

MINUTES – ANNUAL MEETING
July 27, 2006

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

Michigan Information Technology Center
1000 Oakbrook Drive, Ann Arbor, Michigan 48104

Members Present: Chris Ballman, John Gawlas, Stephen Rapundalo, Michael Reid, Rob Risser, Mickey Katz-Pek, Steve Pierce

Members Excused: Tom Kinnear, Michael Korybalski, Jeff Mason, Richard King

Others Present: Tim Robinson-SPARK, LDFA Recording Secretary, Skip Simms-SPARK, Kurt Riegger-SPARK, Tom Crawford-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Jerry Lax, Atty.-Bodman LLP, Sandi Bird-City of Ann Arbor, Finance, Matt Horning-City of Ann Arbor, Finance

CALL TO ORDER:

Risser called the meeting to order at 8:04 am. A quorum was present.

CONSENT AGENDA:

1. Approval of June 22, 2006 Minutes:

Risser moved, seconded by Reid, to approve the minutes of June 22, 2006. Motion approved unanimously.

2. Year-End P & L Report:

Reid moved, seconded by Risser, to approve the Profit and Loss report and enter the report into the minutes. Motion approved unanimously.

Next Steps: Reid requested adding a separate line item for audit fees in future budgets.

MOTIONS & RESOLUTIONS:

1. Recess for Closed Session:

Reid moved, seconded by Risser, that the regular session of the Board to be recessed for a closed session to discuss a privileged attorney/client communication. Motion approved unanimously.

On roll call, the vote was as follows:

Yeas: Risser, Reid, Pierce, Ballman, Gawlas, Katz-Pek

Nays: 0

Risser declared the motion carried and the meeting recessed at 8:35 am.

Reid moved, seconded by Pierce, that the meeting to be reconvened in open session. Motion approved unanimously and Risser reconvened the meeting at 9:40 am.

2. Election of Officers:

Steve Pierce withdrew from consideration for a subsequent year as Treasurer as a result of certain political aspirations and attendant conflicts of interest.

Recording Secretary:

Reid moved, seconded by Risser, to appoint Tom Crawford as Ex-officio Member and Recording Secretary. Motion approved unanimously.

Reid moved, seconded by Katz-Pek, to adopt as a guideline the rotation of officer positions in the successive order of Treasurer, Vice Chair and Chair. Motion approved unanimously.

Chair:

Katz-Pek moved, seconded by Pierce, to nominate Michael Reid as Chair. Motion approved unanimously.

Vice Chair:

Risser moved, seconded by Katz-Pek, to nominate Mike Korybalski as Vice Chair. Motion approved unanimously.

Treasurer:

Reid moved, seconded by Pierce, to nominate Rob Risser as Treasurer. Motion approved unanimously.

Certain other nominations had been made for the offices of Vice Chair and Treasurer, which were respectfully declined.

The Board acknowledged and thanked Tim Robinson for his services and dedication in the role of Recording Secretary for the LDFA through the date of this meeting.

Next Steps: The Board requested that the list of Board members and Officers distributed for this meeting be corrected for FY 2005/2006, and that an updated list be prepared for FY 2006/2007, both of which should include an Ex-officio members designation. It was also requested that the City of Ann Arbor's website include a location for SmartZone/LDFA Board Minutes and certain LDFA historical information.

3. Payment under 2005/2006 SmartZone Secretarial/Administrative Services Agreement:

Katz-Pek moved, seconded by Gawlas, to approve payment of \$4,000 to WDC (now SPARK) for the administrative services rendered FY 4th Quarter 2006 under the SmartZone Secretarial/Administrative Services Agreement between WDC and LDFA. Motion approved unanimously.

Services that were being provided under this contract would transfer to Tom Crawford's office, City of Ann Arbor, for the fiscal year 2006/2007, without necessity for a written contract.

4. Accelerator 2005/2006 Year End Report:

Katz-Pek moved, seconded by Gawlas, to approve the Accelerator Year End report for FY 2005/2006, as amended for the revised 2006 budget and as per other comments in this meeting, and enter the report into the minutes. Motion approved unanimously.

Next Steps: The Board requested a Business Accelerator report on revenues/expenses by revenue source for the next meeting.

5. Accelerator Payment for the 4th Quarter 2005/2006:

Katz-Pek moved, seconded by Reid, to approve payment of \$62,500 to SPARK for the FY 2006 4th Quarter Accelerator services. Motion approved unanimously.

6. Budget Amendment (Added to Agenda):

Reid moved, seconded by Risser, to amend the FY 2007 Adopted Expense Budget by (\$81,000), to decrease from \$606,000 to \$525,000. Motion approved unanimously.

John Gawlas was excused at 10:20 am.

7. Discussion of FY 2006/2007 Accelerator Contract

Pierce summarized the meetings and issues that had been discussed since the last Board meeting among the ad hoc Budget Committee members and SPARK representatives regarding a proposed Accelerator Contract. The Board discussed these matters.

A new Ad Hoc committee was established: Reid, Ballman, Katz-Pek and Korybalski; Alternate: Pierce. Purpose to discuss proposed Accelerator Contract.

Reid moved, seconded by Risser, to retain the legal services of Jerry Lax, Bodman LLP in connection with service providers for the FY 2007, including the Accelerator Contract. Motion approved unanimously.

Next Steps: Board to meet at the end of August toward Accelerator Contract completion by September 1, 2006. Contract would be effective as of July 1, 2006.

The Board requested that SPARK representatives provide a report on Cantillon for the next meeting.

8. Next Meeting Date

Risser asked the Recording Secretary to provide the board members with the following:

- proposed meeting dates for August Board meeting;
- 7/28/06 Draft Minutes; and
- updated board member contact lists for FY2006 and FY2007.

It was noted that SPARK's Audit Report should be obtained to help prepare LDFA's Audit Report and the SmartZone's Annual Report, and, therefore, it was requested that SPARK's Audit Report be provided to Tom Crawford and the Board.

ADJOURNMENT:

Pierce moved, seconded by Reid, to adjourn the meeting at 11:36 am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – SPECIAL BOARD MEETING
August 21, 2006**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**Picometrix Board Room
2925 Boardwalk, Ann Arbor, Michigan 48104**

Members Present: Christine Ballman, Stephen Rapundalo-Ex-officio, Michael Reid, Rob Risser, Mickey Katz-Pek, Richard King, Michael Korybalski, Tom Crawford-Ex-officio

Members Excused: Tom Kinnear, John Gawlas, Jeff Mason-Ex-officio, Steve Pierce

Others Present: Mike Finney-SPARK, Amy Cell-SPARK, Jerry Lax, Atty.-Bodman LLP, Sandi Bird-City of Ann Arbor, Finance

CALL TO ORDER:

Reid called the meeting to order at 8:19 am. A quorum was present.

APPROVAL OF THE AGENDA:

Risser moved, seconded by Korybalski, to approve the agenda. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of July 27, 2006 Board Meeting:

Risser moved, seconded by Katz-Pek, to approve the minutes from the July 27, 2006 board meeting. Motion approved unanimously.

2. Professional Services Agreement with Bodman, LLP:

Risser moved, seconded by Katz-Pek, to execute a professional services agreement with Bodman, LLP and to authorize Michael Reid, Chair as the primary contact for approving and managing the scope of services to be rendered by Bodman, LLP. Motion approved unanimously.

3. Recess to Closed Session to Discuss Privileged Attorney-Client Communications (Roll Call Vote)

Katz-Pek moved, seconded by Risser, that the regular session of the Board be recessed for a closed session to discuss privileged attorney/client communications. Motion approved unanimously.

On roll call, the vote was as follows:

Yeas: Risser, Reid, Korybalski, Ballman, King, Katz-Pek

Nays: 0

Reid declared the motion carried and the meeting recessed at 8:32 am.

King moved, seconded by Katz-Pek, that the meeting to be reconvened in open session. Motion approved unanimously and Reid reconvened the meeting at 9:42 am.

4. 2006-2007 Agreement with Ann Arbor SPARK:

Risser moved, seconded by Katz-Pek, to approve the Agreement between LDFA and SPARK, including Attachment A (Scope of Work) thereto, in the forms presented to the Board, together with changes discussed in this meeting and such additional changes as the Board members of the LDFA may deem necessary or desirable, and to authorize Michael Reid, Chair, to execute such documents on behalf of LDFA.

Discussion ensued regarding the proposed contract and services. The Board also determined that additional potential services under the Agreement would be discussed in the future and, if appropriate, addressed in subsequent attachments to the scope of work in the Agreement.

Motion approved unanimously.

Next Steps: New business for next board meeting to include discussion of potential incubator feasibility study.

5. Resolution to Authorize LDFA Treasurer to Approve Expenditures Upon Receipt of Invoices from Service Providers Under Contract with the LDFA:

Katz-Pek moved, seconded by King, as amended to replace "Spark" with "contracted service providers" in the first resolution and to delete "between the LDFA and Spark" at the end of the first resolve clause. Motion approved unanimously.

6. 2006 LDFA Annual Report:

Risser moved, seconded by Korybalski, to approve the 2006 LDFA Annual Report in the form presented, together with changes discussed in this meeting, and authorize its release. Amendments included clarification of board members' terms of office, addition of a descriptive/summary paragraph for performance for the year, and description of contract continuance with SPARK. This report should be entered into the minutes. Motion approved unanimously.

Katz-Pek was excused at 10:23 am.

7. Proposed Amendments to LDFA By-Laws (First Reading):

Risser moved, seconded by Ballman, to introduce 3 changes in the by-laws and to vote on the recommended changes at the next board meeting. Proposed changes as follows:

- 1) In Article II, change the LDFA's principal office from 3135 S. State Street, Suite 205, Ann Arbor, Michigan, 48108 to Guy C. Larcom, Jr. Municipal Building, 5th Floor, 100 N. Fifth Avenue, Ann Arbor, MI, 48104;
- 2) In Article IV, delete the clause, "except that no member may serve more than 90 days past the expiration of his or her term";
- 3) Add a provision that authorizes Board action by written consent in addition to action taken in meetings, provided this is permitted by applicable law.

Motion approved unanimously.

8. 2006-2007 Regular Meeting Schedule:

Risser moved, seconded by Ballman, to establish the following 2006-2007 regular board meeting schedule:

October 10, 2006	8:00am – 10:00am
January 9, 2007	8:00am – 10:00am
March 13, 2007	8:00am – 10:00am
April 10, 2007	8:00am – 10:00am
June 12, 2007	8:00am – 10:00am
July 10, 2007	8:00am – 10:00am

*Location of Meetings: City of Ann Arbor, 2nd Floor Council Chambers
100 North 5th Ave, Ann Arbor, MI

Motion approved unanimously.

REPORTS FROM COMMITTEES:

None.

REPORTS FROM SERVICE PROVIDERS:

None.

MOTION TO ADJOURN:

King moved, seconded by Ballman, to adjourn the meeting at 10:52 am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – REGULAR BOARD MEETING
October 18, 2006**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Christine Ballman, Michael Reid, Rob Risser, Richard King, Michael Korybalski, Steve Pierce, John Gawlas, Tom Crawford-Ex-officio

Members Excused: Tom Kinnear, Stephen Rapundalo-Ex-officio, Mickey Katz-Pek, Jeff Mason-Ex-officio

Others Present: Skip Simms-SPARK, Kurt Riegger–SPARK, Sandi Bird-City of Ann Arbor, Finance

CALL TO ORDER:

Reid called the meeting to order at 8:09 am. A quorum was present.

APPROVAL OF THE AGENDA:

Risser moved, seconded by Pierce, to approve the Agenda for this meeting in the form presented at this meeting, as amended per discussion to delete item #8 and move item #12 after item #7. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of August 21, 2006 Board Meeting:

Pierce moved, seconded by Korybalski, to approve the minutes of the August 21, 2006 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

2. LDFA Financial Report:

Gawlas moved, seconded by King, to approve the LDFA financial report in the form presented at this meeting and attached hereto and made a part hereof. Motion approved unanimously.

3. Proposed Amendments to LDFA By-Laws (Second Reading):

Risser moved, seconded by Korybalski, to table the proposal for amendments to the LDFA By-Laws, including documentation for same, to the next regular board meeting. Motion approved unanimously.

4. Resolution to Fund Development of Cantillon Online Entrepreneurial Education Modules and to Establish a Project Budget for the 2007 Fiscal Year:

Gawlas moved, seconded by Korybalski, to approve the Resolution to Fund Development of Cantillon Online Entrepreneurial Education Modules and to Establish a Project Budget for the 2007 Fiscal Year in the form presented at this meeting, as amended per discussion to revise the last resolution to read as follows: "Resolved, that the foregoing resolutions are conditioned upon negotiating appropriate ownership rights and /or legally binding unlimited perpetual licensing, usage and distribution rights to Cantillon consistent with Article III of and concurrent with the execution of an Attachment to the Agreement between the LDFA and SPARK dated effective as of July 1, 2006.

Motion approved unanimously. The approved resolutions are attached hereto and made a part hereof.

5. Resolution to Authorize the Ad Hoc Contract Committee to Negotiate Terms and Conditions of Attachments to the In-force Agreement with Ann Arbor SPARK dated July 1, 2006:

Korybalski moved, seconded by Pierce, to approve the Resolution to Authorize the Ad Hoc Contract Committee to Negotiate Terms and Conditions of Attachments to the In-force Agreement with Ann Arbor SPARK dated July 1, 2006 in the form presented at this meeting and attached hereto and made a part hereof. Motion approved unanimously.

6. Resolution to Fund LDFA/SmartZone Marketing Program and to Establish a Project Budget for the 2007 Fiscal Year:

Risser moved, seconded by Korybalski, to approve the Resolution to Fund LDFA/SmartZone Marketing Program and to Establish a Project Budget for the 2007 Fiscal Year in the form presented at this meeting, as amended per discussion to add "addressing SmartZone marketing projects" following "2006" in the last resolution. Motion approved unanimously. The approved resolutions are attached hereto and made a part hereof.

7. Resolutions to Fund LDFA/SmartZone Website Development, to Establish a Permanent LDFA/SmartZone Budget Committee, to Establish an Audit Committee and to Establish a Nominating Committee (Agenda Items # IX - XI)

Risser moved, seconded by Pierce, to table Agenda items IX through XI, inclusive. Motion approved unanimously.

REPORTS FROM COMMITTEES:

None.

REPORTS FROM SERVICE PROVIDERS:

LDFA Quarterly Report:

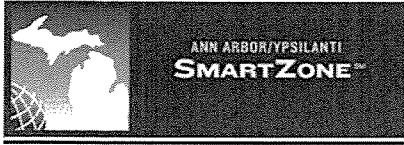
After discussion, Risser moved, seconded by Pierce, to accept the Quarterly Report from SPARK for the quarter ended September 30, 2006 in the form presented at this meeting and attached hereto and made a part hereof. Motion approved unanimously.

MOTION TO ADJOURN:

Risser moved, seconded by Pierce, to adjourn the meeting at 10:51 am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



**MINUTES – REGULAR BOARD MEETING
January 9, 2007**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Christine Ballman, Michael Reid, Richard King, John Gawlas, Mickey Katz-Pek, Jeff Mason-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Rob Risser, Michael Korybalski, Jonnie Bryant, Tom Kinnear, Stephen Rapundalo-Ex-officio

Others Present: Skip Simms-SPARK, Kurt Riegger-SPARK, Sandi Bird-City of Ann Arbor, Finance, Matt Naud-City of Ann Arbor

CALL TO ORDER:

Reid called the meeting to order at 8:11 am. A quorum was present.

APPROVAL OF THE AGENDA:

Katz-Pek moved, seconded by King, to approve the Agenda for this meeting in the form presented at this meeting, as amended per discussion to add item #XB, Ann Arbor Angels, after item #XA. Motion approved unanimously.

MOTIONS & RESOLUTIONS:

1. Minutes of October 18, 2006 Board Meeting:

Gawlas moved, seconded by King, to approve the Minutes of the October 18, 2006 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

2. Steve Pierce - Service to the LDFA:

Katz-Pek moved, seconded by King, to acknowledge and honor Steve Pierce for his service to the LDFA. Motion approved unanimously.

3. LDFA Financial Report:

Katz-Pek moved, seconded by Gawlas, to approve the LDFA financial report in the form presented at this meeting and attached hereto and made a part thereof. After discussion and consideration of the report, motion approved unanimously.

4. Board Nominating Committee:

Reid moved, seconded by Gawlas, to approve the creation of a Board Nominating Committee consisting of Katz-Pek and King. After discussion and consideration of the proposed committee, motion approved unanimously.

5. Resolution to Amend the LDFA By-Laws:

Reid moved, seconded by Ballman, to postpone discussion of the proposal for amendments to the LDFA By-Laws, including documentation for same, to the next regular board meeting. Motion approved unanimously. In this regard, communication dated January 3, 2007 from Mary Joan Fales on behalf of the Ann Arbor City Attorney's Office regarding SmartZone LDFA By-law Amendment Process was provided at this meeting for consideration.

6. Attachment B to the Master Service Agreement with Ann Arbor SPARK:

Katz-Pek moved, seconded by Gawlas, to ratify Attachment B dated effective November 27, 2006 to the Agreement with Ann Arbor SPARK dated effective as of July 1, 2006 in the form presented at this meeting and attached hereto and made a part thereof. After discussion and summary of Attachment, and logistics related to execution of same, motion approved unanimously.

7. Reid recommended moving Agenda item #IX after item #X, and it was so agreed by the Board.

REPORTS FROM SERVICE PROVIDERS:

A: Ann Arbor SPARK: Business Accelerator Status Report

Katz-Pek moved, seconded by Ballman, to accept the Quarterly Report from SPARK for the quarter ended December 31, 2006 in the form presented at this meeting, as amended per discussion. Motion approved unanimously. Ann Arbor SPARK was directed to provide amended report to Board following meeting, with such report, as amended, to be attached to these minutes.

Katz-Pek was excused at 10:00am.

B: Ann Arbor Angels:

Discussion.

Riegger was excused at 10:15am.
Ballman was excused at 10:20am.
Gawlas was excused at 10:23am.

REPORTS FROM COMMITTEES:

A. LDFA Contract Committee: Status Report on FY 2006-2007 Scope of Work:

Discussion ensued during Agenda Item VIII.

OTHER COMMUNICATIONS:

- A. State of Michigan Audit Report
- B. Revenue Impact Analysis: Proposed SBT Replacement

Items A. and B. discussion ensued during Agenda item #V.

- C. Matt Naud, City of Ann Arbor: Potential Partnership/Joint Venture Opportunities

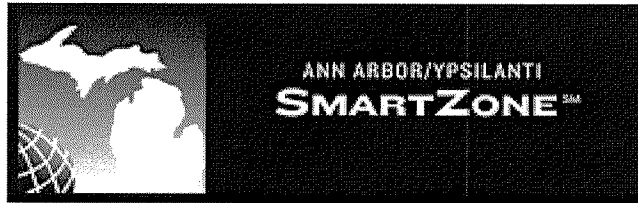
Discussion.

MOTION TO ADJOURN:

Reid moved, seconded by King, to adjourn the meeting at 10:30 am.
(A quorum was not present to carry the motion.)

Respectfully Submitted,

Tom Crawford, Recording Secretary



FINANCIAL SUMMARY

as of December 31, 2006

Smart Zone LDFA
DELIVERABLES
as of December 31, 2006

	<u>ACTUAL</u>		<u>FORECAST</u>		<u>Full Year</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	
Phase I (Screenings)					
<u>Number of Clients</u>					
Actual/Forecast	22	52	40	18	132
Target Maximum	42	42	42	42	120
Actual Over/(Under) Target	(20)	10	(2)	(24)	12
<u>Hours per Client (Avg)</u>					
Actual/Forecast	0.6	1.0	2.0	2.0	1.4
Target Maximum	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	(1.4)	(1.0)	-	-	(0.6)
Phase II (Due Diligence)					
<u>Number of Clients</u>					
Actual/Forecast	10	28	17	6	61
Target Maximum	17	17	17	17	50
Actual Over/(Under) Target	(7)	11	-	(11)	11
<u>Hours per Client (Avg)</u>					
Actual/Forecast	1.5	1.4	5.0	5.0	3.2
Target Maximum	5.0	5.0	5.0	5.0	5.0
Actual Over/(Under) Target	(3.5)	(3.6)	-	-	(1.8)
Phase III (Intensive Advising)					
<u>Number of New Clients</u>					
Actual/Forecast	2	29	8	7	46
Target Maximum	8	8	8	8	25
Actual Over/(Under) Target	(6)	21	-	(1)	21
<u>Billable Hours</u>					
Actual/Forecast	64.2	192.3	320.0	312.0	888.5
Target Maximum	320.0	320.0	320.0	320.0	1,000.0
Actual Over/(Under) Target	(255.8)	(127.7)	-	(8.0)	(111.5)
Sponsorships					
<u>Number of Events</u>					
Actual/Forecast	11	23	10	9	53
Target Maximum	15	15	15	15	40
Actual Over/(Under) Target	(4)	8	(5)	(6)	13

Smart Zone LDFA
FY 2007 FINANCIAL SUMMARY
as of December 31, 2006

	ACTUAL		FORECAST		Full Year	BUDGET	
	Q1	Q2	Q3	Q4		Amount	Forecast Over/(Under) Budget
INCOME STATEMENT							
Revenues:							
Tax Revenue	\$ 317,738	\$ 127,650	\$ 60,000	\$ 20,236	\$ 525,624	\$ 525,000	\$ 624
Investment Income	1,862	5,647	1,709	834	10,052	-	10,052
Total Revenues	\$ 319,600	\$ 133,297	\$ 61,709	\$ 21,070	\$ 535,676	\$ 525,000	\$ 10,676
Expenditures:							
<u>Contracted Services</u>							
Contract Signing	\$ (22,350)	\$ -	\$ -	\$ -	\$ (22,350)	\$ (22,350)	\$ -
Phase I (Screenings)	(1,674)	(6,737)	(11,340)	(11,340)	(31,091)	(32,400)	1,310
Phase II (Due Diligence)	(1,964)	(5,387)	(11,475)	(4,050)	(22,876)	(33,750)	10,874
Phase III (Intensive Advising)	(8,667)	(25,955)	(43,200)	(42,120)	(119,942)	(135,000)	15,058
Boot Camp	-	(10,000)	-	(10,000)	(20,000)	(20,000)	-
Tuition Matching	-	(9,950)	-	(10,000)	(19,950)	(20,000)	50
Sponsorships	(5,500)	(7,500)	(5,000)	(4,500)	(22,500)	(20,000)	(2,500)
Total Contracted Services	\$ (40,155)	\$ (65,528)	\$ (71,015)	\$ (82,010)	\$ (258,708)	\$ (283,500)	\$ 24,792
<u>Other Projected Services</u>							
Entrepreneurial Education	\$ -	\$ -	\$ (31,250)	\$ (31,250)	\$ (62,500)	\$ (90,000)	\$ 27,500
Marketing	-	-	(26,000)	(26,000)	(52,000)	(52,000)	-
Website Development	-	(17,500)	-	(17,500)	(35,000)	(35,000)	-
Incubator Feasibility Study	-	-	(12,500)	(12,500)	(25,000)	(25,000)	-
Legal & Admin. Support	(3,598)	(3,768)	(4,000)	(1,759)	(13,125)	(13,125)	-
Audit Expense	-	-	-	-	-	(500)	500
Other Contingency	-	-	-	(25,875)	(25,875)	(25,875)	-
Total Other Projected Services	\$ (3,598)	\$ (21,268)	\$ (73,750)	\$ (114,884)	\$ (213,500)	\$ (241,500)	\$ 28,000
Total Expenditures	\$ (43,753)	\$ (86,796)	\$ (144,765)	\$ (196,894)	\$ (472,208)	\$ (525,000)	\$ 52,792
Net Increase/Decrease	\$ 275,846	\$ 46,501	\$ (83,056)	\$ (175,824)	\$ 63,468	\$ -	\$ 63,468
Memo:							
Fund Balance (6/30/2006)	\$ 104,261						
Fund Balance (Qtr End)	\$ 380,107	\$ 426,608	\$ 343,553	\$ 167,729			

ATTACHMENT B

This ATTACHMENT B (this "Attachment") amends the Agreement dated effective as of July 1, 2006 by and between the Ann Arbor/Ypsilanti SmartZone Local Development Finance Authority ("LDFA") and Ann Arbor SPARK ("Contractor") (the "Agreement") and supplements the Agreement and Attachment A thereto to comprise additional Scope of Work. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

This Attachment is effective November 27, 2006.

Contractor shall provide the following services on the following terms:

1. Service

Develop, or cause to be developed, five (5) modules of a ten (10) or greater module web-based, interactive, high-tech entrepreneurship curriculum, currently referred to as 'Cantillon Entrepreneurial Education Series' ("Cantillon"). These modules will integrate Michigan-specific training and case studies and utilize an open source model. The complete curriculum shall take an entrepreneur through critical elements of defining and refining his/her business vision and testing its feasibility, incorporating microdeliverables for the entrepreneur to complete and have reviewed and critiqued by a mentor assigned by Contractor.

The following represent the titles of modules for the entire series:

- Technology Entrepreneurship
- The Executive Summary: Communicating the Strategy & Vision
- Building Competitive Advantage and Positioning
- Innovation – Managing the Risk of Product Development
- Management Team
- Business Model & Operating Metrics
- Marketing and Sales
- Financial Plan and Sources of Entrepreneurial Growth Capital
- Leading the Entrepreneurial Venture to Success
- Entrepreneurial Firm Lifecycle

It is understood that the following modules have been completed:

- The Executive Summary: Communicating the Strategy & Vision
- Innovation – Managing the Risk of Product Development

Contractor shall develop, or cause to be developed, the following modules prior to June 15, 2007:

- Building Competitive Advantage and Positioning
- Management Team
- Financial Plan and Sources of Entrepreneurial Growth Capital – **OR** – any other module identified above at the choice of the Contractor

2. Fees and Payment Terms

- Payment of \$13,000 shall be made upon signing of this Attachment and delivery by Contractor to LDFA of an invoice for the completed module entitled “Innovation – Managing the Risk of Product Development”.
- Payment of \$12,000 shall be made upon completion of the module entitled “Building Competitive Advantage and Positioning” and delivery by Contractor to LDFA of an invoice with supporting detail.
- Payment of \$12,000 shall be made upon completion of the module entitled “Management Team” and delivery by Contractor to LDFA of an invoice with supporting detail.
- Payment of \$12,000 shall be made upon completion of the module entitled “Financial Plan and Sources of Entrepreneurial Growth Capital” – OR – any other of the modules identified in Section 1 hereof (other than a module identified in this Section 2) at the choice of the Contractor and delivery by Contractor to LDFA of an invoice with supporting detail.
- Payment of \$4,500 shall be made upon signing of this Attachment and delivery by Contractor to LDFA of an invoice for administrative and management support necessary for the development of these modules.
- Payment of \$100 per Event (Event defined as one hour of an entrepreneur’s and/or his/her colleague’s utilization of one or more modules with assistance by a mentor assigned by Contractor), not to exceed \$9,000 in the aggregate for all Events, and not to exceed \$500 per entrepreneurial entity, payable upon Contractor’s delivery to LDFA of one or more invoices for the completed Events, with supporting detail.

3. Other Terms

- **INTELLECTUAL PROPERTY RIGHTS.** Notwithstanding anything to the contrary in Article III of the Agreement, and as to the work under this Attachment only, the Contractor shall retain rights or ownership to the entire right, title, and interest in any New Inventions developed or produced under or in connection with this Attachment to the Agreement, including, but not limited to, ideas, concepts, know-how, software, materials, methods, and devices (“Cantillon Inventions”), shall have the right to enter into license agreements covering Cantillon Inventions, and shall pass through to the LDFA all rights, titles and interests that are granted or provided to Contractor by licensors, suppliers, partners, co-developers, contractors and sub-contractors of Contractor. The Contractor grants to the LDFA a non-exclusive,

paid-up, royalty-free, irrevocable, worldwide license to sublicense, make, use, sell, offer for sale, import, copy, distribute, modify, perform and display Cantillon Inventions for purposes consistent with the TIF Plan. The LDFA Board agrees to promptly notify the Contractor of any sublicenses to Cantillon Inventions. The rights and obligations in Section 3 of this Attachment and Article III of the Agreement shall survive cancellation or termination of the Agreement and/or this Attachment.

- Contractor shall secure, maintain, defend and enforce reasonable trademark, and copyright protections for the Cantillon project in a manner consistent with and in compliance with Article III of the Agreement.
- Contractor shall make reasonable and good faith efforts to ensure that the Cantillon project can successfully be maintained and continued with the same or better quality, content and robustness in Contractor's absence or dissolution.
- This Attachment shall not be construed as full or partial waiver of any rights or remedies available to the LDFA under the Agreement.

Except as amended hereby, the Agreement remains in full force and effect.

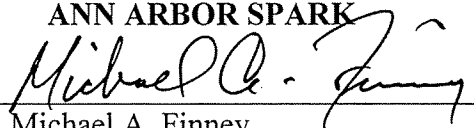
This Attachment shall be effective the date above when signed below by a duly authorized representative of each party hereto.

**ANN ARBOR/YPSILANTI SMARTZONE
LOCAL DEVELOPMENT FINANCE AUTHORITY**

By: 
Michael R. Reid

Title: Chair

Date: NOVEMBER 27, 2006

ANN ARBOR SPARK
By: 
Michael A. Finney

Title: CEO

Date: Nov. 28, 2006

LDFA QUARTERLY REPORT

October 1 - December 31, 2006

Progress Summary

<p>Outline Work Accomplished</p>	<p>101 Companies served MIED Program distributed equipment valued at ~\$390,000 to 13 Ann Arbor life science companies Hired Marketing Director Started 2 units for Cantillon</p>
<p>Work to be Accomplished</p>	<p>Start accepting Pre-Seed Fund applications 10th Entrepreneurial Boot Camp Open Wet Lab Incubator Finish the third unit for Cantillon</p>
<p>Problem – Real or Anticipated</p>	<p>Helping more Phase 3 companies than allowed</p>
<p>Significant Deviation from Scope of Work</p>	<p>Spike in activity from companies in all 3 phases Events are over for quarter but not significantly YTD</p>
<p>Relevant Aspects of Commercialization</p>	<p>All companies past and present in Phase III support are growing</p>
<p>Financial Information in Connection with Scope of Work</p>	<p>Business Services for quarter \$38,078 Maximum 15 Events for \$7,500 Boot Camp on budget</p>

BOLD items are funded in total or partly by LDFA

Business Accelerator Services

October 1 – December 31, 2006

Contract Metrics	Phase 1 : Screened Submissions or Referrals to SPARK	Phase 2: Due Diligence Review	Phase 3: Intensive Support
New Firms : Billable Hrs :	42 New Companies Max per Q 84 Total Hours Max per Q	17 New Companies Max per Q 85 Total Hours Max per Q	8 New Companies Max per Q 320 Total Hours Max per Q
New Client Firms in Phase	52 companies	25 company	10* companies *Three companies engaged with the Business Accelerator as Phase 3 clients this quarter and bypassed Phase 1 & 2.
Pre-Existing Client Firms in Phase	0 companies	3companies	19 companies
Quarterly Program Results for Phase	(1) company advanced to Phase 2 and received Due Diligence Review this quarter.	(7) companies advanced to Phase 3 and received Intensive Support this quarter. Two of these companies were prior Boot Camp attendees.	(0) companies reached the cumulative maximum level of Phase 3 business accelerator services this quarter and graduated out of the program.
Total Companies	51 companies	21 companies	29 companies
Summary New Firms : Billable Hrs : Total Cost:	51 New Companies 50 Total Hours \$6,737	21 New Companies 40 Total Hours \$5,387	29 New Companies 192 Total Hours \$25,955

Entrepreneurs Boot Camp

November 2 and 3, 2006

- 10 Campers participated
 - 12 accepted, 2 dropped out last minute
- Celebration held November 21

Survey of Past Campers started in November

- Update Contact Information
- Current Status of Business
- Revenues
- Fund Raising
- Employees

Business Network Events

15 Maximum per Quarter

- 23 Programs/Events for Entrepreneurs at SPARK Central this Quarter
 - 390 entrepreneurs – 55%
 - 712 total attendance
- Collaborators included
 - GLEQ
 - ITZone

Online Entrepreneurial Education: Cantillon

Project Timeline

“Market Segmentation” scheduled for taping in Jan, finished end of Feb

“Management Team” under development, Scheduled to tape in March

“Entrepreneurial Finance” in May

Usage

An automated process for signup developed and deployed in Nov

- Tracks who is using and designated mentor/coach

Piloted for UM Engineering Class of 130 students in late Nov 06

SPARK initiated usage includes 12 Boot Camp companies and 3 others

Four SmartZones evaluating

Discussions with additional partner organizations: GLEQ and SBAM

Other - Legal

Business level agreements in review for UM CPD, Presenters and potential Smart Zone partners



**MINUTES – REGULAR BOARD MEETING
March 13, 2007**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Rob Risser, Christine Ballman, Michael Reid, Richard King, John Gawlas, Mickey Katz-Pek, Jonnie Bryant, Tom Kinnear, Stephen Rapundalo -Ex-officio

Members Excused: Michael Korybalski, Jeff Mason-Ex-officio, Tom Crawford-Ex-officio

Others Present: Skip Simms-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Elizabeth Parkinson-SPARK

CALL TO ORDER:

Reid called the meeting to order at 8:06 am. A quorum was present. Sandi Bird acted as Recording Secretary for the meeting in Tom Crawford's absence.

APPROVAL OF THE AGENDA:

Katz-Pek moved, seconded by King, to approve the Agenda for this meeting in the form presented at this meeting.

MOTIONS & RESOLUTIONS:

1. Minutes of the January 9, 2007 Board Meeting:

Gawlas moved, seconded by Katz-Pek, to approve the Minutes of the January 9, 2007 board meeting in the form presented at this meeting. Motion approved unanimously.

2. LDFA Financial Report:

The LDFA Financial Report is to be presented at the next board meeting.

3. Resolution to Amend the LDFA Bylaws (Postponed):

A written form of proposed amendments to the LDFA Bylaws was submitted at this meeting, to be reformatted and voted upon at the next meeting.

4. Resolution to Fund Special Forces Training:

Risser moved, seconded by Gawlas, to enter into negotiations with Ann Arbor SPARK to modify Attachment A dated effective July 1, 2006 to the Agreement with Ann Arbor SPARK dated effective July 1, 2006 to accommodate what was described in this meeting as Special Forces Training as a type of Phase III services for the current fiscal year. Motion approved unanimously.

Tom Kinnear was excused at 9:30am.

REPORTS FROM:

A: LDFA Budget Committee: Status Report

Discussion regarding request for funding Special Forces Training was covered under Item 4 above. A meeting of the Budget Committee was to be convened and a proposed budget would be forthcoming.

B: Nominating Committee: Status Report

Discussion ensued regarding status of board member terms and nominations needed.

REPORTS FROM SERVICE PROVIDERS:

A: Ann Arbor SPARK: Business Accelerator Status Report

The Ann Arbor SPARK Business Accelerator Report is to be presented at the next board meeting.

MOTION TO ADJOURN:

Risser moved, seconded by King, to adjourn the meeting at 9:50 am. Motion approved unanimously.

Reid recommended to change the next board meeting date from April 10th to April 17th, 2007.

Respectfully Submitted,

Sandi Bird, Recording Secretary for the Meeting



**MINUTES – REGULAR BOARD MEETING
April 17, 2007**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Michael Korybalski, Christine Ballman, Michael Reid, Richard King, Mickey Katz-Pek, Jonnie Bryant, Stephen Rapundalo-Ex-officio, Tom Crawford-Ex-officio

Members Excused: John Gawlas, Rob Risser, Tom Kinnear, Cindy Douglas-Ex-officio

Others Present: Mike Finney-SPARK, Skip Simms-SPARK, Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Reid called the meeting to order at 8:04 am. A quorum was present.

APPROVAL OF THE AGENDA:

Discussion ensued regarding the Agenda presented by Reid. Items for the meeting included proposed amendments to the LDFA Bylaws, finances, budget and nominating committee status report

MOTIONS & RESOLUTIONS:

1. Minutes of the March 13, 2007 Board Meeting:

Korybalski moved, seconded by Katz-Pek, to approve the Minutes of the March 13, 2007 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

2. Amendment No.1 to the By-laws of the Ann Arbor-Ypsilanti SmartZone LDFA:

Katz-Pek moved, seconded by Korybalski, to approve Amendment No.1 to the By-laws of the Ann Arbor-Ypsilanti SmartZone LDFA in the form presented at this meeting and attached hereto and made a part thereof. A copy of Amendment No. 1 is to be forwarded to the City Clerk of the City of Ann Arbor and the City of Ypsilanti for submission to their respective Councils, and unless objected to by at least one of the governing bodies of the member municipalities within thirty (30) days of the receipt by the Clerk of the governing body of the proposed amendment shall become effective. Motion approved unanimously.

Tom Crawford arrived at 8:50am

3. LDFA Financial Report:

Discussion ensued regarding the third quarter LDFA Financial Report, presented by Tom Crawford.

REPORTS FROM:

A: LDFA FY 2008 Budget Committee: Status Report

Discussion ensued regarding elements of a proposed Fee for Service Contract with Ann Arbor SPARK (Draft form), presented by Mike Finney. LDFA Budget Committee to meet within two weeks to prepare the LDFA proposed budget.

Rapundalo was excused at 9:10am.

B: Nominating Committee: Status Report

Discussion ensued regarding status of board member terms and possible nominees.

REPORTS FROM SERVICE PROVIDERS:

A: Ann Arbor SPARK: Business Accelerator Status Report

Distribution only (no discussion and no action taken). Presented at 6/12/07 meeting

MOTION TO ADJOURN:

Korybalski moved, seconded by King, to adjourn the meeting at 9:47 am. Motion approved unanimously.

Respectfully Submitted,

Sandi Bird, Recording Secretary for the Meeting

AMENDMENT NO. 1
TO
BY-LAWS OF ANN ARBOR-YPSILANTI SMART ZONE LOCAL DEVELOPMENT
FINANCE AUTHORITY

The By-Laws of the Ann Arbor-Ypsilanti Smart Zone Local Development Finance Authority effective January 21, 2003 (the "By-Laws") are hereby amended as follows:

1. Article II – Principal Office is amended to read as follows:

The principal office of the Ann Arbor Ypsilanti SmartZone Local Development Finance Authority shall be that of the government offices of the City of Ann Arbor, currently located at Guy C. Larcom, Jr. Municipal Building, 100 N. Fifth Avenue, Ann Arbor, Michigan 48104.

2. Section 3 of Article IV – Members and Terms is amended to read as follows:

Section 3. Reappointment of Members: Except for initial appointments to the Board, no member shall serve more than one complete (4 year) term. Members shall serve until the appointment of their successor. The Board shall notify the appropriate unit of government at least 60 days prior to the expiration of the member's term.

3. Article XIII – Amendment of By-Laws is amended to read as follows:

These By-Laws may be amended at any regular meeting of the Board by a majority vote, provided that the amendment has been submitted in writing at the previous regular meeting. Any amendment approved by the Board shall be consistent with this Article, to the extent required by the terms of the SmartZone Development Agreement and TIF Plan, and all applicable statutes, resolutions and agreements of the member municipalities. Amendments to the By-Laws, after approval by the Board, shall be provided to member municipalities, and unless objected to by at least one of the governing bodies of the member municipalities within thirty (30) days of the receipt by the Clerk of the governing body of the proposed amendment shall become effective.

Except as amended hereby, the By-Laws remain in full force and effect.

Approved LDFA Board: _____
Date

Filed with City of Ann Arbor: _____
Date

Filed with City of Ypsilanti: _____
Date



**MINUTES – SPECIAL BOARD MEETING
May 10, 2007**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Michael Korybalski, Christine Ballman, Michael Reid, Richard King, John Gawlas, Rob Risser, Stephen Rapundalo -Ex-officio, Tom Crawford-Ex-officio

Members Excused: Tom Kinnear, Mickey Katz-Pek, Jonnie Bryant, Cindy Douglas-Ex-officio

Others Present: Mike Finney-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Reid called the meeting to order at 8:07 am. A quorum was present.

MOTIONS & RESOLUTIONS:

1. Approval of the FY 2008 LDFA Budget:

Risser moved, seconded by Korybalski, to approve the budget committee recommendation of the FY 2008 LDFA Budget, \$1,067,000 in revenues and \$1,067,000 in expenditures, in the form presented at this meeting with the format changes as discussed and attached hereto and made a part thereof, and forward to the respective municipalities for their approval. Motion approved unanimously.

2. Approval of Incubator Study Expenditure:

King moved, seconded by Korybalski, to approve expenditure for FY 2007 work to be performed by SPARK, not to exceed \$10,000, for the Incubator Study and to appropriate from the FY 2007 budget. Motion approved unanimously.

3. Approval of Contract Committee:

Risser moved, seconded by King, to approve a contract committee consisting of the following members: Korybalski, Risser and King. Motion approved unanimously.

MOTION TO ADJOURN:

Risser moved, seconded by Korybalski, to adjourn the meeting at 9:30 am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary

Ann Arbor-Ypsilanti SmartZone LDFA

	2007-2008 Approved Budget	Source of Funds Analysis	
		Recurring Revenues	Non-Recurring Fund Balance
2007-2008 TIF Revenue	\$ 770,000	\$ 770,000	\$ -
Accumulated Fund Balance	\$ 297,000	\$ -	\$ 297,000
TOTAL APPROPRIATIONS	\$ 1,067,000	\$ 770,000	\$ 297,000
Expenditures			
Business Accelerator Services (1)			
Collaboration Networking	\$ (60,000)	\$ (60,000)	\$ -
Phase I - Screening	\$ (30,000)	\$ (30,000)	\$ -
Phase II - Due Diligence	\$ (90,000)	\$ (90,000)	\$ -
Phase III - Intensive Service	\$ (165,000)	\$ (165,000)	\$ -
Sub-Total	\$ (345,000)	\$ (345,000)	\$ -
Entrepreneurs Boot Camp (2)			
Unrestricted Operating Grants	\$ (20,000)	\$ (20,000)	\$ -
Tuition Funding Match	\$ (20,000)	\$ (20,000)	\$ -
Sub-Total	\$ (40,000)	\$ (40,000)	\$ -
Business Incubator (3)			
Lease Subsidy	\$ (76,800)	\$ (76,800)	\$ -
Administrative Support	\$ (41,400)	\$ (41,400)	\$ -
Utilities	\$ (12,000)	\$ (12,000)	\$ -
Maintenance	\$ (4,000)	\$ (4,000)	\$ -
ISP	\$ (6,000)	\$ (6,000)	\$ -
Advertising & Promotion	\$ (9,000)	\$ (9,000)	\$ -
Insurance	\$ (1,380)	\$ (1,380)	\$ -
Renovations	\$ (95,000)	\$ -	\$ (95,000)
Shared Equipment Purchase	\$ (15,000)	\$ -	\$ (15,000)
Sub-Total	\$ (260,580)	\$ (150,580)	\$ (110,000)
Cantillon Web Based Education (4)			
Maintenance & Support	\$ (25,000)	\$ (25,000)	\$ -
Development	\$ (60,000)	\$ -	\$ (60,000)
Sub-Total	\$ (85,000)	\$ (25,000)	\$ (60,000)
Marketing Campaign (5)			
Public Relations	\$ (30,000)	\$ (30,000)	\$ -
Collateral Printing	\$ (22,500)	\$ (22,500)	\$ -
Websites Expenses	\$ (18,000)	\$ (18,000)	\$ -
Sub-Total	\$ (70,500)	\$ (70,500)	\$ -
Business Networking Events (6)			
Sponsorship	\$ (25,000)	\$ (25,000)	\$ -
Sub-Total	\$ (25,000)	\$ (25,000)	\$ -
LDFA Administrative			
Legal Services & Audit	\$ (10,000)	\$ (10,000)	\$ -
Best Practice Consulting	\$ (9,000)	\$ (9,000)	\$ -
Sub-Total	\$ (19,000)	\$ (19,000)	\$ -
Total Allocated Expenditures	\$ (845,080)	\$ (675,080)	\$ (170,000)
Unallocated Expenditures			
Unallocated Operating Contingency	\$ (94,920)	\$ (94,920)	\$ -
Unallocated Fund Balance	\$ (127,000)	\$ -	\$ (127,000)
Sub-Total	\$ (221,920)	\$ (94,920)	\$ (127,000)
TOTAL EXPENDITURES	\$ (1,067,000)	\$ (770,000)	\$ (297,000)

	2006-2007 APPROVED BUDGET						
	ACTUALS			FORECAST	FORECAST	Amount	Forecast Over/(Under) Budget
	Q1	Q2	Q3	Q4	Full Year		
Tax Revenue	\$ 317,737.83	\$ 127,650.00	\$ 23,668.00	\$ 56,057.00	\$ 525,112.83	\$ 525,000.00	\$ 112.83
Investment Income	\$ 1,861.75	\$ 5,647.00	\$ 5,198.00	\$ 4,236.00	\$ 16,942.75	\$ -	\$ 16,942.75
Total Revenues	\$ 319,599.58	\$ 133,297.00	\$ 28,866.00	\$ 60,293.00	\$ 542,055.58	\$ 525,000.00	\$ 17,055.58
Business Accelerator							
Contract Signing	\$ (22,350.00)	\$ -	\$ -	\$ -	\$ (22,350.00)	\$ (22,350.00)	\$ -
Phase I (Screenings)	\$ (1,674.00)	\$ (6,736.50)	\$ (13,871.25)	\$ (10,118.25)	\$ (32,400.00)	\$ (32,400.00)	\$ -
Phase II (Due Diligence)	\$ (1,964.25)	\$ (5,386.50)	\$ (10,665.00)	\$ (15,734.25)	\$ (33,750.00)	\$ (33,750.00)	\$ -
Phase III (Intensive Advising)	\$ (8,667.00)	\$ (25,955.10)	\$ (26,662.50)	\$ (73,715.40)	\$ (135,000.00)	\$ (135,000.00)	\$ -
Boot Camp	\$ -	\$ (10,000.00)	\$ (10,000.00)	\$ -	\$ (20,000.00)	\$ (20,000.00)	\$ -
Tuition Matching	\$ -	\$ (9,950.00)	\$ -	\$ (10,000.00)	\$ (19,950.00)	\$ (20,000.00)	\$ 50.00
Sponsorships	\$ (5,500.00)	\$ (7,500.00)	\$ (7,000.00)	\$ -	\$ (20,000.00)	\$ (20,000.00)	\$ -
Total Contracted Services	\$ (40,155.25)	\$ (65,528.10)	\$ (68,198.75)	\$ (109,567.90)	\$ (283,450.00)	\$ (283,500.00)	\$ 50.00
Entrepreneurial Education	\$ -	\$ (17,500.00)	\$ (12,000.00)	\$ (24,000.00)	\$ (53,500.00)	\$ (90,000.00)	\$ 36,500.00
Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (62,000.00)	\$ 62,000.00
Website Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (25,000.00)	\$ 25,000.00
Incubator Feasibility Study	\$ -	\$ -	\$ -	\$ (5,000.00)	\$ (5,000.00)	\$ (25,000.00)	\$ 20,000.00
Legal & Admin. Support	\$ (3,598.16)	\$ (3,767.60)	\$ -	\$ -	\$ (7,365.76)	\$ (13,125.00)	\$ 5,759.24
Other Contingency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (26,375.00)	\$ 26,375.00
Total Other Services	\$ (3,598.16)	\$ (21,267.60)	\$ (12,000.00)	\$ (29,000.00)	\$ (65,865.76)	\$ (241,500.00)	\$ 175,634.24
Total Expenditure	\$ (43,753.41)	\$ (86,795.70)	\$ (80,198.75)	\$ (138,567.90)	\$ (349,315.76)	\$ (525,000.00)	\$ 175,684.24
Net Increase/Decrease	\$ 275,846.17	\$ 46,501.30	\$ (51,332.75)	\$ (78,274.90)	\$ 192,739.82	\$ -	\$ 192,739.82
Memo:							
Fund Balance (6/30/2006)	\$ 104,261.00						
Fund Balance (Qtr End)	\$ 380,107.17	\$ 426,608.47	\$ 375,275.72	\$ 297,000.82	\$ 297,000.82		

Worst case scenario assumes SPARK will be able to max out the entire unexpended balance for business accelerator activities in Q4. Although possible, it does not seem likely

Includes \$9000 Q4 allowance for Special Forces approved by BOD

Assumes \$0 for Cantillon Support vs. \$9000 allowance
 Budgeted but no contract executed for 06/07 FY
 Budgeted but no contract executed for 06/07 FY
 Assumes \$5K contract for business plan in Q4 for 07/08 incubator



**MINUTES – REGULAR BOARD MEETING
June 12, 2007**

Ann Arbor-Ypsilanti SmartZone Local Development Finance Authority

**City of Ann Arbor, Guy C. Larcom, Jr. Municipal Building, 2nd Floor Council Workroom
100 N. Fifth Ave., Ann Arbor, MI**

Members Present: Michael Korybalski, Christine Ballman, Michael Reid, Richard King, John Gawlas, Rob Risser, Stephen Rapundalo-Ex-officio, Tom Crawford-Ex-officio

Members Excused: Tom Kinnear, Mickey Katz-Pek, Jonnie Bryant, Cindy Douglas-Ex-officio

Others Present: Mike Finney-SPARK, Skip Simms-SPARK, Scott Olson-SPARK, Sandi Bird-City of Ann Arbor, Finance, Roselyn Zator-MEDC, Kurt Riegger-SPARK

CALL TO ORDER:

Reid called the meeting to order at 8:07am. A quorum was present.

APPROVAL OF THE AGENDA:

Discussion ensued regarding the Agenda presented by Reid. Items for the meeting included Minutes of the April 17, 2007 board meeting, Minutes of the May 10, 2007 board meeting, LDFA Financial Report, SPARK reports, and contract and nominating committees' status reports.

MOTIONS & RESOLUTIONS:

1. Minutes of the April 17, 2007 Board Meeting:

Korybalski moved, seconded by King, to approve the Minutes of the April 17, 2007 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

2. Minutes of the May 10, 2007 Board Meeting:

Korybalski moved, seconded by Gawlas, to approve the Minutes of the May 10, 2007 board meeting in the form presented at this meeting, as amended per discussion. Motion approved unanimously.

3. LDFA Financial Report - 3rd Quarter Ended March 31, 2007:

King moved, seconded by Gawlas, to approve the LDFA financial report for the third quarter ended March 31, 2007 in the form presented at this meeting and attached hereto and made a part hereof. Reid noted the financials presented were used as the starting point for the FY 08 budget planning process; however, additional net income was currently forecasted and used for the May 2007 approved recommended budget. The financial report for fiscal year 2007 will show both budgeted and actual figures. After discussion and consideration of the report, motion approved unanimously.

REPORTS FROM SERVICE PROVIDERS:

A: Ann Arbor SPARK: Business Client Outcomes

Mike Finney presented report (draft form) on the expanded reporting of outcomes of SPARK business clients who have gone through the business accelerator (for discussion only). Discussion ensued regarding the draft report, including suggested changes for consideration.

Rapundalo was excused at 8:45am.

B: Ann Arbor SPARK: Business Accelerator Status Report

King moved, seconded by Risser, to accept the SPARK Business Accelerator Report for the quarter ended March 31, 2007 in the form presented at this meeting and attached hereto and made a part hereof. After discussion and consideration of the report, it was noted the Phase III hours are to be reconciled after the 4th quarter in compliance with the proposed amendments to the Agreement dated July 1, 2006 between the LDFA and Ann Arbor SPARK.

Motion revised: Risser moved, seconded by Korybalski to amend/supplement the foregoing motion to authorize the Contract Committee to amend Attachment A to the Agreement dated July 1, 2006 between the LDFA and Ann Arbor SPARK to remove the limits on the quarterly and annual hours of Business Accelerator Services permitted for companies serviced in all 3 phases of Business Accelerator Services while retaining the maximum annual hours of Business Accelerator Services (based on Maximum Fee figures) in the current Attachment A to the Agreement, consistent with the adopted budget. After discussion and consideration of the motion, motion approved unanimously.

Gawlas was excused at 9:55am.

REPORTS FROM COMMITTEES:

A: LDFA Contract Committee: Status Report

Reid reported that the Contract Committee is meeting with intentions to finalize for the Board meeting in July 2007 the proposed Agreement between the LDFA and Ann Arbor SPARK for fiscal year 2008. It was noted by Reid that Jerry Lax of Bodman LLP is providing counsel to LDFA and leading drafting for this project.

B: LDFA Nominating Committee: Status Report

Discussion ensued regarding status of possible nominees, with updating by King. Notification to be forwarded to the respective municipalities for expiring board members' terms.

Risser moved, seconded by Korybalski, to accept Christine Ballman's resignation from the LDFA Board effective June 30, 2007 and acknowledge appreciation for her years of service to the LDFA Board. Motion approved unanimously.

C: Officer Nominations:

Discussion ensued regarding officer nominee recommendations, to nominate for approval at the July 2007 board meeting. It was suggested that the Chair lead the Contract Committee in the future.

OTHER REPORTS:

A: Business Incubator Report:

Mike Finney presented the SPARK Central Business Incubator report, prepared by Factotem Inc., a copy of which is attached hereto and made a part hereof. Finney noted the report provided the framework for establishing the SPARK incubator program to create a network of incubators. Reid recommended the board members read the report and discuss at the July 2007 meeting.

MOTION TO ADJOURN:

Korybalski moved, seconded by King, to adjourn the meeting at 11:12am. Motion approved unanimously.

Respectfully Submitted,

Tom Crawford, Recording Secretary



SPARKCentral
Business Incubator

Version 1.0

Prepared 6/8/07 for

Ann Arbor SPARK

Where Innovation Happens

David C. Bloom, Principal Investigator

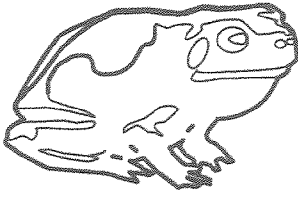
Gary Hessenaur, Financial Consultant

Joey Silvian, Lead Researcher

Ping Yu, Student Intern

Factotem

Factotem Inc
P.O. Box #85
Chelsea, MI 48118
<http://www.factotem.com>
info@factotem.com
+1 734 475 3037



Executive Summary

Ann Arbor SPARK addresses the challenges of innovation-based economic development through its Business Accelerator, Pre-Seed Capital, MIED Equipment Depot, and related programs.

With support from the LDFA, SPARK is developing the SPARKCentral Incubator in the former ITZone space. SPARKCentral is part of a network of Business Incubators that respond to demand for facilities and resources tailored to the needs of entrepreneurial start-ups.

Incubation provides start-up businesses with a base of operations, bridging the gap between the home-office and commercial Real Estate. It is a temporary facility, from which start-ups can conduct business for a few months up to two years. SPARKCentral Incubator clients fall into three broad categories:

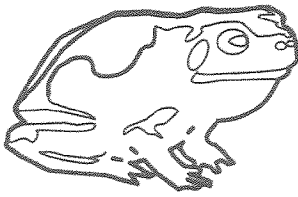
- **Tenants** pay \$395/month for a dedicated cubical at SPARKCentral; a key to the door, security and mail-drop privileges; priority scheduling of shared facilities (conference rooms, training areas), and resources (phone, fax, internet, copier, e.g.). Tenants may stay up to two years.
- **Members** pay \$95/month for access to non-Tenant-occupied cubical, shared facilities and resources, as available, on a first-come, first-served basis. Members enjoy mail-drop privileges, but not security privileges.
- Virtual co-workers currently make use of coffee shops, university space and borrowed conference rooms to conduct business. Virtual co-workers are invited to become **SPARK Supporters**, the new designation for legacy ITZone members. SPARK supporters are eligible to use SPARKCentral facilities, as available, with no priority, mail drop or security privileges.

SPARK anticipates high demand for Incubator Tenant and Member slots, and increased utilization from Supporters. SPARKCentral will expand beyond the former ITZone facility to encompass a SPARK Regional Incubator Network which consisting of SPARKCentral, SPARKNorth (WetLab), and SPARKEast (Ypsilanti). The SPARK Regional Incubator Network operations will be re-evaluated in 2010.

This report describes a framework for establishing and operating the Incubator. Subsequent studies will develop SPARKCentral-specific procedures for managing the facility, administering shared resources, and tracking utilization for Quality and forecasting purposes.

It has been a privilege to research and compile this report. On behalf of the Factotem Team, thank you for your consideration.

David C. Bloom,
Principal Investigator



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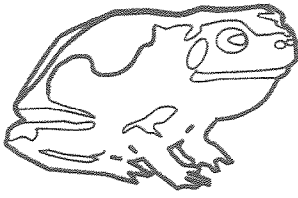
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- i. Budget
- ii. Client Evaluation Samples
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Overview

Ann Arbor SPARK, in collaboration with the Ann/Arbor SmartZone LDFA, is creating incubator programs to facilitate innovation-based business start-ups and to enhance the growth of Michigan job opportunities. The SPARKCentral business incubator, in the former IT Zone, provides a facility and atmosphere for nurturing productive economic and technological development.

SPARKCentral provides space and resources for technology-driven startup firms in their early stages, increasing both the number of firms born and their survival rates. SPARKCentral complements the professional management, marketing and financial advice, patent assistance and technical expertise provided by the SPARK Business Accelerator.

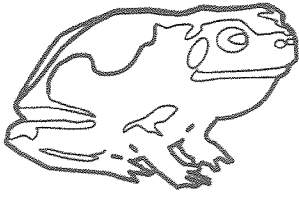
The National Business Incubator Association (NBIA) estimates that North American incubators have created about half a million jobs since 1980 and that every fifty jobs created by an incubator client generate approximately 50 jobs in the same community. ¹

In May, 2007 SPARK engaged Factotem to help create a successful model for the SPARKCentral Incubator, develop operating procedures supportive of the objectives and to be sustainable, and identify "best practices" for similar incubators in select communities. The report describes practices/ benchmarks and operational techniques to assist SPARK in creating a successful environment for client companies and the incubator as a whole.

Many of these practices are consistent with SPARK's mission and programs. Benchmarks and best practices are drawn from SPARK's experience and that of Factotem, from National Business Incubator Association (NBIA) resources, and from primary and secondary research. Sources are footnoted in the text.

The report will cover the following:

- Methodology
- Organizational Structure
- Client Categories
- Client Services
- Client Lifecycle
- Evaluating Tenant/Incubator Performance
- Facilities Development
- Infrastructure
- Lease & Other Agreements
- Building Maintenance
- Budget



Methodology

The report was compiled from incubator literature, review of profiles of incubators in selected states, interviews with incubator managers that are representative of selected states, and the researchers' own expertise in start-up development.

Analysis of Primary and Secondary Research was reviewed with SPARK executives, who contributed organizational development and policy implications. These informed the final report (this document).

The states chosen to be reviewed were Maryland, Colorado, Texas, Ohio and Wisconsin. The questionnaire, interview results with those incubator managers and profiles of those incubators will be found in the Appendix.

Organizational Structure

There will be an incubator executive and an incubator coordinator.

- The **Entrepreneurial Services Executive Director** is responsible for the overall direction of the incubator, setting the policies and procedures for the incubator, and the business accelerator. This part-time position reports to SPARK's CEO.

The Executive Director determines the qualifying criteria for admission, the program direction, and the procedures for client assessment and feedback. This position is also responsible for ongoing program development and improvement.

The Executive Director develops and maintains key relationships with venture capital groups, key industry leaders, governmental organizations, local participating businesses along with national contacts that will be useful in providing resources to assure that the optimum functioning of the incubator.

- The **Incubator Director** is the operations manager of the organization. This full-time position reports to the Business Accelerator Executive Director.

The coordinator maintains the daily operation of the incubator facility; manages the IT infrastructure, client resources, building maintenance and cleaning; provides direct support to the clients and their activities; and maintains financial records.

The coordinator also works with the Executive Director to develop and monitor incubator policies and procedures and assist in determining client progress.



Client Categories

SPARKCentral Incubator clients fall into three broad categories:

- **Tenants** pay \$395/month for a dedicated cubical at SPARKCentral; a key to the door, security and mail-drop privileges; priority scheduling of shared facilities (conference rooms, training areas), and resources (phone, fax, internet, copier, e.g.).

Tenants may be referred by outreach activities of the SPARK Business Accelerator, or they may also be clients of Accelerator business services – though this is not a requirement.

Tenants may stay up to two years, at which point they are expected to leave the Incubator and become commercial Real Estate tenants.

- **Members** pay \$95/month for access to non-Tenant-occupied cubical, shared facilities and resources, as available, on a first-come, first-served basis. SPARKCentral Members enjoy mail-drop privileges, but not security privileges.

Members may also be referred by the SPARK Business Accelerator – though this is not a requirement. In certain circumstances, Members may also be virtual businesses that provide services through SPARK's consultant network.

- Virtual co-workers currently make use of coffee shops, university space and borrowed conference rooms to conduct business. Virtual co-workers are invited to become SPARK **Supporters**, the new designation for legacy ITZone members. SPARK supporters are eligible to use SPARKCentral facilities, as available, with no priority, mail drop or security privileges.

Supporters, as former ITZone members, have a history of networking, training, and as-needed/as-available use of SPARKCentral facilities.

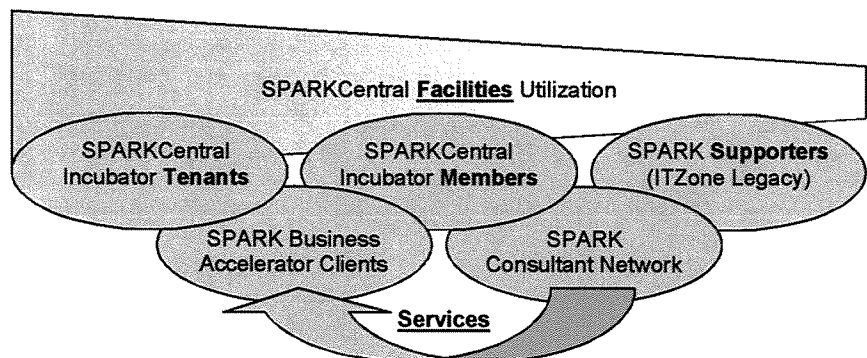
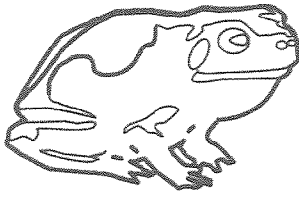


Figure 1: SPARKCentral constituencies and relationships



Client Services

“Effective business incubator managers are proactive in the provision of services. They screen clients, analyze their strengths and weaknesses, help set benchmarks for growth, and bring in mentors and business service providers to provide custom assistance.” 5

Richard Story from the Center for Business & Technology Development (Neotech) in Maryland when asked what are the most effective services that can be provided in an incubator said that “Provide services to incubators and stay out of their way. ‘ Give them support they may not perceive as valuable until they realize its value and can develop this expertise on their own.” Neotech also assigns counselors to meet with the tenants weekly.

Consultants and Business Resources

The SPARK Business Accelerator provides management talent, consulting and technical expertise to select client companies. The SPARKCentral Incubator provides facilities and resources to start-ups. Incubator clients may be Accelerator clients, but it is not required.

SPARK expects that the Business Accelerator will refer Incubator clients, and will coordinate on tracking company status, issues, concerns and needs for additional services and resources. Under certain circumstances, the Incubator may engage consultants for shorter periods of time to address emergent, “just-in-time” projects.

Accelerator Business Resources will be made available to Incubator clients – local attorneys, CPA’s, start-up venture specialists, marketing experts, etc. based on tenants’ needs and requirements.

Seminars/Events

SPARK will welcome Incubator clients to its programs/events, and encourage professional development opportunities – especially those aimed specifically at start-ups. The Incubator will rely on SPARK to present financial programs, funding capital panels, marketing basics, legal considerations and presentations from other start-ups and their keys to success. Incubator clients will be encouraged to apply for the semi-annual Entrepreneur’s Bootcamp.

Networking

One of the most valuable aspects of the SPARKCentral Incubator is that it provides a vibrant and dynamic environment for casual business networking between innovation-based start-ups. Approximately 20% of the overall SPARKCentral facility is considered networking/training space.

SPARKCentral will actively solicit and encourage networking throughout the entrepreneurial community, not just with clients.



Client Lifecycle

*"Your graduates are only as good as your entrance requirements."
__Ed Hobbs, General Manager, Toronto Business Center 2*

A concise screening process, clear criteria and a dose of experience and intuition are required to conduct a successful admission process. Criteria will be developed that will assist in the application and acceptance process.

Tenants must abide by the goals and processes of the Incubator, and fit the profile of an innovation-based business, eligible for admission.

One of the main points that stood out in the interviews was that the applicants would be "coachable."

Entrepreneur applicants will be required to show a business plan or a SPARK New Business Idea form to describe the start-up concepts and the work they have done to date.

Entrepreneur's background, business history, and start-up description are evaluated for their viability, potential to succeed and create additional jobs and increased revenue in our local economy.

The specific applicant-screening and admission process shall be developed in a subsequent study.

Client Acquisition

"It is often very difficult to determine the value of a company when there is little more than a business plan and a piece of intellectual property. This is the reason nobody invests in these kind of companies." __Ray Leach, Chief Executive, Jumpstart 3

"The client acquisition process is an exchange of information whereby the prospective client learns about the facilities and resources available at the Incubator, as well as the details of the application process. 4 SPARKCentral gets the information it needs to determine whether the client passes the established acceptance criteria."

The SPARKCentral web site will cover the categories and acceptance criteria for Incubator clients. Clients will be encouraged to meet with Incubator staff in-person, to review resource requirements, share experience expectations, and discuss acceptance criteria.

SPARKCentral Incubator news and availability will be broadcast via weekly emails, and on the SPARK website. SPARK executive staff will solicit start-up recommendations from SPARK consultants and Venture Catalysts, clients, and networking contacts.



Graduation

Clients graduate from the Incubator when they have been clients for two years, or when they exceed the limit of two cubicles or three employees. Also, the client will graduate if they have acquired sufficient revenue and profitability for success outside the incubator, when they are acquired by another company, or when they have obtained sufficient funding required for rapid expansion.

Tenant Retention

Other situations may occur that would warrant a tenant leaving before graduation – not paying lease payments for two months, not adhering to the policies set up by the incubator or lease agreements, not participating in the resources and coaching provided, or just basic business abandonment by lack of funding or lack of development of a market for the product or service.

A SPARKCentral “handbook” shall be developed in a subsequent project.

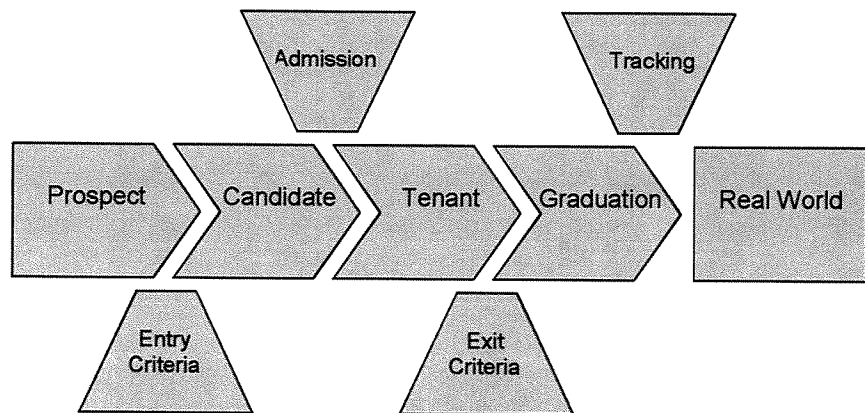


Figure 2: SPARKCentral Incubator Tenant Lifecycle



Evaluating Tenant/Incubator Performance

Tenant Evaluation

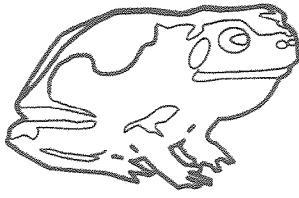
“One of the most misunderstood (and neglected) of the National Business Incubator Association’s (NBIA) industry best practices is ongoing incubator and client evaluation. This is a discouraging fact, but to be successful, incubation programs must have a clear idea of where they’re headed and how well they are meeting their goals.” 6

Ann Lansinger, President of the ETC business incubator, evaluates tenants every six months on strategic intent of the company, knowledge of targeted industry, market engagement, management staffing, etc. She draws a “spider chart” to create a visual to gage each company’s progress. (see Appendix-Client Evaluation Samples) .

Richard Story, who heads NeoTech, uses a “Systematic Entrepreneurship” chart to track clients from an “acceptable business plan” through a plan to action, then reviews if there is a stable platform for growth and then tracks the company through those different stages of growth. (see Appendix-Client Evaluation Samples)

“Effective incubator managers monitor the businesses activities, garnering enough information and feedback from the mentors to determine what is and isn’t working. Effective incubator managers don’t make a referral and walk away, confident they’ve done their job.” 7

For SPARK’s formal evaluations, the plan is to have the tenants submit a quarterly online questionnaire and then follow that up, as needed, with a one-on-one meeting to review their status and provide needed resources. SPARK will develop clear, understandable criteria for these questionnaires and meetings so that there will be standards to review the company status while at the same time being flexible enough to understand, view and adapt those standards to the ever changing situation of a developing business.



Incubator Evaluation

Using the data gathered from those questionnaires and meetings, SPARK will compile a “roll-up” status of all client companies to get a complete picture of SPARKCentral Incubator progress. SPARK consultants and mentors will have frequent on-going contact with those companies in a more informal manner to provide “just-in-time” resources when those needs occur.

“Regular evaluation of all aspects of the program ensures that the incubator meets its goals, evolves with the market, and incorporates new tools and technologies to better serve its clients.” 8

A post-graduation tracking process will be established to monitor the ongoing effectiveness of the incubator. As part of that program, SPARK will also do exit polls of the graduates, asking them rank the most effective resources provided, the kind of experience they had, the contribution of the synergies that the other companies provide along with their relative level of satisfaction with the process.

Tracking data will create a feedback loop to assist in continually improving and refining the incubator processes and procedures. SPARK will also follow-up with graduates yearly for more feedback and use their experiences as case studies for the marketing the Incubator.

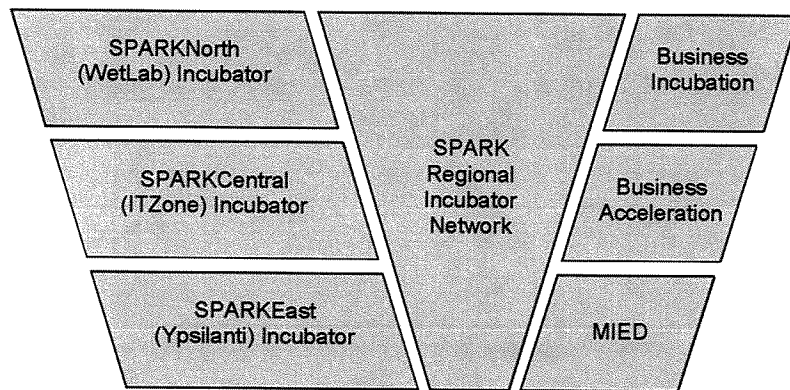


Figure 3: SPARK Regional Incubator Network Development



Facilities Development

- SPARKCentral has two incumbent **Partners**, MichBio, and the Great Lakes Entrepreneur's Quest (GLEQ).
- **Tenants** pay \$395/month for a dedicated cubical. Tenants may stay up to two years.
- **Members** pay \$95/month for access to shared facilities on a first-come, first-served basis.
- **Supporters** are eligible to share facilities, as available.

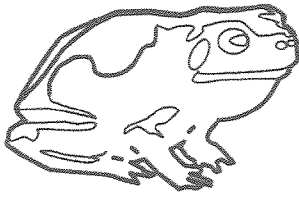
Partners

SPARKCentral partner MichBio has agreed to reduce its footprint from six cubicles to four (not including the Executive Director's office), freeing up two more cubicles for the Business Incubator. MichBio's contribution would be adjusted accordingly (see Budget).

SPARKCentral partner GLEQ will continue to consume one hexagonal cubical, and enjoy the same facility privileges as a tenant.

SPARK will renovate the current SPARKCentral facilities to accommodate 13 cubicles. The tenant rate to be charged to the tenants will be \$395 per cubicle. SPARK will allow a maximum of three people per cubicle. Additional furniture may be available from Pfizer; no additional donations or purchases are assumed.

SPARK's tenant forecast appears in the financial section (Appendix).



Members

There will be companies who have a “home office” that will be interesting in participating in the incubator, but don’t need a “formal space.” This strategy allows the incubator to expand the breadth of clients utilizing SPARKCentral facilities and resources, and increase its reach to entrepreneurs.

By welcoming virtual companies as members, SPARK would be formalizing ad-hoc facility usage that currently happens in a less formal way. Companies come in to use the facility and share in the “experience”, yet are not located in a “formal” office. This may also provide a “waiting room” for clients for whom a physical space in the Incubator doesn’t make sense yet and will give them and SPARK a chance to see how they work and what kind of assistance they might need. This also maximizes the opportunity to assist in creating successful companies and definitely increases SPARK’s visibility and impact in the community by having those companies participate who may not normally participate.

“Virtual incubation – without a physical facility – limits success, because two important ingredients are missing. One is the ‘vital proximal chemistry’ between people that helps build a business; the other is the actual physical agglomeration’ that acts as a magnet for all manner of service providers, investors and, indeed, customers.” 9

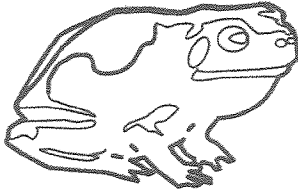
Members would be charged \$95/month, payable monthly in advance. Members would be able to use unassigned tenant space, as well as the training and common areas, and access to SPARK programming and events within SPARKCentral.

Supporters

A small number of legacy ITZone members have availed themselves of the SPARKCentral facility for meetings and virtual office space. These services will be made available to SPARK supporters.

Layout

The current SPARKCentral furniture layout and configuration of the training/presentation space will be updated to accommodate repurposing the space as an incubator.



Infrastructure

Resources

SPARK will furnish the telephone, fax, and the wired and wireless internet network capability in the building. There will one copy machine, to be maintained by outside vendors.

The mail for both the Tenant and Member companies will be collected and distributed to internal non-secure mailboxes.

Conference rooms will be able to be reserved, with a quota system to ensure against squatting/abuse. One conference room may be outfitted with a dedicated computer and videoconferencing camera to offer that capability to the tenants.

Each company will furnish its own computers and be responsible for their maintenance and repair.

Copier will be metered, with keycard access, and maintained by a third-party service.

There will be limited administrative support available, including advice about how to locate local resources (through the Business Accelerator's consultant network, e.g.).

Premium Coffee service (Beaners, Espresso Royale, e.g.) is considered a benefit and an attraction for the facility. Coffee will be made available and the tenants along with a refrigerator.

Security

Tenants will be able to lock their documents in their assigned desk units. As SPARKCentral is a shared-access facility, SPARK assumes no responsibility/liability for computers or materials – this will be explicitly covered in the tenant lease.

Each of Tenants will be given a key and be responsible for their own access code to enable/disable the alarm system. Security guidelines will determine roles and responsibilities, as well as escalation path in case of an incident during- or after-hours.

Members, Supporters and Guests will have access only through one of the Tenants or staff.



Lease & Other Agreements

Tenants will sign year leases but will be able to break their lease with sixty days notice.

Members will sign month-to-month leases. Supporters will pay an annual membership fee.

Client agreements will clearly spell out the standards required during the lease term, including the use of space, common areas, copy machine, etc. and all of the security standards. They will also agree to all of the policies and procedures to be listed in the Incubator Handbook.

A nondisclosure agreement will have to be signed so that the incubator staff can exchange the necessary information with the incubator applicants and clients.

Incubator staff will sign a "conflict-of-interest" agreement so that if there is or becomes any personal involvement with those companies other than consulting duties that will have to be disclosed.

Building Maintenance

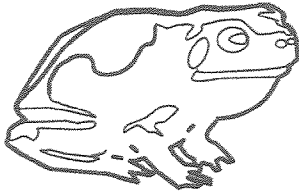
SPARK will maintain the interior of the Building and the clients' leased space in good condition. It will provide janitorial services for the tenants' areas because of the proximity of individual spaces and maintain and have common areas within the building. Any needed repair will be managed by SPARK and done by Landlord approved contractors.

Budget

The budget covers a 24-month period. On the revenue side, the budget projects client acquisition over that term, cubicle rental, members (not supporters), partner lease (MichBio), training area rental and membership fees.

The budget also breaks out the intended initial LDFA support for renovations and equipment, lease and staff support along with the monthly totals for support for clerical staff and lease support.

For the expenses- salaries, benefits, payroll taxes, equipment, insurance, etc. are detailed for the same 24-month period.

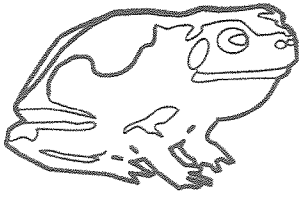


Footnotes

1. Meredith Erlewhine and Ellen Gerl, *A Comprehensive Guide to Business Incubation* (Athens, Ohio: NBIA Publications, 2004) 197
2. Erlewhine and Gerl, p. 127
3. Northeast Ohio Craintech, *Jumpstart Ready to Invest*, Jan 24, 2004, 1
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8. Erlewhine and Gerl, p.26
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9. University of Michigan Office of Tech Transfer National Advisory Board. (2004) Accelerator benchmarking: summary of findings and supporting information. *Unpublished*.



Appendices

Budget

Client Evaluation Samples

Profiles of Incubators Studied

Questionnaire

Interview Results

Profiles of Incubators Studied

Texas

1. Austin Technology Incubator (ATI), Austin, Texas

Ohio

2. Youngstown Business Incubator (YBI), Youngstown

Colorado

3. Business Incubator Center (BIC), Grand Junction, Colorado

Wisconsin

4. T.E.C. Incubator Center, Madison Wisconsin

Maryland

5. Emerging Technology Center (ETC), Baltimore, Maryland
6. Center for Business Technology and Development:
Neo Tech Incubator, Columbia Maryland

Draft SPARK Central Incubator Budget

Factotem Inc SPARK Central incubator financials dcb + gjh, 5/15/07 - 6/7/07													
Revenue	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total
Incubator tenants													
Tenant forecast	2	3	3	5	5	7	7	8	9	9	9	9	
Tenant rate (1)	395	395	395	395	395	395	395	395	395	395	395	395	
Tenant fees	790	1,185	1,185	1,975	1,975	2,765	2,765	3,160	3,555	3,555	3,555	3,555	30,020
Incubator members													
Membership forecast	2	2	4	4	4	6	6	6	6	8	8	8	
Membership rate (2)	95	95	95	95	95	95	95	95	95	95	95	95	
Membership fees	190	190	380	380	380	570	570	570	570	760	760	760	6,080
Training area rental (3)	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Subtotal Revenue	\$1,580	\$1,975	\$2,165	\$2,955	\$2,955	\$3,935	\$3,935	\$4,330	\$4,725	\$4,915	\$4,915	\$4,915	\$43,300
LDFA													
Lease Subsidy	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800
Administrative Support	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	3,450	41,400
Utilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Maintenance	0	0	1,000	0	0	1,000	0	0	1,000	0	0	1,000	4,000
ISP	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Advertising and Promotion	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Insurance	115	115	115	115	115	115	115	115	115	115	115	115	1,380
Renovations	95,000	0	0	0	0	0	0	0	0	0	0	0	95,000
Shared Equipment Purchase	15,000	0	0	0	0	0	0	0	0	0	0	0	15,000
Subtotal LDFA Funding	\$122,215	\$12,215	\$13,215	\$12,215	\$12,215	\$13,215	\$12,215	\$12,215	\$13,215	\$12,215	\$12,215	\$13,215	\$260,580
Partner Leases Contingency (4)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(28,200)
Total Revenue	\$121,445	\$11,840	\$13,030	\$12,820	\$12,820	\$14,800	\$13,800	\$14,195	\$15,590	\$14,780	\$14,780	\$15,780	\$275,680
Expenses													
Salaries (5)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Employee benefits (5)	450	450	450	450	450	450	450	450	450	450	450	450	5,400
Payroll taxes (5)	221	221	221	221	221	221	221	221	221	221	221	221	2,646
Equipment (6)	15,000	0	0	0	0	0	0	0	0	0	0	0	15,000
Insurance	115	115	115	115	115	115	115	115	115	115	115	115	1,380
Legal fees (7)	2,000	0	500	0	0	500	0	500	0	500	0	500	4,000
ISP fees	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Facilities Contingency (8)	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	21,000
Advertising and Promotion (9)	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Marketing Campaign (9)	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	23,500
Utilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Taxes - Property (10)	0	0	0	0	0	0	500	0	0	0	0	1,000	1,500
Lease	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800
Janitorial	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Maintenance	0	0	1,000	0	0	1,000	0	0	1,000	0	0	1,000	4,000
Renovations (11)	95,000	0	0	0	0	0	0	0	0	0	0	0	95,000
Total Expenses	136,894	15,894	17,394	15,894	15,894	17,394	16,394	15,894	17,394	15,894	15,894	18,394	319,226
Net Income (loss)	(\$15,449)	(\$4,054)	(\$4,364)	(\$3,074)	(\$3,074)	(\$2,594)	(\$2,594)	(\$1,699)	(\$1,804)	(\$1,114)	(\$1,114)	(\$2,614)	(\$43,546)
Cash Flow	(\$15,449)	(\$19,503)	(\$23,867)	(\$26,940)	(\$30,014)	(\$32,608)	(\$35,202)	(\$36,901)	(\$38,705)	(\$39,818)	(\$40,932)	(\$43,546)	

Draft SPARK Central Incubator Budget

Factotem Inc SPARK Central incubator financials dcb + gjh, 5/15/07 - 6/7/07													
Revenue	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Total
Incubator tenants													
Tenant forecast	10	10	10	10	10	10	10	10	10	10	10	10	
Tenant rate	395	395	395	395	395	395	395	395	395	395	395	395	
Tenant fees	3,950	3,950	3,950	3,950	3,950	3,950	3,950	3,950	3,950	3,950	3,950	3,950	47,400
Incubator members													
Membership forecast	6	6	6	5	5	5	7	7	7	9	9	9	
Membership rate	95	95	95	95	95	95	95	95	95	95	95	95	
Membership fees	570	570	570	475	475	475	665	665	665	855	855	855	7,695
Training area rental	600	600	600	600	600	600	600	600	600	600	600	600	7,200
Subtotal Revenue	\$5,120	\$5,120	\$5,120	\$5,025	\$5,025	\$5,025	\$5,215	\$5,215	\$5,215	\$5,405	\$5,405	\$5,405	\$62,295
LDFA													
Lease Subsidy	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800
Administrative Support	3,623	3,623	3,623	3,623	3,623	3,623	3,623	3,623	3,623	3,623	3,623	3,623	43,470
Utilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Maintenance	0	0	1,000	0	0	1,000	0	0	1,000	0	0	1,000	4,000
ISP	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Advertising and Promotion	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Insurance	115	115	115	115	115	115	115	115	115	115	115	115	1,380
Renovations	0	0	0	0	0	0	0	0	0	0	0	0	0
Shared Equipment Purchase	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal LDFA Funding	\$12,388	\$12,388	\$13,388	\$12,388	\$12,388	\$13,388	\$12,388	\$12,388	\$13,388	\$12,388	\$12,388	\$13,388	\$152,650
Partner Leases Contingency	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(2,350)	(28,200)
Total Revenue	\$15,158	\$15,158	\$16,158	\$15,063	\$15,063	\$16,063	\$15,253	\$15,253	\$16,253	\$15,443	\$15,443	\$16,443	\$186,745
Expenses													
Salaries	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,800
Employee benefits	473	473	473	473	473	473	473	473	473	473	473	473	5,670
Payroll taxes	232	232	232	232	232	232	232	232	232	232	232	232	2,778
Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Insurance	115	115	115	115	115	115	115	115	115	115	115	115	1,380
Legal fees	0	0	500	0	0	500	0	0	500	0	0	500	2,000
ISP fees	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Facilities Contingency	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Advertising and Promotion	750	750	750	750	750	750	750	750	750	750	750	750	9,000
Marketing Campaign	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	1,958	23,500
Utilities	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000
Taxes - Property	0	0	0	0	0	0	500	0	0	0	0	0	1,500
Lease	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	6,400	76,800
Janitorial	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Maintenance	0	0	1,000	0	0	1,000	0	0	1,000	0	0	1,000	4,000
Renovations	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	16,077	16,077	17,577	16,077	16,077	17,577	16,577	16,077	17,577	16,077	16,077	18,577	200,428
Net Income (loss)	(\$920)	(\$920)	(\$1,420)	(\$1,015)	(\$1,015)	(\$1,515)	(\$1,325)	(\$825)	(\$1,325)	(\$635)	(\$635)	(\$2,135)	(\$13,683)
Cash Flow	(\$920)	(\$1,840)	(\$3,260)	(\$4,274)	(\$5,289)	(\$6,804)	(\$8,129)	(\$8,954)	(\$10,279)	(\$10,914)	(\$11,548)	(\$13,683)	

SPARK Central Incubator Budget - DRAFT

NOTES TO BUDGET

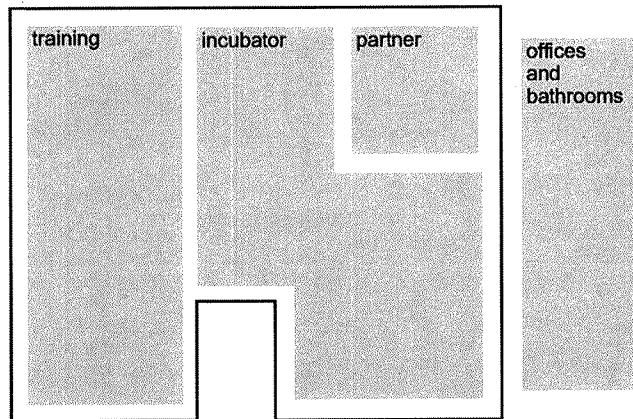
- (1) Cubicle rental rate per unit – Currently estimated at \$395. This may change based on further studies.
- (2) Membership rate per unit – Currently estimated at \$95. This may change based on further studies.
- (3) Rent of training area – This for outside organizations use of area. Amount is based on average 8 rentals per month at rate of 75 each.
- (4) Partner Leases Contingency – included to capture these non-Incubator revenues. Current MichBio partner lease is \$2,500 for one office and six cubicles. MichBio has requested to reduce to office and four cubicles. Estimated revised rent is \$2,000. This is an estimate and final terms need to be worked out. GLEQ Partner rate is \$350 for one hexagonal cubical.
- (5) Support Salary – It is planned that one person will stay on site to service tenants and handle events. Salary is based on current Program Coordinator. Employee benefits and payroll are estimated based on current rates.
- (6) Equipment – startup purchase of \$15K plus an expansion purchase of \$10K at month #19.
- (7) Legal fees – Estimated that we will have some legal fees in beginning to draft leases and policies. After that it is estimated \$500 per quarter for revisions and other support issues.
- (8) Facilities Contingency - included to capture facilities costs (phone, conferencing equipment, coffee, e.g.) that is not covered under the LDFA equipment budget.
- (9) Advertising and Marketing - the incubator shall have a dedicated Advertising and Promotions budget. In addition, the incubator shall consume 1/3 of SPARK's Marketing Campaign budget - PR, collateral, web.
- (10) Taxes – Property – This includes real property taxes which are paid monthly to landlord and 500 per year for personal property taxes.
- (11) Renovations - \$95K @ month #1 pays for initial build-out.

SPARK Central Incubator Budget

SQUARE FOOT ANALYSIS BY AREA

	<u>Total</u>	<u>Partner Lease</u>	<u>Incubator</u>	<u>Training</u>	<u>Walk In</u>	<u>Common Area</u>	<u>Accelerator</u>
Training Area	1,720			1,720			
Large cubical	330	330					
Hexagonal cubical	526		478			48	
Main conference room	342		342				
Offices	570	342					228
Walk in meeting area	1,000				1,000		
Meeting room / storage	228		228				
Sub Total	4,716	672	1,048	1,720	1,000	48	228
Percentage	99.99%	14.25%	22.22%	36.47%	21.21%	1.01%	4.83%
Common Area	2,189	312	486	798	464	22	106
Total Square footage	6,905	984	1,534	2,518	1,464	70	334
Total Operating Cost	209,226	29,815	46,490	76,305	44,377	2,113	10,106
Cost per square foot	30.30	30.30	30.31	30.30	30.31	30.27	30.26

55 7' 4" wide X 7' 6" deep
47.8 6' 10: wide X 7' deap





FINANCIAL SUMMARY

as of March 31, 2007

Smart Zone LDFA
DELIVERABLES
as of March 31, 2007

	<u>ACTUAL</u>			<u>FORECAST</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Full Year</u>
Phase I (Screenings)					
<u>Number of Clients</u>					
Actual/Forecast	22	52	96	40	210
Target Maximum	42	42	42	42	120
Actual Over/(Under) Target	(20)	10	54	(2)	90
<u>Hours per Client (Avg)</u>					
Actual/Forecast	0.6	1.0	1.1	1.0	0.9
Target Maximum	2.0	2.0	2.0	2.0	2.0
Actual Over/(Under) Target	(1.4)	(1.0)	(0.9)	(1.0)	(1.1)
Phase II (Due Diligence)					
<u>Number of Clients</u>					
Actual/Forecast	10	28	17	20	75
Target Maximum	17	17	17	17	50
Actual Over/(Under) Target	(7)	11	-	3	25
<u>Hours per Client (Avg)</u>					
Actual/Forecast	1.5	1.4	2.2	4.0	2.3
Target Maximum	5.0	5.0	5.0	5.0	5.0
Actual Over/(Under) Target	(3.5)	(3.6)	(2.9)	(1.0)	(2.7)
Phase III (Intensive Advising)					
<u>Number of New Clients</u>					
Actual/Forecast	2	29	50	25	106
Target Maximum	8	8	8	8	25
Actual Over/(Under) Target	(6)	21	42	17	81
<u>Billable Hours</u>					
Actual/Forecast	64.2	192.3	197.0	320.0	773.5
Target Maximum	320.0	320.0	320.0	320.0	1,000.0
Actual Over/(Under) Target	(255.8)	(127.7)	(123.0)	-	(226.5)
Sponsorships					
<u>Number of Events</u>					
Actual/Forecast	11	23	14.0	15	93
Target Maximum	15	15	15	15	40
Actual Over/(Under) Target	(4)	8	29	-	53

Smart Zone LDFA
FY 2007 FINANCIAL SUMMARY
as of March 31, 2007

						BUDGET		VARIANCE Explanation
	ACTUALS			FORECAST		Forecast Over/(Under) Budget		
	Q1	Q2	Q3	Q4	Full Year	Amount	Budget	
INCOME STATEMENT								
Revenues:								
Tax Revenue	\$ 317,738	\$ 127,650	\$ 23,668	\$ 56,057	\$ 525,113	\$ 525,000	\$ 113	
Investment Income	1,862	5,647	5,198	4,236	16,943	-	16,943	
Total Revenues	\$ 319,600	\$ 133,297	\$ 28,866	\$ 60,293	\$ 542,056	\$ 525,000	\$ 17,056	
Expenditures:								
<u>Contracted Services</u>								
Contract Signing	\$ (22,350)	\$ -	\$ -	\$ -	\$ (22,350)	\$ (22,350)	\$ -	
Phase I (Screenings)	(1,674)	(6,737)	(13,871)	(5,670)	(27,952)	(32,400)	4,448	Will exceed Q4 forecast.
Phase II (Due Diligence)	(1,964)	(5,387)	(10,665)	(10,800)	(28,816)	(33,750)	4,934	
Phase III (Intensive Advising)	(8,667)	(25,955)	(26,663)	(43,200)	(104,485)	(135,000)	30,515	Several hours billed to MTTC grant.
Boot Camp	-	(10,000)	(10,000)	(10,000)	(30,000)	(20,000)	(10,000)	Timing issue. Q4 will not be billed.
Tuition Matching	-	(9,950)	-	(10,000)	(19,950)	(20,000)	50	
Sponsorships	(5,500)	(7,500)	(7,000)	(7,500)	(27,500)	(20,000)	(7,500)	Cannot bill Q4 since reached annual limit.
Total Contracted Services	\$ (40,155)	\$ (65,528)	\$ (68,199)	\$ (87,170)	\$ (261,052)	\$ (283,500)	\$ 22,448	
<u>Other Projected Services</u>								
Entrepreneurial Education	\$ -	\$ -	\$ -	\$ (45,000)	\$ (45,000)	\$ (90,000)	\$ 45,000	
Marketing	-	-	-	(26,000)	(26,000)	(52,000)	26,000	
Website Development	-	(17,500)	(12,000)	(17,500)	(47,000)	(35,000)	(12,000)	Budget does not reflect amended contract for \$53,500+
Incubator Feasibility Study	-	-	-	(12,500)	(12,500)	(25,000)	12,500	
Legal & Admin. Support	(3,598)	(3,768)	-	(5,759)	(13,125)	(13,125)	-	
Audit Expense	-	-	-	-	-	(500)	500	
Other Contingency	-	-	-	(25,875)	(25,875)	(25,875)	-	
Total Other Projected Services	\$ (3,598)	\$ (21,268)	\$ (12,000)	\$ (132,634)	\$ (169,500)	\$ (241,500)	\$ 72,000	
Total Expenditures	\$ (43,753)	\$ (86,796)	\$ (80,199)	\$ (219,804)	\$ (430,552)	\$ (525,000)	\$ 94,448	
Net Increase/Decrease	\$ 275,846	\$ 46,501	\$ (51,333)	\$ (159,511)	\$ 111,503	\$ -	\$ 111,503	
Memo:								
Fund Balance (6/30/2006)	\$ 104,261							
Fund Balance (Qtr End)	\$ 380,107	\$ 426,608	\$ 375,276	\$ 215,764				

Category	Detail	Fiscal Year			Measureable			\$ Amount
		Incurred		Billed	Unit Descrip.	Number		
		Month	Year	Qtr				
Contract Signing	L DFA & SPARK	1	2006	1	Contract	1	\$ (22,350.00)	
Legal & Admin. Support	Bodeman	1	2006	1	Hours	16.00	\$ (3,539.40)	
Legal & Admin. Support	Katz-Pek	1	2006	2	Hours	0.19	\$ (58.76)	
Legal & Admin. Support	Bodeman	2	2006	2	Hours	17.00	\$ (3,767.60)	
Sponsorships	July-Sept. 06	1	2006	2	Events	11.00	\$ (5,500.00)	
Boot Camp	Nov. 06	2	2006	2	Events	1.00	\$ (10,000.00)	
Phase I (Screenings)	Jul 06	1	2006	2	Hours	1.00	\$ (135.00)	
Phase II (Due Diligence)	Jul 06	1	2006	2	Hours	5.25	\$ (708.75)	
Phase III (Intensive Advising)	Jul 06	1	2006	2	Hours	17.50	\$ (2,362.50)	
Phase I (Screenings)	Aug. 06	1	2006	2	Hours	7.25	\$ (978.75)	
Phase II (Due Diligence)	Aug. 06	1	2006	2	Hours	5.00	\$ (675.00)	
Phase III (Intensive Advising)	Aug. 06	1	2006	2	Hours	20.25	\$ (2,733.75)	
Phase I (Screenings)	Sept. 06	1	2006	2	Hours	4.15	\$ (560.25)	
Phase II (Due Diligence)	Sept. 06	1	2006	2	Hours	4.30	\$ (580.50)	
Phase III (Intensive Advising)	Sept. 06	1	2006	2	Hours	26.45	\$ (3,570.75)	
Phase I (Screenings)	Oct. 06	2	2006	2	Hours	18.45	\$ (2,490.75)	
Phase II (Due Diligence)	Oct. 06	2	2006	2	Hours	25.15	\$ (3,395.25)	
Phase III (Intensive Advising)	Oct. 06	2	2006	2	Hours	43.00	\$ (5,805.00)	
Phase I (Screenings)	Nov. 06	2	2006	3	Hours	16.45	\$ (2,220.75)	
Phase II (Due Diligence)	Nov. 06	2	2006	3	Hours	9.00	\$ (1,215.00)	
Phase III (Intensive Advising)	Nov. 06	2	2006	3	Hours	87.51	\$ (11,813.85)	
Phase I (Screenings)	Dec. 06	2	2006	3	Hours	15.00	\$ (2,025.00)	
Phase II (Due Diligence)	Dec. 06	2	2006	3	Hours	5.75	\$ (776.25)	
Phase III (Intensive Advising)	Dec. 06	2	2006	3	Hours	61.75	\$ (8,336.25)	
Tuition Matching	Nov. 06	2	2006	3	Companies	10.00	\$ (9,950.00)	
Sponsorships	Dec. 06	2	2006	3	Events	15.00	\$ (7,500.00)	
Website Development	Dec. 06	2	2006	3	Modules	1.00	\$ (13,000.00)	
Website Development	Dec. 06	2	2006	3	Support	1.00	\$ (4,500.00)	
Phase I (Screenings)	Jan. 07	3	2007	3	Hours	15.00	\$ (2,025.00)	
Phase II (Due Diligence)	Jan. 07	3	2007	3	Hours	25.25	\$ (3,408.75)	
Phase III (Intensive Advising)	Jan. 07	3	2007	3	Hours	54.25	\$ (7,323.75)	
Website Development	Feb. 07	3	2007	3	Modules	1.00	\$ (12,000.00)	
Phase I (Screenings)	Feb. 07	3	2007	3	Hours	54.00	\$ (7,290.00)	
Phase II (Due Diligence)	Feb. 07	3	2007	3	Hours	23.25	\$ (3,138.75)	
Phase III (Intensive Advising)	Feb. 07	3	2007	3	Hours	78.25	\$ (10,563.75)	
Phase I (Screenings)	March 07	3	2007	3	Hours	33.75	\$ (4,556.25)	
Phase II (Due Diligence)	March 07	3	2007	3	Hours	30.50	\$ (4,117.50)	
Phase III (Intensive Advising)	March 07	3	2007	3	Hours	65.00	\$ (8,775.00)	
Boot Camp	March 07	3	2007	4	Events	1.00	\$ (10,000.00)	
Sponsorships	March 07	3	2007	3	Events	14.00	\$ (7,000.00)	