



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

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Roll Call

No.:

Submitted by: Richard A. Clark, Deputy City Manager

SUBJECT—

Resolution Approving Loan Documents To BayTSP, Inc.

SYNOPSIS—

Approval of final terms of the loan with BayTSP. On December 20, 2004, by Roll Call 04-2703 the City Council gave preliminary approval to terms of an economic development project with BayTSP, Inc. (BayTSP) (Mark Ishikawa, CEO, P.O. Box 1314, Los Gatos, CA 95031) to open an office at 601 E. Locust, in Des Moines' East Village.

The December 20, 2004 action also included a submission of an application for financial assistance to the Iowa Department of Economic Development. The State has approved their \$800,000 CEBA loan and is presenting the CEBA Contract for approval and execution by the City and BayTSP.

FISCAL IMPACT—

There are two major funding sources for this project. The first is the State of Iowa CEBA award that has no fiscal impact to the City.

The second source is a City of Des Moines economic development loan for \$150,000. This loan will be funded from the Economic Development Enterprise Account and this account will be reimbursed through TIF funds. Should BayTSP be in compliance with all of the terms and conditions of the agreement, one half of the Economic Development Loan (\$75,000) shall be forgiven on April 30, 2010. BayTSP shall repay the other half of Economic Development Loan

(\$75,000) as follows: One lump sum payment in the amount of \$75,000 due upon the earliest to occur of (a) April 30, 2010, (b) the closing of a firmly underwritten initial public offering, or (c) a sale of all or substantially all of BayTSP's business or business assets.

RECOMMENDATION—

Approval

BACKGROUND—

BayTSP, headquartered in Los Gatos, California, has chosen Des Moines as a location to open an additional data/operations center and new office to accommodate future growth. The Company is experiencing tremendous sales growth and needs to invest heavily in infrastructure and human resources to accommodate sales growth.

Founded in 1999, BayTSP has 46 full-time employees providing 24-hour coverage for their clients. BayTSP currently has operations in Los Gatos CA, Austin TX, and Salt Lake City, UT. Des Moines will become the location for the majority of BayTSP's employment growth.

BayTSP has pledged 75 new jobs in Des Moines with an average wage greater than \$50,000. These jobs will be created over a 5-year period. Company officials anticipate establishing their Des Moines office in the first half of 2005. The office will be located at 601 E. Locust in space subleased with a "cousin" company, GCommerce, Inc. The companies are unrelated, but share a common venture capital investor, Acuity Ventures, LLC. The City Council approved an economic development loan with GCommerce on 11/3/03, by Roll Call No. 03-2491.

BayTSP is the market leader in detecting the illegal use and distribution of Intellectual Property on the Internet. BayTSP's web-based software applications search the Internet for three large, diversified markets: Entertainment (Music and Movies), Software, and Financial Services. The Company currently does business with all of the major Entertainment companies. The "software piracy" marketplace is growing as major software companies look to BayTSP to protect them against the escalating problem of software theft and piracy. Software piracy in 2004 is estimated at \$30 Billion. The Company will release an "identity theft" application in the first quarter of 2005 targeting the Financial Services market.

BayTSP has become the standard in tracking Interdiction and other anti-piracy technologies. Interdiction is a process of flooding networks with fake files to obscure the customers' real content. Customers report up to 85% reductions in reported piracy after starting with BayTSP. The Company currently documents over 4 million infringements per/day (and growing) for their customers. The Company was founded in 1999 to help stop the problem of digital theft and assist law enforcement agencies in their fight against crime on the Internet.

The State of Iowa CEBA award is comprised of a \$400,000 forgivable loan and a \$400,000 zero interest loan to be repaid in 60 monthly installments beginning on the first day of the twenty-eighth month after the loan funds are disbursed.