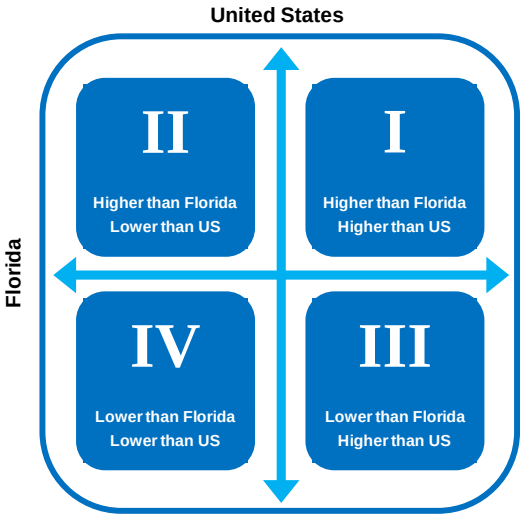
A new regional culture of cooperation and teamwork has emerged and was imperative to the establishment of this initiative and formation of The Regional Angel Fund Assessment Team. Team members include representatives of the six county economic development organizations in the region, the institutions of higher education in the region, as well as selected volunteers from the business and investment communities. This group was created in order to have broad representation from those constituents involved in the economic development effort of the region and those who will be directly involved in the implementation of the Strategic Action Plan.

As the economic development professionals in our region have set cooperation as a major regional theme, our regional population, having migrated in large part from the Midwest and Northeast sections of the U.S., must embrace a creative and entrepreneurial spirit that attracts talented people but also accepts failure. History teaches us that the success or failure in the nascent deployment of venture capital in other countries or regions hinges on that country's or region's cultural fit, tolerance for failure, and services infrastructure that supports developing companies.[14]

[13] "A Guidebook to Developing the Right Angel Fund Organization for Your Community," Susan L. Preston in association with The Kauffman Foundation.

[14] Global Insights, *"Venture Impact"*, Third Edition – Data Updated Through 2005, National Venture Capital Association, 2007, p. 11.

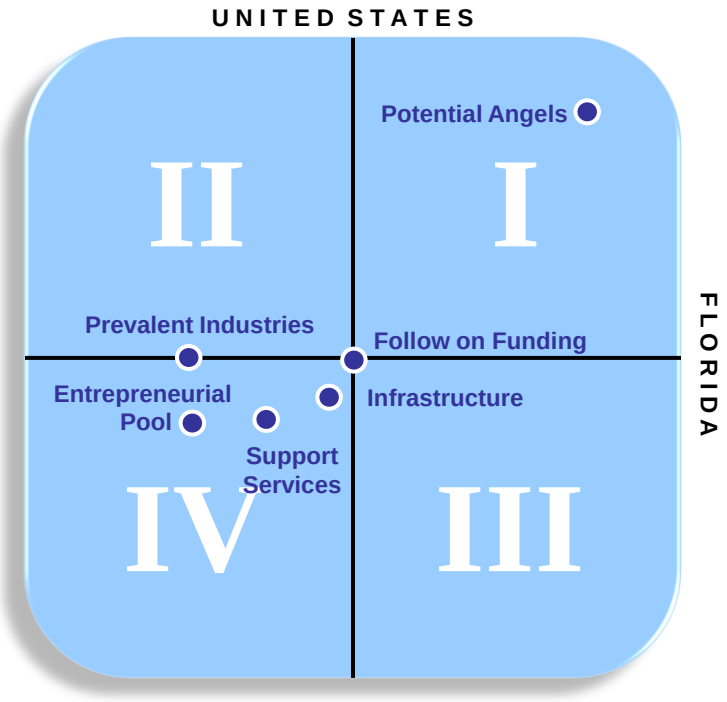
INTERPRETING RESULTS



For all of the quadrants in this report, the X axis represents the State of Florida average and the Y axis represents the U.S. National average. The secret to understanding Magic Quadrants, is that the top right quadrant, Quadrant I, is the most desirable. Therefore, a concentration of values in Quadrant I for any particular Assessment category or section was a signal to the Team of a positive result.

FINDINGS

The output from Kauffman's Community Assessment template is not a calculated score that dictates a passing or failing grade towards the establishment of an Angel Fund. Rather, the Kaufmann template should be analyzed as more of a self-assessment or SWOT analysis. Below, the final results of the Southwest Florida Regional Angel Fund Assessment are displayed using the Magic Quadrant Model.



Interpreting the results above must be done within the context of a region at the start of their endeavor towards an entrepreneurial/innovative economy. Comparing Southwest Florida's results to different successful entrepreneurial regions at their infancy reveals that the region's results are similar to those regions. Most of these regions tend to have more negative indicators than positives ones. Ironically, the same risky decision point that launches an entrepreneur, now confronts the region that is attempting to develop a source of early stage capital for that entrepreneur. In order to retain the entrepreneur, the region must decide whether to take the

proverbial "leap of faith' and create the angel fund or network, even though it faces many negatives, failure is ever present and the outcome unknown.

Another more obvious conclusion pertaining to the feasibility of a Regional Angel Fund is that while our region has only one positive indicator, it is quite possibly the most important indicator of all, Section I – Potential Angel Community.

2008	Section		Indicator
Regional Angel Fund Assessment Results	I.	Potential angel community	Positive
	II.	Prevalent industries in the region	Negative
	III.	Entrepreneurial pool	Negative
	IV.	Entrepreneurial Infrastructure	Neutral
	V.	Support services/teams	Neutral
	VI.	Follow-on funding	Neutral

In the long run, Southwest Florida has much undeveloped potential for a vibrant innovative economy. In spite of the continued economic downturn, people are still moving to the region. The wealth in the region remains impressive. If plotted on a development curve, our region is located at the early stages of the development curve for both its real estate resources as well as our educational resources. The international airport in Fort Myers has plenty of expansion capacity to handle future growth. The establishment of a seed investment fund with a focus on the Southwest Florida region will not just provide a pool of capital for promising regional startups—it will also significantly increase the awareness of outside venture capitalists to the potential investment opportunities in the region. Abundant sunshine that permits year round recreational pursuits will continue to offer an exceptional quality of life. With careful planning, over time, real estate will find its highest and best use. Our universities and colleges will mature and settle upon their research fields and centers of excellence. Initiatives like this one will help spur the growth of innovative industry clusters and our region will expand and develop at an impressive rate.

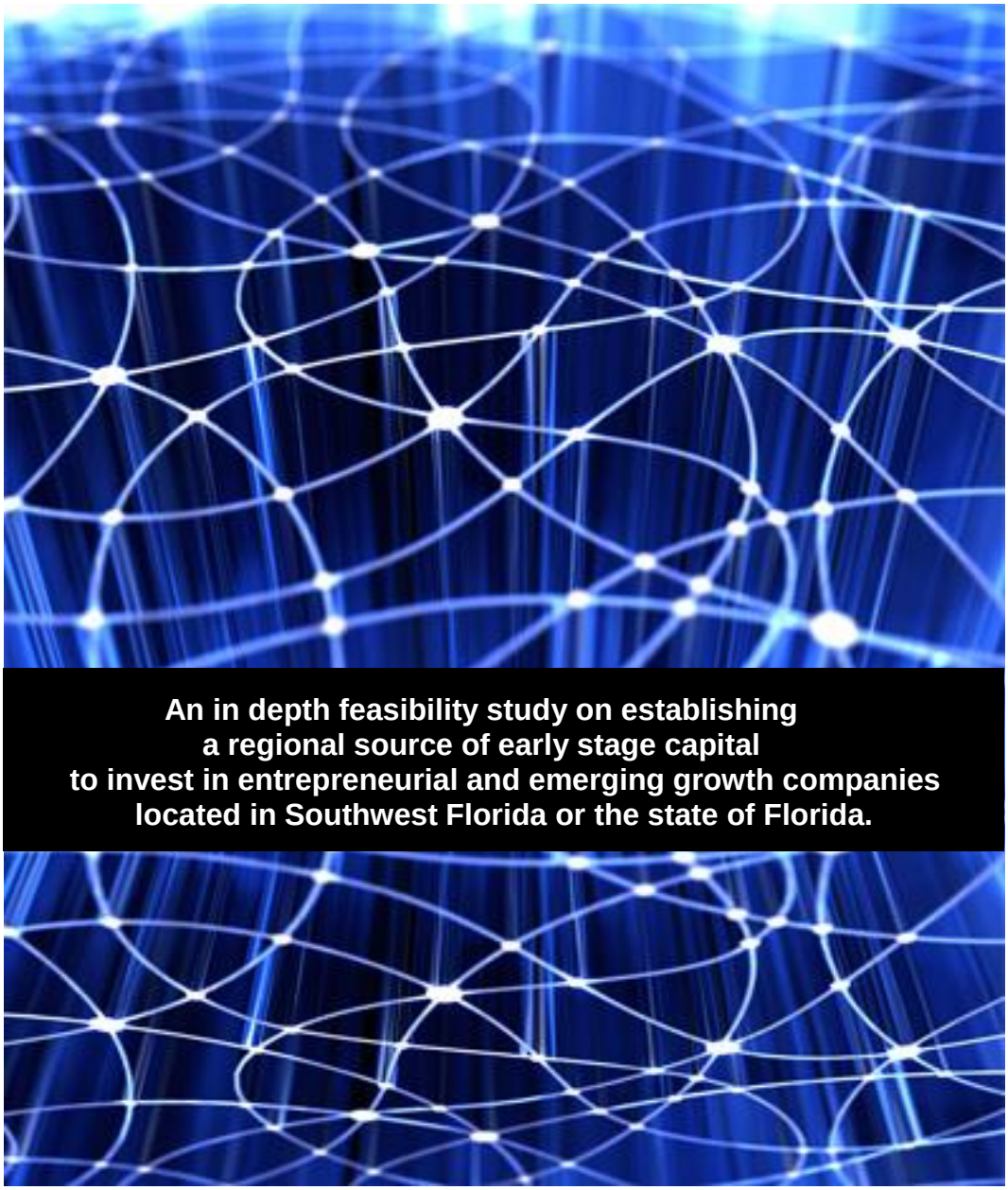
> *"The campus that we're building is not for the 10,000 students that we will have this fall, but for the 18,000 to 20,000 students we'll have in the not too distant future."*
>
> Wilson Bradshaw, President
> Florida Gulf Coast University

Therefore, the Southwest Florida Regional Angel Fund Assessment Team concluded that, though the obstacles to creating an Angel Fund are numerous, they can be overcome and the establishment of a Regional Angel Fund should be pursued.

Conclusion

- ***There is a need and a means for the establishment of a Regional Angel Fund in Southwest Florida.***

III. Overview

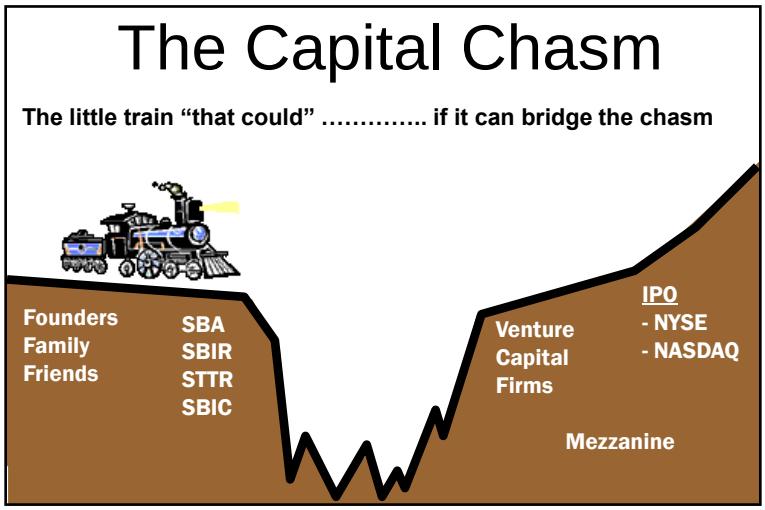


An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

Southwest Florida Regional Angel Fund

THE CAPITAL CONTINUUM

Upstart entrepreneurs increasingly dominate the nation's economy. The life cycle of many new products has become so short that a business can only succeed by reducing its product development phase and accelerating its presence in the global marketplace. In slower times, a business could grow incrementally from region to region, usually from internally generated capital. Nowadays, the demands for rapid growth require outside capital which banks typically are not able to provide. As the institutional venture capital industry continues to focus on later stage and larger investments, the private investor market now provides the major source of seed and start-up capital. However, private investor seed and early stage venture investing is still a relatively young phenomenon.

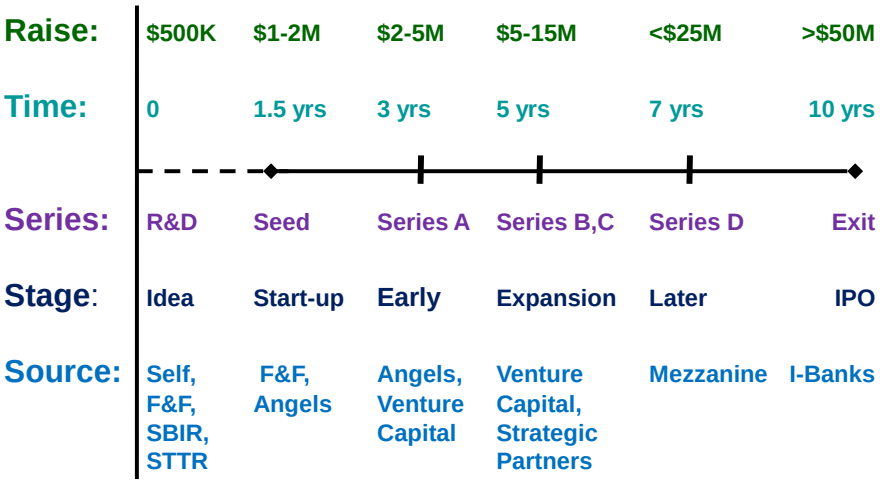


The vast majority of small businesses—more than 90%—are lifestyle businesses. They tend to have low-paying jobs with few benefits. The most important small businesses—in terms of economic development—are rapid-growth SMEs (small to medium sized enterprises) or "gazelles," which make up only 4-8% of all small businesses but account for 70-75% of net new jobs.[15] "Gazelles," as MIT economist David Burch calls them, have survived their earliest stages and are rapidly expanding firms.

The development cycle for gazelles and their funding appetite are displayed on the next page. Each stage of development is based upon value creation which increases the potential and probability of success and the return on investment ("ROI"). Inherent along this continuum is cooperation among funding sources to the point of interdependency. Rarely can a founder fully finance the entire development cycle. Rarely will one Angel finance the entire Series A round. Venture capital firms have a preference to invest in later stage companies and tend to co-invest with other institutional/professional investors. Finally, investment banks specialize in exit strategies by either taking companies public or, more commonly, facilitating a merger or acquisition ("M&A").

[15] Daniel Sandler, *Venture Capital and Tax Incentives: A Comparative Study of Canada and the United States* (Toronto: Canadian Tax Foundation, 2004)

Timing & Source of Funds



Typically, venture capital is not readily available in the smaller amounts that might be appropriate for a very young or early stage company. Therefore, venture capitalists leave a funding gap. The gap exists as to time – during the earliest stages of a start-ups life, which lasts at least a year – and as to capital – for amounts under $2 million.[16]

Angel investors, defined by the U.S. Securities Exchange Commission as accredited investors, are commonly identified as those sophisticated enough to fill the funding gaps. Jeffrey Sohl from The Center for Venture Research (CVR) at the University of New Hampshire estimates that Angel Investors provide 86% of the seed and early stage capital to start-ups. Therefore, angels fill the time gap by investing when venture capitalist will not. It is because of this difference in the timing of capital infusion (angels invest in the earliest stages of development) that make angel investing complementary to venture capital investment.

The precise definition of an angel investor, or accredited investor as defined by the U.S. Securities and Exchange Commission in Regulation D of the 1933 Securities Exchange Act is:

i) a natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds $1 million at the time of the purchase (in Canada, excluding personal residence); or

ii) a natural person with income exceeding $200,000 in each of the two most recent years or joint income with a spouse exceeding $300,000 for those years and a reasonable expectation of the same income level in the current year.

[16] Jeffrey E. Sohl, *"The US Angel and Venture Capital Market: Recent Trends and Developments"*, Journal of Private Equity, Vol. 6, No. 2, 2003, pgs. 7-17.

ANGEL INVESTING IN THE U.S.

An angel investor or "angel" (known as a business angel in Europe), is an affluent individual who provides capital for a business start-up. The origin of term angel investor can be traced to the beginning of the era of Broadway productions in New York City, where individual investors provided the much-needed capital to finance struggling theatre productions requiring a bit more funding. It defined those individuals who would fight against all odds to put up the high risk and early stage money to launch Broadway shows. As a result, those who invested were considered "angels". The concept migrated west to Hollywood in connection with the movie industry and ultimately spread north to Silicon Valley, where the term has been associated with the seed stage financing rounds of early-stage, emerging-growth technology companies.[17] Today, the term still identifies those individuals that take risks and invests his or her own money in an entrepreneurial company. This concept differentiates angel investors from early stage, later stage or any stage venture capitalists, who invest other people's money.

A small but increasing number of angel investors organize themselves into angel groups or angel networks to share research and pool their investment capital. Currently, there are about 275 angel groups operating in the United States and Canada, an increase of 65 percent since 1999.[18]

One characteristic of angel deals is that they are almost always close to home. It is rumored that angel investors insist that travel time to and from a meeting must be less than 4 hours otherwise they will just not invest. Others say they limit an investment to businesses within 150 miles.[19]

Type	Definition
Guardian Angels	These angels are active investors who guide and coach the management team to help them grow the company. They usually work with a limited set of start-ups. Guardian angels can invest significant amounts of time in the company, especially after they have developed confidence in the entrepreneur.
Entrepreneur Angels	These angels have entrepreneurial experience themselves and may have limited angel-investing experience. They primarily seek high rates of return by investing in start-up companies outside their area of expertise, (e.g., investing in an unfamiliar industry).
Operational Angels	These angels are, or have been, senior executives in major companies in the start-up's target industry. Usually, other angels approach Operational Expertise Angels for due diligence insights and confirmation of the deal quality.
Financial Angels	These angels are high net worth investors who have little relevant entrepreneurial experience and who invest in companies in which they have little industry experience. Usually these angels are high net worth individuals who have made money through the stock market, real estate, inheritance, and through professional occupations not related to starting up companies (such as

[17] Bruce, Allison, *"Investing in Startups"*, Ventura County Star, Friday, April 18, 2008, Scripps Interactive Newspapers Group.
[18] Angel Capital Association, www.angelcapitalassociation.org.
[19] Henry Vehovec, "*The Quest for Capital",* a speech to Joseph L. Rotman School of Management, University of Toronto, January 25, 2002

doctors, dentists, lawyers, accountants, engineers, consultants, brokers, etc.).

Diversity among angel investors is wide. The MIT Entrepreneurship Center has studied angels and developed the following categorization based upon an angel's relevant industry experience and entrepreneurial experience.[20]

Angel Investor's Motivation

Angel investors differ from venture capitalists because typically, angel investors have a double bottom line.[21] They have made it; they are not working for a living, therefore, outside of the real income, or return on investment (ROI), they invest for psychic income reasons.

One of the reasons is the desire to stay in the game without putting on a uniform (i.e. the adrenaline rush), the ability to live vicariously through an entrepreneur's efforts while avoiding the firing line. Another reason is mentorship and a chance to pay back society by helping the next generation of entrepreneurs. Thus, they are often willing to invest in less proven, riskier deals to help entrepreneurs get to the next stage. Other reasons are listed in the table to right, many of which distinguish angels from venture capitalist. There are many nice venture capitalists, but none of them are motivated by the desire to pay back society.[22]

Angel Investor's Psychic Income

- Desire to Give Back
- Fun, Passion, Commitment
- Networking Benefits
- Technology & Markets
- Intellectual Challenge
- Creation of Societal Benefits
- Control of Time

Angel Investor's ROI

The private equity and venture capital market are as important as the public equity market in terms of size. By contrast, little is known about the risks and return characteristics of venture capital and, specifically, early stage investments.[23] Therefore, an examination of the exit outcomes of venture-backed financings is a question of interest to both the academic and investment communities. In a study conducted by Santa Clara University, they examine 52,322 financing rounds in 23,208 unique firms, over the period 1980 through 2000 by venture and buyouts funds and estimate the probability of exit, the exit multiples and the expected gains from these private equity investments.[24] The study shows that the gains from venture-backed investments depend upon (i) the industry, (ii) the stage of the firm being invested, (iii) the financing amount, (iv) the valuation at the time of financing and (v) the prevailing market sentiments. Of particular interest to Angel Investors is that while the

[20] *"Venture Support Systems Project: Angel Investors,"*, Release 1.1, MIT Entrepreneurship Center, February 2000, p. 17
[21] Kitchens, Ron, *"Six rules to courting angel investors"*, Business Review Western Michigan, January 17, 2008.
[22] Kawasaki, Guy, *"Garnering Angels"*, Entrepreneur.com, post from January 1, 2008
[23] Moskowitz, T., and A. Vissing-Jorgenssen (2001). *"The Private Equity Premium Puzzle*" working paper, Graduate School of Business, University of Chicago.
[24] Das, Sanjiv, Jagannathan, Murali and Sarin, Atulya, *"The Private Equity Discount: An Empirical Examination of the Exit of Venture Backed Companies",* January 2002, p.1.

expected exit multiple for later stage investors is 1.12, the highest dollar for dollar invested multiple is 5.12 for investors who financed firms in their earliest stages.[25]

The largest empirical study of the investment returns for Angel Investing is the November 2007 study entitled "Returns to Angel Investors in Groups" and authored by Robert Wiltbank and Warren Boeker. Analysis of the investment outcomes in their study indicated an average return of 2.6 times the investment in 3.5 years – approximately a 27% Internal Rate of Return (IRR). This average compares favorably with the IRRs of other types of private equity investment. Like venture capital, average return does not describe the distribution of returns. Failure is the typical outcome but the winners carry the day. For example, the extremes of the distribution curve display: [26]

- 52% of all exits returned less than the capital invested
- 7% of the exits achieved returns of more than 10x the money invested, accounting for 75% of the total investment dollar returns.

Best in Class: Band of Angels

Formed in 1994, the Band of Angels is Silicon Valley's oldest seed funding organization and considered the pioneer of all Angel Groups. Band members have founded companies such as Symantec, Logitech, and National Semiconductor and been senior executives at the likes of Sun Microsystems, Apple, Hewlett Packard, and Intuit. They are a formal group of more than 120 former and current high tech executives who are interested in investing their time and money into new, cutting edge, startup companies. Early on, their group created a side car fund of $50M between their members and institutional investors including two major University endowments and corporate investment arms of industrial giants like Siemens. They have invested in 240 companies with 40+ profitable M&A exits and 9 Nasdaq IPOs. Their 53% IRR (Internal Rate of Return) since inception sets a high water mark and ranks them in the stratosphere of Private investors.[27] The Band's track record was recognized by PriceWaterhouseCoopers as achieving a ranking in top 10 of top 100 Venture Capital Firms in USA for the period of 2002-2007 even though they are Angel Investors.[28]

THE IMPORTANCE OF VENTURE CAPITAL BACKED COMPANIES

All of the previous discussion brings to mind the question of "Does the mean justify the end?" In other words, how important are companies that successfully navigate the capital continuum and grow into household names. What is their ultimate economic impact besides making the founders rich and the angel and other investors happy?

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[25] Das, Sanjiv, Jagannathan, Murali and Sarin, Atulya, *"The Private Equity Discount: An Empirical Examination of the Exit of Venture Backed Companies",* January 2002, p.5.

[26] Boeker, Warren and Wiltbank, Robert, *"Returns to Angel Investors in Groups"*, in cooperation with Ewing Kauffman Foundation & Angel Capital Education Foundation, November 2007.

[27] Sobieski, Ian Patrick, Band of Angels Newsletter, Volume 13, Issue 8, August 10, 2007

[28] Sobieski, Dr. Ian Patrick, Managing Director Band of Angels and Vice Chairman Angel Capital Association, *"A Snapshot Of Status and Trends Among Formal American Angel Groups"*, Presentation to Business Angels Netzwerk Deutschland e.V., October 8, 2007, www.business-angels.de/DWD/_111327/upload/media_5642.ppt.

There is an enormous contribution of venture capital backed companies to U.S. jobs, sales, economic growth, and technological progress. Together, the nation's venture capital backed companies employed just over 10 million American workers in high-quality jobs and generated $2.1 trillion in revenue in 2005. The total revenue of venture capital financed companies comprised 16.6 percent of the nation's gross domestic product (GDP) and 9% percent of the U.S. private sector employment in 2005.[29] Unequivocally, the United States economy benefits from venture capital backed companies.



Much of venture capital's success has come from the entrepreneurial spirit pervasive in the American culture and financial recognition of success. Also, it is dependent upon a good flow of science, fair and open capital markets, motivated entrepreneurs, protection of intellectual property, and a skilled workforce.[30] The **RAFA** estimates Southwest Florida's strengths and weaknesses across a number of these attributes and will serve as a readiness indicator or benchmark for our region's ability to fund the innovation cycle at the earliest stages.

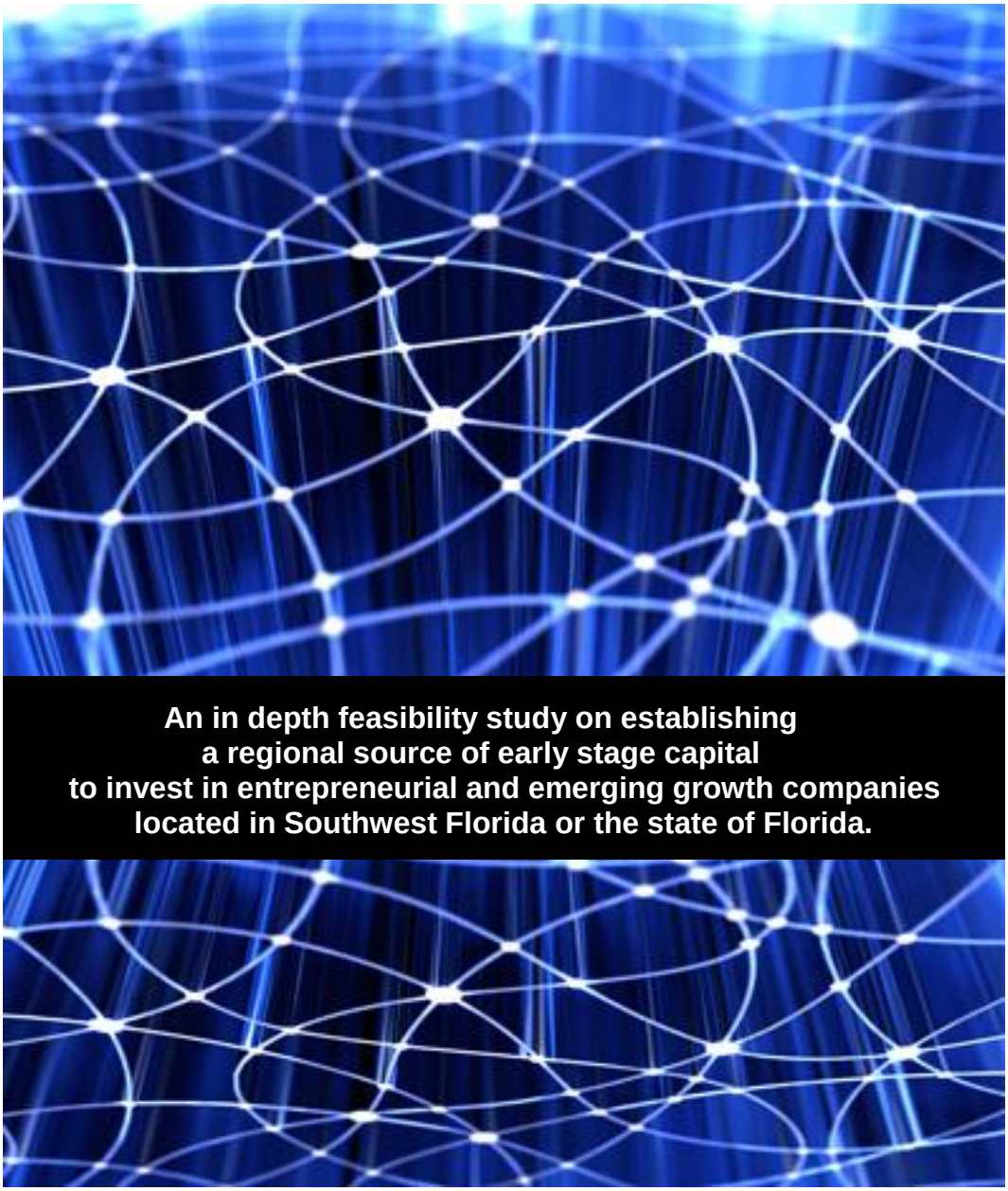
OUR CHALLENGE

As our region embarks on this endeavor and others that support an entrepreneurship ecosystem, it is important to note one inherent truth about innovation. That truth is that one usually fails a number of times before they succeed. While this point is quintessential Abraham Lincoln, it is worth reflecting upon and learning from a man who actually built a life of accomplishments out of defeats. Are we ready to fail? Or more importantly, can we accept failure, or MOST IMPORTANTLY, can we as a region invest in failure as part of the process of succeeding?

> *"Part of success is being OK with failure."*
>
> August 28, 2008
> Naples Daily New
> *"Innovation the key, state tourism-economic board leader says"*
> Dale Brill, Director, State of Florida
> Office of Tourism, Trade and Economic Development

[29] Global Insights, *"Venture Impact"*, Third Edition – Data Updated Through 2005, National Venture Capital Association, 2007, p 5.
[30] Global Insights, *"Venture Impact"*, Third Edition – Data Updated Through 2005, National Venture Capital Association, 2007, p 11.

IV. Assessment Framework

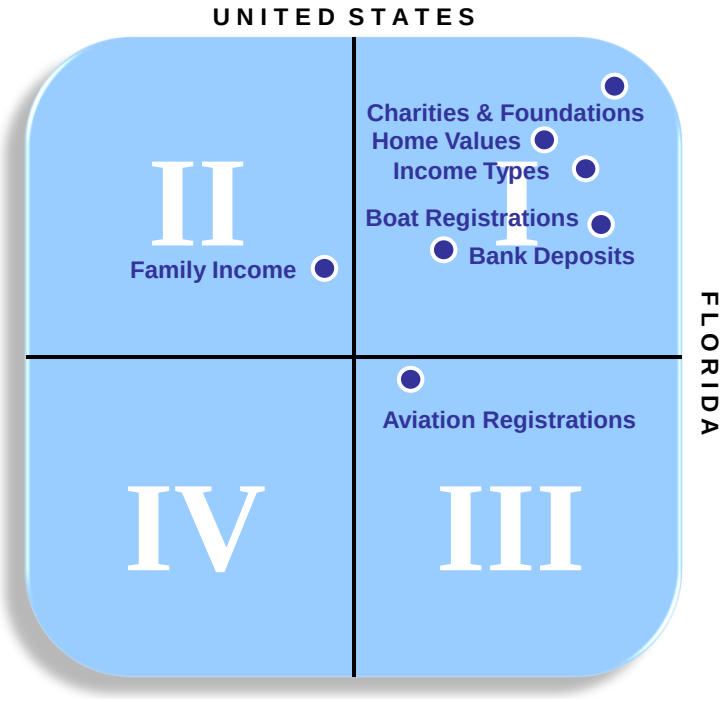


An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

Southwest Florida Regional Angel Fund

1. POTENTIAL ANGEL COMMUNITY

The Southwest Florida Region is one of the most attractive areas in the State of Florida and in the country as a whole. This is due to the abundance of natural resources including sunshine, water, sub-tropical vegetation and wildlife. In addition, the close proximity of beaches and the warm climate draw a large number of people.



While population might be an important metric for other studies, the more important metric for this study is the high net worth population, which is prevalent in Southwest Florida. For example, in a recent Kiplinger's article *"Where the Millionaires Are"*, SWFL was home to two of the top ten places for über-wealthy, accredited investors.[31] And Florida seems to be one of the most popular states among millionaires -- three of the places with the highest concentrations are in the Sunshine State.

Today, it is estimated that more than 1,000 active and retired Fortune 500 CEOs, senior executives and noted entrepreneurs call Southwest Florida home, year round or seasonally - leaders whose experience and business relationships span virtually every industry. As prospective Angel Investors this translates into:

- An enthusiastic corps of seasoned and successful corporate leaders to serve as board members and provide mentorship to enhance a company's growth and development.
- An expansive network of business relationships through members of the Southwest Florida Regional Business Alliance that span national and international markets.
- Substantial private capital to fuel corporate growth.

Bank Deposits

The wealthy seem to gather near the country's coasts. Nine of the top ten cities on the Kiplinger list are on the Atlantic, Pacific, or Gulf coasts. With plenty of waterfront properties, upscale shopping and the highest number of golf holes per capita than any other place in the U.S., the Southwest Florida region caters to those with relaxation on their minds -- and money in their bank accounts.

[31] Kiplinger's Magazine, *"Where the Millionaires Are"*, May 2006

Income Types

Southwest Florida sports a large population of wealthy retirees along with well-heeled snow birds and other Floridians. It isn't uncommon for the area's residents to own two or three homes - whether for their own private use or to rent out to vacationers -- significantly boosting their net worth. Evidence to support such a theory exists in the fact that residents, on average, receive more of their income from unearned sources than any other place in the United States. Rationale for the association comes from the theory that individuals with great amounts of wealth are less likely to work for pay than their non-wealthy counterparts, thereby generating less total wages for the area. Wealth also often leads to investment, which ideally will create some positive result. High dividend, rent, and interest income are all results of investment.

Home Values and Cash Buyers

While there has been a general contraction in the residential market in Southwest Florida and the country as a whole, the median home values continue to be above the national average United States median home price of $185,200[32].

Performing Arts, Charities and Foundations

Southwest Florida residents are also known for their very generous contributions to their communities. Individual giving in Southwest Florida totaled $9,481,940 in 2004, fourth in the nation, according to IRS statistics on itemized charitable deductions. Being the 4th most populous state, the result demonstrates that we can perform according to our rank. There's clearly little donor fatigue amongst high net worth individuals in Southwest Florida.

Charitable contributions appear to demonstrate a metaphysical law of prosperity, in which the available monetary resources expand with the needs of the community. For example in 2008, the Naples Winter Wine Festival raised $14 million under the auction tent for children's charities, making it once again the most successful charity wine auction in the world. Since the founding of the festival in 2001, it has raised more than $69 million to improve the lives of underprivileged and at-risk children. Collier County residents' donations to charity exceed twice the national average. This demonstrates their extremely high interest in helping the community, be it through social services, education or the arts.

Section I: Conclusion

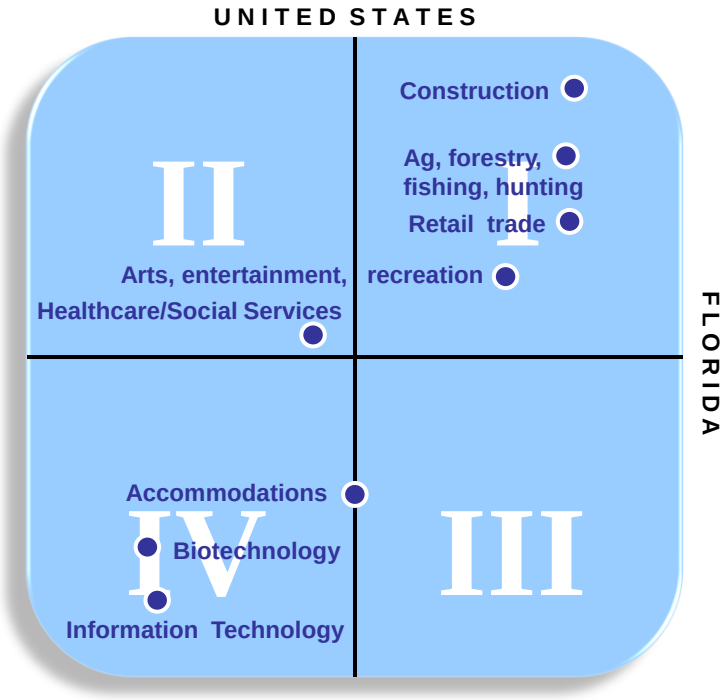
With its prevalence of intellectual capital, wealth and entrepreneurial spirit, Southwest Florida is poised to provide the resources necessary to establish and sustain a thriving angel fund. And, through the creation a formal angel fund, members will have initial and ongoing education and training to improve potential investment performance and long-term return.

[32] http://factfinder.census.gov

2. Prevalent Industries in Region

Traditionally, Southwest Florida's economy has been based on the industries of agriculture, tourism and construction, with the coastal counties relying on the tourism and construction sectors, while the inland, rural communities focus more on agriculture.

In order to diversify the region's economy, the economic development organizations in the region have focused recruitment and retention efforts on high skill, high wage target industry clusters including life sciences and information technology, in line with the State of Florida's strategies.



Florida

Longstanding efforts to expand Florida's innovative sectors have started to have an impact, as seen in a series of major investments announced in the life science and aerospace industries. Employment in high-tech sectors such as life sciences, electronics, and aerospace increased 8.4 percent between 2003 and 2006. Florida now has more high-tech jobs than all but three states, according to the American Electronics Association (AEA).

Technology is becoming a more significant part of Florida's economic base. High-tech jobs pay approximately 70 percent more than the average pay for all private businesses, according to the AEA. High-tech companies account for about one-third of Florida's international exports.

Florida's technology sector has strengthened during the past few years. Using the definition developed by the AEA's *Cyberstates* report, Florida had about 276,000 high-tech jobs in 2005, the fourth highest total nationally and just below the State's prior peak in 2001. Florida's share of total U.S. high-tech employment has increased steadily, from 4.3 percent in 2001 to 4.8 percent in 2005. The State's share of all high-tech establishments nationwide is even higher, at 6.1 percent in 2004.

Florida has become a national leader in several key high-tech industries. The State ranks third among the 50 states for employment in telecommunications services, engineering services, Internet services, communications equipment manufacturing, defense electronics, computer training, and space, aeronautics, and aviation-related industries, according to Enterprise Florida. The State ranks among the top five states nationally for employment in photonics manufacturing and computer design systems.

Florida's historical legacy and current position in key technology industries such as life sciences, aerospace, and electronics is stronger than most people realize – yet the potential for future growth is great.

Innovation Report Card

Despite these successes, Florida's technology sector primarily is oriented toward production and support services, rather than to high value added activities related to research and innovation. The State has been making progress in developing a pipeline of research and commercialization centered on major universities, laboratories, and technology companies, but significant obstacles remain:

- The State's research effort is low compared with other states and developed nations, putting Florida at a disadvantage in terms of its ability to generate new discoveries. Research and development (R&D) spending represents less than one percent of Florida's gross state product, compared with over two percent nationwide. University R&D funding has doubled since 1998, but still remains low compared with competitor states.
- The technology transfer and commercialization process is complex, reducing the number of new discoveries that make it to market. The total number of patents issued to Florida businesses has not changed significantly since 2000, ranking only 31st among the 50 states on a per-worker basis. Patents issued to universities have increased 18 percent, while revenue generating licenses to universities are up 5 percent.

Southwest Florida

While the state of Florida has been successful recently in recruiting high tech industries (Burnham Institute, Scripps Research Institute, Max Planck Florida Institute), Southwest Florida does not compare favorably in terms of the concentration of information technology companies, biotechnology companies, or access to seed and early-stage funding sources.

Because our region's major industries are service-based, construction, or agriculture, second and third tier spin-offs are a rare occurrence. The absence of an angel fund and lack of successful graduates of gazelle companies has severely limited the potential for second and third tier entrepreneurship.

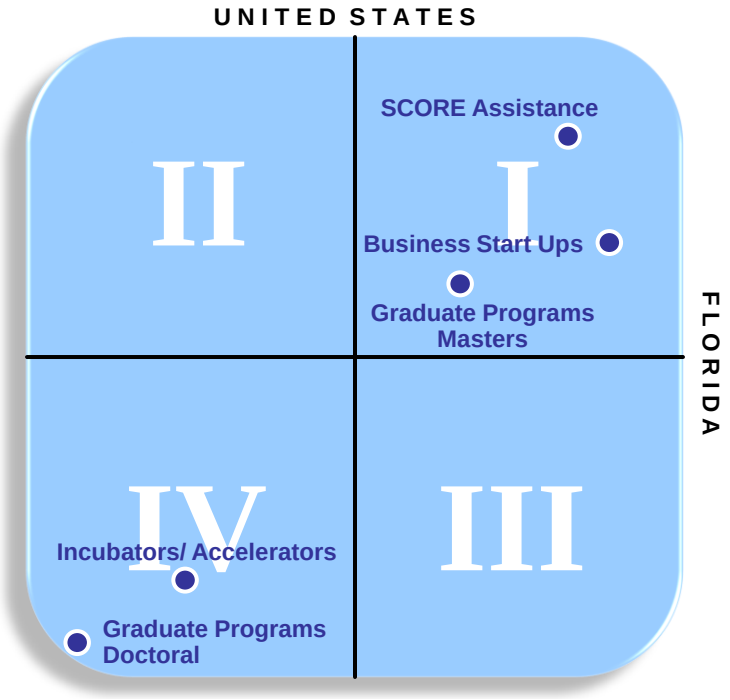
Section II: Conclusion

To establish this region as a technology hub, we will need state backed incentives, physical and technological infrastructure and a strong university, to not only provide a competent and educated workforce, but help research efforts as well.[33] Only then will this region move from an economy dependent on construction, tourism and agriculture, to a region thriving with those technology-based industries that typically need start-up and further capital.

[33] *http://gulfshorebusiness.com/Articles/2004/06/The-Technology-Grail.asp.*

3. Entrepreneurial Pool

Southwest Florida's entrepreneurial pool – workforce skills, education system, and research and development capacity – may be the critical determinant of the region's competitiveness in the 21st century. Knowledge is the final ingredient that drives innovation, distinguishes products and services, and helps businesses extend their reach globally. The presence of a critical mass of high skilled workers is a powerful attraction for businesses, and is strongly correlated with higher income levels.[34] Not to be ignored as an attractor for Southwest Florida, Florida does not have a personal income tax which is attractive to many firms and workers. It is a cogent argument but difficult to measure its impact.



Florida

The ability of Florida's educational system to produce the workforce of the future remains a greater concern. The Florida Chamber's *New Cornerstone* estimated that four out of five new jobs in Florida through the year 2010 would require some form of post-secondary education and training. Florida's educational system, like most other states', is not producing graduates at that rate.

> Florida university researchers were issued 171 U.S. patents in 2007, up from 156 the prior year. The survey also reported that 135 licenses generated revenue for universities last year, up from 130 in 2006. Licensing income totaled over $53 million, up over $6 million from 2006 and a continued upward trend after a downward trend that occurred up to 2005, due to the phasing out in the marketplace of several successful products based on Florida university inventions. Additionally, invention disclosures were up with a total of 730 filings, versus 636 in 2006.

Several promising trends suggest that Florida's educational system will produce stronger results in the years ahead. Perhaps most significantly, standardized test scores are showing marked improvement as far back as the fourth grade. In addition, Florida's colleges and universities are enjoying a surge in enrollment and stronger completion rates. Florida colleges and universities conferred 187,500 postsecondary degrees in 2006, ranking fourth in the nation. Nearly 18,000 more

[34] Florida Chamber of Commerce, *New Cornerstone Revisited (2007 Update)*

students migrated to Florida for college than left Florida for other states in 2004, the largest net immigration among the 50 states. Public university enrollment has increased by more than 55,000 students in six years, and four universities each host more than 40,000 students.

The Florida Small Business Development Center Network (FSBDCN) is charged with serving and supporting the success of Florida's small business and entrepreneurial community. Since the inception of FSBDCN in 1976, 2.9 million entrepreneurs and small business owners statewide have received assistance fostering the creation and retention of 271,713 jobs in Florida.[35]

Southwest Florida

The strong population growth and corresponding demand for goods and services creates a strong demand for business in our region. There are several key factors considered important in establishing a strong business environment that can attract entrepreneurs including: i) building space, ii) workforce, iii) business environment, (iv) business formation and acceleration, v) access to markets and vi) quality of life.

One direct measure of whether the community is considered healthy and thriving, as well as attractive to entrepreneurs is the number of new firms that have been historically established in response to the economic growth. The average annual growth rate in the number of regional firms has been 6.3 percent exceeding the very fast 5.1 percent increase for the state of Florida.[36]

Southwest Florida continues to have a very active entrepreneurial environment. While the activity varies from county to county in the region, the overall assessment continues to be very positive. Supporting this assessment are national publications such as *Forbes* and *INC.* magazines that have recently identified areas in Southwest Florida as very positive for starting up businesses or relocation of businesses to the region.

The recent announcement by Madden Company to develop a large research park adjacent to the north side of Southwest Florida International Airport also supports the entrepreneurial spirit in the region. This is in addition to the large Cushman and Wakefield developments in the Treeline– Alico-Daniels area. These two large developments follow the Ave Maria University and town development in eastern Collier County that was opened in 2007.

The Florida Gulf Coast University's Small Business Development Center continues to report exceptional activity in the region. In 2007, the SBDC reports they were involved in 87 new business start-ups in the region. This compares with 35 in 2006 and 22 in 2005.

This region has available land, built space and utilities but the need for certain types of built space and technology parks can enhance the regions prospects for attracting firms to diversify the overall economy.

The region's universities and colleges have expanded their programs and form a good basis for attracting firms that want a skilled workforce and access to colleges and universities. There is a strong business to college and university connection to assure that the right educational programs are being offered to support the attractiveness of the community as a place to locate and grow a

[35] Florida Small Business Development Center Network, *"Showcase of Florida's Successes over Thirty Years",* 2008 Report, p.1.
[36] *Florida Agency for Workforce Innovation and U.S. Census Bureau*

business. The slowdown in the overall regional economy to a normal but fast growth economy should help to make labor more readily available.

The region has grown and upgrades to interstates and the overall highway systems are ongoing. The region is looking at innovative ways to increase funding for the overall regional highway system. The Southwest Florida International Airport provides important access to many markets. Communications networks and their reliability as well as overall utility service infrastructure will be an important factor in attracting firms.

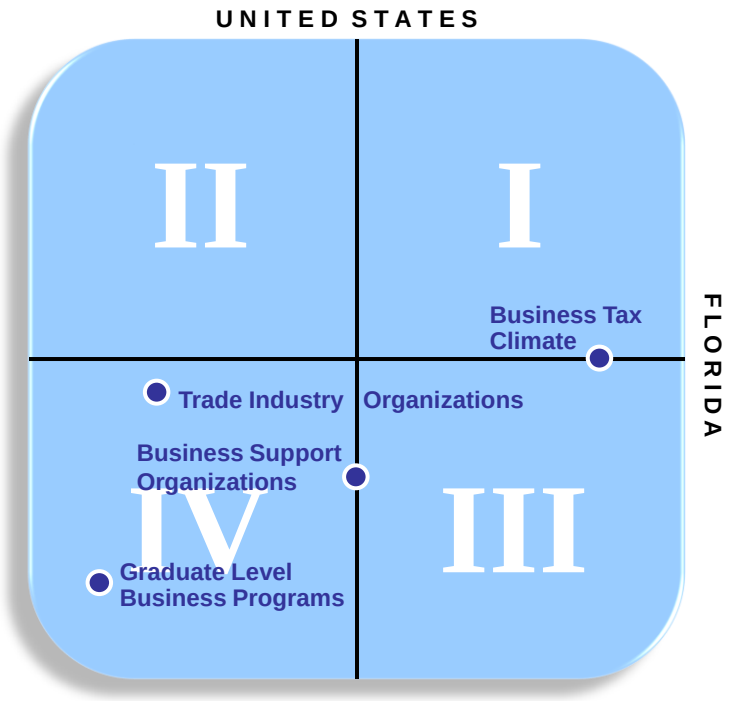
Quality of life for Southwest Florida has and is expected to remain high and a strong attraction for entrepreneurs. Although affordable housing remains a regional issue, the cost of housing in many areas has fallen and has made the area more attractive. Quality of life includes education level and opportunities, crime rate, cost of living, and recreation opportunities. This is certainly one of Southwest Florida's strongest attractors. The sunshine, beaches, recreation, and entertainment sector is a strong draw for the region.

Education levels are somewhat varied across the counties but the expanding college and university system is expected to allow more educational opportunities. The educational attainment of Southwest Florida's adult population is below the state and national median. In 2005, 78.2 percent of Southwest Floridians ages 25 and over held a high school diploma, and 20.1 percent held a college degree. Compared to Florida, 84.6% held a high school diploma and 25.1% held a college degree.

Section III: Conclusion

The Southwest Florida Region is considered to be healthy and thriving, as well as attractive to entrepreneurs and is expected to continue to grow at a fast pace. Workforce growth and development will play a key role in the overall development of the region. The educational institutions form a key component by assisting in the workforce development and meeting the needs of business and entrepreneurs. This growing number of entrepreneurial and innovative companies in Southwest Florida will provide adequate deal flow for a Regional Angel Fund.

4. ENTREPRENEURIAL INFRASTRUCTURE



There is a healthy network of support organizations available in the region as a whole, with heavier concentration in the coastal counties. While these organizations vary in nature, size, and approach, they all exist to support business enterprise in the region.

These partners, including education providers, small business development centers, economic development organizations, chambers of commerce, and other organizations, provide resources and services to entrepreneurs. Typical service offered include i) developing business plans, ii) access and referrals to capital, iii) business mentoring by experienced coaches, iv) referrals to commercialization opportunities and resources, v) counseling on a broad range of management and human resources issues, vi) access to data including market research, vii) industry & economic trends and linking commercialization and viii) licensing opportunities to research institutions.

There are currently several regional projects underway to support the entrepreneurial climate in Southwest Florida. The Southwest Florida Regional Planning Council is coordinating funding for a regional incubator feasibility study. A regional consortium of economic development organizations, educational institutions and business organizations recently launched a "virtual" business incubator & accelerator that offers information, insights and inspiration to business owners, aspiring entrepreneurs, and innovators in Southwest Florida. That same group is creating a strategic plan to establish the SWFL Regional Entrepreneurship and Innovation Center supported by the Center for Leadership and Innovation ("CLI") located at Florida Gulf Coast University (FGCU) in the Lutgert College of Business.

The CLI is an integral part of the FGCU-College of Business, delivering the region's premier executive and technology education programs and providing a focal point for applied, consultative research in support of the business community of Southwest Florida. The Center houses the Executive MBA program, the Center for Technology Education, the Small Business Development Center, the Southwest Florida Library Network, and various faculty-led applied research institutes. The CLI also serves as a conduit for a variety of other regional programs and initiatives.

The Regional Economic Research Institute (RERI), a partnership with the Southwest Florida Regional Planning Council and area economic development organizations, was established to perform economic research, analysis, and forecasting for both the region and the individual

economic development organizations. RERI is very active in completing impact studies and cluster studies in Southwest Florida.

The region also has many trade associations that support and foster existing and new companies in many industries. The newly established Southwest Florida Regional Technology Partnership (RTP) is a membership-based organization with a mission to catalyze, cultivate and connect high-tech business in Southwest Florida. Additionally, the region recently established a Southwest Florida chapter for BioFlorida. BioFlorida is also a membership-based organization working to support the growth of biotechnology, pharmaceuticals and medical technologies. The Southwest Florida chapter will help to coordinate bioscience activities within the Southwest Florida region and establish better connectivity for the life sciences cluster statewide.

The Florida Venture Forum (FVF) was formed to accelerate the successful development of the entrepreneurial community in the State of Florida. FVF's advisory and support program help ensure the success of entrepreneurial ventures by offering expert counsel, educational advice and managerial assistance.

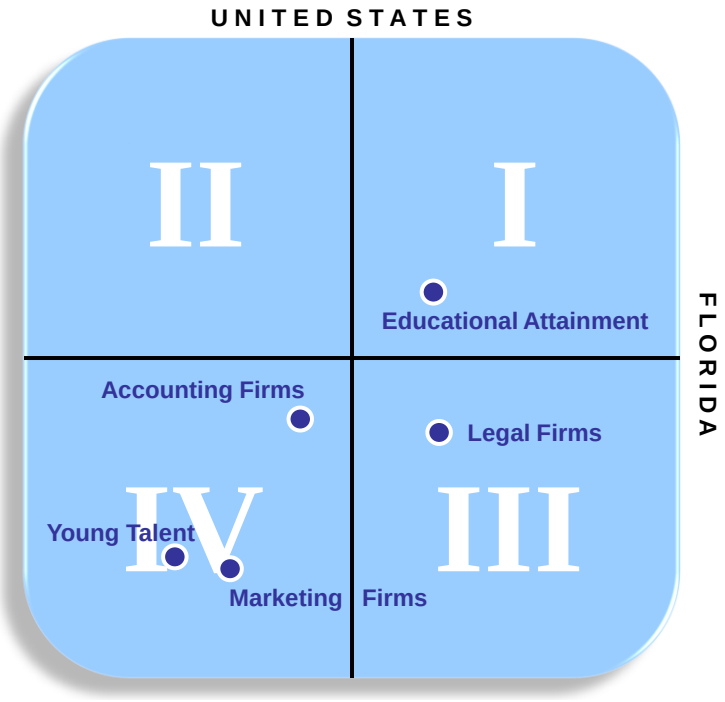
The Florida Venture Forum provides programs on a statewide basis attended by venture capitalists, investors, bankers, corporate executives, accountants, lawyers and entrepreneurs. Educational programs provide in-depth information on topics such as raising debt and equity capital, human resources, finance, management, marketing and research and development. Panelists for these instructional presentations consist of high ranking executives who share their experiences with the audience. Providing candid management and financial advice and hands-on technical assistance, these programs offer a valuable learning experience for entrepreneurs and professionals. A key part of the Florida Venture Forum is the opportunity to network with the presenting company, the panelists, the moderator, the Forum sponsors and the business professionals in the audience.

Section IV: Conclusion

Resources to support, educate and foster entrepreneurs and new businesses in Southwest Florida are limited. As the Southwest Florida region continues to develop entrepreneurial infrastructure, a Regional Angel Fund is imperative since early stage funding in the region is currently non-existent for start-up ventures.

5. Strategies to Support Entrepreneurship

Entrepreneurs normally initiate start-up efforts based on their own technical or service knowledge and experiential merits and grow the business to a level where a need for managerial support is required for continued growth and development. A management pool of young and experienced professionals is critical to the continued evolution and expansion of start-up companies. Without excellent professional support, bright and ambitious entrepreneurs may struggle to create a solid company, placing investment capital at greater risk.



Access to expert legal, tax, accounting, marketing and other professional services is as essential for early-stage development as financing. As the quadrant demonstrates, Southwest Florida lags behind the U.S. and Florida, except for legal services in the U.S., in the number of providers.

Currently, there are four universities in the region offering graduate level programs. Doctoral level economic research focused on the health and growth of Southwest Florida is led by Dr. Gary Jackson, FGCU, and Dr. Aysegul Timur, Hodges University. In order to continue to grow and support new ventures and companies, Southwest Florida needs to grow and retain talent by spreading graduate level education and research on a wider geographic venue, attracting and retaining doctoral level faculty in business, health, and other critical curricula, and by providing high paying jobs in desirable industries.

When assessing entrepreneurial support, it is necessary to have a good base of young and/or experienced talent (optioned out managerial employees and successful corporate managers) for key roles in companies. The talent base continues to build due to executive migrations, population growth, and the development and expansion of institutions of higher learning. The, faculty, and students. through higher education graduate program graduates, doctoral researchers.

As the population of the region grew from 909,327 in 1990 to 1,461,645 in 2006, with a projected population of 2,300,000 residents by 2030, the potential workforce share ages 18 to 64 has risen to 54% of the total population. The rapid population growth is double the growth rate of the State of Florida which creates a large demand on the areas infrastructure placing a demand on local resources critical to the success for growth.[37]

[37] CEDS, 2007

> *"Two of the companies that have received investments from the forum are managed by Steve Jones, managing director of Aspen Venture Partners LLC. They are Ft Myers-based T3 Communications, and NeoGenomics, Inc. Jones said he invests in one or two early stage companies each year and spends about one day a week on each. He said he "cleans them up," and presents them to the Gulf Coast Venture Forum, which he says is a safe environment for angels. "Investors can feel confident coming here," said Jones, who also is a GCVF member."*
>
> Theresa Stahl, "'Angel investors' seek next great startup to invest in and mentor", Naples Daily News, Friday, November 26, 2004

The Gulf Coast Venture Forum (GCVF) was formed in 2001 by local business leaders, economic development professionals and university administrators to create a more diverse economy for Southwest Florida. True to its original goal, the GCVF has created a linkage between local angel investors and local entrepreneurs in order to launch more high growth companies in our region. GCVF sponsors monthly meetings from October to May to facilitate individual introductions and networking opportunities for its diverse membership and provide a place for the sharing and exchange of business and technical experience.

Traditionally, local wealth has invested outside the local community while local businesses have sought financing from sources outside the local community. To bridge this gap, the GCVF presents emerging, promising companies to the local angel and venture capital community. Each presenting company is pre-screened and selected by a Selection Committee.

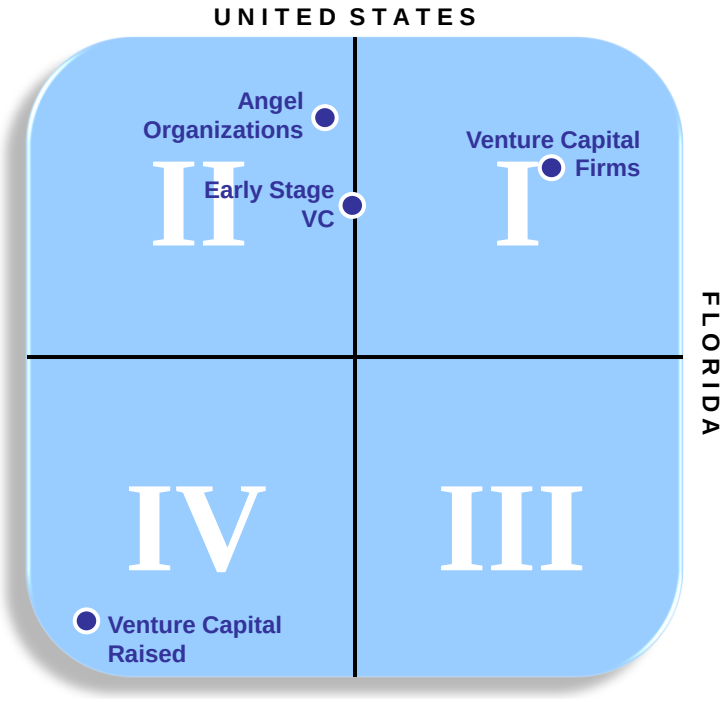
Throughout the year, the GCVF hosts meetings which are limited to accredited investors as defined by the rules of the U.S. Securities and Exchange Commission. The GCVF meets periodically at a local Southwest Florida venue to hear presentations by new and emerging businesses as well as established businesses. By design, GCVF has not limited the industry, size or location of presenting companies. In addition to capital, members are provided an opportunity to serve as mentors to those businesses seeking guidance on best practices and methods.

Section V: Conclusion

Southwest Florida is an exciting growth-oriented community that is in its incipient stages of evolution to a burgeoning economic future. The proliferation of service providers continues to spread entrepreneurial support and business incubation across the region. These professional resources, including those provided by angel investors, and access to seed and early stage capital through the angel fund will help ensure these innovative and ambitious entrepreneurs create solid companies that grow and require further investment.

6. FOLLOW-ON FUNDING

Growing companies often require several rounds of funding. If a venture capital firm has invested in a particular company in the past, and then provides additional funding at a later stage, this is known as 'follow-on funding'. This follow-on funding can come from many different mediums prevalent to each individual firm and the area of industry. Professionally managed venture capital firms generally are private partnerships or closely-held corporations funded by private and public pension funds, endowment funds, foundations, corporations, wealthy individuals, foreign investors, and the venture capitalists themselves.



As established venture capital firms increase their funding minimums and shift funding to latter investment rounds, angel networks and funding is becoming more and more important to the growth cycle of innovation-based companies. One unnamed venture capitalist was heard to say, "Florida has more Angels than anywhere except Heaven". This could well be a true statement, but locating them and convincing them to invest in Florida-based opportunities is another matter.

While EFI lists 30 venture capital ("VC") firms in Florida, research on Capital IQ indicates that number is as high as 102 VC firms in Florida. Most of the VC firms are located in the more populated areas of Miami, Orlando, and Tampa with only six located in Southwest Florida. These firms tend to be opportunistic and not as active as traditional venture capital firms. The correlation between early stage funds and later stage funds is clearly documented and more direct than the *"which came first, the chicken or egg"* enigma. Simply stated, without early stage financing, companies never make it to later stage. This conclusion supports the need to establish a local seed and early-stage fund to spark the growth of further follow-on funding resources.

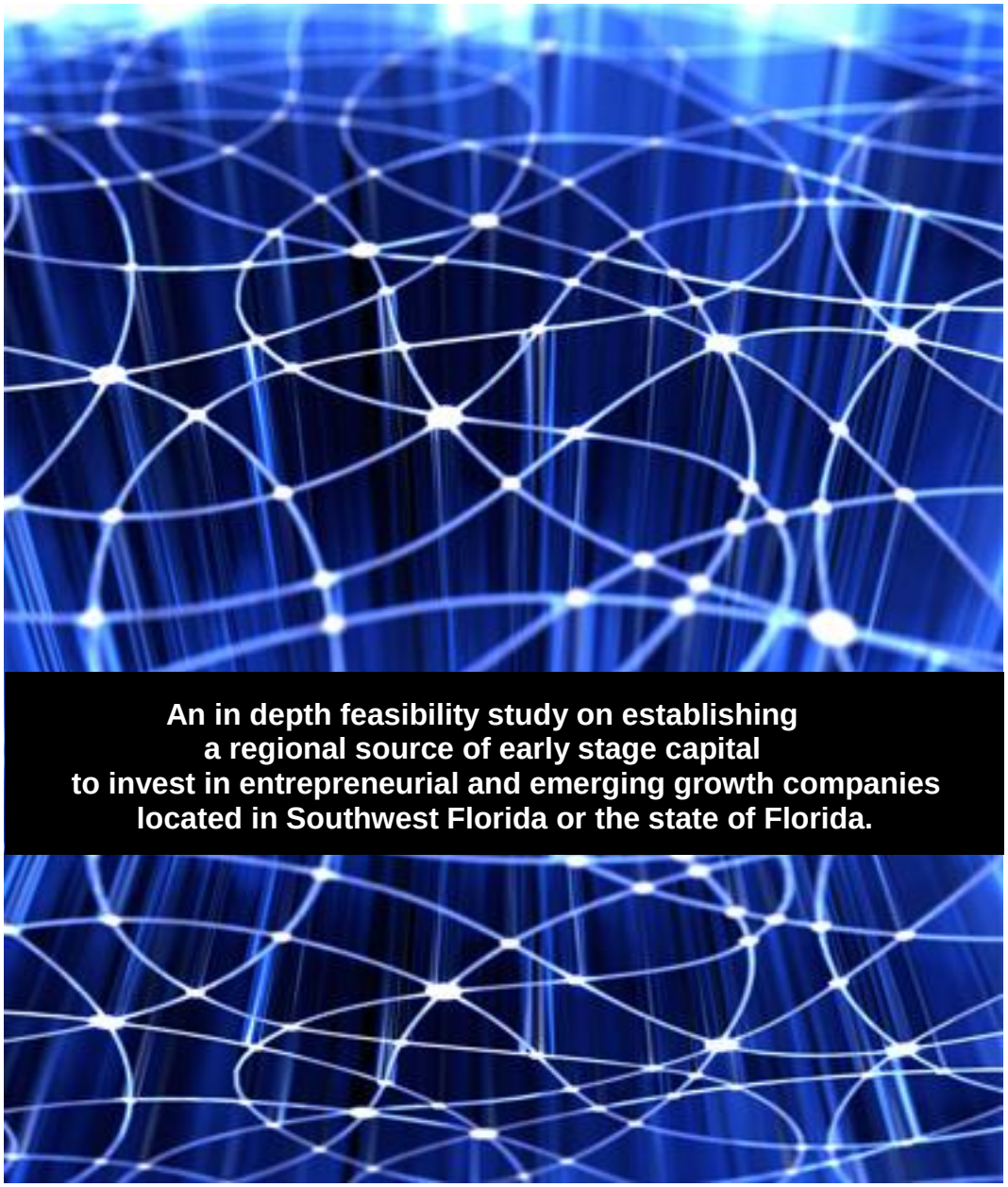
In addition to regularly scheduled educational programs, the Florida Venture Forum has hosted the annual Florida Venture Capital Conference to showcase high growth companies looking for equity financing before a nationwide audience of venture capitalists and investment bankers. In 2007, presenters raised $151.4 million and over the past 17 years, former presenters of the conference have been successful in raising over $1.5 billion.

Section VI: Conclusion

In order to ensure follow-on funding for the entrepreneurs who access seed capital from the newly-established regional angel fund organization, it is imperative that relationships with

regional and national venture capital firms are established and nurtured. Additionally, these relationships will ensure reliable reciprocal referrals to early-stage deals.

V. Conclusions



Southwest Florida Regional Angel Fund

RECOMMENDATIONS

Globalization has changed local economic development in profound ways, and the new paradigm for success involves regional innovation strategies. Our region must continue the emphasis on economic innovation in order to create diversification. The State of Florida at long last appears to be making progress with raising wages and income levels and creating high-quality jobs. The Southwest Florida region needs to implement the new tools created by the Governor and Legislature over the past few years, pursue the immediate opportunities to fund emerging industries by creating a Regional Angel Fund, and apply for matching funds from the State.

As stated previously, a talented and focused entrepreneur can succeed at some level in almost any region, but taking lessons from the best entrepreneurial centers in the U.S., he or she is more likely, and the region with them, to prosper in a region that has the following characteristics: i) access to seed and early stage capital, ii) a university with scale or a history of specialized research, iii) an enabling regional culture, iv) professional networks of all types, v) an entrepreneurial support infrastructure, vi) "entrepreneur-friendly" government and vii) a cohesive regional economic development strategy with strong brand recognition. Therefore, our regional leaders (economic, political, real estate, educational, judicial, commercial, charitable and media) must cooperate to encourage and invest in the development of these elements. Ultimately, the people of Southwest Florida, must prevail upon our regional leaders to recognize the importance of an Innovation Economy. A long-term commitment to develop a sustainable and diverse regional economy could be the most important influencer upon everyone's home values, irrespective of homestead portability. While the region suffers from the major effects of the housing market and construction industry slowdown, ultimately the wise regional response is to engage in a long term commitment to develop a sustainable and diverse regional economy.

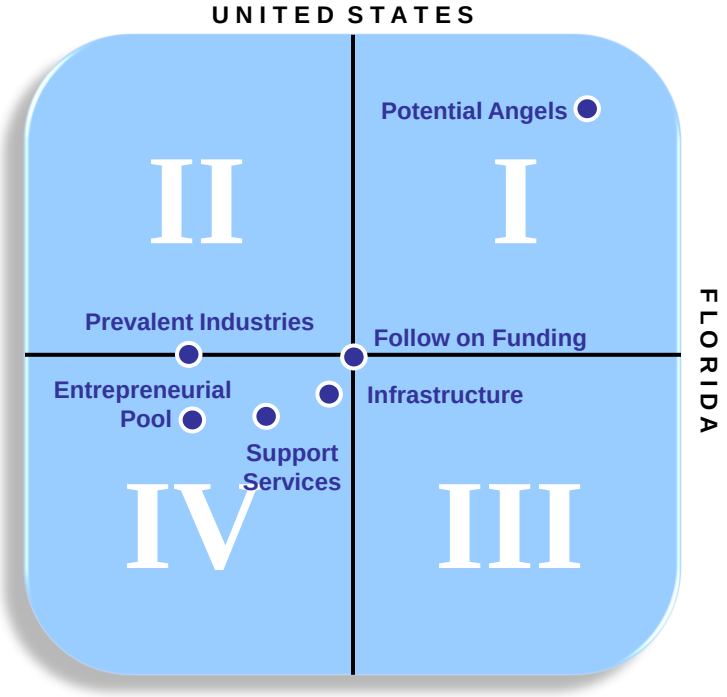
Recommendation for the Region	Next Steps
I) Access to seed and early stage capital	Establish a committed Angel Fund to provide a standardized and comfortable approach for Angel Investors to invest in seed/early companies in Southwest Florida. Concentrate Angel Investing activities through the Gulf Coast Venture Forum ("GCVF"). Rotate GCVF monthly meetings throughout the six county Southwest Florida region. Provide "Power of Angel Investing" education courses from the Angel Capital Association and Ewing Kauffman Foundation to centralize the GCVF as the epicenter for Angel Investing in SWFL. Act as the SW Florida "Clearing House" for investors, regional innovation, technologies, entrepreneurs and research projects. Engage local angels and VC's on creation of an Innovation Economy.

II) A university with scale or a history of specialized research	Encourage the establishment of Business Plan competitions at all universities in the region. Support the vision of Florida Gulf Coast University. "We are not like any other university in this state," said Wilson Bradshaw, president of FGCU. "We are at a critical stage in our development." Nearly 65 percent of FGCU's students come from Southwest Florida, making it that much more important to the local economy. About 80 percent of its students are undergraduates. Barring any political flares, Florida Gulf Coast University ("FGCU") will become a worldwide showcase for solar power, thanks in large part to an $8.5 million boost from the state. Despite a lean 2008 budget year, lawmakers saw fit to help the Southwest Florida institution on its quest to become more energy independent by building a $17 million solar array that will provide up to a third of its electrical power. The very successful Regional Economic Research Institute (RERI) at Florida Gulf Coast University is partially funded by the Lee, Collier, and Charlotte County Economic Development Organizations. The RERI has conducted several research projects in the region that have been used to develop a variety of economic development strategies for several clients. The RERI is a key partner in supplying the assessment study team with current economic data for the region, state, and nation.
III) An enabling regional culture	Cultivate a regional culture of entrepreneurship by cooperating regionally between counties on economic development goals. Offer entrepreneurship in education at all levels. Unlock innovation in our region by understanding and accepting that failure is part of the learning and experimentation process. Actively engage retired entrepreneurs that reside in our region to get involved in politics, advisory boards, economic development initiative's and entrepreneurial education. Recognize and reward entrepreneurs through city, county and regional awards programs, conferences and incentives. Encourage the development of Accelerators & Incubators in the Southwest Florida Region. The SWFL Regional Planning Council in cooperation with the regional economic development organizations have applied for and received grant funding from the U.S. Economic Development Administration to conduct a feasibility study for the development of an incubator network throughout the region.
IV) Professional networks of all types	Support the existing trade industries associations in the Southwest Florida region. Encourage the development of regional trade and industry

	associations to encourage the establishment of clusters of innovative industries. Support and promote the new Southwest Florida chapter of BioFlorida. Support and promote the new Southwest Florida Regional Technology Partnership.
V) An entrepreneurial support infrastructure	Ask the State of Florida University System to invest in entrepreneurial education in Southwest Florida. Support the establishment of a regional Entrepreneurship & Innovation Center at FGCU. Encourage FGCU to host an Annual Regional Innovation and Entrepreneurial Conference that brings together the Innovation Economy including students, entrepreneurs, professional service providers, angel investors, venture capitalist, industry trade organizations and economic development professionals. Further, there is no reason why the conference should not have follow-on activities such as golf tournaments, hunting expeditions, para-sailing competitions or simple tours that underscore the tremendous quality of life offered by our region. Through the appointment of Dr. David Kakkuri (FGCU), as Chair of the Education Committee for the Greater Naples Chamber of Commerce, and Dr. Joseph Heinzman (Hodges University), as Chairman of the Education Committee for the Immokalee Chamber of Commerce, utilize these key roles to ensure these committees maximize the development of programs designed to grow business through education and training and create programs to aid in the preparation of students for entry into the local economy.
VI) "Entrepreneur-friendly" government	Encourage entrepreneurial-friendly policies and government. Update tax and regulatory policy to reflect entrepreneurial needs. Contact state and local politicians and ask them to support initiatives and programs that improve the climate for entrepreneurship.
VII) A regional brand or specialization	On June 17, 2008, the Southwest Florida Economic Development Partners, a new initiative of economic development executives and other key stakeholders working on regional marketing and branding opportunities for Collier, Lee, Charlotte, Sarasota, Glades and Hendry counties, announced that they are seeking responses to a Request for Qualifications (RFQ) for firms that possess an expertise in developing new regional branding and marketing campaigns.

FINDINGS

The output from Kauffman's Community Assessment template is not a calculated score that dictates a passing or failing grade towards the establishment of an Angel Fund. Rather, the Kaufmann template should be analyzed as more of a self-assessment or SWOT analysis. Below, the final results of the Southwest Florida Regional Angel Fund Assessment are displayed.



Placement of the Points

Section I – Potential Angel Community

The placement of the Section I data point should not come as a surprise to those who noticed the preponderance of supporting indicators located Quadrant I in the ***Framework and Assessment*** section of this study. As a final piece of antidotal evidence supporting the Quadrant I placement, consider Florida Gulf Coast University Foundation's impressive fund-raising history. As of June 30, 2007, the Foundation reports $218 million capital raised for the ten year old university.[38] Local support has been the major driver since the university can only claim 7,000-plus alumni with an average age of 33.[39]

[38] 2006-07 Florida Gulf Coast University Foundation Annual Report, p.3.
[39] 2006-07 Florida Gulf Coast University Foundation Annual Report. p.22.

Section II – Prevalent industries in the region

The location of the Section II data point is on average for the State of Florida and below the national average. Florida has a rich history of innovation, e.g. Walt Disney World and Cape Canaveral, however, that history, while positive for their respective local economies, hasn't spread across the state to the point where space or entertainment have displaced Florida's legacy (prevalent) industries in other regions. Such is the case with Southwest Florida and why it is on par with the majority of regions in Florida but behind numerous national regions that have cultivated new industry clusters.

Section III – Entrepreneurial Pool

The location of the Section III data point shows deference to both the State of Florida and the United States. The Southwest Florida region follows behind Florida's entrepreneurial hotbed regions anchored by a major university, like Gainesville, or up and coming regions along the *"I-4 High Tech Corridor"*, like Orlando and Tampa. On the national front, Southwest Florida's entrepreneurial pool lacks critical mass and energy because we are an emerging region. Therefore, the Southwest Florida region rates lower than the national average and be more reflective of Florida's 32nd ranking among states in *Entrepreneurial Activity* or Florida's 30th ranking in *Knowledge Workers* in a recent new economy study.[40]

Section IV – Entrepreneurial Infrastructure and Section V – Support Service/Teams

The limiting factor for the location of the Section IV and V data points was regional coordination and maturation. While the overall number of entrepreneurial support organizations ("ESO") is respectable, the lack of regional knowledge and collaboration amplifies our region's emerging status. As the 2007 New State Economy Index recommends "Success in the new economy requires that a whole array of institutions—universities, school boards, firms, local governments, and economic development agencies—work in new and often uncomfortable ways."[41] We are improving but still require more evangelizing.

Section VI – Follow-on Funding

The location of the Section VI data point indicates that an entrepreneurial company located in Southwest Florida has as good a chance at receiving Series B or C funding as a similar company somewhere else in Florida or the U.S.

[40] Atkinson, Robert D. and Correa. Daniel K., *"The 2007 State New Economy Index"*, Ewing Marion Kauffman Foundation and Information Technology and Innovation Foundation, February 2007, p.17.
[41] Atkinson, Robert D. and Correa. Daniel K., *"The 2007 State New Economy Index"*, Ewing Marion Kauffman Foundation and Information Technology and Innovation Foundation, February 2007, p.68.

Summary

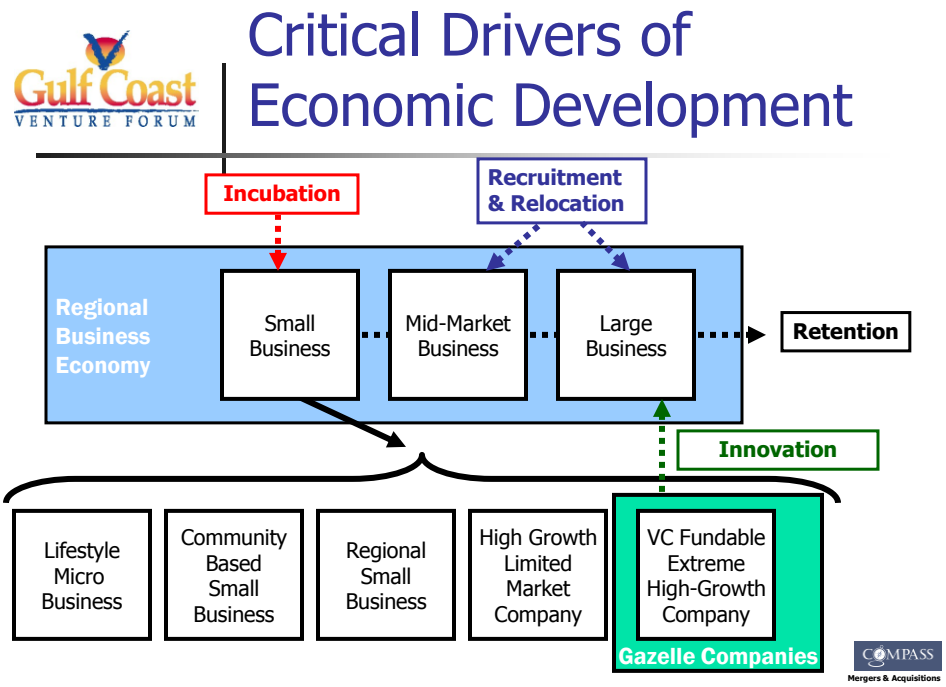
Interpreting the results on previous page, provides the following conclusion pertaining to the feasibility of Southwest Florida establishing a Regional Angel Fund.

2008	Section		Indicator
Regional Angel Fund Assessment Results	I.	Potential angel community	Positive
	II.	Prevalent industries in the region	Negative
	III.	Entrepreneurial pool	Negative
	IV.	Entrepreneurial Infrastructure	Neutral
	V.	Support services/teams	Neutral
	VI.	Follow-on funding	Neutral

The region's one positive indicator, Section I – Potential Angel Community, is quite possibly the most important indicator of all. Comparing our results to different successful entrepreneurial regions at their infancy, reveals that most regions tend to have more negative indicators than positives ones at the start of their voyage towards an entrepreneurial/innovative economy. Ironically, the same risky decision point that launches an entrepreneur now confronts the region that is attempting to develop a source of early stage capital for that entrepreneur. In order to retain the entrepreneur, the region must decide whether to take the proverbial "leap of faith' and create the angel fund or network, even though it faces many negatives, failure is ever present and the outcome unknown.

If "necessity is the mother of invention" as Plato said, then it is high time for Southwest Florida to invent a new economy! For too long our region has gorged itself on real estate development as if it were the only item on the menu in a restaurant serving economic development. This addiction has resulted in our region becoming obese - on residential housing inventory, and soon commercial inventory - with no appetite to scan further down the menu. This obesity has created lethargic regional economic performance and taken the shine out of our sunshine state as indicated by a statewide reversal in migration trends.

In order for our region to get in shape, we must seek out a "balanced diet" and train our collective regional eye to look for other entrées on the economic development menu, in particular those under the heading of innovation.



What then, should our region do to get into shape? As Plato told us, invent something.

Listening to the ancient sage, who is considered to have built the philosophical foundations of Western culture; our region must invest, support and promote an Innovation Economy. Not as the new main course served on a silver platter for our economic woes, but as part of a complete economic development program within a portfolio approach in which our region's political officials include innovation on their economic development menu.

As referenced earlier, Innovation Works, a State of Pennsylvania funded entrepreneurial accelerator, estimates 150-200 new technology companies are formed in the Pittsburgh Region each year. Of these, almost all will need significant seed-stage funding. Over eighty percent of these will fail, however, of the ones that do not fail, 12 – 18 could reach an enterprise value of $20 million or more and about 6 could reach a size of $50-$100 million or more. However, without an adequate supply of seed-stage investment for that number of firms, the majority of potentially successful firms may die for lack of capital. [42]

The Gulf Coast Venture Forum, in cooperation with the Regional Business Alliance, Florida Gulf Coast University, Hodges University, Ave Maria University, Edison State College and each of the economic development organizations in the six county Southwest Florida Region (Charlotte, Collier, Glades, Hendry, Lee and Sarasota) have agreed to support the establishment of a Regional Angel Fund to activate some of our regional wealth and direct it towards innovation.

[42] http://pittsburghfuture.blogspot.com/2006/08/we-need-more-angels-in-pittsburgh.html

Our region, with an abundance of this type of investor, must figure out how to activate and engage this latent natural resource to engage with our regional economy. Early stage capital is the lifeblood of entrepreneurs and innovation. The GCVF and the supporting regional organization mentioned earlier are taking the first step, that of establishing a Regional Angel Fund. The State of Florida has taken the second step; establishing the $30 MM Florida Opportunity Fund (Florida HB83, which promises to invest with private funds on a dollar for dollar basis for qualified Early Stage - Florida based Angel Funds). The region's litmus test will be the response from our local high net worth individuals.

Creating a seed investment fund with a focus on the Southwest Florida region will not just provide a significant pool of capital for promising regional startups—it will also significantly increase the awareness of outside venture capitalists in potential investment opportunities in the region.

Southwest Florida must capitalize on this opportunity to incubate a new aspect of economic development to our region. As previous described by the Edward Lowe Foundation, it is not just one entrepreneur or one angel investor acting independently but the entire Southwest Florida region acting collectively to invest, support and promote an Innovation Economy.

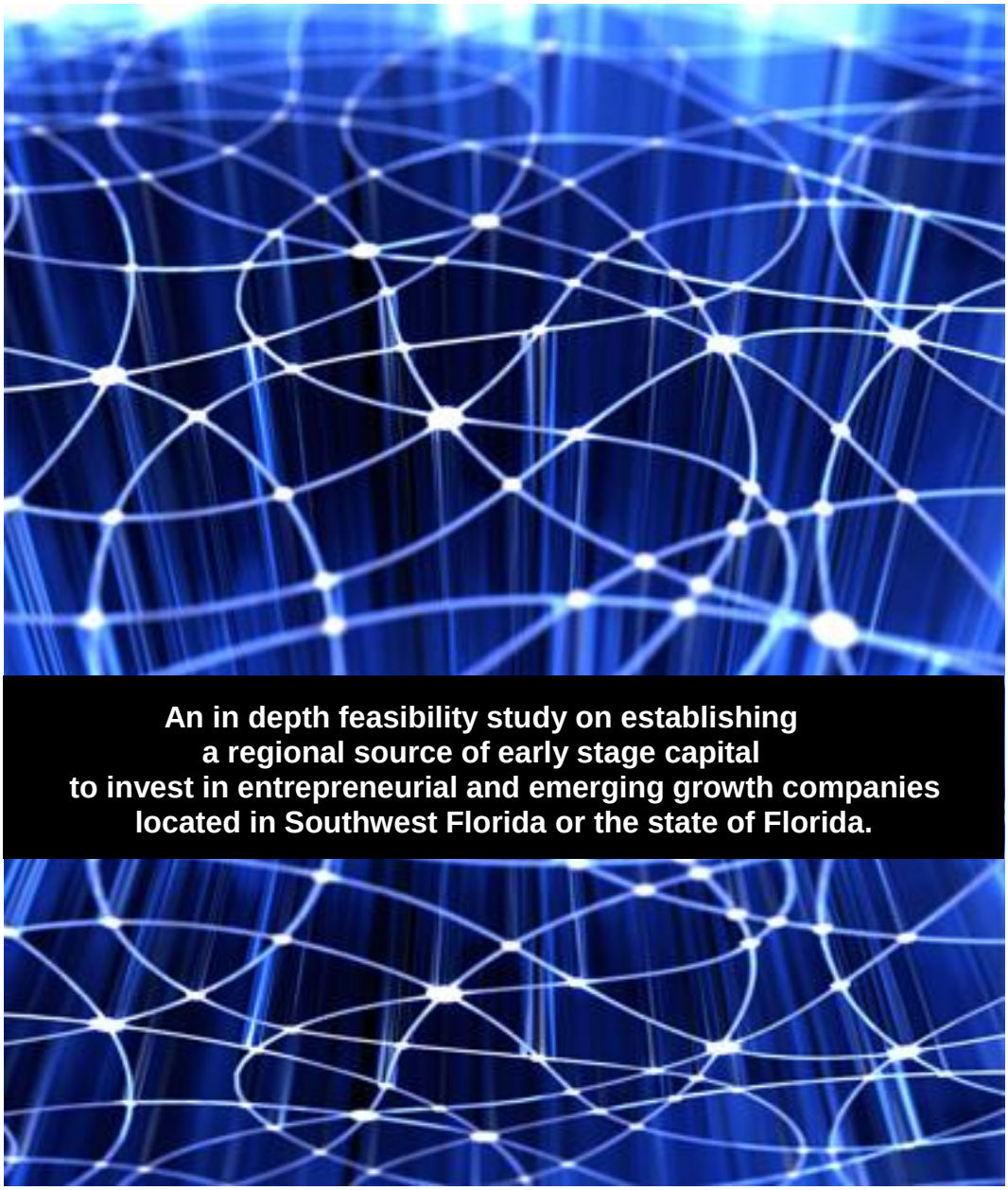
Regions that do not support Innovation:

- Students from local university leave the area for more fertile soil.
- University researcher and technology transfer offices are forced to transfer patent value to entities outside of the region.
- Technologies by local entrepreneurs do not get commercialized.
- Entrepreneurs leave the region or state.
- Entrepreneurs are not attracted from outside the state.
- Communities do not develop technology focused industries.

Conclusion

- ***There is a need and a means for the establishment of a Regional Angel Fund in Southwest Florida.***

VI. Strategic Action Plan



An in depth feasibility study on establishing a regional source of early stage capital to invest in entrepreneurial and emerging growth companies located in Southwest Florida or the state of Florida.

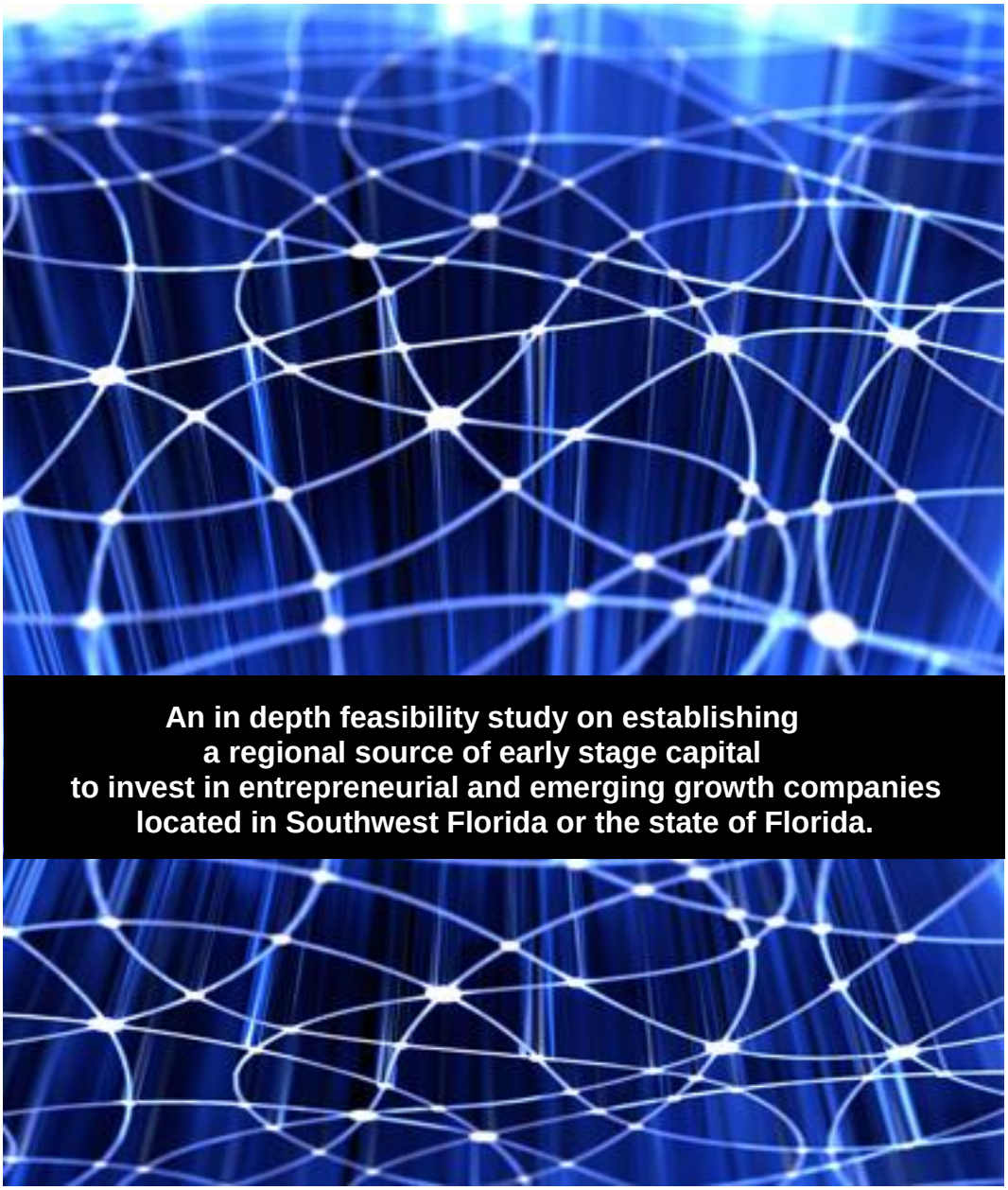
Southwest Florida Regional Angel Fund

STRATEGIC ACTION PLAN

1. Charge the leadership at the Gulf Coast Venture Forum to implement the RAFA Strategic Action Plan and create a Southwest Florida Regional Angel Fund known as the Tamiami Angel Fund I, LLC ("TAFI").
2. Apply for federal, state, or regional grants or loans to cover initial organizational costs of establishing the TAFI.
3. Hire a third party administrator ("TPA") as recommended by the Gulf Coast Venture Forum leadership to coordinate and manage the creation of the TAFI and administer the fund upon its establishment.
4. Establish the TAFI entity with the State of Florida and document the organizational structure according to the preliminary discovery by the RAFA Team.
5. Notify the state agency, Enterprise Florida, Inc., of the establishment of the Tamiami Angel Fund I, LLC and subsequent request for State funding through The Florida Opportunity Fund –2007 Florida Legislative Session, House Bill 83 ("HB83").
6. Prepare a business plan, investment policies, investment procedures, budget, and security offering in order to create the TAFI private placement memorandum ("PPM").
7. Solicit investment using the TAFI PPM from the region's accredited investors.
8. Conduct the Power of Angel Investing (PAI) educational classes for TAFI investors through out the Southwest Florida region. The Power of Angel Investing (PAI) is a series of education programs about angel investing developed by the Ewing Marion Kauffman Foundation[43], with content provided by angel experts and angel group leaders from around the country.
9. Apply for state funding through The Florida Opportunity Fund - HB83.
10. Sign a cooperation agreement between the TAFI and the Gulf Coast Venture Forum.
11. Start investing!

[43] Angel Capital Education Foundation, or ACEF, was founded by the Ewing Marion Kauffman Foundation in 2005 to support education and research in the field of angel investing. In early 2007, ACEF received IRS approval as a tax-exempt, public charity (501c3), and in March, 2007 it spun out from the Kauffman Foundation as an independent organization.

VII. Appendix A



Southwest Florida Regional Angel Fund

SOUTHWEST FLORIDA REGIONAL ANGEL FUND ASSESSMENT - RESEARCH MATRIX

Section #	Metric	United States Total	US Per Capita or Weighted Average	Florida Total	FL Per Capita or Weighted Average	SWFL Per Capita or Weighted Average	Charlotte	Collier	Glades	Hendry	Lee	Sarasota
Year						Percentage	10.5%	21.5%	0.7%	2.5%	40.0%	24.8%
2008	mid year population projections		304,228,257		18,802,823	1,579,763	166,112	339,128	11,256	40,208	631,733	391,326
1 Potential Potential Angel Community												
2008	Aviation Registrations	368,509	0.0012	25,499	0.0014	0.0013	232	507	22	133	680	517
2007	FDIC Insured Bank Deposits	$6,702,212,000	22	$373,700,000	20	24	$3,360,000	$10,957,000	$44,000	$481,000	$11,096,000	$11,370,000
2007	Boat Registrations	12,700,000	0.0417	991,680	0.0527	0.0779	21,918	23,504	1,348	3,030	49,095	24,243
2008	Charities & Foundations	71,000	0.0002	3,874	0.0002	0.0004	15	282			126	226
2006	Family income		$58,526		$54,445	$58,229	$49,869	$66,054	$34,223	$36,719	$57,429	$59,190
2005	Home Values - Median Home Price		$167,500		$189,500	$252,060	$197,226	$341,588	$147,208	$145,378	$229,555	$248,058
2008	Income Type - Per Capita dividends, interest, rent		$6,193		$9,455	$19,664	$12,040	$31,705	$4,451	$3,066	$14,168	$23,482
2 Prevalent Industries												
2006	Accommodations		9.87%		10.60%	9.87%	9.22%	11.17%	5.68%	6.85%	9.82%	9.55%
2006	Agriculture, forestry, fishing		1.03%		1.34%	2.16%	1.47%	4.11%	13.52%	27.17%	0.70%	0.22%
2006	Arts, entertainment, recreation		1.69%		2.53%	3.14%	2.09%	5.25%	0.00%	0.32%	2.70%	2.85%
2006	Biotechnology**		0.77%		0.53%	0.22%	0.07%	0.20%	0.00%	0.00%	0.07%	0.59%
2006	Construction		6.74%		9.22%	14.61%	13.62%	17.30%	11.58%	5.30%	16.11%	11.32%
2006	Healthcare/Social Services		13.05%		12.20%	12.47%	17.15%	9.97%	3.58%	9.15%	11.75%	14.41%
2006	Information Technology		3.37%		2.86%	1.30%	0.50%	1.04%	0.00%	0.35%	1.24%	2.10%
2006	Retail Trade		13.64%		14.62%	15.48%	19.77%	14.34%	7.02%	13.49%	16.21%	13.91%
3 Entrepreneurial Pool												
2001-2006	Business Start Ups (annual increase)		1.17%		5.59%	7.44%	8.25%	6.38%	8.03%	4.39%	9.19%	5.47%
2007	SCORE Business Assistance Stats *	443,000	0.0015	37,790	0.0020	0.0052	395	2,819			1,422	3,604
2006	Graduate Programs Masters	639	0.0000021	24	0.0000013	0.0000038	2	1			2	1
2006	Graduate Programs Doctoral	258	0.0000008	10	0.0000005	-						
2008	Incubators/Accelerators	1115	0.0000037	21	0.0000011	0.0000006					1	
4 Entrepreneurial Infrastructure												
2008	Business Support Organizations - EDOs	72,549	0.00024	3,137	0.00017	0.00017	26	69	2	8	85	77
2008	Trade Industry Organizations	56,460	0.00019	1283	0.00007	0.00005	4	18	1	4	25	26
2007	Accredited Universities w/Grad-level Business	464	0.0000015	14	0.0000007	0.0000006					1	
2007	State Business Tax Climate (50 state ranking)			5	5	5	5	5	5	5	5	5
5 Support Teams												
2000	Young Talent		20%		19%	15%	15%	17%	19%	24%	18%	9%
2000	Graduate, PhD, Research - Education Attainment		6%		6%	7%	6%	8%	3%	1%	6%	9%
2007	# of Legal Firms		1.04		1.34	1.17	0.99	1.09	0	0.25	1.14	1.48
2007	# of Marketing Firms		0.83		0.95	0.64	0.64	0.43	0.33	0.15	0.69	0.8
2007	# of Accounting Firms		0.79		0.78	0.73	0.74	0.51	0	0.32	0.73	0.98
6 Follow On Funding												
2008	# Venture Capital Firms	2,318	0.000008	62	0.000003	0.000005	0	6	0	0	1	1
2007	Venture Capital ***	$30,690,500,000	101	$764,100,000	41	26	$6,929,979	$11,798,612	$110,823	$501,488	$22,201,388	$0
2008	# Early Stage VCs	1554	0.000005	37	0.000002	0.000005	0	6	0	0	1	1
2008	# Angel Fund Organizations	223	0.0000007	6	0.0000003	0.0000006	0	1	0	0	0	0

* Sarasota's SCORE business assistance stats also include Manatee County SCORE classifies these two counties as "Manasota"
** for NAICS codes 3254, 3345, 3391
*** County data is approximate since data is by congressional district

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