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PROGRESS REPORT

FEBRUARY 2007

CleanStart could not have been formed at a better time. Investment money is absolutely pouring into clean energy companies at an unprecedented pace. According to *New Energy Finance*, in 2006 worldwide clean energy investment topped \$100 billion including all project finance and corporate fundraising. Public market fundraising of clean energy companies exceeded \$10 billion. Venture capital investment in this sector grew 167% over 2005. In the US alone, clean energy venture capital investment topped \$2.4 billion. This indeed is the moment to be helping our local entrepreneurs attract these funds. The level of investor interest is simply remarkable. The region has only to pursue these funds seriously and it will become the cornerstone of the most growth in economic activity the region has seen in decades.

The idea for CleanStart was hatched over a lunch in December 2003. Couldn't the Sacramento area become a hub of clean energy activity? Weren't there already a number of clean energy businesses here? And didn't a lot of college students want to do something in clean energy when they graduated?

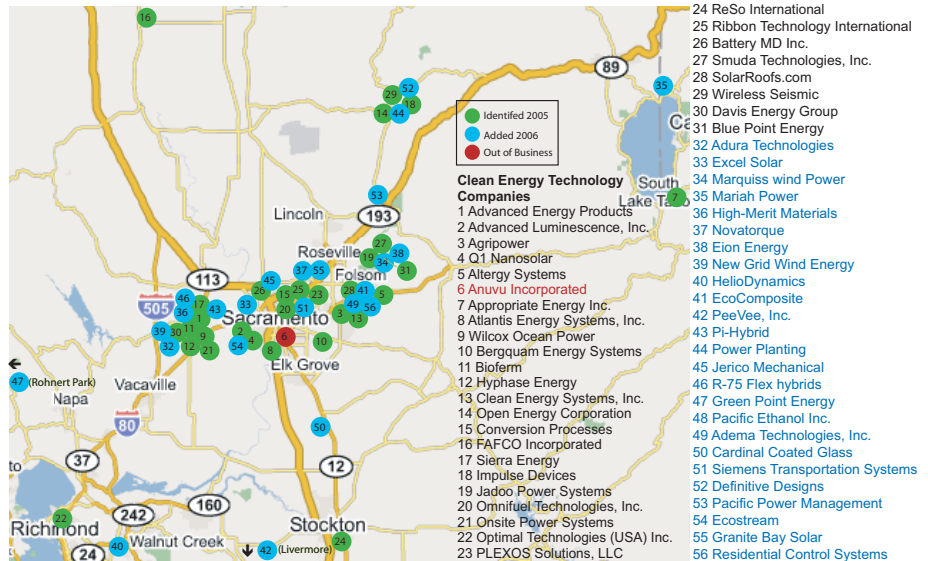
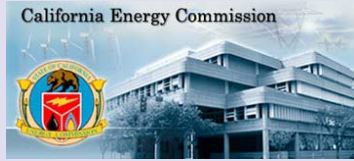
Three years later, everyone is talking about Sacramento as a center of clean energy activity. Maybe it is not yet a leading center, but it is a center nonetheless. CleanStart is pleased to have been a part of the stimulus to put this idea forward and hopes to continue to push this region to the forefront of all clean energy centers in the world.

CleanStart was established with a very ambitious mission and set of goals. After its first full year of operation, CleanStart has accomplished a great deal.

- Created the first-ever clean energy business plan contest in the region—PowerUp!
- Through the PowerUp! contest, 26 more companies were identified as viable clean energy businesses in the region to add to the 30 previously identified.
- The contest had three judging rounds and one display event. All were very well attended.



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- Feedback from the contestants, judges and mentors demonstrated the contest was an outstanding success.

"I have been involved in four business plan competitions to this point. The quality of the judges, the staff professionalism and the overall positive feeling of the PowerUp! competition were extremely refreshing." Zach Gentry, Adura Technologies

"We had such incredible support from our mentors. One of them went out of his way to help and brought his whole team to our first meeting –the CTO, COO, and CFO. They offered assistance anytime and we still call on them to this day." Kenth Pedersen, Hyphase Energy

Mission

Stimulate the development and success of early-stage companies who will provide the next generation of clean, renewable, and efficient energy technology. CleanStart will help companies assemble solid management teams, secure adequate funding, and accelerate the commercialization of sound product ideas into the market. Through this mission, CleanStart will create jobs and wealth for the greater Capitol Corridor region and new products to help society be more sustainable.

Goals

- By 2008 add 10 new Clean Energy Technology (CET) companies in the region with 100 net new jobs.
- By 2010 add 25 new CET companies and 1,000 net new jobs in the region.
- Build a network of expertise in the CET sector.
- Develop an approach to assist CET companies with the commercialization of their technology and with accelerating their business success.
- Create incubation programs as an important tool for developing strong partnerships with local universities and the business and technology communities.

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I was truly impressed with the quality of the ideas and individuals that came forward. I'm a believer—Cleanstart has a great future.” John Wilson, California Energy Commission

“CleanStart has quickly earned a reputation as an outstanding center of excellence for clean energy business development.” J.D. Stack, SMUD

“There were many exciting and interesting companies that competed and CleanStart did a fabulous job of organizing and managing the event.” Michelle Rowe Hallsten, Pillsbury Winthrop Shaw Pittman

- Of the contestants, eight companies were identified that had good prospects and should be coached to the next stage of business creation in the region:

- Marquiss Wind Power
- Mariah Power (wind)
- High-Merit Thermolectrics
- Eion Energy (hydrogen)
- Heliodynamics (solar)
- Solar Roofs, Inc.
- HyPhase Energy (fuel cells)
- NuEdison (solar PV)

- Outside the contest, four other companies were identified as high-potential:

- Novatorque (high-efficiency motors)
- Q1 Nanosolar
- Ribbon Technology International (solar PV)
- Green Point Energy

- Raised \$106,000 in funding from 16 sponsors supplemented with in-kind contributions from 19 supporters.

- Got excellent coverage from the local media with a spot on KFBK radio, a news report on KCRA TV, five articles in the *Sacramento Business Journal*, four articles in the *Sacramento Bee*, plus articles in the *Davis Enterprise*, *Roseville Press Tribune*, *Prosper Magazine*, and a mention in *Comstock's* magazine—for a total of 21 articles.

- Signed-up 33 professionals as mentors and coaches.
- Sent contestants to four skills-building workshops.



Supporters



- Convinced KVIE to include a 30-minute program on clean energy in its “New Valley” series.
- In addition, CleanStart contributed to the emphasis on clean energy throughout the region. The regional accomplishments include:
 - \$1 million California Clean Energy Fund grant to UC Davis to create the Energy Efficiency Center, matched with \$1.3 million in university funds
 - \$25 million grant from Chevron Corporation to UC Davis to create a Biofuels Center
 - the formation of the Clean Energy Center at Sacramento State University headed by Dr. Tim Marbach in the Engineering Department
 - the formation of the Clean Energy Team as a part of the Partnership for Prosperity with goals to have the region’s governments, businesses and consumers purchase clean energy from local ventures



CleanStart itself has now been formally adopted as a program of the McClellan Technology Incubator, providing a permanent home and a permanent staff.

CleanStart is now looking ahead to 2007 as a year to ensure the fledgling companies it has identified get funding and other support and to create more momentum toward establishing the Sacramento region as a leader in clean energy.

Scorecard for the First Year

- | | |
|---|---|
| Put someone in charge as champion | ↑ Selected an Executive Director |
| Establish clear goals | ↑ 10 new companies by 2008; 100 by 2010 |
| Identify high potential start-ups | ↑ 12 identified |
| Establish attention-getting rallying point | ↑ PowerUp! Business Plan Contest |
| Create a “beehive of activity” and extensive network | ↔ Underway |
| Expand funding for incubator services to promising gov’t R&D awardees | Future |
| Create a “critical mass” in the region | ↑ SARTA, PfP, Chamber, GCN and others collaborating |
| Establish an “investment club” to fund early stage enterprises | ↔ Underway—Velocity VC, Capital Valley, Akers Capital, Sac Angels |
| Establish prizes and awards for clean energy innovators | Future |