

Office of the President

TO MEMBERS OF THE ACADEMIC AND STUDENT AFFAIRS COMMITTEE AND THE FINANCE AND CAPITAL STRATEGIES COMMITTEE:

ACTION ITEM

For Meeting of May 18, 2023

F3 INNOVATE, A NEW NONPROFIT CORPORATION TO ADVANCE CENTRAL VALLEY FOOD SYSTEM INNOVATION, MERCED CAMPUS

EXECUTIVE SUMMARY

The President seeks approval from the Regents of the University of California, for the UC Merced campus and the UC Agriculture and Natural Resources (UC ANR) division to respectively hold one seat each as founding members of the board for *F3 Innovate*, a new California nonprofit public benefit corporation. *F3 Innovate* is a component of the Fresno-Merced Future of Food Innovation Initiative (F3 Initiative), a consortium of state and regional partners that seeks to advance educational, scientific, and economic development goals within the Central Valley of California through research and development in climate-smart food systems and agricultural technology.

It is envisioned that this joint community-industry-academic research consortium will produce technology that can be exported to solve global food production challenges and will also result in stronger ag-tech workforce development programs, along with increased support for local and regional food systems, including organic production practices and small-scale and socially disadvantaged farmers.

The F3 Initiative has received several grants, one of which is a \$65.1 million grant from the U.S. Economic Development Administration's Build Back Better Regional Challenge program, awarded to the F3 Initiative partners. UC Merced and UC ANR are two of the lead recipients of these federal grant funds (receiving \$20 million and \$16.1 million respectively). The funded grant proposal calls for the establishment of a 501(c)(3) nonprofit organization to carry out technology translation and commercialization activities, with F3 partners providing the new nonprofit's founding board members.

This requires Regental approval as the proposed governing documents of *F3 Innovate* provide that UC Merced and UC ANR will each designate a director to serve on the governing board of the nonprofit corporate entity. Regents Bylaw 22.2(c) ("Authority of the Board—Specific Reservations—Finance Matters") generally requires Regental approval for participation in non-health-related corporations, partnerships, and other similar entities. The Regents are also being

asked to delegate authority to the President to execute any and all agreements related to the participation of UC in the 501(c)(3) formation and organization, and to designate governing Board members of *F3 Innovate*. It is anticipated that the President will then redelegate his authority to the Chancellor of UC Merced and the Vice President of UC Agriculture and Natural Resources.

RECOMMENDATION

The President of the University recommends that the Academic and Student Affairs Committee and the Finance and Capital Strategies Committee recommend to the Regents that:

A. UC Merced and the UC Agriculture and Natural Resources division (UC ANR) be authorized to each hold one seat on the governing board of F3 Innovate, a new California nonprofit public benefit corporation, under the following conditions:

- (1) **Purpose:** Advancing educational, scientific, and economic development goals of the F3 Initiative to facilitate research and development in climate-smart food and agricultural technology and to improve the quality of life in Central Valley communities.
- (2) **Structure and Governance:** F3 Innovate will be a California nonprofit corporation governed by its articles of incorporation and bylaws and overseen by a Board of Directors (the Board). Each of the following six founding entities will appoint one director:
 - a. UC Merced
 - b. UC ANR
 - c. California State University, Fresno (Fresno State)
 - d. California Department of Food and Agriculture (CDFA)
 - e. California Governor's Office of Business and Economic Development (GO-Biz)
 - f. Central Valley Community Foundation (CVCF)

The Board will appoint up to five at-large directors from diverse stakeholder groups in the Central Valley. Under California law, no more than 49 percent of the Board may be "interested persons" (i.e., compensated for services). F3 Innovate will have a Chair, Vice Chair, Secretary, Treasurer, Chief Executive Officer, and a Chief Financial Officer.

- (3) **Intellectual Property (IP) Terms:** IP generated by UC employees will be subject to the UC Patent Policy, and any revenue generated by UC IP which is licensed to F3 Innovate will be shared with UC on commercially reasonable terms.

- (4) **UC Liability:** As a nonprofit corporation, F3 Innovate will be a legal entity separate and distinct from the entities that form it. It will be able to enter its own contracts, hire its own staff, and engage in independent activities to further its purposes. F3 Innovate will apply for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and will be able to receive grants and awards of funds as a charitable nonprofit organization. Because F3 Innovate will fully comply with corporate formalities, be capitalized, and operate as an independent organization rather than as an instrumentality of UC, UC should not be held responsible for F3 Innovate's debts and liabilities. Moreover, the proposed Bylaws of F3 Innovate provide that the nonprofit corporation will indemnify its directors and officers against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that any such person is or was an agent of the corporation to the full extent permitted by law.
- B. The President be authorized and may further delegate such authority to the Chancellor of UC Merced and the Vice President of UC ANR, after consultation with UC Legal, to approve and execute any agreements reasonably required to effectuate the above approval.
- C. The President be authorized, and may further delegate such authority to the Chancellor of UC Merced and the Vice President of UC ANR, after consultation with UC Legal, to exercise the authorities reserved to UC as a member of F3 Innovate, including appointment of representatives to the F3 Innovate Board of Directors, except any authorities expressly reserved to the Regents in the Regents' Bylaws.

BACKGROUND

Fresno-Merced Future of Food Innovation Initiative

The Fresno-Merced Future of Food Innovation Initiative (F3 Initiative) is focused on a five-county region of California's Central Valley and seeks to develop world-recognized climate-smart food and agriculture systems that provide solutions to regional economic and environmental challenges. F3 Initiative partners will conduct a broad array of research, commercialization, workforce development, regional business formation and acceleration, and outreach and engagement activities. This joint community-industry-academic research consortium will produce technology that can be exported to solve global food production challenges and will also result in stronger ag-tech workforce development programs, along with increased support for local and regional organic production practices and small-scale and socially disadvantaged farmers.

The F3 Initiative – as funded by the U.S. Economic Development Administration's Build Back Better Regional Challenge – includes three key sub-project components:

- *F3 Local Farm and Food Innovation* - led by UC ANR to support small farmers and food producers,

- *F3 AgTEC* - led by Merced College to support workforce development, and
- *F3 Innovate* - administered by UC Merced and led in partnership with UC ANR and Fresno State, to support agrifood technology research and development, translation, and commercialization.

F3 Innovate

The six founding entities, UC Merced, UC ANR, Fresno State, CDFA, GO-Biz, and CVCF, will form *F3 Innovate* as a nonprofit, 501(c)(3) corporation whose mission is to advance the educational, scientific, and economic development goals of the F3 Initiative. The formation of a nonprofit organization is necessary to fulfill the requirements of the \$65.1 million-dollar U.S. Economic Development Administration's Build Back Better Regional Challenge (EDA BBBRC) grant, intended to jumpstart underserved economies nationally and awarded to the F3 Initiative.

A CEO, selected by its board, and core team of professional staff will be responsible for *F3 Innovate's* day-to-day operations and fulfilling funded projects and work streams. The core team will be responsible for developing community, industry, and research partnerships; raising private and other funding to advance the research agenda; and integrating activities of *F3 Innovate* with the broader F3 Initiative. Faculty from UC Merced, Fresno State University, UC ANR and other institutions will participate as affiliated Faculty Fellows. Interdisciplinary research teams may also include other interested parties such as postdoctoral scholars, graduate and undergraduate students, Cooperative Extension specialists and advisors, farming partners, economists, industry scientists, and engineers.

F3 Innovate will initially have the following principal focus areas:

1. Core Operations: *F3 Innovate* will engage in required administrative activities, facilitate the interface with founding institutions, and oversee the coordination and delivery of related EDA BBBRC-funded initiatives and activities.
2. Agrifood Systems Research and Tech Commercialization: *F3 Innovate* will support research and technology commercialization related to food production and processing systems. This includes but is not limited to 1) Managing industry-university partnerships that develop new IP, 2) commercializing IP, and 3) engaging with both startups and corporate entities to support the growth and scaling of agricultural technologies in the five-county Fresno-Merced region. The technology, practices, market approaches and investments developed at *F3 Innovate* will advance sustainable food systems that meet human and ecosystem needs. For maximum positive impact, *F3 Innovate's* research and development (R&D) and innovation and entrepreneurship (I&E) activities will be coordinated with UC and Fresno State practitioners, including faculty, staff, and students. Both R&D and I&E approaches and processes will center on co-development of knowledge to drive innovation that is accessible and inclusive by ensuring that small, medium, and socially disadvantaged farmers and farm workers are active participants in and beneficiaries of *F3 Innovate's* research and product development processes.

3. Services for Micro-Enterprises, Entrepreneurs and Small Businesses: In addition, *F3 Innovate* will develop cooperative agreements with UC ANR's VINE agrifood technology program, UC Merced's CITRIS Foundry, Fresno State's Water Energy Technology Incubator, and other existing capacity in the UC/CSU systems to support commercialization strategies through prototyping, incubation, business development, tech support, access to capital, access to legal support, etc.
4. Ag-Tech Innovation Seed Funding: *F3 Innovate* will develop and provide matching grants and/or co-funding to ag-tech innovators and entrepreneurs furthering its mission through direct research investment, granting, match funding, and micro venture capital.

The F3 Initiative and *F3 Innovate*'s Funding

The F3 Initiative has been awarded both State and federal funds to further its mission. In 2021, California Governor Gavin Newsom signed a bill including approximately \$30 million in State funding to establish the F3 Initiative.

In 2022, as part of the federal Build Back Better Regional Challenge, a grant program under the American Rescue Plan, the Economic Development Administration awarded the F3 Initiative approximately \$65.1 million, a portion of which is intended to fund the establishment and operation of *F3 Innovate*. UC Merced (with \$20 million) and UC ANR (with \$16.1 million) are named sub-awardees of this grant and are responsible for the facilitation of key components of the overall initiative. *F3 Innovate* will be sustained in the long term through grants, industry partnerships, and proceeds from product commercialization.

Why *F3 Innovate* Will Be Organized as a Nonprofit 501(c)(3) Organization

As stated above, to meet the federal grant requirements, *F3 Innovate* must be organized as a California nonprofit public benefit corporation and will seek tax-exempt status under section 501(c)(3) of the Internal Revenue Code. There are several reasons for this new entity to have this tax-exempt status, which include but are not limited to: access to funding opportunities, the need and desire for stakeholder participation, representation, and governance, and the legal and regulatory treatment of nonprofit entities at the State and federal level.

Nonprofit public benefit corporations are able to apply for and receive grants that are unavailable to for-profit or, in some instances, even public entities. Cognizant of this fact, the CVCF included in its applications for the above grants the proposal that *F3 Innovate* would be formed as a nonprofit public benefit corporation that would benefit the entirety of the community it serves, not as a private for-profit entity that is only required to benefit its shareholders.

Forming *F3 Innovate* as a nonprofit public benefit corporation will ensure that all stakeholders and the public are able to participate and are represented in *F3 Innovate*'s work. It will also ensure that all stakeholders have a voice in how *F3 Innovate* is operated. The forming entities—UC Merced, UC ANR, Fresno State, CDFA, California's Go-Biz, and CVCF—will each designate one member to *F3 Innovate*'s board of directors. In addition, the board will appoint additional at-large directors who are stakeholders in the Central Valley, including but not limited

to small and medium sized farmers, socially disadvantaged farmers and ranchers, food-related and tech-related industries, community-based organizations focused on the food system and environmental justice, and end-user communities.

As a nonprofit public benefit corporation, *F3 Innovate* will be an entity that is separate and distinct from the entities that form it. It will be able to enter its own contracts and carry out all other activities that an independent entity can under State and federal law. *F3 Innovate* will apply for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and will be able to receive grants and awards of funds as a charitable nonprofit organization.

Participation Benefits to UC

Having two seats on the *F3 Innovate* board enables UC Merced and UC ANR to participate in the direction and oversight of *F3 Innovate*'s activities and management. UC will be invested in the success of this nonprofit corporation, whose purpose is closely aligned with the UC mission of teaching, research, and public service. As recipients of the grant funding mentioned above, UC Merced and UC ANR have a vested interest in the administration and overall success of the *F3 Innovation* initiative.

F3 Innovate will create opportunities for UC faculty research and support the acceleration of UC IP creation, translation, and commercialization, and/or engagement with both startups and corporate partners. *F3 Innovate* will support the nimble translation and commercialization of research through 1) technology transfer agreements with UCM and UC ANR, 2) commercialization activities (e.g., incubation and acceleration) supporting faculty and students, and 3) facilitating and securing funding for industry-university research partnerships.

It also creates new opportunities for student learning, internships, and engagement. The *F3 Innovate* alliance will enhance regional collaboration across institutions and agencies, resulting in greater efficiencies and enhanced benefits to individuals, to UC, and to regional community development.

Links:

[UC Merced News Release](#)

[UC ANR News Release](#)

[Fresno DRIVE News Release](#)

[US Economic Development Administration News Release](#)